

Ques Do you think that RBI should start working on an official cryptocurrency for the country?
Comment. (200 WORDS)

Ans In April 2019, the RBI issued a circular banning regulated financial institutions from providing services to cryptobusinesses.

As a part of digital savali as well as COVID-19 induced social distancing measures or restrictions, when various activities shifted on digital platform, the time has come that RBI should start working on official cryptocurrency in the line of EU, Japan, etc.

⇒ ADVANTAGES OF USING ^{OFFICIAL} CRYPTOCURRENCY :-

↳ Cryptocurrency is a digital or virtual currency designed to work as a medium of exchange, therefore, it will boost digital payment - is a route a path to 'DIGITAL INDIA'.

↳ Each cryptocurrency works through distributed ledger technology, typically a blockchain, this may help in marginalising ~~the~~ its use of by anonymous non-state actors, often for nefarious ends.

↳ Cryptocurrency - a digital asset involves a cashless transaction, ~~this~~ ^{which} may help to curb tax evasion.

↳ It will also help to divert investors from the current bunch of cryptoassets that are highly risky.

↳ Official digital currencies will be legal tender with sovereign backing, thus protecting consumers.

⇒ CONCERNS REGARDING ITS USES :

- ↳ vulnerable to malpractice : cryptocurrencies typically use decentralized control as opposed to centralized digital currency and central banking systems. This renders them vulnerable to malpractices.
- ↳ cyberthreat : "India, a see third most vulnerable country in terms of risk of cyberthreats". A virtual currency with no govt. backing or supervision and ease of cross border payments increases the chances of cyberthreats in India.

⇒ WAY FORWARD :

- ↳ Yet, a legal digital currency along with various concerns is not without advantages, therefore looking into its impact on - macroeconomy & liquidity, banking systems and money markets, RBI should setup a committee to begin working on this project.
- ↳ RBI also follow the "The European example on an Anti-money laundering directive" which includes -
"All cryptoexchanges to implement strict KYC and need to register with local authorities."

⇒ CONCLUSION :

Thus, regulating a virtual currency presents an opportunity for RBI as well as to India as a whole, to explore their potential in the present environment - creating a path for 'DIGITAL SARVODAYA'.