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RESERVE BANK OF INDIA

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Reserve Bank says introduction of ₹ 200 notes will facilitate ease of transactions

Introduction of a new currency denomination and design is done keeping in consideration various factors like ease of transactions for the common man, replacement of soiled banknotes, inflation and the need for combating counterfeiting.

Providing the Missing Link

The optimal system of denominations of currency (coins and notes) is one that would minimize the number of denominations and concurrently increase the probability of proffering exact change. So, what should be the optimal mix of currency denominations? Many countries have opted to use a near variation of the Renard Series, i.e., 1:2 or 1:2.5 ratio between adjacent denominations of currency, which means that the denomination should be twice or two and half times of its preceding denomination. Such a ratio allows exchange of value ordinarily in a maximum of three denominations. In India, we have currency denominations of ₹ 1, 2, 5, 10, 20, 50, 100, 500 and 2000. As such, in the lower end of the denomination series, ₹ 200 is the missing one.

Ease of Facilitating Exchange

To achieve the optimal system of currency that would minimize the number of denominations while increasing the probability of proffering exact change, especially at the lower end of denominations, there is a logical need to introduce the missing denomination of ₹ 200, which will make the present currency system more efficient. Provision of the new denomination, therefore, would facilitate exchange, particularly for the common man who deals with denominations at the lower end.

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