

## APPENDIX A

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### Currency: Changes and Challenges

Under the Reserve Bank of India Act (section 22), the Bank has the 'sole right' to issue currency notes in India. Bank notes in circulation and those held by the Banking Department constitute the liabilities of the Issue Department of the Reserve Bank, and are backed by assets specified in section 33 of the Bank Act. These include gold coin and bullion, foreign securities, rupee coins which constitute the liability of the Government of India, the latter's rupee securities, and other eligible bills of exchange and promissory notes payable in India. Currency formed two-thirds or more of money supply throughout our period, and currency in circulation rose steeply from Rs 1,230 crores in July 1951 to Rs 3,052 crores at the end of June 1967. In addition, these years witnessed a significant change in the composition of the assets of the Issue Department. In July 1951, gold coin and bullion and foreign securities made up 54 per cent and Government of India rupee securities another 42 per cent of the assets of the Issue Department. By June 1967, the former proportion had come down to less than 10 per cent, while the latter had risen to 88 per cent. The circumstances attending this change and the considerations and compulsions necessitating the amendments made to section 33 of the Bank Act in 1956 and 1957 have already been discussed.

This appendix will therefore be concerned mainly with some aspects of the Bank's currency issue and management operations during our period. The triumph of fiat money meant that the internal management of currency became merely a logistical question from being an economic one. However, a well-managed currency system remains an integral part of a smoothly functioning economy. It was particularly crucial during our period because of the existence of a large non-monetized sector. The promotion of monetization depended on public confidence in the currency, and although this was fundamentally influenced by economic factors, the Bank could not afford to ignore considerations of popular psychology in managing the logistics of currency. Currency management has therefore remained a major preoccupation of the

central bank, a large proportion of whose staff was, and continues to remain, deployed in this activity. The latter also involves an elaborate system of distribution of notes through thousands of currency chests in all parts of the country. As noted earlier, currency chests also provided the basis for the spread of remittance facilities throughout the country.

#### DESIGNING CURRENCY NOTES

Designing currency notes is a continuous process, and it formed a major part of the Bank's currency responsibilities during our period as well. Safeguarding against forgeries and the exchange for gain of notes mutilated in particular ways were among the important considerations influencing the design of currency notes. But equally during these years, the changing design of Bank notes reflected a variety of other factors.

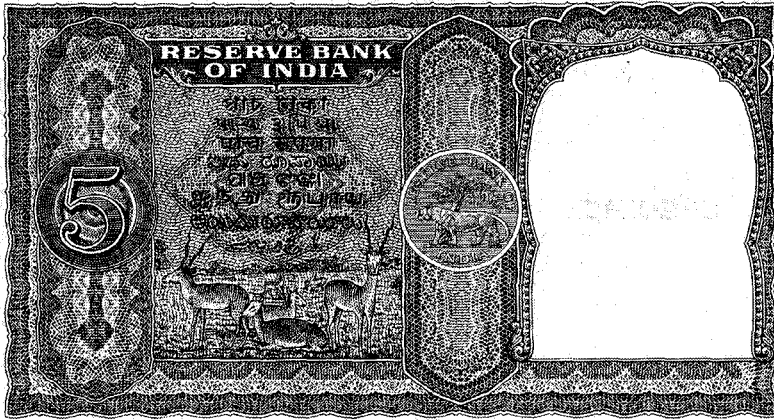
The inauguration of the Republic on 26 January 1950 and the vesting of sovereignty in its citizens was reflected in the replacement of the head of the king-emperor in new Bank (and one-rupee government) notes by the Ashoka Pillar emblem. The political and constitutional changes of the preceding decade led to a growing demand from the early fifties for currency notes to carry their value in different languages. Since 1935, the value of Bank notes was expressed besides English, in Urdu, Hindi, Bengali, Telugu, Tamil, Kannada (Canarese in the records), Gujarati, and Burmese. The demand to include Oriya in Bank notes became irresistible even in the 1940s and the opportunity presented by the separation of India's monetary arrangements from those of Burma was taken to substitute Burmese with Oriya on Bank notes printed after 1948. Not long afterwards, the omission of other languages included in the Eighth schedule to the Indian Constitution, viz. Assamese, Kashmiri, Malayalam, Marathi, Punjabi, and Sanskrit, came in for public comment and criticism.

