

## Transformation of India to Paperless Trading: A Review

**\*Dr. Madhusudan Agarwal**

### Abstract

Recent advancements in technology have led to the gradual abandonment of paper-based documentation in various business processes. However, when it comes to complex international trade transactions, paper-based processes still prevail. Many countries and organizations involved in international trade face this challenge, emphasizing the need for integrated solutions. The term "paperless trading" refers to conducting transactions electronically, including the exchange of trade-related data and documents in electronic form. This shift towards electronic communication and documentation signifies a significant technological innovation in buying and selling processes.

**Keywords:** - Paperless Trading, Transactions, Buying, Selling, Technology Innovation

### Introduction

In the context of international trade, the exchange of information between relevant parties is crucial. This includes both private businesses and government entities such as suppliers, logistics providers, customs agencies, sellers, and buyers. The concept of paperless trading involves digitizing these information sources and enabling the electronic exchange of data and documents related to trade. Instead of relying on paper-based documents, electronic information can be used for cross-border communication in a more efficient and flexible manner. By transitioning from traditional paper-based processes to electronic formats, trade can be enhanced, and operational costs can be reduced in the modern integrated society.

This shift to an electronic format for documentation and communication has several benefits. It speeds up transactions and simplifies cooperation among businesses, especially for smaller companies or e-merchants with limited resources and expertise. Eliminating bottlenecks in the distribution network and administrative paperwork becomes more achievable. Paperless trading offers a promising solution to address the logistical challenges of online business, particularly for small shipments across borders. Furthermore, as the world increasingly digitizes, legislative efforts to improve customs controls, trade facilitation, and ensure export competitiveness become integral to enhancing efficiency in a rapidly evolving global landscape.

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### **Methodology**

The secondary data for this study was collected from various sources such as reports, newspapers, websites, journals, and published as well as unpublished government records.

### **Objectives of Study**

The objectives of the study are as follows:

1. To evaluate the implementation of paperless trading in India and other countries.
2. To examine the role of paperless trading in business transactions.
3. To understand the benefits and challenges of paperless trading beyond traditional paper-based transactions.

### **Review of Literature**

According to the Hyundai Research Institute (2006), a survey conducted with 81 firms in Korea revealed that the introduction of paperless trading resulted in companies gaining 2.6 trillion Won (\$2.4 billion) while incurring conversion and maintenance costs of 91.1 billion Won (\$85.2 million). The survey indicated cost reductions in labor, printing, document distribution, and incidental expenses related to cargo authority and inventory management.

UNNEXT (2011) reported on Japan's experience with paperless trading. As part of its trade facilitation automation process, Japan implemented a Single Window system. To ensure the efficient functioning of the Single Window, document processes were simplified. Japan reduced its documentary requirements by 50%, from 16 to 8, as a result of this process. An independent report cited by UNNEXT (2011) indicated that the benefits to the Japanese economy amounted to approximately \$532.9 million annually, with a cost of \$93.6 million. The overall lead time for imports by sea decreased from 7 days to 2.6 days between 1991 and 2009.

APEC PSU (2011) focused on electronic certificates of origin as a specific aspect of cross-border paperless trading. The report was based on a small survey of Korean and Taiwanese traders who benefited from a new electronic certificate of origin program. The traders estimated cost savings per transaction based on the new system, considering reductions in document preparation and trade clearance costs.

### **Global Governance of Paperless Trade**

Currently, there are various efforts in place to advance interoperable paperless trading policies through different approaches. These efforts encompass recommendations from United Nations agencies, economic alliances, and regional integration initiatives. Importantly, these ongoing efforts

involve multiple organizations and are not necessarily coordinated. One approach has been to focus on shaping non-mandatory standards or proposed guidelines for governments to adopt. UN/CEFACT plays a crucial role in developing trade facilitation recommendations that target high-level policy makers and address specific aspects of paperless trading.

