



STUDY OF EVOLUTION INDIAN CURRENCY NOTES

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ABSTRACT

In recent years, India has witnessed emergence of virtual currencies. Indian society is accommodating itself with digital currencies. It is now required to study the base of all transaction processes and financial activities happening in India at the verge of such transformative era. This paper provides insight into the development and evolution of Indian Banknote. Studying history of currency notes gives us a space to develop more secure and convenient systems. Analysis of evolution of currency helps pragmatic decision makers to look into insight our cultures and study cross-cultural possibilities. Although digital currencies have intruded Indian markets, paper currency still dominates most portion of Indian financial transactions. According to the Reserve Bank of India sources, the circulation of banknote to GDP number is consistently rising and it is approaching to the pre-demonetization level of 11.9 percent. This amount is very substantial as compared to the global economic superpowers like United States of America, European Union and Japanese economy. Therefore, it makes prerequisite to study Banknote of India, the principal aspect of financial transactions in this nation.

KEYWORD: Indian Currency, Coins, Banknote, Evolution.

1. INTRODUCTION

Currency is a medium of exchange, where buyer and seller can trade with each other by satisfying both participants in the business of goods and services. The currency carries a particular value which is accepted by both trading parties. Usually, currencies are managed and controlled by governments across the globe. Government produces currency and decides its value. It can reduce or increase supply of currency in a market. Quantity of currency in a system can decide the percentage of inflation persistent in economy.



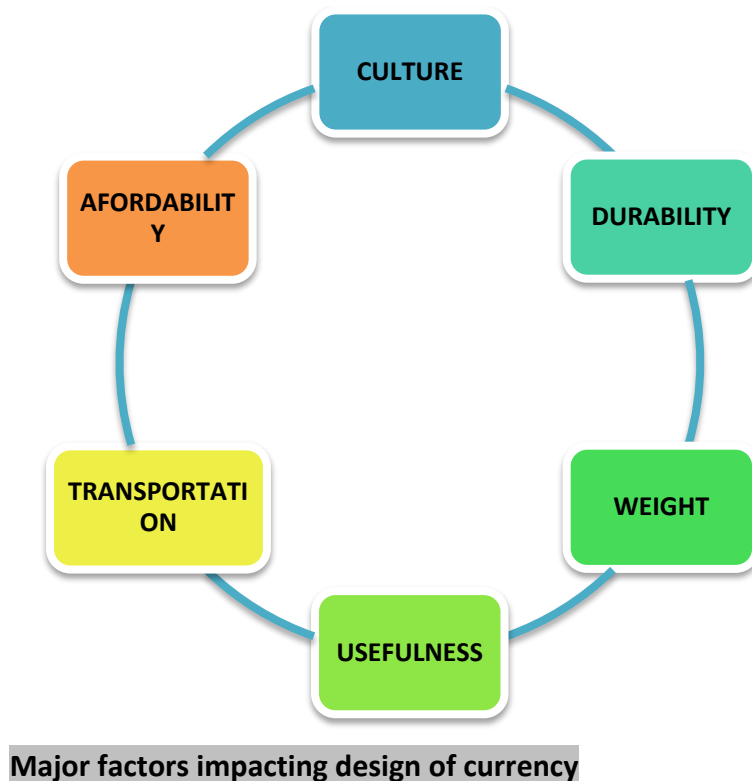
Circulation of currency facilitates trade. Larger the circulation, higher will be economic growth. Deficiency of currency circulation in a system can lead to recession, which have counterproductive effects such as hunger, malnutrition and poverty. Any currency has its own value. Its possession gives purchasing power to the consumer. More the money a person have, higher socioeconomic prospects he achieves. Banknote keeps its value same irrespective of position of the person carrying it in a society. This provides chance for a poor to acquire strength by its possession. State can diminish the value of currency. Also, State can control the masses by production and distribution of currency.

Evolution of currency is a continuous and consistent process. It has been impacted by many physical, political, socio economic and historical factors of the concerned time period when particular currency had been designed. Hence, it becomes very important to study the evolution of Indian banknotes so that the future currency can be designed well.

