

Chapter 3

Central Bank Digital Currency: Assessment of Digital Financing Approach Towards Safe Cashless Economy in India

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ABSTRACT

Cryptocurrencies create their own strong place in the world economy, even as governments and central banks acknowledge that the blockchain technology empowers cryptocurrencies. But they also worry that cryptocurrencies are designed to bypass established financial systems, even sovereign ones. This is why governments of different nations are developing the electronic form of fiat money that will be used in contactless transactions, called a central bank digital currency (CBDC). It is considered a form of digital currency with the aim of stabilizing the development of big unregulated markets, preventing misuse for money laundering and terror financing, and ensuring control. This chapter is attempting to examine the impact of CBDC towards a cashless economy in India, and the study about CBDC is important where cryptocurrency challenges the monetary system of central bodies and where some safest and regulated digital currency is required for the future economy of cashless. The findings suggest opportunities, challenges, and forthcoming policies for other nations to support CBDC.

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1. INTRODUCTION

The payment system changes rapidly every year. Users want fast, easy, and convenient payment transaction methods. The central bank digital currency, CBDC, is an attraction all over the place in the world as a global sensation. It has become a popular part of the discussion on the cashless economy, which includes the conversion of physical money into virtual money (Barontini & Holden, 2019). And, even though physical transactions like cash and cheque still show important parts, advanced technologies and new market players are challenging the traditional bank-based payment systems (Jakobsen, 2018). After Demonetization India moves very fast towards a cashless economy, but in the world, it has been over a long time since “another new electronic cash system,” immersed in Bitcoin, was conceived, being “a shared electronic money framework” (Chohan, 2022). These cryptocurrencies are designed to bypass established financial systems, including sovereign ones. In some countries, there has been debate on cryptocurrency since its launch.

According to Forbes 2023 in “all you need to know about India’s crypto bill” the status of cryptocurrency in front of law is differ for country to country. Cryptocurrency moves secretly between account holders in the world, and this raises a matter of concern for many nations. According to criteria 3.8.2 of SDG pattern, this pointer centers on health payments in subjects with family financial plans to distinguish monetary difficulty brought about by direct medical services payments; due to the insatiability of cryptocurrency, financial security may be at risk at the time of a medical emergency (Sharma, Kumari, & Goel, 2022). The Counter financing of terrorism and anti-money laundering laws (CFT/AML) and the regulations introduced by some countries may try to reduce the usage of cryptocurrencies. In India, the statement given by the Reserve Bank of India and some Indian government officials, including the finance minister of the nation, concludes that cryptocurrency is illegal, but there is a certain ban on it in India.

Indian Government and Reserve Bank of India are looking for a safe cashless economy, which is why the governments of different nations are also developing the electronic form of fiat money that will be used in contactless transactions, called a central bank digital currency (CBDC), and is considered a form of digital currency with the aim of stabilizing the development of big unregulated markets, preventing misuse of money laundering and terror financing, and ensuring control. Most central banks worldwide inspect the practicality of CBDCs. Some have proven that there are significant milestones in this matter. China and Sweden, demonstrating the foremost progressive and major emerging market and developing economy (EMDE), respectively, began undertaking pilots of digital versions of their respective sovereign currencies. The status on CBDC progress in 109 countries are shown below:

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