

Centl. Bank Digital currency is a new technological innovation designed to overshadow impact caused by crypto currency. Do u agree? Comment.

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PAGE

Yes, I agree with the view that Centl. Bank Digital currency (CBDC) is a new technological innovation designed to overshadow impact caused by crypto currency ~~to an extent~~ along with other aims.

Centl. Bank Digital currencies (CBDCs) are digital currencies which are Sovereign ^{virtual} currency backed by the centl. Bank of country. CBDCs are being proposed as digital wallet form of country's fiat currency & will appear on balance sheet of nation's centl. Bank. It won't replace physical cash but will only act as a supplementary option.

Reasons for proposal for CBDCs?

- (i) RBI claims an increase in demand for digital currency.
- (ii) increased use of volatile, unregulated digital cryptos like bitcoins
- (iii) cost of issue far less than physical cash.
- (iv) scope for increasing financial inclusion.
- (v) for ~~cash~~ promotion of cashless economy
- (vi) Easy tracking & control & monitor of money supply
- (vii) ~~Enhanced~~ Surveillance & curbing of crimes easier

> India officially banned the use of private digital currency in 2018. Now many countries have started legalising the digital currency.

~~Some~~ El Salvador recently declared bitcoin as legal tender, China issuing digital Yuan etc. It will be a wise

move from India to issue CBDC as it will eliminate risk of private cryptocurrency use.

Risks by private cryptos?

- (i) Cryptocurrencies erode the monetary authority of RBI & will put the supply-demand money market at risk.
 - (ii) Cryptos can be easily lost, stolen & have severe security threats.
 - (iii) Cryptos being issued by private sectors are decentralized system, its unstable & volatile.
 - (iv) Data-mining of cryptocurrencies is very energy intensive currently consuming around 10 Terawatt hrs/gear which will threaten our already fragile environment.
 - (v) ~~can~~ fund illegal & anti-social activities.
- CBDCs can overshadow the negative impacts &

risks associated with private cryptos. CBDC being digitally backed by RBI its a safe, robust & convenient payment system along with ~~prose~~ offering suitable level of privacy. It keeps the centralized authority of RBI, hence won't be threatening money market. It is expected that CBDC won't use any sort of distributed ledger like blockchain. 'energy consumption will be low'

Rather than complete ban on digital currency CBDC ~~with~~ system under strict regulation & scrutiny will be suitable to eliminate risk of cryptos along with other long term benefits.