21st century has witnessed a major change with spread of virtual a currency. Still need of paper currency has maintained its dominance. According to the Reserve Bank of India, the cash to GDP ratio is consistently increasing in India. It had reached a low of 8.8% in March 2017, on the contrary it raised to 10.9% in March 2018 and further 11.4% by March 2019. Also, Reserve Bank of India data shows that there is ₹20.49 lakh crore cash in the system by September 2019. This amount is 13.3 percent more than September 2018. At present, all these parameters show that the currency notes have still deep rooted the Indian economy. (3,9,14)

2. PROCESS OF EVOLUTION OF CURRENCY

The process of evolution of currency has passed through historical phases. Many parameters impact on the continuing structure of currency in a particular era of a respective nation. Currency designs have modified consistently over the time. Various governments and rulers change it as per the need of time and representation of their strength. following diagram shows major factors responsible for currency structure.



Traditional system of coins not only acted as money but represented ideologies and wealth of kings. Richer kings used gold for medium of exchange, as gold was available to very few people due to its higher prices and scarcity in production. Small sizes were preferred for manufacture of coins as it provides ease of transport and it also reduced cost of manufacture. Recently, renewed Indian currency notes also introduced with smaller sizes as compared to old pre-demonetization counterparts. Circular shape was preferred over square for ease of manufacturing. The motifs expressed culture, identities, spread of empire, language of kingdom and religion the king is following. They represented by portraits, images of gods and kings, worshiped animals, written short scripts etc. These things have gone through a long process of evolution and transformation.

3. ORIGIN AND EVOLUTION OF CURRENCY

3.1. Barter System

In the beginning, there was no money. People used to exchange their products; this system was known as barter system. This fundamental form of trade prevailed at the beginning of civilizations and may be found today among people of primitive economies, especially in tribal zones of the world. [2]



3.2. Commodity Money

Some commodities became more important than others. Accepted by all, people were circulating these commodities as an element of exchange. This way the commodity money worked very well for a prolonged duration. Cattle and other animals were used to serve this purpose. These animals have had the advantages of moving for themselves and reproducing, although there was the risk of diseases and death. Salt was then another product became commodity money because it was difficult to obtain, mainly in the interior part of continents [2].



Tea



Cocoa



Sea Shell



Pepper

3.3. Metals

As soon as man discovered metal, the way of living changed extraordinarily. Life became easier. In the initial era of the civilisation metals were used for making utensils and



weapons. But over the ages humans realised the ease of transportation and beauty in the metals. And various dynasties over the world started using metals for currency making.

When we study the evolution of an Indian currency especially the evolution of coins, the most primeval currency 'Mudras' (coins) strikes to the mind, these mudras are largely referred in the ancient Indian scripts like Vedas. But when looked for the real facts and proofs, one has to land in the era of Indus valley civilisations of Harappa and Mohenjo-Daro. That was the era in between 2500 BC and 1750 BC. The evidences can be found about the existence of punch marked coins. The legacy of punched marked coins continued till the 1st century AD. These coins were Mostly made up of silver with the motifs of sun, various animals, trees, hills and various geometrical symbols. Initially these were used by merchant associations and on later stages used by the States. Theses coins represent the intensive trade activities and urban development occurred during that period [2][5][11].



MAHAJANPADAS COINS- 6TH Century(source: www.jagranjosh.com)

3.3.1. Dynastic Coins

The earliest issuers of dynastic coins were Indo-Greeks, the Saka-Pahlavas and the Kushans. Theses coins were predominantly in circulation in between 2nd century BC and 2nd century AD. The Indo-Greek coins represented Greek gods and goddesses prominently. On other side of the coin, there used to be the portrait of the issuer of coin, mainly kings. Archeologically, these coins are of extreme significance. Only because of these coins, it was possible for the historians to imagine the trades and commerce during that era.[15]



