

# Global Banknote Industry: An Analysis

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## Abstracts

Banknote industry is an integral part of an economy and the monetary policies of each country. As proved by the EURO, a currency can drive economic stability and economic and monetary integration within a region. Trying to replicate the monetary union of the Eurozone, ASEAN plus three countries, China, Japan and Korea are working towards bringing a common currency for East Asia.

The banknote industry and especially the production of banknotes used to be a very secretive and protected system. But with the gradual opening up of the industry and private players contributing in the production system, the industry has slightly moved away from its secretive stance. However, the participation of private paper mills is still very small as compared to the state owned mills. The banks are now outsourcing a large part of the distribution and recycling of cash to the private companies, cash-in-transit or professional cash handlers or sub-contractors. In fact, in 2012 the Euro production system is going to open up for the private players completely, providing a level playing field.

Apart from the competition within the private mills for contracts from the central banks, the industry itself is facing a tough competition from the payment cards industry. The growth payment cards are registering is attractive, although its country or region specific, but people are shifting towards non-cash based payments and in most countries this is even being encouraged.

The cash distribution system as well as banknote production system is complex. The base of banknotes is cotton and the process is quite lengthy and complex. The cotton used for banknotes is also different from the cotton fiber used by the textile industry. Then there are various security features which are embedded on the substrate used for banknotes.

But the efforts to make the banknote secure are not proving very fruitful as the problem of counterfeiting is growing globally. Therefore many countries have now adopted polymer banknotes. These polymer banknotes are said to be more secure, as many more security features can be added into it and it is also much more difficult to be forged.

This report analyzes the banknote industry from different perspectives. The report has tried to explain the various aspects involved in the production of banknotes and the cash distribution system. The system for issue of currencies and for monitoring the money flow in different countries has been explained. The various security features that are used to make a banknote secure are also discussed.

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