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EDITORIAL

DIGITAL RUPEE

Digital Rupee, also known as **Central Bank Digital Currency (CBDC)**, is a digital form of currency notes, issued by the Reserve Bank of India. It is substantially not different from banknotes. But being digital, it is likely to be easier, faster and cheaper. It provides more transactional benefits than conventional currency. The Reserve Bank of India (RBI) has launched its pilot project on digital rupee from 1st November, 2022. The Digital Rupee will be completely legal and acceptable to the Indian Government. The launch is being carried out in two phases. This is the first pilot phase where the Digital Rupee has been launched for wholesale transactions i.e. for large transactions.

The Digital Rupee, introduced by RBI, will be generated through an advanced payment system which is affordable, accessible, convenient, efficient, safe, and secure and aims at further bolstering the digital economy. However, it should be noted that the concept of introducing digital currency is only to complement the existing forms of financial transaction and not replace them. It may provide the users with an additional option of making payments. In short, digital currency will not affect the general currency usage. Digital Rupee may be used for issuing virtual currency for transactions in government securities. The money will be in virtual form just like other cryptocurrencies but the Digital Rupee will not be decentralised, but regulated by the Reserve Bank of India (RBI).

It is viewed that digital currency is basically a form of payment system which involves digital transactions in electronic form and it is not physically tangible like rupee. There is no direct comparison between the Central Bank Digital Currency and Cryptocurrency because the Digital Rupee is not a commodity or virtual asset, unlike cryptocurrencies. Moreover, crypto coins are not exactly money. The Digital Rupee may be exchanged for cash, equivalent to the banknotes that the RBI issues in paper form. A Central Bank Digital Currency (CBDC) can play a key role in providing access to digital payments, without the requirement of a bank account and the access would be facilitated by a central bank-issued digital wallet. The RBI's commencement of the pilot digital rupee marks appreciable progress in the journey toward digital payments. The

initiative has started in the low volume, high-value wholesale (interbank) segment from where learnings would be used to roll out reliable, built-to-scale retail payments. The pilot announcement involves nine banks, including the SBI, the Bank of Baroda, the HDFC Bank, the Yes Bank, the Kotak Mahindra Bank, and the ICICI Bank. The rollout of the digital rupee is expected to boost the reach of payment and financial needs of a wider category of users while ensuring transparency and low operational cost. This initiative demonstrates the RBI's support for innovation in creating a world-class, future-ready digital ecosystem. India has one of the most technologically-evolved currencies in the world, and the e-rupee will put it in the forefront of true digital payments and improve financial inclusion.

The CBDC initiative is going to be for the secondary market transactions in government securities. This move may even boost liquidity, remove inefficient and redundant processes while reducing transaction costs. The Government is expected to reduce settlement risk, which is one of the biggest drawbacks for block chain in financial markets. Some express fears regarding the privacy and overt control that the Government may possess over the CBDCs. The CBDCs could help to preserve the role of public fiat in monetary policy, and secure central bank's role in protecting financial stability in their markets. It provides a public, digital alternative to cash and private digital money. It is a positive step towards the acceptance of digital currency. Public-private partnerships will be essential to the success of a CBDC launch, enabling RBI to leverage established infrastructure and client relationships. By engaging commercial banks and other private stakeholders (technology enablers, merchants, users) in the launch process, RBI will also foster a broader sense of ownership, manage fears of displacement, and increase the probability of successful adoption.

The Thirty Seventh Issue (Vol.19, No.1) of the SMART Journal of Business Management Studies consists of ten articles, written by authors of repute, on different themes of contemporary relevance. I hope readers would find the Journal academically challenging and strategically stimulating.

Professor Murugesan Selvam

Founder - Publisher and Chief Editor
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Chair, School of Business Studies
Head, Department of Commerce and Financial Studies
Bharathidasan University
Tiruchirappalli – 620 024, Tamil Nadu, India
drmselvam@yahoo.co.in