In AD 78 Western Kshatrapas initiated the Saka coinage. Republic of India's authorised calendar is induced from Saka measurements. On the other hand the Kushan coinages introduced by kushan dynasty show the iconographic forms derived from Greek, Mesopotamian, Zoroastrian and Indian mythologies. To depict the Indian mythology, the portraits of Siva, Buddha and Kartikeya are used in these coinages. Then Kushan coinages influenced successive issues like those of the Guptas and Satavahana. In the era of 'Satvahana's, which referred to as the Andhras (region between rivers, Godavari and Krishna) in 270 BC to 30 BC, the coins were predominantly of copper and lead. The motifs were of the animals like elephants, lions, bulls, horses etc.



MOURYAN GOLD COINS(source: www.jagranjosh.com)

Gupta dynasty (4th-6th centuries AD) continued the tradition of the Kushans, the king's portrait on one side and that of deity on reverse side. In the post Gupta period from 6th to 12th centuries AD in the era of Samudragupta, Chandragupta II and Kumaragupta, the beauty was not given so much importance in coins' designs. Coins were monotonous and aesthetically less interesting. In Dynasty of Harsha (7th century AD), for the first time, the portrait of Seated goddess 'Lakshmi' was introduced. [15] [11]



3.3.2. South Indian Coinage

The coinages from the south Indian dynasties can be easily differentiated from their northern counterparts. The predominant difference is that of motifs which included the boar (Chalukya), bull (Pallava), tiger (Chola), fish (Pandya and Alupas), bow and arrow (Cheras) and lion (Hoysala) etc. [15] The collection of various currencies of Middle East, Europe from Greece and Rome and that of China explores the ancient Indian trade linkages, silk route and marine trade of south Indian dynasties.

3.3.3. Medieval India Coinage

Arabs conquered Sindh region at around 712 AD. But the predominant change in the currency system occurred only after the emergence of Turkish Sultans in Delhi, circa the 12th Century. That was the decisive break in the flow of the currency system and designs. Predominant change in the past and the existing motifs was introduced. Old motifs gradually replaced by Islamic devices, largely calligraphy in place of motifs of bulls and other animals.

This period of 1206 AD to 1526 AD was marked by a considerable expansion of the money economy. Unit of the money was defined as 'tanka' with the coins of gold, silver and copper. In the monetary system, the ratio between gold and silver was probably standardised at 1:10. The process of improvisation of currency continued with the successors too. In the regime of Tughlaqs (1320-1412 AD) the coins were of superior in design and execution. The prosperity of that period can be understood by vast number of Gold coins issued in Muhammed bin Tughlaq's regime [17].

3.3.4. The Vijayanagar Empire

In the South, however, the Vijayanagar Empire founded by Harihara and Bukka around 1336 AD introduced the coinage of different metrology and design which was to remain as a standard in the region and influenced the coin design up to the 19th Century. The



standardisation practices adopted by the empire provided a model to the European and English trading companies for next few centuries. [17]

3.3.5.Arrival of Mughals

In 1526 AD, Babur defeated Ibrahim Lodhi. And the Mughal began to rule Indian subcontinent. Mughals made significant contribution in Indian monetary system by introducing uniformity and consolidation of the coinage system throughout the Empire. For the short duration during 1540 to 1545 AD, an Afghan ruler Sher Shah Suri governed Delhi. He introduced tri-metallic system of coinages, silver coin of 178 grains named as 'Rupiya', gold coins weighing 169 grains termed as 'Mohur' and other were copper coins known as 'Dam'. The silver coin Rupiya maintained its presence till the early 20th Century. This Rupiya became the herald for modern Indian Rupee [16].



MUGHAL COINS -CALLIGRAPHY(source: www.jagranjosh.com)

Mughal coinage was well designed with the unique minting techniques and innovative skills. The designs of coinage reached maturity during the reign of the Grand Mughal, Emperor Akbar. After Akbar, his son emperor Jehangir took a personal interest in the coinages. Gigantic coins, largest amongst the coins issued in the world were the speciality of Jehangir era. Mughal coinages are famous for use of Zodiacal signs, portraits, literary verses and the excellent



After decline of the Mughal Empire, the great Maratha confederacy, the Province of Awadh and the Sikh regime known as 'Khalsa', also introduced their coinages. On the other hand some small proveniences continued the Mughal currencies.

