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Central Bank Digital Currency can be a great challenge when it comes to serving the purpose of financial inclusion. Discuss
(200 words)

Central Bank Digital Currency (CBDC) is legal tender to be issued by central bank in digital form. It will be pegged on 1:1 basis to rupee.

Features of CBDC

- ① Sovereign currency aligned monetary policy of central bank.
- ② Liability on central bank
- ③ It must be accepted as a legal tender and store a value
- ④ Freely convertible against Commercial Banks money & cash.
- ⑤ Expected to lower cost of issuance of money and transactions.

Benefits of CBDC

- ④ → Reduction in cost associated with physical cash management

- ② Further course of digitisation and less cash economy
- ③ Support competition, efficiency and innovation in payments.
- ④ Facilitate interborder transaction
- ⑤ Address the issue of money laundering, terror funding, & parallel economy as there is no anonymity.
- ⑥ Increase financial inclusion

Issues and Challenges

- ① There is Rural and Urban as well as gender based digital divide.
- ② Financial literacy very less. In educated class people not to mention uneducated
- ③ Privacy issues as it is nonanonymous. As, even as user have to verify with RBI
- ④ CBDC infrastructure,
- ⑤ No interest on CBDC
- ⑥ Cyber threat and financial fraud.

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like phishing.

⑦ It will make ATM, Ken relevant, so
ATM manufacturers and watchman
will lose jobs

The Digital currency is
gaining traction world over and
107 countries exploring digital
currency. 10 countries have imple-
mented digital currency like Jamaica,
Bahamas.

Thus, given world scenarios,
it good move by central bank, if
it address privacy issues, security
measures. At the same time govt.
has to take measure for financial
and digital literacy.