



HISTORICAL EVOLUTION OF INDIAN CURRENCY AND CONTRIBUTION OF DR. B. R. AMBEDKAR

Dr. S. P. Borse

Head, Department of Economics

Dr. S. B. Shinde

Assistant Professor, Department of Economics

S. S. P. Mandal's, Chandmal Tarachand Bora College, Shirur (Pune).

Abstract:

The history of Indian currency is a fascinating journey through time, from ancient barter systems to today's RBI digital rupee. India's monetary evolution reflects its political history, economic changes and global interactions. Among the many influential figures in this journey, Dr. B. R. Ambedkar played a vital role through his economic knowledge and policy suggestions. This research paper presents an in-depth study of how Indian currency developed and highlights Dr. Ambedkar's crucial contributions to India's monetary system.

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Introduction:

Currency is the lifeline of an economy, enabling the smooth exchange of goods and services. In India, currency evolved over centuries from the barter system to precious metals, coins, paper money and finally to digital forms. While many kings, colonial rulers and post-independence governments have shaped Indian currency, Dr. B. R. Ambedkar, primarily known as a social reformer, also made notable contributions as an economist. His work on monetary policy, particularly during the British period, played a foundational role in shaping the Reserve Bank of India and India's modern financial system.

Historical Evolution of Indian Currency:

Ancient India

Barter System: In the early days, people exchanged goods and services without use of money. This system

worked well for small communities but became difficult with growth in population and trade.

Cowrie Shells and Metal Tokens: Cowrie shells were used as currency in ancient India around 1000 BCE. They were replaced by metal coins for durability and convenience.

Punch-Marked Coins: The first coins in India were silver punch-marked coins used during the Mahajanapadas (600 BCE) and later formalized by the Mauryan Empire (circa 3rd century BCE). These coins were not uniform but had symbols punched onto them.

Medieval India

Gupta and South Indian Dynasties: Gold coins called Dinars were issued by Gupta rulers. Chola, Pandya and Vijayanagara rulers had their own coinage systems too.

Sultanate and Mughal Period: The Delhi Sultanate introduced a more organized coinage system. The



Mughals, especially Sher Shah Suri, introduced the Rupiya, a silver coin weighing 178 grains, which later became the standard for Indian currency. His currency system lasted for centuries.

Colonial Period (British India)

East India Company: Established mints in Calcutta, Bombay, and Madras. Introduced coins with the company's emblem, gradually replacing local currency systems.

British Government's Monopoly (1861): The Paper Currency Act of 1861 allowed the British Government to issue currency notes in India for the first time.

Rupee on Silver Standard: Unlike Britain and other western countries which followed the gold standard, India's currency was tied to silver. This created major issues as the value of silver dropped worldwide, affecting India's trade balance and causing inflation.

Post-Independence Era:

RBI Becomes Central Bank (1949): After independence, the Reserve Bank of India was nationalized and became India's sole currency issuer.

Decimalization (1957): India adopted the decimal system, where one rupee was divided into 100 paise, replacing the old system of annas and paise.

Currency Modernization:

Banknotes featuring Gandhi replaced the Ashoka pillar series. Introduction of high-denomination notes and coins. Demonetization (2016): Rs. 500 and Rs. 1000 notes were withdrawn to curb black money. Emergence of digital payment systems like UPI and mobile wallets changed how currency is used.

Contribution of Dr. B. R. Ambedkar:

Academic Background in Economics:

Dr. Ambedkar got Ph.D. in Economics from Columbia University and D.Sc. in Economics from the London School of Economics (LSE). His thesis, "The Problem of the Rupee: Its Origin and Its Solution" (1923) was a landmark study on Indian currency. It analyzed how

the rupee evolved and what economic policy India should follow.

Criticism of Silver Standard:

Dr. Ambedkar strongly opposed India's use of the silver standard during British rule. He argued that tying the rupee to silver led to inflation and instability because silver prices fluctuated widely in the global market. Instead, he recommended India adopt the gold exchange standard, which would stabilize the currency and bring India in line with the global economy.

Support for a Central Banking Institution:

Dr. Ambedkar suggested the establishment of an autonomous central bank to manage currency, control inflation and stabilize the economy. His book's ideas were considered by the Royal Commission on Indian Currency and Finance (Hilton Young Commission, 1925–26). The Reserve Bank of India Act (1934) was largely influenced by his recommendations as a result RBI was established in 1935 and became India's central bank.

Dr. Ambedkar and Monetary Policy:

He believed in price stability, exchange rate control and proper money supply management. Advocated for monetary sovereignty, where India should control its own currency and not depend on British policies. Later, as a lawmaker, he included economic federalism in the Indian Constitution, ensuring both the Centre and States had financial powers.

Legacy of Dr. Ambedkar in Monetary Reforms:

His economic insights helped India transition to a modern financial system. Even though he is remembered mostly for his social work, his economic writings remain relevant in discussions on monetary policy, inflation, and central banking. The RBI itself has recognized his work multiple times, and his book is still referenced in economics and monetary studies.

Conclusion:

The history of Indian currency is not only a tale of changing coins and notes but also a reflection of



India's evolving political and economic systems. India's currency evolution mirrors its complex history from agrarian barter to a globalized digital economy. Dr. B. R. Ambedkar, with his deep understanding of economics, played a vital role in guiding India towards a stable and modern monetary system. His suggestions on currency management, gold exchange standard and central banking laid the foundation for the Reserve Bank of India and continue to influence economic policymaking even today.

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