When the British Crown took over the administration from the East India Company in 1858 there were over a hundred Princely States which were issuing coins with the name of the Mughal Emperor. During that period Indian rupee remained a silver based currency.

4. PAPER MONEY IN INDIA

In the middle Ages, the merchandisers used to keep the receipts given by the goldsmiths, as a reason for guaranty. This receipt was responsible for the trade of gold and silver. Over the passing period , these receipts acted as agents for day to day transactional activities. This gave birth to paper money. With the appearance of paper money, the coin currency apparently sidelined and became less dominant. The minting of metal coins was then restricted to lower values. In India, Paper Money, as we know it today, was introduced in the late Eighteenth Century [5].

At the middle of eighteenth century, Mughal Empire was started to disintegrate. This was the era of the arrival of the colonial powers in India. The changed power structure, the disturbances, wars, and colonial establishments led to the down flow of indigenous bankers. This led to as the transfer of financial authorities from these bankers to Agency. These Agency houses were supported by the state proveniences. Out of them, many agency houses established their own banks.

Initial issuers of paper currency in India were the Bank of Hindustan (1770–1832), the General Bank of Bengal and Bihar. The Bengal Bank and others introduced paper currency in the later stages of 18th century.



NOTES ISSUED BY BANK OF BOMBAY(Source:www.rbi.org.in)

British India Issues

Paper Currency Act of 1861 gave the British Government monopoly of note issue in India. Managing the paper currency across the vastly expanded geographical location of the India was then a very difficult task. Therefore, the Presidency Banks were introduced. These banks were acting as agents from promotion and the circulation of money. But there was one issue with these banks that, they were only accepting the notes issued by themselves, the concerning bank. It was then very difficult for the merchants to travel such a long distance for currency exchanges. To solve this issue the concept of 'Currency Circle', was introduced. At these circles, the notes from different issuers were legally accepted. Over the time, numbers of these circles were increased and role of presidency banks gradually came to end.



Victoria Portrait Series

These were the first British India notes, introduced as 'Victoria Portrait Series' and issued in denominations of 10, 20, 50, 100, 1000. These were uni-faced, carried two language panels and were printed on hand-moulded paper manufactured at the Laverstock Paper Mills. The security features incorporated the watermarks, the printed signature and the registration numbers on the notes. [5]



Rupees Ten



Rupees Twenty

(Source:<https://www.rbi.org.in>)

British India Notes facilitated inter-state transfer of funds. At the end of financial deal, notes were divided into two parts. First set was sent by post. Second set would only sent after the confirmation by receiver. The half note became quite convenient concept for security reasons.



HALF NOTE (Source:<https://www.rbi.org.in>)



The Victoria Portrait series was withdrawn due to increase in forgery incidences and replaced by the uni-faced 'Underprint Series'. This new series introduced in 1867 had enhanced security features. In concern to public demand, notes in the denomination of Rupees Five were introduced for the first time. Initially, notes were legally exchangeable only in the Currency Circle in which they were issued; however, between 1903 and 1911, notes were 'universalised', i.e. they were legally exchangeable outside the Currency Circle.

This series remained largely unchanged till the introduction of the 'King's Portrait' series which introduced in 1923 [10].



CURRENCY NOTE WITH KING'S PORTRAIT(Source: www.thebetterindia.com)

First World War motivated the states across globe to introduce notes of smaller denominations for ease of transactions and security reasons. Rupee one was introduced on 30th November, 1917 followed by the Rupees Two and Annas Eight. Later on, the issuance of these notes was discontinued on cost benefit considerations. The king's portrait series had the portrait of George V and was available in the denominations of Rs 5, 10, 50, 100, 500, 1000 and 10,000.

