



RESERVE BANK

## Money To Burn

OF ALL the functions of the Reserve Bank of India (RBI), there is one routine task crucial to the health of the economy: incinerating the mounds of soiled currency notes well past their prime and providing the commercial banks with mint-fresh replacements. Last month, in an effort to clear the backlog of 'non-issuable notes'—inevitable when there are over Rs 16,065 crore worth of them in circulation—the RBI dispensed with regular, systematic checks before the pyre.

Unfortunately, it soon found itself with more problems: on July 8, Rs 15,000 worth of soiled notes was found to be missing from the soiled notes chest of the Naoroji Nagar branch of the Punjab National Bank (PNB), leading to charges that the simplified procedure encouraged petty theft. Also, the RBI's restive staff started protesting that the procedure affected the work of the examining staff at the note examination centres.

**Huge Backlog:** Emergency measures, it goes without saying, were long overdue. On June 30, when the quicker method was adopted, reportedly for three months, the Delhi office of the RBI alone had, awaiting destruction, 26.69 crore Re 1 and Rs 2 notes, 19.18 crore Rs 5 and Rs 10 notes, 1.74 crore Rs 20 notes and 2.35 crore Rs 50 and Rs 100 notes. The pile-up was a direct result of the vital but undermanned note examination centres where only 6,000 note examiners work and where there are already 1,000 vacancies. Only 15 issue centres of the RBI handle the awesome volume of currency in circulation.

Panic buttons were pressed. The banks store their soiled notes in currency chests overseen by RBI-deputed officers and the notes are checked for quantity and condition. When the chests arrived at the RBI issue centre, the note examination centres went through the meticulous procedure of counting, examination, verification, and de-

facement by punching. The new system dispensed with all this in the case of Re 1 and Rs 2 notes, and stipulated only defacement for other denominations. The resulting speed was immediately obvious: from July 5 to July 10, the RBI in Delhi destroyed nearly Rs 3 crore worth of notes, doing in six days what would have taken them a month earlier.

In the meantime, however, the PNB had discovered its loss. Added to the other pilferages that have taken place in the past, the new procedure nourished fears that the absence of systematic checks could lead to a rash of such thefts. Earlier instances include:

- the Rs 1.19 lakh found missing earlier this year from the soiled note chest of the State Bank of India (SBI) in Srinagar;

- the Rs 26,000 pilfered from the soiled notes pile of the SBI's Shadipur Depot branch in New Delhi;

- the three packets of hundred 100-rupee notes, out of 10 packets from the PNB's Amritsar branch, found missing in 1980, a particularly mysterious loss because the notes were in a soiled notes bin in the Delhi RBI basement and the bin was triple-locked: one key each with the RBI's assistant currency officer, the assistant treasurer and the bank's representative.

**Scandals:** RBI employees have been involved. A few years ago a currency officer and an assistant treasurer at the RBI in Delhi were dismissed when note pilferage was detected from the destruction department. Three years ago a coin and notes examiner was arrested for pilfering soiled notes. Similar scandals have been unearthed at regular intervals in the RBI's other issue centres.

Apart from the disquieting thefts, the RBI also faced opposition from staff. In Patna, after Rs 45 lakh went up in flames between July 5 and July 10, RBI employees staged dharnas and pleaded in the local

munsif's court that the procedure affected the work of the examination, verification and punching staff; the court ordered suspension of the note destruction. In fact, the department staff, overloaded with notes, were examining only a few 100-note packets before sending the day's lot off for destruction. The defacement was, however, carried out scrupulously.

**Suggestions:** The solution, to some, is clear. Said an officer: "We ought to hire more note examining staff and put them to work on three shifts. Instead, we are leaving the door open for large-scale pilferage." Other suggestions include one to open a satellite office in Haryana to ease the work of the Delhi centre, deluged with notes from Punjab, Haryana, Himachal Pradesh and Jammu & Kashmir; and to fill existing vacancies among the note examining staff. But the officers are reluctant to comment on the new destruction procedure.

Probably in an effort to still charges of petty thefts, the RBI in Bombay installed a shredding machine last fortnight to cut the soiled notes into pieces, which would be used to make cardboard and paper. A spokesman blamed "agitating employees" for the soiled note backlog and stated the obvious by asserting that the new procedure of destroying Re 1 and Rs 2 notes had been resorted to because these took up over half the bank's storage space. The RBI has obviously been forced to do a rush job—hoping fervently that more of the filthy but valuable lucre doesn't keep popping up where it shouldn't.

—CHAITANYA KALBAG

### THE MARKETS

## Edging Upwards

IS THERE a recession or not? Industry says yes; the Government says no; the truth possibly lies somewhere in between. In any case, the current slump in the stock market has nothing really to do with the recession, except in respect of half a dozen scrips like Tata Engineering, Ashok Leyland and Mahindra & Mahindra who have had to bear the brunt of the credit squeeze. In most other cases, the squeeze is only a distant threat. Company reports are by and large in line with expectations: Indian Rayon, a Birla company, has touched a turnover of Rs 100 crore for the first time and its dividend of 20 per cent is covered more than six times. Nirlon too has done well with sales and profits near record levels. In fact, companies that have not done well are those which have been affected by strikes and closures, but even then their scrips are holding well.

Actually it is doubtful whether the stock markets faithfully reflect corporate health. Bombay Stock Exchange, the kingpin of the