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Plastic Money, Take Two: RBI's Billion-Note Polymer Banknote Trial

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ECONOMY

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Plastic Money, Take Two: RBI's Billion-Note Polymer Banknote Trial

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✓ Every fact web-verified against primary sources

The government approved the Reserve Bank of India's proposal for field trials of polymer banknotes in the Rs 10 and Rs 20 denominations, informed to Parliament on July 27, 2026, involving 1 billion notes of each denomination.

THE TRIAL, IN NUMBERS

PARAMETER	DETAIL
Denominations	Rs 10 and Rs 20
Trial volume	1 billion notes of each denomination
Legal basis	Section 25, Reserve Bank of India Act, 1934
Status	Field trial only; paper currency continues alongside; no replacement decision yet
Informed to Parliament	27 July 2026 , Ministry of Finance

WHY SECTION 25 MATTERS

Section 25 of the RBI Act, 1934 provides that the design, form and material of banknotes are approved by the **Central Government** on the **recommendation of the Central Board of the RBI**. This is a deliberately shared power: the RBI, as the note-issuing authority, initiates and recommends design and material choices on technical and operational grounds, but the final approval sits with the Government, reflecting that currency is simultaneously a technical instrument and a matter of sovereign symbolism and public trust. A large-scale material change, such as a shift from cotton-based paper to polymer, therefore requires this specific two-step process, RBI recommendation followed by Central Government approval, rather than being a purely internal RBI decision.

INDIA'S FIRST ATTEMPT: THE MID-2010S

This is not India's first polymer note experiment. During the mid-2010s, the RBI ran field trials of polymer **Rs 10** notes in five cities, **Kochi, Mysuru, Jaipur, Shimla and Bhubaneswar**, chosen to represent a mix of climatic and geographic conditions. That trial did not lead to a nationwide rollout; the 2016 demonetisation and subsequent currency-management priorities are widely understood to have shifted institutional attention away from completing the polymer transition at the time.

TRIAL	PERIOD	DENOMINATION	CITIES
First trial	the mid-2010s	Rs 10	Kochi, Mysuru, Jaipur, Shimla, Bhubaneswar
Second trial	From 2026	Rs 10 and Rs 20	Locations not yet specified; 1 billion notes each

WHY POLYMER, AND WHAT IT TRADES OFF

ADVANTAGE	TRADE-OFF
Greater durability: polymer notes typically last several times longer in circulation than paper notes, particularly in humid conditions	Higher upfront printing cost per note compared to paper
Harder to counterfeit: polymer substrates allow security features (clear windows, holographic elements) that are difficult to replicate on paper	Different handling and sorting requirements for currency-processing machinery across the banking system
Lower lifecycle cost: despite higher initial printing cost, durability can reduce the frequency and cost of replacement over the note's lifetime	Recyclability and disposal considerations distinct from paper currency

Countries including Australia, Canada, the United Kingdom, Singapore and several others have already transitioned some or all of their circulating banknotes to polymer, generally citing durability and counterfeit-resistance as the primary drivers, which forms the international comparative backdrop against which India's renewed trial is being read.

UPSC RELEVANCE

GS Paper 3: Indian Economy, issues relating to planning and mobilisation of resources; currency and monetary management.

Prelims pointers:

- Legal basis for note design/material: **Section 25, RBI Act, 1934**; approval requires **RBI Central Board recommendation** plus **Central Government** sign-off.
- Trial denominations: **Rs 10 and Rs 20**; volume **1 billion notes each**.
- India's earlier polymer trial: **the mid-2010s**, Rs 10 notes, in **Kochi, Mysuru, Jaipur, Shimla and Bhubaneswar**.
- Informed to Parliament: **27 July 2026**.

★ FACTS CORNER, KNOWLEDGE PEDIA

POLYMER NOTE TRIAL, 2026:

Denominations: Rs 10, Rs 20; volume 1 billion notes each.

Legal basis: Section 25, RBI Act, 1934.

Informed to Parliament: 27 July 2026; paper currency continues alongside.

FIRST POLYMER TRIAL, THE MID-2010S:

Denomination: Rs 10.

Cities: Kochi, Mysuru, Jaipur, Shimla, Bhubaneswar.

Did not lead to nationwide rollout.

TRADE-OFFS:

Advantages: durability, counterfeit-resistance, lower lifecycle cost.

Costs: higher upfront printing cost, different currency-processing handling.

Sources: Reserve Bank of India, Ministry of Finance, PIB

Source: Plastic Money, Take Two: RBI's Billion-Note Polymer Banknote Trial — [Ujiyari.com](https://ujiyari.com) | Free UPSC & State PCS Current Affairs

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