Space was a constraint. But within a few years the Bank came round to the view that there were advantages to printing values in these languages. Finally in 1958, the Finance Minister and the Governor decided that new Bank notes would carry their values in all the fourteen languages included in the Eighth schedule in the order in which they were listed there. This decision was first implemented on 100-rupee notes in December 1960 after state governments authenticated the renderings of notes' values in their respective languages. This was an important precaution. The rendering on the Bank's notes of the Hindi number 'five' had been faulted in the past, and earlier notes also referred to the Hindi plural expression for rupees as *rupiah* rather than as *rupaiye*.

The security paper used for printing Bank notes was imported, and efforts commenced in the early-sixties to reduce the size of currency notes as a means of saving paper and foreign exchange. But the smaller designs took

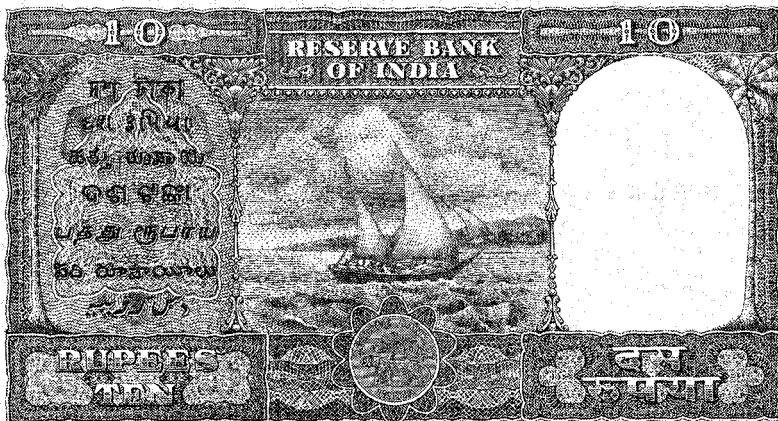
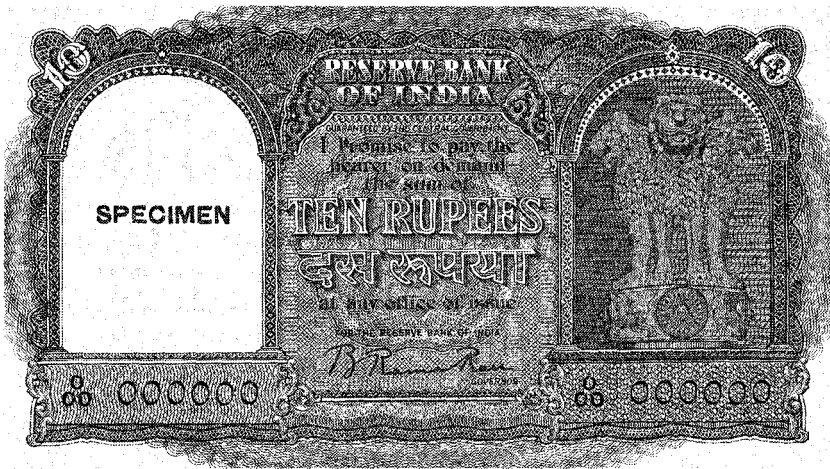
nearly five years to finalize, with even the Union Cabinet at one stage making detailed suggestions to the Bank on the size of the new notes. As part of this reform the Bank considered introducing 50-rupee notes to reduce the demand for its ten-rupee notes, but the Union Cabinet did not accept the suggestion because it was felt to be inconsistent with the objective of economizing on security paper.

The smaller notes were put into circulation in April 1967. At one stage in the mid-sixties, the Bank estimated the annual savings arising from them at 17 per



Five-rupee note issued in 1950 with value in Hindi (*panch rupaiah*) wrongly spelt; size: 73 x 127 mm; green and brown with Ashoka pillar emblem

cent of the paper cost, or a princely sum of Rs 44 lakhs. The one-time cost of the exercise to reduce notes' sizes was never computed. The smaller notes were quickly felt to present a cluttered appearance. There was some text printed on currency notes which the passage of time had rendered superfluous. Initially the Bank proposed removing the words 'guaranteed by the Central Government', but the suggestion was not implemented for fear of adverse public reaction. The expressions 'for the Reserve Bank of India' below the Governor's signature and 'at any office of issue' were dropped. The Bank also proposed deleting the 'promise to pay' clause. Not only had the expression lost its meaning with the



Ten-rupee note issued in 1950 with value in Hindi expressed as *rupaiyah*;  
size: 83 x 146 mm; violet and brown with Ashoka pillar emblem

abandonment of any kind of domestic convertibility, it did not, as the Bombay High Court confirmed, have any legal meaning. Besides, Bank notes in several countries did not carry such a clause. But it was feared this change too, would give rise to public confusion, and in the end only the expression 'on demand' in the 'promise to pay' clause was dropped. The Bank's liabilities were thus in form still at variance from what they were in fact. That an opportunity to eliminate the anachronism was missed illustrates the misgivings officials at the Bank and in the government harboured during these years about a largely unlettered public's faith in the country's currency.

