

China's Digital Yuan

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Why in News?

Holdings of China's digital yuan, or e-CNY, will start generating interest income under a new framework, as China steps up efforts to promote the use of its central bank digital currency.

*The digital yuan (e-CNY) kept in wallets will earn interest at demand deposit rates, making it the **world's 1st central bank digital currency to pay interest.***

- **Digital yuan** - It is officially known as the Digital Currency Electronic Payment (DCEP), and is the first ***state-backed digital currency***.
- **Issued by** - The Chinese Central Bank and backed by the renminbi (RMB).
- **Misconception** - It can be mistaken that China's DCEP is a ***form of Chinese government cryptocurrency***; however, it is not entirely the same as how cryptocurrencies are known.
- **Different from Cryptocurrency** - Bitcoin, Ethereum, or even stablecoins are different because these currencies are mainly ***used for speculation*** and often require the support of a basket of currencies.
- **Stability & Legal Tender Status** - The digital yuan is not as volatile as cryptocurrencies because the digital currency is a ***legal tender*** and issued by the People's Bank of China and ***backed by China's currency***.
- **Benefits** - The Digital Yuan enhances security, accessibility, convenience, and cost-efficiency by centralising transactions under the Chinese government and removing third-party intermediaries.

*As of late 2025, the **Bahamas, Nigeria, and Jamaica** have fully launched national digital currencies (CBDCs), while China, India, EU, US, etc, are in advanced stages of research, testing, or planning for their own CBDCs.*

To know about India's e-Rupee, click [here](#)

References

1. [Business times | China to pay interest on digital yuan](#)

2. [TCSS | China's Digital Yuan](#)

