



Decline in Counterfeit Notes

For Prelims: Decline in Counterfeit Notes, Government Measures to Combat Counterfeiting, Demonetisation

For Mains: Counterfeiting of Currency and Related Threats

Why in News?

Recently, the Ministry of finance has informed Lok Sabha that the value of counterfeit currency in the banking system reduced from Rs 43.47 crore in 2016-17 to about Rs 8.26 crore in 2021-22.

What is Counterfeit Money?

- Counterfeiting, manufacture of false money for gain, **a kind of forgery in that something is copied so as to defraud** by passing it for the original or genuine article.
- Because of the value conferred on money and the high level of technical skill required to imitate it, counterfeiting is singled out from other acts of forgery and is treated as a separate crime under **section 489A of the Indian Penal Code.**
- Counterfeiting is the oldest technique used by **fraudsters to cheat unsuspecting individuals of their money.**

What are the Threats of Counterfeiting?

- **Economic Terrorism:**
 - **FICN (Fake Indian Currency Notes)** can be seen as a form of **“economic terrorism” practiced by external sources** to damage India’s economy.
 - Economic terrorism refers to the **behind-the-scenes manipulation of a nation’s economy by state or non-state actors.**
 - The circulation of FICN threatens **India’s economy while the profit that is earned from doing so is used to fund covert activities** targeting India.
- **Inflation:**
 - The circulation of a large amount of fake currency **increases the amount of money in circulation**, which may lead to high demand for goods and commodities.
 - The rise in demand in turn creates **a scarcity of goods, leading to a [rise in the price](#)** of the goods.
 - This leads to **[currency devaluation](#).**
- **Non-Reimbursement of Losses:**
 - The non-reimbursement policy of banks is another issue that occurs when banks reject the fake notes and do not reimburse the losses.
 - Firms which are involved in daily cash transactions **face heavy losses in the long run thanks to the infiltration of FICN into the economy.**
- **Loss of Public Confidence:**
 - Other effects of counterfeit currency include the loss of public confidence, **[black marketing](#)** of products, illegal stocking of products, etc.

What are the Measures to Control Fake Currency?

- **Demonetisation:**
 - On 8th November 2016 Rs. 500 and Rs. 1,000 notes were withdrawn from the system in 2016, to discourage the use of high-denomination notes for illegal transactions and to **curb Counterfeiting**.
 - **Demonetisation** is the act of **stripping a currency unit of its status as legal tender**.
- **Bi-Luminescent Security Ink:**
 - The **Council of Scientific and Industrial Research (CSIR)**-National Physical Laboratory has developed **a bi-luminescent security ink which glows in red and green colours** when illuminated by two different excitation sources.
- **Terror Funding and Fake Currency (TFFC) Cell:**
 - A Terror Funding and Fake Currency (TFFC) Cell has been constituted in **National Investigation Agency (NIA)** to conduct focused investigation of terror funding and fake currency cases.
- **FICN Coordination Group:**
 - **FICN Coordination Group (FCORD)** has been formed by the Ministry of Home Affairs to share intelligence/information among the security agencies of the states/centre to counter the problem of circulation of fake currency notes.
- **MoU between India-Bangladesh to Counter Fake Currency:**
 - Memorandum of Understanding (MoU) has been signed between India and Bangladesh **to prevent and counter smuggling and circulation of fake currency notes**.
 - Also, security at the international borders has **been strengthened by using new surveillance technology**.

[Source: TH](#)