#### DEALING WITH HIGH DENOMINATION NOTES

A major feature of currency management during these years was the reintroduction in 1954 of notes in denominations of Rs 1,000, Rs 5,000, and Rs 10,000. High denomination notes were de-monetized by an ordinance in 1946, but the idea of reissuing them commended itself to the Bank when the Rural Banking Enquiry Committee (1950) remarked on the need to provide adequate facilities for converting and exchanging notes and coins throughout the country. The Bank felt that while the problem could be tackled partly through ensuring that the Imperial Bank and state governments augmented the handling and storage capacities of their branches and treasury offices respectively, the reintroduction of high denomination notes would help reduce the physical quantity of notes in circulation. The bill to promote the reissue of high denomination notes was passed by Parliament in December 1953 amidst fears of members that they would encourage 'black-marketeers'. The Bank commenced the issue of Rs 1,000, Rs 5,000, and Rs 10,000 notes from April 1954. These notes were completely different in their design, watermark, and colour scheme from the pre-1946 notes. The new 1,000-rupee proved the most popular of the three, its circulation by the end of the year amounting to Rs 32 crores, compared with Rs 5 crores for the 5,000-rupee note and Rs one crore for the 10,000-rupee note. With the introduction of the new high denomination notes, there was some decline in the proportion of 10-rupee and 100-rupee notes in circulation.

Until 1956, it was the practice for notes of denominations of Rs 100 and above in circulation to be 'registered' in the books of the Issue Department. Under the Bank's note refund rules, a mutilated currency note in the 'registered' category could be exchanged only if its number was visible on the presented portion or, where such notes were lost or destroyed, the claimants were in a position to declare the number. In order to meet such claims without any loss to itself, special registration sections in the Bank's Issue Offices maintained a record of all 'registered' notes issued and cancelled.

'Registered' notes were still in vogue in several countries, but they made up a negligible proportion of the total circulation. In India, however, 100-rupee notes made up nearly two-fifths of the total circulation. The introduction of high denomination notes in 1954 was expected to reduce the demand for 100-rupee notes and ease the work of the registration section. But thanks perhaps to public fears of demonetization of the new notes, this expectation was not fully realized, with the circulation of 100-rupee notes falling merely from Rs 620 crores in 1952 to Rs 550 crores at the end of 1955. With the increase in their use, the public did not find it practicable to keep a record of the 100-rupee notes in their possession. In any event, work in the registration sections of the Bank had expanded so greatly and fallen into arrears to such an extent that 'registration' no longer facilitated the settlement of claims.

The Bank's managers and currency officers favoured getting rid of the cumbersome system. The issue came to the fore in 1953 when the Kanpur office of the Bank asked for more 'registration' staff and a strongroom for cancelled notes, and the Bombay office wanted to replace old punching machines used for cancelling numbers on 100-rupee notes. Officials at the Bank were convinced that registration had outlived its usefulness and that it should be abandoned. As for the danger of forgeries, more complex design and better quality paper were felt to be better safeguards than registration.

The Bank's executives did not wish to rock the boat. Registration arrears continued to pile up, and by the end of 1954 they amounted to 1,65,000 working days. With necessity staring it in the face the Bank finally abandoned registration from July 1956.

Within a year, however, the Finance Secretary proposed reintroducing note registration and tightening note refund rules as a safeguard against forgeries. The Bank felt a security thread was the safer precaution, but was moved to reopen the subject in 1959 following the increased circulation of counterfeit 100-rupee notes printed reportedly in Pakistan, the Middle East, and South Africa. The basic design of the 100-rupee note had remained almost unchanged since 1950, and the Master of the note press himself thought a change was overdue. Reviving registration too, was considered but never pursued seriously both because of the enormous work it involved, and the problems that would be posed by the notes issued or exchanged during the 'dark' period, in Ambegaokar's words, of over two years during which registrations had been discontinued. Registration now made sense only if its introduction coincided with that of newly designed 100-rupee notes, and all the old notes were demonetized forthwith. Since this too would have created enormous organizational problems, not to talk of avoidable panic and unrest, the Bank advised the government against resorting to so drastic a measure.

