

# Digital Rupee and its impact on the Indian Economy

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## Abstract:

With the launch of Digital Currency by RBI, India is expected to witness a substantial growth in the digitization to witness a substantial growth in the digitization of money and take a step further towards facilitating a cashless economy, digital rupee will add resilience associated with innovation in the way payments are made it will also boost innovation in the cross-border payment space, the markets will develop more huge cases in time to come as per their specific requirement. This paper gives a guided four of the growing literature on CBDC on the microeconomic considerations related to operational architectures, technologies and privy.

## Keywords :

Digital Rupee, CBDC, Indian economy , RBI.

Data collection method used for Research:

Data for the research paper has been collected from books, websites and newspaper.

Objective of Research:

- 1) In order to understand the importance of a Digital Rupee.
- 2) To study implications on various policy issues.

## Introduction:

According to the RBI a CBDC is the legal tender issued by a Central Bank in digital form. It is the same as fiat currency and is changeable one to one with the fiat currency only its form is different CBDC can be transacted using wallets backed by Block Chain which makes the payments final there by reducing the settlement risk. The Digital Rupee that is being introduced is a Central Bank Digital Currency (CBDC) it means the entire ecosystem will be centralized and the central bank will monitor the documentation, monetary transitions and distribution of the currency closely. The concept of Digital Version of the Indian Rupee was proposed way back in Jan 2017. The Reserve Bank of India started evaluating the pros and cons of the digital rupee and it took them roughly about five year 2022-23.

## Impact of Digital Rupee on Businesses:

The first impact it will have is by saving us operating costs when it comes to printing the physical currency. India will save around INR 4000 crore on printing cost which was a huge obstacle. One of the biggest advantages is that the digital currencies you possess are equivalent to physical currency such as cash or coin, thus you can exchange them. Digital Currency will make the transaction cost cheaper, faster and global money transitions easier too. If the transition is well maintained and regulated with all the necessary compliance and regulation using digital wallet, smart ledgers and smart contracts to perform monetary applications will cut down numerous costs of operation that are required migrants will be able to transfer money without paying the original transactions fees that were charged each time they used to make a transfer. Digital currency payments will reduce the settlement risk in the financial system. Digital currencies will promote real-time and cost-effective globalization of payment system.

### Benefits of Digital Currency:

- 1) Efficient transfer
- 2) Low transition costs
- 3) No physical damage
- 4) It will allow faster settlement of funds
- 5) Lesser down time
- 6) Available 24\*7 and no need for a bank account to have a digital rupee
- 7) Swift and smooth cross-border transitions
- 8) Reducing dependency on Dollar

During the budget session, Finance Minister Nirmala Sitaraman said that the Reserve Bank of India would begin issuing Digital Rupee, also known as Central Bank Digital Currency in 2022-23 giving a boost to India's economy. The concept of "Central bank Digital Currencies" (CBDC) has been around for a while and has gained adoption with the rise of Bit coin and countries like china issuing their own digital currency known as Digital Yuan to compete with the US Dollar on a global scale.

### Conclusion:

CBDC, the central bank digital currency holds a lot of promises by way of ensuring transparency and low cost of operation among other benefits and the potential to expand the existing payment systems to address the needs of a wider category of users. This concept note provides a high-level view of motivations for the introduction of CBDC in India; its potential design features implications on various policy issues and possible requirements of technology platform. Inferences drawn here are exploratory in nature though they appear to be most suitable at this juncture.

### References:

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