

Black money: RBI set to scrap Rs 1,000 currency note?

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By: [FE Online](#) | New Delhi | Updated: October 13, 2016 12:30 PM

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It was almost two years back that the Reserve Bank of India ([RBI](#)) had announced its plan to phase out all currency notes issued before 2005. The central bank gave three-month time to exchange old notes for new, after which all such kind of exchanges, particularly for larger denominations, would need address proof and identity. The step was taken apparently to block fake notes, as they were mostly from pre-2005 vintage. However, did [black money](#) have anything to do with it?

Since it was a pre-election season, there was always a fear about the large flow of illicit money during polls. RBI had the pressuring of going easy. It extended the deadline to turn in

old notes beyond 2014 general elections. Certainly, the central bank would have denied any connection of its deferral to polls.

Currency notes are the preferred mode for moving of illegal money. During election time, money spend in India is far more than prescribed official limits, the issue which the Election Commission has raised time and again, the opinion added.

In most countries, the role of cash is diminishing. Instead of it, Credit and debit cards, prepaid cards, digital wallets, online money transfers are being encouraged. In India too, most transactions are now done electronically.

According to an opinion that appeared in the livemint website, the granting of payments bank licences along with the coming up of Internet will lead to speedy proliferation of digital and mobile payments, and a smaller role for cash. Even microfinance companies in India have moved to cashless disbursal and collection.

The opinion, therefore suggest that both Rs 500 and Rs 1, 000 notes be phased out from the country. It argues that discontinuation of the Rs 1,000 rupee note will surely make an impact on the black money stock. Therefore, It is time has come to bid adieu to the big note.