

- 22 CBDC can be a great challenge when it comes to issuing
 3 the purpose of financial inclusion. Discuss.

The RBI is in the pursuit of launching a CBDC - central bank digital currency to supplement the regular financial money. The move has been made to improve technological competency as the CBDC is based on DLT - distributed ledger technology.

Benefits of CBDC

- ① Safe and efficient transactions as the CBDC negates the transaction fee and requirement to maintain minimum balance.
- ② Monetary and financial stability is ensured. Cash to GDP ratio may come down as the longer run and can cushion us from inflation.
- ③ Globalisation of payments systems can attract Antech FDI to India

Digital currencies
USA - digital dollar
China - Digital Yuan
Sweden - E Krona
Japan - J coin

Given the benefits there can be challenges to financial inclusion.

CBDC - financial inclusion challenge.

① Structural The CBDC requires robust net connectivity and electricity. In India only 10% are digitally-literate putting pressures on unbanked people.

② Interest payment options of paying interest to CBDC remains ambiguous. As, the CBDC will be based on account / token needs to put forward.

③ Wholesale CBDC if launched cannot be used by public at large and will exclude the benefits to the public.

④ CBDC needs amendments to Sec 24, 25, 26 of RBI act, Coinage act, FEMA and Income tax act.

Future

India can join the Project Dunbar for the test use of CBDC. An account-based CBDC can fulfill the aim of financial inclusion.