

## **India may soon see a rise of Digital Rupee**

The Indian government is planning to introduce a central bank digital currency (CBDC) regulated by the Reserve Bank of India (RBI). Thus, the RBI may soon launch a Digital Rupee in India.

A CBDC uses blockchain technology to record exchange of money, wherein financial transactions are undertaken through a distributed ledger, maintained in decentralized form across different locations and people. However, the same is monitored and regulated by the central bank (RBI, in our case).

### **Benefits of introducing a Digital Rupee:**

- It can curb black money and illicit use of cash in funding terrorism and money laundering
- It can improve financial inclusion through Direct Benefit Transfers directly in the accounts of the intended beneficiaries
- It can improve monetary policy transmission by reducing intermediation of banks
- It can reduce financial transaction costs

The economic developments of the past few years such as note ban and the COVID-19 crisis have led to increased use of digital payments in India.

With a growing number of smartphone users, having a bank account, adoption of a CBDC can be smooth in India, and will bring transparency in the financial system; however, it may undermine the role of banks and call for innovations in banking operations.

### **Notifications**

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