## THE ISSUE OF ONE-RUPEE NOTES

One-rupee notes are issued by the Government of India. Unlike the Bank's notes which constitute the liabilities of its Issue Department, one-rupee notes and coins are included among the latter's assets. One-rupee notes were a response to the wartime shortage of silver for coinage in India. They were first issued in India in 1917, following perhaps the precedent set by the introduction in Britain of the so-called 'Bradbury' treasury notes three years earlier. These notes were convertible into silver rupees, though in fact, the shortage of silver during the war came in the way of the government carrying out this obligation. One-rupee notes were issued again during the second world war to overcome the shortage of rupee currency, but these were not convertible into silver rupees.

The Bank advised the government in 1956 to demonetize currency notes which had the former king-emperor's head as part of their design, and to use the opportunity to demonetize similar one-rupee notes. There was however a hurdle which stood in the way of adopting the latter suggestion, since the 1940 ordinance authorizing the issue of one-rupee notes did not provide for their demonetization. The law ministry held that the absence of a suitable provision in an emergency ordinance did not stand in the way of the Bank taking over the issue of one-rupee notes by suitably amending its Act and thereafter, if necessary, demonetizing them. The alternative was to amend section 15A of the Indian Coinage Act, 1906 which dealt with the demonetization of metallic coins, to secure the powers to demonetize one-rupee notes as well.

The Bank examined the proposal to take over one-rupee notes in 1940, but the idea had to be dropped at that time since it violated the Burma Monetary Arrangements Order, 1937 and would have been inapplicable there. Thereafter, and until the end of the war, this proposal lay in abeyance since one-rupee notes were regarded as a temporary arrangement, but was revived after 1945 when their issue did not cease. The Bank had no objection in principle to issuing one-rupee notes, but there was a practical difficulty in that nickel and quaternary rupee coins too, were in circulation and the reform would lead to the anomaly of two agencies issuing legal tender of similar denomination. Further, if the Bank took over the notes, rupee coins would also have to be excluded from the assets of the Issue Department and treated as small coins. In considering this proposal, the Bank estimated that the proposed reform would create a shortfall of nearly Rs 117 crores in the Issue Department, out of which about Rs 14 crores were in the form of quaternary and nickel rupees. In addition, eligible assets would have to be found against the 75 crore one-rupee notes in circulation.

The question was therefore deferred until the Bank's gold reserves were revalued. But when this was done in August 1956, the profits from revaluation were used at the Bank's insistence to strengthen its reserves. The only alternative now was to make good the shortfall by issuing ad hoc treasury bills or special rupee securities, and the Bank now took the view that ensuring conformity between the actual and juridical separation of the functions of the Bank and the government was not a sufficient argument for the reform. The Bank had already started withdrawing one-rupee notes with the king's head from circulation, and their demonetization no longer posed the same legal problems as before. Ambegaokar's own inclination was to 'let sleeping dogs lie'. Besides, he pointed out, metal prices could rise again in the event of war and necessitate the issue of one-rupee notes. The Bank's economists also pointed out that India was not alone in issuing small denomination notes and that many countries adopted this practice in various degrees and forms. Besides, in several countries the authority to issue notes vested in both the central bank and the government. But the economists, unlike Ambegaokar, preferred 'centralizing' the note issue at the Bank to the 'present hybrid system' since it was more in accord with 'modern trends' and made currency management easier. According to S.L.N. Simha, even the practice of the government issuing one-rupee coins to the Bank to the tune of Rs 5 crores each year was anomalous. Besides amounting to deficit financing by the 'back door', the Bank now held hoards of one-rupee coins for which there was no public demand. In the end, however, the Bank chose not to pursue proposals to take over the issue of one-rupee notes and to hold in abeyance the demonetization of the older king's head notes.

