

Chapter 40

EXCHANGE, COINAGE AND CURRENCY

40.1 Coinage and Currency: Under the Coinage Act 1906, the Government of India is charged with the responsibility of the production and supply of coins to the Reserve bank Of India (RBI). The RBI places an annual indent for this purpose and the Government of India draws up the production programme for the India Government Mints on the basis of the indent. The Mints which are situated at Mumbai, Hyderabad, Kolkata and Noida have rich minting heritage and legacy of producing quality products. These mints are carrying out minting of all coins circulated in the country. India Government Mints (IGM) offer comprehensive range of services covering every stage of the minting process - from planning to the finished products. Utilization of advanced technology, innovation, quality and reliable delivery methods are some of the components of strength of these mints. IGMs have made a niche in the minting world - with excellence in design, expertise in minting precious metals, and above all, a long tradition of craftsmanship.

40.2 Coins in India are presently being issued in denominations of one rupee, two rupee, five rupee and Ten rupee Coins upto 50 paise are called small coins, and coins of Rupee, one and above are called 'Rupee Coins'. Coins can be issued up to the denomination of ₹ 1000 as per the Coinage Act, 1906. Coins are received from the Mints and issued into circulation through its Regional Issue Offices/sub-offices of the Reserve Bank and a wide network of currency chests and coin depots maintained by banks and Government treasuries spread across the country. There are 4075 currency chest branches and 3746 small currency depots spread throughout the country. The currency chests and small coins depots distribute coins to the public, customers and other bank branches in their area of operation. The members of the public can approach the RBI offices of the above agencies for requirement of coins.

40.3 **Currency:** Currency Note Press, Nasik Road and bank Note Press, Dewas are engaged in production of bank Notes for our country as well as for foreign countries, using state of the art technology. More than 40% of the currency Notes circulated in India is printed by these units. Both the Currency Note printing Presses are ISO 9001:2000 & ISO 14001:2004 certified units having fool-proof accounting of security items, stringent security systems with ultra-modern eco-friendly efficient treatment facilities and complemented by a service department to ensure maximum in-transit security.

Foreign Exchange Reserves

40.4 The deregulation of financial markets has accelerated the pace of financial innovations and brought forth the need for regular and timely flow of qualitative financial statistics for pursuing sound macro-economic policies as well as promoting financial stability. The **Reserve Bank of India , (RBI)** has the primary responsibility of collection, compilation and dissemination of data relating to foreign exchange reserves. The data are based on actual balances as per RBI records. India's foreign exchange reserves comprise **foreign currency assets (FCA), gold, special drawing rights (SDRs) and reserve tranche position (RTP) in the International Monetary Fund (IMF)**.The foreign currency assets, consisting of various currency holdings are converted into US dollar using the New York closing exchange rates. Gold is valued close to the international market prices. Conversion of SDRs into US dollar is done at the rates released by

IMF. The level of foreign exchange reserves is largely the outcome of the Reserve Bank of India (RBI) intervention in the foreign exchange market to smoothen exchange rate volatility and valuation changes due to movement of the US dollar against other major currencies of the world. Foreign exchange reserves are accumulated when there is absorption of the excess foreign exchange flows by the RBI through intervention in the foreign exchange market, aid receipts, interest receipts and funding from the International Bank for Reconstruction and Development (IBRD), Asian Development Bank (ADB), International Development Association (IDA) etc.

40.5 Exchange Rate: The exchange rate is a key financial variable that affects decisions made by foreign exchange investors, exporters, importers, bankers, businesses, financial institutions, policymakers and tourists in the developed as well as developing world. Exchange rate fluctuations affect the value of international investment portfolios, competitiveness of exports and imports, value of international reserves, currency value of debt payments, and the cost to tourists in terms of the value of their currency. Movements in exchange rates thus have important implications for the economy's business cycle, trade and capital flows and are therefore crucial for understanding financial developments and changes in economic policy.

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Sources & References:

- Ministry of Finance, Government of India
- Reserve Bank of India