The French Rupee

The French dynasty has also rules some part of India during 18th century. This resulted in the establishment of French colonies for prolonged duration. The French colonies established at Mahe in kerala; Karaikal, Pondicherry in Tamil Nadu; Yanam in Andhra



Pradesh and Chandernagore in West Bengal. They were called "Establishments FrancaisesdansL'inde", i.e. French establishments in India. They issued paper money for the French settlements which was entrusted to the Bank of Indochine[18].



FRENCH CURRENCY IN FRENCH OCCUPIED INDIA(Source:www.indiatimes.com)

The Hyderabad Nizams followed French power in India by introducing their own banknotes. Nizams preferred 'Urdu' as official language for currency note printing. however, sometimes they also gave space for other regional languages like Marathi, Kannada and Telugu. As these languages were native to the area so governed, with the change in rulers the notes also became outdated.

Establishment of RBI

Advent of printing machines in India and establishment of the Currency Note Press at Nasik by 1930's led to the smooth transition towards spread of currency notes. Along with passing time, Nasik became the major centre of printing notes for British India. In these notes, improved security features were changed with watermarks, complex portrait designs and multicoloured printing.

On Monday April 1 1935, the Reserve Bank of India was formally inaugurated, with its Central Office at Kolkata formally Calcutta. Onwards the establishment, Reserve Bank of India is managing the monetary system in India. First finance member Sir James Wilson, then part of Executive Council of the Viceroy of India took very much interest in guiding policies regarding printing of currency.



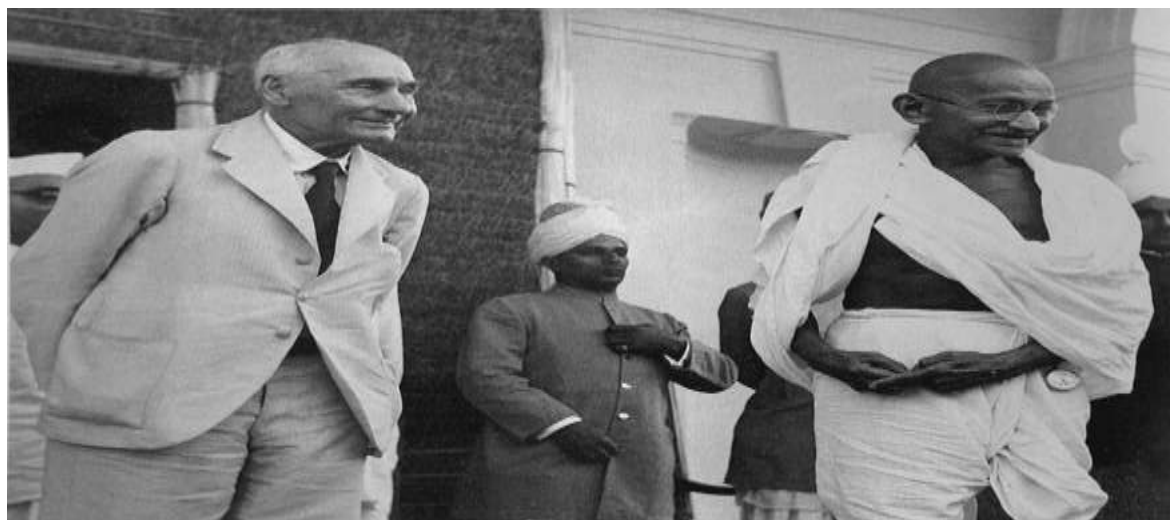
Post independence

India became independent of British supremacy on the midnight of August 15, 1947. Currency management in India didn't require many efforts like freedom movement for transfer of power to Government of India.

New notes of one rupee denomination were introduced in 1949. Symbols for independent India had to be chosen. Hence, King's portrait was replaced by a portrait of Mahatma Gandhi. English was losing its importance in official activities in independent India and government started use of Hindi language in printing notes. High denomination notes of Rs 1,000, Rs. 5,000, and Rs. 10,000 were reintroduced in 1954. With changing dynamism of economics, early sixties led to reconsideration of notes and the sizes of notes were reduced again in 1967. To overcome the problem of counterfeiting the higher denomination notes were demonetised in 1978. Rupee 500 note was came in existence to fuel rising demands from economy. This note carried portrait of Mahatma Gandhi [8].