#### INTRODUCING DECIMAL COINAGE

Decimal coinage was first mooted in 1870 when the Indian Weights and Measures Act was passed into law. In 1944 a Mint Masters' conference made the same suggestion as part of a post-war coinage programme, but the proposal failed to overcome the resistance of the Bombay and United Provinces governments and of trade and industry associations. Despite this, a bill to amend the Indian Coinage Act to provide for decimal coinage was introduced in the Legislative Assembly in February 1946, but this bill soon lapsed. A special committee of the Indian Standards Institution constituted in 1949 to study the introduction of the metric system of weights and measures also recommended this reform, but to little immediate avail. Meanwhile, coinage in Burma where internal conditions were no less unsettled than those in India went decimal in July 1952, prompting the Indian Banks' Association to request the Bank to take up the overdue reform with the government. The Bank



merely forwarded the association's suggestion to the government without itself expressing an opinion.

In 1953, a private member's bill on decimal coinage was introduced in the Council of States. The government opposed the bill because its subject was already being considered by an inter-ministerial committee. With the Bank too, not wishing to pursue a stance independent of the government, decimal coinage was relegated to the background until April 1955 when the Union Cabinet decided in principle to introduce it along with the metric system of weights and measures. Since adequate time had to be given to the mints to build up sufficient stocks of the new coins, it was proposed to implement the reform from April 1956.

The Indian Coinage (Amendment) Bill, 1955 was introduced in the Lok Sabha early in May 1955, but was passed only in September 1956. The original proposal was to divide the rupee into 100 *cents* instead of 192 pies. But with members objecting to the former term, the government was moved to change it to *naye paise*. The implementation of the new Act was put off to 1 April 1957, when a new series of seven units (namely one naya paisa, 2, 5, 10, 25, 50, and 100 naye paise, the last amounting to one rupee) were issued. There were no exact equivalents in the new series for the old pice and pie and for quarter, half, one, and two annas. The transition to the new system was remarkably smooth for a country the majority of whose population was unlettered, and was a tribute to the intensive educational and propaganda campaigns which preceded and accompanied it. The older coins already in circulation were allowed to be legal tender for about three years after the new coinage was introduced and were thereafter gradually withdrawn from circulation. The prefixes *naya* and *naye* were discontinued in 1963.

#### INDENT, ISSUE, AND MANUFACTURE OF NOTES

The memorandum of procedure on the printing and distribution of notes by the currency note press at Nasik Road stipulated that the Bank would send to the government twice every year, indents showing the number of pieces of notes of different denominations required for each currency circle. The first period, which was referred to as Period A, ran from April to September, and indents for this period were sent in the middle of January each year. Period B ran from October through March, and indents for this were sent in the middle of July. Each indent reflected forecasts of the probable demand for notes of each denomination during the next three periods based on detailed monthly statements of note consumption submitted by the Bank's currency officers. The Bank's issue offices were also normally expected to hold three months' stock of Government of India one-rupee notes and six months' stock of notes of other

denominations. But for a variety of reasons, the Nasik press could not meet the Bank's indent in full from the 1950s. Consequently, the latter had to make do with notes in quantities which fell far short of requirements and in denominations which were not in demand, very low stocks, and old and 'reissuable' notes.

The rising demand for currency notes from the mid-fifties first tested the capacity of the note press. With capacity expansion lagging behind the growth in demand, the Bank was moved to maximize the salvage of 'reissuable' notes returning from circulation. Salvage operations proceeded rather slowly, and in order to speed things up the Bank persuaded commercial banks in 1955 to follow the international practice of accepting against their own requirements, reissuable notes lodged by them under guarantee with the Bank. The long-term solution lay in expanding note-printing capacity in India, but even as this was substantially achieved by the early sixties, a fresh bottleneck cropped up in the form of shortfalls, thanks to foreign exchange and capacity problems, in the import and availability of note paper. A short-term palliative was to match the denomination mix of its indents with the denomination mix of the note paper in stock at the Nasik press. This focused the shortage on two-rupee (and 100-rupee) notes and led to a relative excess supply of five and ten-rupee notes.

The question of manufacturing currency note paper in India to ensure its uninterrupted supply had engaged the attention of the Bank and the government since the 1930s. It was pursued in earnest during the second world war. But difficulties of locating a suitable place with perennial freshwater supply in the vicinity of the Nasik Printing Press and of procuring and shipping the necessary machinery under wartime conditions halted further progress.

