



A study on impact of digital currency (CBDC) on Indian economy

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Abstract

The Digital currency refers to digital money or electronic money as form. it is also known as cyber cast digital money, electronic money as electric currency. Recently in budget 2022, finance minister Mrs. Nirmala sitaraman officially announced digital currency (digital rupee), the digital rupee is based on block chain being developed by the Reserve Bank of India.

Digital currency will also lead to more efficient and cheaper currency will also lead to more efficient and cheaper currency management system. it is proposed to introduce digital rupee using block chain and other technology to be issued by RBI starting from 2022

Now India is working to adopt a digital currency soon out digital rupee is different from the many crypto currency, CBDC is legal tender by RBI to boost Indian digital economy presented by union minister Mrs. Nirmla sitaraman

Digital rupee is to take some aspirations from crypto currency like bitcoin but with the regulation of the central bank, digital rupee or CBDC will work using block chain technology and other.

Keywords: digital currency, RBI, CBDC, crypto currency and blockchain

Introduction

The reserve bank of India has announced the launch of the first retail digital rupee (e- Rupee) on 1st December 2022, according RBI press release dated November 29, 2022, and Eight banks have been identified for phase wise participation

What is digital currency (CBDC)?

Digital currency is the reserve bank of india's officially form of currency. It's called CBDC, also called digital rupee or e rupee, is interchangeable one to one par with the fiat currency and is the same as a sovereign currency

Digital is different from crypto-currency because crypto currency is a store of value through computer network that is protected by encryption, Digital currency is decentralized and controlled by RBI.

Objectives of the study

1. To know about the digital currency issued by RBI
2. To know the difference between digital rupee and crypto currency
3. To know the significance of the digital currency
4. To know the main feature of digital currency
5. To know the difference between digital money and physical money

Research Methodology

Secondary Data

E-Journals, Manuals, articles and online resources.

Main Features of Digital currency

1. CBDC is sovereign currency that central banks issue in accordance with their monetary policy.
2. On the balance sheet of the central bank, it is listed as a liability.
3. All the individual, businesses must recognize it as a legitimate form of payment, legal tender and safe place to hold money

4. CBDC is freely convertible into cash and money from commercial banks.

5. Holders of CBDC do not need to have a bank account because it is fungible legal money

6. CBDC is anticipated to reduce the price of issuing currency and the cost of transactions,

How is Digital currency different from cryptocurrency

CBDC is just the digital form of the legal currency used in the country and is not a private currency. A cryptocurrency is a decentralised digital asset and a medium of exchange based on blockchain technology. However, it has primarily been controversial due to its decentralised nature, meaning its operation without any intermediary like banks, financial institutions, or central authorities. This makes it immune to the government's interference or manipulation. Also, its value is determined by the free market forces and is not linked to any commodities. Thus it does not have any intrinsic value

On the Contrary, Central Bank Digital Currency (CBDC) issued by the Reserve Bank of India (RBI) will be a legal tender in a digital form. "It is the same as a fiat currency (government-issued currency) and can be exchanged one-to-one with existing currency,"

Digital Rupee v/s physical Rupee

This can be used just like a physical rupee in most places. However, you won't be able to withdraw it in the form of physical currency. However, the digital Rupee can be converted into cash via commercial banks. When you have money in your bank account, it usually attracts interest. When it comes to the digital Rupee, it won't earn any interest and its value of it will remain constant.

Digital Rupee launched as pilot by RBI:

Digital Rupee is India's first official digital currency issued by RBI and will be available for purchase via four major banks.

Digital rupee will be available in India across four major cities starting 1st of December, 2022

The Reserve Bank of India (RBI) has officially launched its very first digital token called the digital Rupee as part of a pilot. The digital Rupee (₹-R) will be available for purchase and trade starting today via select banks in select cities. If you are planning to buy India's official digital currency, then here are five points that you should keep in mind about the digital Rupee.

As of now, the availability of the digital Rupee has also been limited to Mumbai, New Delhi, Bengaluru, and Bhubaneswar. In the coming days, the availability of the digital Rupee will be expanded to Ahmedabad, Lucknow, Hyderabad, Indore, Gangtok, Guwahati, Kochi, Patna, and Shimla, enabling more users to buy this.

How to buy digital Rupee?

Users will be able to buy the digital Rupee from the official app or website from the four designated banks which are mentioned above. As of now, there is no exact information if these banks will allow users to buy digital Rupee from their existing apps or will release a new app/website just to handle digital Rupee. While one needs to have a bank account to transact with the physical rupee, digital Rupee does not require any bank account.

Can you share or send digital Rupee to a friend or family member?

Yes, this can be shared with a friend or family just like a cryptocurrency. Again, this can only be done on the supported apps from the banks that have been licensed to issue these in India. The digital Rupee can be stored just like you store money on a Paytm wallet, which can be used for all sorts of transactions. RBI has even stated that the digital Rupee should be considered a legal tender by all institutions (both private and government) and individuals.

Significance of digital currency

Digital currency is more convenient and secure, digital currency is quickly emerging as a practical to traditional final currency and there are available some advantages to the common man

1. Efficient transfer

We can easily transfer from one place to another place at any time because digital currency is secured by RBI, CBDC will provide security to digital currency so it helps to efficient transfer from one place to another.

2. low transaction cost

Issuance of CBDC will lead to mass efficient and economic currency management system in the country, we can easily transfer money in the form of digital with less cost digital currency leads to low transaction cost.

3. no physical damage

Digital currency does not has physical structure, it is in digital form.

4. it will allow faster settlement of funds.

Digital currency payment will reduce the settlement risk in the financial system, interbank settlement will not be required as the system will transfer the digital currencies instead of bank balance.

5. Available 24 * 7 of no need for bank account to have a digital rupee, digital currency does not need any bank account to transfer with others and it would be available round the clock and there would be no need to open a bank account to transfer in digital rupee.

6. Efficiency

Experts say digital rupee will increase transparency and efficiency, it will be based on blockchain technology allowing for each time tracking and legal maintenance.

7. Implementation

It is also hoped that a digital rupee will propagate financial inclusion and effective fiscal monetary policy implementation in big country like india.

Conclusion

CBDC is electronic form of central bank money that citizens can use to make digital payment and store value, its issued by central bank and is universally accessible. CBDC increases the safety and efficiency of payment system of people.

CBDC is based on block chain technology and digital currency does not required bank account to transaction CBDC is available around the clock while privacy is taken into the account to eliminate counter party audit risk lastly, lastly is good development for Indian economy

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