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SLICE OF HISTORY - Origin of the Indian Rupee

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Even as the economy is grappling with the demonetisation of Rs. 500 and Rs. 1,000 currency notes, let us look at how the modern currency came into being. The currency and coinage system has been evolving at periodic intervals with changes in the economy, its structure and factors influencing the way of living.

It was back in the early nineteenth century when the British made efforts to introduce a uniform currency throughout the country, almost a century before the Reserve Bank of India came into existence.

Although the directors of the British East India Company had given their approval for the introduction of a uniform currency in India in 1806, the era of such currency began only in 1835 through a formal Act. The period was known to be 'Silver Standard' because silver rupee coins of 180 grains troy in terms of weight, 1112ths fine in terms of purity, were declared the sole legal tender

throughout the British India. RBI History notes that silver coins had been in circulation in parts of the country, such as Madras and Mumbai.

Mints were opened to the public for free coinage of the metal and India was thus put on a monometallic silver standard. Though broader preference was for silver coins, the directors of the East India Company were not opposed to circulation of gold coins as such. The Act of 1835 permitted the minting of gold coins of the same weight and fineness as the silver rupee. But in terms of valuation, it was valued at 15 silver coins for 1 gold coin.

Besides the silver and gold coins, currency notes were also in circulation, these being issued mainly by the Presidency Banks of Bengal from 1809, and those of Bombay from 1840 and Madras from 1843. These notes were not national legal tender and their circulation was confined to the Presidency towns.

Members of trade bodies still favoured the introduction of currency notes. After several years of debate, the Paper Currency Bill was enacted in 1861 which gave the government the sole right to issue notes.