The idea was revived in 1949 when the Bank's legal competence to set up a security paper mill either by itself or in association with other investors was explored. Section 17(15) of its Act allowed the Bank to manufacture and issue Bank notes. Section 19(1) prohibited it from engaging in any trade, commerce, or manufacture, while section 19(2) barred the Bank from purchasing shares in any company. But the Bank's section 17 activities being precluded from the application of section 19, it was opined that manufacturing security paper for printing Bank notes was incidental to the latter activity, and there could be no objection to the Bank setting up a security paper mill either by itself, in partnership with another investor, or by acquiring a stake in a company floated for that purpose. But by the same argument, legal experts maintained, the output of the mill would have to be consumed entirely in printing the Bank's notes and could not be used to manufacture one-rupee notes, government securities, or stamp paper.

In May 1950 Portals, a British firm which for over 100 years had supplied note paper to India, offered to set up a small pilot security paper plant if the

government met its cost. The government advised the firm to conduct the experiments at its own cost. With the gradual monetization of the Indian economy and the rising demand for currency in India, the Bank's total annual indent in 1951 of 1,300 million pieces was expected to nearly double by 1966. Proposals to set up a security paper mill received a fillip in 1956, with the Finance Minister, C.D. Deshmukh, directing that they should be pursued in right earnest. But the mill became a casualty of the foreign exchange crisis which broke out the following year. The Estimates Committee of Parliament (39th Report, 1958-59) regretted the project's lack of progress and suggested that annual foreign exchange savings of Rs 1.25 crores would have soon compensated for the one-time expected outgo of twice that amount.

Plans to set up a security paper mill thus revived in the early sixties as a means of saving foreign exchange. With the Union Cabinet approving the project, a contract was awarded to Portals in March 1962 to erect a mill in Hoshangabad with three machines at a cost of nearly Rs 6 crores. This mill, which for reasons discussed below opened with two machines, was commissioned in June 1967.

With the shortage of note paper intensifying in the meantime, in 1964 the Governor, P.C. Bhattacharyya, impressed upon Finance Minister T.T. Krishnamachari the urgent need to release foreign exchange for importing sufficient paper to produce at least 3,300 million note pieces annually. Some currency offices were functioning with less than a month's stock of notes against the normal practice of holding six months' stock, and Bhattacharyya warned TTK that while it was important to conserve foreign exchange, economy in this particular area could have serious consequences. But it soon turned out that Portals too, experienced difficulties in stepping up their supply of note paper. Bhattacharyya's intercession, this time directly with the British firm, led to a solution by which it offered to increase monthly shipment from 6,800 reams to 10,000 reams if the Bank agreed to divert some of the machinery intended for the Hoshangabad mill to its own works. This was not expected to delay the commissioning of the Hoshangabad mill since the replacement equipment would arrive in India within ten months. Bhattacharyya consented to the arrangement on the condition that it would involve no further delay or any cost escalation. The government, for its part, released additional foreign exchange for Rs 90 lakhs to import paper, while the Bank intensified its efforts to recycle reissuable notes, scrutinize indents received from the chests more closely, supply to them the minimum possible quantity of notes, arrange salvages wherever possible at the chests themselves, and effect inter-chest diversions of notes.

Until 1923 India had obtained her supplies of printed postage stamps and currency notes from either Thomas de la Rue, an English firm, or the Bank of

England. The Inchcape Committee (1922) departed from its retrenchment brief to recommend setting up a government printing establishment to meet the demand for security documents. Since experts in intaglio printing were not easily available, India decided at that time to adopt the surface printing method (lithography). Repeated efforts by the representatives of the English firm to persuade India to adopt the intaglio method failed to make any headway in the 1930s and 1940s. Lithography along with the 'security thread' was considered by the press Masters to provide adequate safeguard against forgery, while the higher cost of the intaglio technology was a powerful argument against its adoption. However, in 1949 the Finance Minister, John Matthai, formed a committee with the Secretary, K.G. Ambegaokar, as its chairman. The Deputy Governor, N. Sundareshan, represented the Bank on this committee which also included, oddly enough, a representative of Thomas de la Rue. The latter was naturally committed to his company's technology, and it was clear from the beginning that he would not sign any report which condemned its proposal outright. After some effort, Sundareshan managed to produce a draft report which was acceptable both to the English company and to the Bank and the government, neither of whom were enthusiastic about the intaglio method. As Ambegaokar remarked in a note to the Finance Minister in May 1950, though the report was framed in a 'spirit of compromise', its unmistakable conclusion was that there was 'no justification for a change at present'. The English company continued to pursue its objective with an intensity which won it few friends in India immediately, with Deputy Governor Ambegaokar, for example, suspecting in November 1955 that an article in a trade magazine critical of the Bank's notes was 'part of the offensive that de la Rue were carrying out to induce the Government to give them the work of printing our note'.

