

Denominationwise Imbalance between Currency Requirements and Availability in India : Findings of a Recent Survey

**NITYANANDA SARKAR
PRADIP MAITI
DIPANKAR COONDOO**

In India it is a common experience that the availability of currencies of various denominations do not often match the corresponding demands. This obviously leads to disorder in the management of the currency in the country. Since supply figures are available while those for the demand by the public are not, no idea about the magnitude of discrepancy between the demand for currencies of various denominations and the supply of the same can be made. In this paper we have presented some estimates of the extent of this discrepancy by denominations at the level of banking transactions, based on a survey conducted in the (Greater) Calcutta Postal area. The survey methodology developed here is also expected to help the currency management authorities in getting quick estimates of such imbalances in other regions of the country.

1. Introduction

Discrepancy between the demand for and the availability of currencies of various denominations is a common experience in India. Such discrepancies often lead to disorder in the management of currency in the country. A proper currency management policy should therefore be based on the knowledge of the extent of discrepancy between the demand for currencies of various denominations by the public and the supply of the same by the authorities. In this context, it may be pointed out that while demand for currencies of various denominations depends on the size of the transaction being undertaken, and also on the purposes for which the currencies are needed, the supply is affected by the Reserve Bank's policy preferences which may be something other than just trying to satisfy the demand for currency of each denomination. In fact, the production cost of currencies may be