

3. RBI's new pilot project on Coin Vending Machines

Prelims Syllabus: Economy

Mains Syllabus: GS-III Economics - Issues relating growth and development, employment



Why in News?

- The RBI in collaboration with banks is set to launch a pilot project to assess the functioning of a QR-code-based coin vending machine.

Coin Vending Machines:

- The vending machines would dispense coins with the requisite amount being debited from the customer's account using United Payments Interface (UPI) instead of physical tendering of banknotes.
- Customers would be endowed the option of withdrawing coins in required quantities and denominations.
- The central idea here is to ease the accessibility to coins.
- With particular focus on ease and accessibility, the machines are intended to be installed at public places such as railway stations, shopping malls and marketplaces.

Why such a move?

- Prevent hoarding of coins: The situation with respect to coins is peculiar with the supply being very high. It is taking up a lot of storage space and is not getting properly distributed despite high demands.

- Eliminate the physical tendering of banknotes: It was observed that the currency being fed into the machines (for coin exchange) were often found to be fake and could not be checked right at that point of time.

How coins are significant in our economy?

- As per the latest RBI bulletin, the total value of circulation of rupee coins stood at ₹28,857 crore as of December 30 last year. The figure is an increase of 7.2% from the year-ago period.
- Circulation of small coins remained unchanged at ₹743 crore.
- The figures above could be compared to the volume of digital payments until December 2022 which stood at approximately ₹9,557.4 crore, as per the Digidhan Dashboard.
- The number is inclusive of mobile banking, internet banking, IMPS, BHIM-UPI and NEFT, among others.
- Hence the reliance on UPI for dispensing coins is particularly noteworthy.

Is it going against the digital push?

- RBI is in the midst of a pilot for the Central Bank Digital Currency (CBDC).
- But this proposal should not be viewed as a “zero-sum game of digital versus cash.”
- The two can easily supplement each other by re-circulating existing coins in the economy.