In 1960, the Governor, H.V.R. Iengar, visited the printing works of the Bank of England and the Portals factory. He also met a representative of de la Rue who was earlier a senior official in the Finance Department of the colonial Indian government. Iengar learnt from these meetings that authorities in Britain and the USA no longer attached much importance to the watermark alone but depended more on a type of printing similar to intaglio. His unease about the security aspects of the Indian note issue was underlined by the detection of a sophisticated operation to forge currency notes in Coimbatore the same year. The government was more inclined now to consider other note-printing technologies, but cited foreign exchange difficulties to rule out any new projects.

Thomas de la Rue, meanwhile, remained unremitting in their efforts to take India along the intaglio path. In November 1964, representatives of the firm met Bhattacharyya, officials of the government, and the Master of the

Nasik press to discuss doubling the latter's capacity to meet the estimated note demand (worked out by the Bank's economists) of 7,000 million pieces by 1974–75. The company's representatives proposed setting up a new press to print notes using the direct plate impression (intaglio) method in combination with an offset lithographic press. The quality of notes, they also argued, should be improved to embody the benefits of recent developments in the field. Irked by the patronizing tone of the company's presentation, the Master of the Nasik press maintained that barring intaglio printing (which India could not yet afford) the quality of notes printed at his press by the wet offset method was comparable to that produced anywhere else in the world. Moreover, he retorted, the five-colour offset press promoted by de la Rue was identical to the dry offset press manufactured by Giori, a Swiss firm. The Bank thereupon decided to examine what Giori could offer, only to learn three months later from the firm's Indian representatives that it had meanwhile merged with Thomas de la Rue. The latest turn of events only intensified officials' misgivings about de la Rue. 'I am afraid this does not speak well of the dealings of the firm', N.D. Nangia, the Chief Accountant, remarked. 'We must [now] take particular care to see that they would be offering to us their new and latest machines and not passing on to us ... obsolescen[t ones].'

While matters were thus poised, the Bank received proposals from some American firms. Two proposals were considered at this stage. The first was to set up a press at or near Hoshangabad where the security paper mill would soon go into production, while the second involved adding to the capacity of the Nasik press. The American equipment for the new press was found to be too expensive, nor was there any certainty in December 1965 of the US government extending the necessary financial assistance. With the government not in favour of expanding note-printing capacity at Nasik, the scales began once again to tilt in favour of de la Rue-Giori.

A decision was soon taken in principle to offer the contract to this company. But the government was gripped by second thoughts almost immediately, as it grew attracted to the idea of introducing a new and lighter one-rupee coin in preference to that of setting up a new press. Although the latter was intended to print notes in all denominations, one-rupee notes accounted for more than 40 per cent of the total quantity of notes printed, and a new mint would therefore help relieve the capacity constraint at the Nasik press.

According to the government's estimates, the foreign exchange cost of establishing a new printing press would amount to over Rs 5.6 crores. In addition, expanding the paper mill was expected to involve a net foreign exchange outgo of Rs 4.7 crores, while paper imports needed until the country's paper manufacturing capacity was raised sufficiently, would cost another Rs 10.5

crores. In addition to the foreign exchange cost of Rs 20.8 crores, the cost of printing notes was put at Rs 12 crores. Against this, the foreign exchange cost of switching over to rupee coins was estimated at Rs 18 crores until 1974–75. The rupee cost of increasing the production of one-rupee coins was negligible because a second shift at the Calcutta and Bombay Mints would suffice for the purpose. It cost Rs 344 to mint one thousand pieces of one-rupee coin in pure nickel, each of which had a life of 40 years. The average life of notes was about six months, and their circulation was judged to be 3.7 times costlier than that of coins. In addition, the value of metal used in coinage was fully recoverable. The country's total dependence on imported nickel was an argument against embarking on the project, but the strategic danger of this was felt to be negligible since Canada was the principal source of supply.

For reasons that are not clear, the idea of replacing one-rupee notes with coins of the same denomination was not pursued despite its advantages. In the end, therefore, the Finance Ministry's rethinking only delayed the plan to set up a new press and did not cause its abandonment. The proposal for a new press was revived in 1969. In January 1970, de la Rue's several decades of effort finally paid off, and the firm was awarded the contract to set up an intaglio press at Dewas in Madhya Pradesh.

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