Another approach has been the development of agreement frameworks. The World Trade Organization's Trade Facilitation Agreement (TFA), a multilateral agreement that became effective in February 2017, includes several provisions that are potentially relevant to paperless trading. These provisions cover the electronic exchange of information and documents, electronic submission of trade-related documents, e-payment systems, electronic single window systems, and international standards for paperless trading, among other aspects. However, the text of the agreement allows room for participants to shape their own systems and legal frameworks while addressing aspects related to paperless trading. The agreement's structure is also designed to accommodate the unique circumstances and capacities of individual countries. To benefit from the special and differential treatment provisions outlined in the agreement, participants need to classify and notify their ability to fulfill each provision and may indicate the need for implementation support. Estimates suggest that full implementation, which goes beyond just paperless trading administration provisions, could reduce trade costs by an average of 14.3% and increase global trade by up to \$1 trillion per year.

#### **How Does Paperless Trading work in The Business?**

While the concept of paperless trade may be familiar to many, the operational mechanics of efficient exchange are often overlooked by those involved in trading, whether in the industry or government. It is a technical advancement that is often underrated, similar to other elements of our modern environment. However, gaining a fundamental understanding of how it works and the incentives behind it can shed light on the importance of cross-border collaboration on technical matters.

Clear and unambiguous definitions of all data are essential for effective electronic communication and information exchange. This applies to both the semantic meaning and linguistic expression of the data, ensuring that all parties involved interpret the information in the same way. This holds true for governments and any other entities that utilize or transmit this information. While a two-party data dictionary may suffice for bilateral exchanges, a standardized data dictionary becomes essential when multiple parties are involved or when the data needs to be reused in various contexts.

When a business order is received, an EDI (Electronic Data Interchange) messaging system can generate all the necessary documents or messages for processing, such as packing lists, delivery notes, invoices, and customs declarations. Additionally, the system can manage reorder processes for stock replenishment and interface with other entities to arrange transportation, request permits, or coordinate other services.

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Another significant aspect of transitioning from paper to electronic communications is the use of code repositories. Systematizing information through proper coding allows for easy categorization and minimizes confusion.

#### **Measures to Facilitate Paperless Trade**

1. Establishment of Customs System
2. Provision of Internet connectivity for Customs and other trade control agencies at border crossings
3. Implementation of a Single Window System
4. Electronic submission of Customs declarations
5. Application and issuance of Trade Licenses electronically
6. Submission of Sea Cargo Manifests electronically
7. Submission of Air Cargo Manifests electronically
8. Application and issuance of Preferential Certificate of Origin electronically
9. Electronic payment of Customs duties and fees
10. Application for Customs refunds electronically
11. Establishment of laws and regulations governing electronic transactions (e.g., e-commerce law, e-trade law)
12. Accredited certificate authority providing digital certificates for traders to conduct electronic transactions
13. Engagement in cross-border electronic data exchange related to trade with other countries
14. Electronic exchange of Certificate of Origin between your country and other nations
15. Electronic exchange of Sanitary and Phyto-Sanitary Certificate between your country and other nations
16. Banks and insurers in your country processing letters of credit electronically without relying on paper-based documents

#### **Benefits of Paperless Trading**

The advantages of transitioning to paperless trading are numerous and impactful. Here are the key benefits:

