QR Code-based Coin Vending Machines (QCVM)

Why in news?

Reserve Bank of India (RBI) has recently announced to launch QR code based Coin Vending Machines as a pilot project.

What is QR code-based coin vending machine?

- At present, a person will have to approach the bank branch to withdraw coins.
- QR code-based coin vending machine (QCVM) is intended to dispense coins similar to the manner in which currency notes can be withdrawn from ATMs.
- Coins can be withdrawn using the **Unified Payments Interface (UPI) QR code** in designated vending machines.
- Coins of denomination of Rs 1 - Rs 20 will be made available in QCVM.
- RBI plans to launch the product in 19 locations across 12 cities.
- Since the implementation would begin through a pilot launch, only select banks may be involved in the initial stages.

> *UPI is a system that powers multiple bank accounts into a single mobile application, merging several banking features, seamless fund routing & merchant payments into one hood.*

What are the pros and cons of this move?

Pros of QCVM

- The main intention is to enhance the **last mile availability of cash** across segments including the mass market.
- Since the interface here is UPI which is linked to the bank account of the person, the value of coins withdrawn is **directly debited from the bank account**.
- It removes the requirement of tending notes in exchange of coins which **saves time** for the bank branches and the customer.
- It will enhance **ease of access** to coins.
- With cash sales still being an important component at petty shops, QCVM could **benefit vendors** when coins tend to be in short supply.

Cons of QCVM

- As banks have to keep replenishing these vending machines through third part agents, it could imply **additional costs for banks.**
- The average cost of minting a coin is Rs 1.11. If we add another layer for setting up and distributing coins through vending machines, it appears unattractive from a **cost perspective**.
- Since the intent of the government is on increasing the popularity and reach of **digital payments**, QCVM could be counterproductive.
- QCVM seems to be defying the **purpose of e-Rupee's retail** that aims to reduce the minting/printing cost of currency and gradually replace physical currencies with digital currencies.

e-Rupee, an electronic version of cash in the form of a digital token is the Central Bank Digital Currency (CBDC) issued by the Reserve Bank of India (RBI).

Reference

1. Businessline | Why QR code-based coin vending machines defy idea of digital India



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