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The mechanics of currency management

By ET Bureau | Updated: Nov 16, 2016, 12.34 AM IST

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Bharatiya Reserve Bank Note Mudran Pvt, a wholly-owned subsidiary of RBI, prints currencies at its two presses in Mysuru and Salboni. Government-run Security Printing and Minting Corporation of India also prints currency notes among other government documents.

RBI gets new currency notes from printing presses

RBI distributes notes and coins through bank branches and called chests

RBI's currency management system has 19 issue offices, 4,075 currency chests and 3,746 small coin depots

Currency chests and coin depots are managed by commercial, cooperative and regional rural banks

SBI manages the highest no. of currency chests – 1965

The Process

An econometric model factors in real GDP growth prospects, rate of inflation and denomination-wise disposal rate of soiled notes

Indian Statistical Institute, Kolkata, studies to refine the demand estimation model that helps RBI forecast demand for currency notes

RBI studies incremental needs, replacement needs, reserve needs

Currency flows like this
 Printing presses → RBI offices → currency chests → bank branches → public

Currency moved in specially-built trucks accompanied by RBI officials

Banks officials are responsible for movement from chest to a branch

Chests distribute currencies to branches depending on specific demand

Branches demand currencies based on business volume

Banks replenish cash into ATM machines based on daily withdrawal propensity

Many banks outsource the task of replenishing off-site ATMs

Last Years

Last two years, printing presses supplied lower amount compared with the indent value

In 2015-16, 21.2 billion pieces of currency notes were supplied, indent was for 23.9 billion pieces

In 2014-15, 23.6 billion pieces were supplied against an indent of 24.2 billion pieces

Total spends for security printing was at ₹34.2 billion during 2015-16 (July-June) against ₹37.6 billion during 2014-15

The Plan Ahead

RBI is planning a hub and spoke model of mega-currency chests to improve currency distribution

Proposal to set up an ink manufacturing unit as part of 'Make in India'

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