

## **RBI gears up for plastic notes as 20% paper bills get soiled**

As the Reserve Bank gears up for a trial of plastic currency notes, it has to dispose of soiled paper currency bills worth an estimated amount of over Rs two lakh crore a year.

On an average, one out of five paper notes in circulation (over 20 per cent) gets disposed of every year after getting soiled and the number of such soiled currency bills stood at over 13 billion units during the fiscal ended March 31, 2012, as per the latest data available with RBI.

The figures are not yet available for the last fiscal 2012-13, but the number of soiled currency notes has remained above 13 billion for at least three financial years.

As per the RBI data, the total value of all currency notes in circulation stood at over Rs 10.5 lakh crore at the end of financial year 2011-12. However, soiled notes valued at an estimated amount of Rs 2.05 lakh crore had to be moved out of circulation by RBI during that fiscal.

A proposed introduction of plastic or polymer currency notes, depending on the success of a trial pilot project, is expected to tackle this problem to a large extent because of a much longer shelf-life of the plastic bills.

Pioneered by Australia, the plastic currency notes are already in use across a number of other countries, including Singapore, Canada, New Zealand, Malaysia, Vietnam, Fiji, Brunei, Papua New Guinea and Romania, while the UK is also said to be toying with the idea.

In India, the RBI is planning to introduce one billion pieces of Rs 10 notes in polymer or plastic on a trial basis in Kochi, Mysore, Jaipur, Bhubaneswar and Shimla, although a timeline is yet to be decided.

Addressing the students of Business School of Kashmir University in Srinagar last week, RBI Governor D Subbarao had said that the central bank is trying to introduce plastic currency, as they have longer shelf life.

"We hope to introduce it on a trial basis and if that succeeds, it will be replicated in the entire country," he had said.

The proposed launch follows years of consultations over the feasibility of plastic notes in the country. Way back in early 2000s, the RBI had rejected a similar proposal, but it later began working seriously on trying out plastic notes, given their high longevity and growing menace of paper bills getting soiled and the rising costs of their disposal.

At the same time, the successful launch of plastic notes across various countries has also led to a serious thought over similar practices in India, experts say, while adding that the concerns

over greater possibility of counterfeit notes in plastic format have also been addressed to a large extent.

According to Gerry Wilson of Australia-based Commonwealth Scientific and Industrial Research Organisation (CSIRO), the polymer notes have longer life time and can be produced at a faster rate than paper currency.

Wilson is Theme Leader (Flexible Electronics), Materials Science and Engineering, at CSIRO, which worked closely with the Reserve Bank of Australia in developing polymer notes. Australia was the first country to shift to these currencies.

*(Economic Times)*