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1. **Improved Efficiency and Productivity:** Paperless trading allows for easy access to information and quick retrieval of documents, enhancing the overall efficiency and productivity of an organization. Instead of searching through piles of paper, electronic copies of receipts and orders can be easily organized and retrieved.
2. **Cost Savings:** By maintaining a customer email list, businesses can instantly communicate sales and special offers without incurring postage and printing costs. Electronic communication reduces storage costs as the need for paper copies decreases.
3. **Streamlined Expense Management:** With the advent of photo reviewing apps, expense reports can be easily backed up and shared electronically, eliminating the need for a stack of paper receipts. Electronic records can be shared with colleagues through agencies or email.
4. **Efficient Data Transfer:** Paperless documentation enables efficient data transfer without the need for cumbersome fax machines or document couriers. Electronic files can be easily shared and transmitted.
5. **Data Backup and Security:** Unlike physical documents that can be lost or damaged, electronic files can be backed up at multiple points. Data can be saved on flash drives, in the cloud, or on external hard drives. Cloud-based accounting systems offer automatic backups, eliminating the need for manual backups and ensuring data security.
6. **Environmental Sustainability:** Transitioning to paperless trading contributes to environmental sustainability by reducing paper consumption. Many businesses are actively pursuing recycling initiatives, but eliminating workplace paper usage can have a significant impact. A paperless environment also reduces energy consumption associated with printers, faxes, and copiers.
7. **Enhanced Data Security:** With the implementation of proper data security measures, paperless trading ensures the protection of financial and customer information. Cloud-based accounting systems often offer bank-level data security that small businesses may not be able to afford in-house.
8. **Cost Reduction:** Adopting a paperless office can lead to cost savings beyond just paper expenses. Costs associated with office equipment like ink cartridges can be reduced, and the need for frequent repairs or replacements of copiers and fax machines is minimized.
9. **Innovation and Flexibility:** As technology advances, the shift toward a paperless environment opens up opportunities for improved information storage and electronic communication. Embracing a paperless approach allows businesses to adapt to new technologies and enhance their operations.

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Transitioning to paperless trading not only promotes efficiency and cost savings but also contributes to environmental sustainability and data security. It allows businesses to streamline their processes, improve productivity, and protect valuable information.

### **Challenges in implementing paperless trading**

Many countries have not established or fully implemented exchange measures, supporting guidelines, and single electronic windows. A UN analysis of 120 nations revealed that the average utilization rate of trade assistance and measures is only 61%. While there have been improvements, it also highlights that most countries have not fully embraced the potential of paperless trading.

Moreover, it is concerning that only around 34% of nations have implemented measures related to cross-border electronic data and document exchange. The OECD-WTO Sixth Global Aid for Trade Review indicates that while developed and emerging economies make some use of IT infrastructure for Electronic Data Interchange (EDI)-based trade, low-income economies lag behind. Countries with less straightforward adoption, weak infrastructure, and lower IT capabilities face greater challenges in implementing paperless systems.

The establishment of single windows, which facilitate streamlined processes, is also lacking. Only about 40% of upper-middle-income countries have implemented single windows, while the figure is 20% for lower-middle-income countries and less than 10% for low-income countries. The improvement of single windows is linked to the exchange of information between government departments, customs offices, and border control posts. For nations heavily reliant on imports and facing volatility, implementing single windows can be particularly challenging.

Additionally, some systems claiming to be single windows may not meet the five-point definition. This can be due to the absence of a legislative mandate or a lack of a clear single entry point. When single windows do not effectively distribute data to all relevant administrative bodies, traders may be required to submit data multiple times.

Harmonizing domestic standards regarding the legitimacy of electronic records, electronic signatures, and other regulatory requirements is crucial for successful paperless trading. Governments should also accept customs and administrative organization data without the need for paper documentation. Requiring the submission of paper-based records at any point in the trade chain undermines the benefits of digital tools.

Lastly, overcoming barriers may be necessary to promote paperless trading. Small and medium-sized enterprises (SMEs) and e-brokers may face challenges such as limited internet access, inadequate infrastructure, or high user fees. They may lack the technical expertise to utilize IT systems or fully leverage the advantages of going paperless.

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In summary, the challenges in paperless trading include the lack of established measures, low utilization rates, limited implementation of electronic data exchange, insufficient single windows, varying domestic standards, and barriers for SMEs and e-brokers. Overcoming these challenges is crucial for the widespread adoption and success of paperless trading.

### Conclusion

The research conducted in this study highlights the potential of paperless trading to reduce trade costs and enhance business operations. Several Asia-Pacific countries have successfully implemented efficient paperless trade reforms, positioning themselves as leaders in the region. These trade facilitation measures have resulted in lower trade costs and increased export activities. The key takeaway from this study is that innovative trade assistance measures, such as cross-border paperless trade, have the potential to significantly reduce costs and promote both regional and international trade. It is crucial to recognize the value of embracing new-age trade facilitation measures alongside traditional approaches to achieve optimal results.

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