Mahatma Gandhi Series

Reserve Bank of India brought major change in financial system by introducing 'Mahatma Gandhi Series' of banknote in 1996. This series used reprographic techniques and presented modern security features like watermark, windowed security thread, latent image and intaglio. Indian currency notes show different motifs. These motifs represent Indian culture, tradition, Historical developments. This Gandhian series depicted Gandhian principles [11].





Source: www.jagranjosh.com



IMAGE OF MAHATMA GANDHI ON INDIAN BANKNOTE

Mahatma Gandhi's image on Indian banknote is derived from his meeting with Lord Fredrick William Pethick-Lawrence. The picture was taken at Rashtrapati Bhavan in 1946. This picture was used on Mahatma Gandhi series, which is still prevalent on present currency notes.

Post demonetisation period



NEW CURRENCY NOTES IN INDIA(Source: www.upload.wikimedia.org)

The demonetisation was announced by government of India on 8th November 2016. New notes were issued with enhanced security features. Rs 1000 note was taken out of the system with no new replacement. New currency notes highlight scientific developments and cultural heritage of India. Size of the notes has been reduced as compared to their old counterpart and sharp colors have been inculcated in the currency notes. Historical monuments are represented on Indian currency notes. Emperor Ashoka's emblem is one of them, which represents power, courage and confidence. This emblem is derived from lion of



Sarnath situated in Uttar Pradesh. It has four lions out of which three are visible. It is placed on circular abacus. The centre is represented by chakra. This dharma chakra symbolizes Eternal wheel of law [6][4].

CONCLUSION

This paper on currency evolution helps the reader to know about various rulers who administered different regions in India, their thought processes and its impact on currency. This in turn shall guide generations in producing new ideas and dissimilar but interesting systems. The paper also facilitates investigator to understand Islamic, Hindu, Buddhist, Christian cultural dimensions in India and their influence on currency designs. Use of banknote and coins exhibit interaction of human mind with the material, idea and the product. With the advent of new technologies like virtual reality, digital communications and spread of internet based systems, it becomes a prerequisite to study the history for generation of new formulations.

Change in the currency design was a continuous process with the changing rulers. Dynasties presented policies with concerned era. This gives us space to realize that how changing situation of governance and modifying governmental policies of the empire can put new concepts into reality. The present Indian currency design is product of British inferences, Mughal thought process, concepts of Hindu philosophers and mathematicians, images of Buddhist monuments and depiction of post-independence achievements; all this is inculcated on a paper through modern technological advancements. This research will guide designers to interlink Indian notion and traditions with International standards. India is aspiring to become a global economic giant. Hence, her currency should be competitive enough to withstand all stringent parameters. India is very diverse country residing varied casts, communities, religions and age groups. So, these parameters should accommodate such various influencing factors. Study of Indian society and most importantly the past motivates us to generate accurate and realistic ideas. This flow of evolution in history can also depict centralization and decentralization of power happened in India. The paper so presented here also provides the flow of progress of design, hence it is desirable to maintain the same flow in future to manage future oriented modern currency in sync with the past.



Global researchers can also solve problems offered to them by getting clues from Indian History. The intellectual community may get benefited to learn about ethos of design from Indian point of view by studying over thousand Years of currency evolution. This can be another point of view while studying an Indian history. As, impact of various socio-economic parameters, political situations, psychology of rulers, locational impact of environment etc. play major role in development of any system. On the other hand, cost minimization is another major factor for designing the parameters on currency notes. This study so done provides many alternatives to the researchers, so that efficient features can be added in future banknotes considering the budget of the manufacturers. India is also expecting to launch the polymer currency in my near future. So the policy makers can get clues from this paper. And hints so obtained can be useful in producing more sustainable solutions ,in the era of sustainability and environment friendly practices.

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