

# How digital rupee will be different from cryptocurrency



The digital rupee will be the digital version of physical cash. (iStock)

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▪ Called the Central Bank Digital Currency (CBDC), RBI's digital rupee is going to be introduced in 2023

Digital currency or rupee is an electronic form of money, that can be used in contactless transactions. Presenting Union Budget 2022, Finance Minister Nirmala Sitharaman announced that the Reserve Bank of India (RBI) would be rolling out its digital currency soon. The Central Bank Digital Currency (CBDC), RBI's digital currency is going to be introduced in 2023.

"Introduction of a central bank digital currency will give a big boost to the digital economy. Digital currency will also lead to a more efficient and cheaper currency management system," Sitharaman had said in her Budget speech.

Some people are getting confused between cryptocurrency and [digital currency](#). So are they the same? What is the difference between the two?

The digital rupee will be the digital version of physical cash issued by the RBI and will, therefore, be sovereign backed. On the other hand, cryptocurrencies are not backed by a government / central bank and can be an asset class or a payment mechanism, said Mihir Gandhi, Partner & Payments Transformation Leader, PwC India.

"The digital rupee will be different from Bitcoin, Ethereum and other cryptocurrencies in the sense it will be backed by the government. Secondly, having an intrinsic value on account of government backing, the digital rupee will be equivalent to holding a physical rupee equivalent," said Manoj Dalmia, Founder and Director, Proassetz Exchange.

In short, CBDC is just the digital form of the legal currency used in the country and is not a private currency.

"A cryptocurrency is a decentralised digital asset and a medium of exchange based on blockchain technology. However, it has primarily been controversial due to its decentralised nature, meaning its operation without any intermediary like banks, financial institutions, or central authorities. This makes it immune to the government's interference or manipulation. Also, its value is determined by the free market forces and is not linked to any commodities. Thus it does not have any intrinsic value," said Archit Gupta, Founder and CEO - Clear.

On the Contrary, Central Bank Digital Currency (CBDC) issued by the Reserve Bank of India (RBI) will be a legal tender in a digital form. "It is the same as a fiat currency (government-issued currency) and can be exchanged one-to-one with existing currency," he added.

A currency will be regarded as a 'legal tender currency for the purchase of goods and services when issued by the country's Central Bank.

## Similarity between Digital rupee, bitcoin, doge, Ethereum

It is the same as bitcoin in terms of technology used that is Blockchain technology else it is totally different if we go as per definition of Cryptocurrency, said Manoj Dalmia

## Difference between digital rupee and cryptocurrency

The Fundamental difference between the digital rupee and cryptocurrency will be that the digital rupee, being issued by RBI will most likely be Centralised. On the other hand, Cryptocurrencies are decentralised and can not be controlled by a single entity, said Vinshu Gupta, Founder and Director, Nonceblox Blockchain Studio.

The digital rupee might be legal tender whereas cryptocurrencies will not be treated as legal tender in India any time in the near future. Cryptocurrency is privately created and it is a very big threat to the country's macroeconomic and financial stability, [RBI Governor Shaktikanta Das](#) said on Thursday. People investing in cryptocurrencies are doing so at their own risk and they should be aware that these have no underlying assets, "not even a tulip", RBI governor Shaktikanta Das had said.

"It remains to be seen what the exact technical details of the Digital Rupee are. While they both may be redeemed for cash, the fundamental difference is that as the CBDC, the digital rupee might be legal tender whereas cryptocurrencies will not be treated as legal tender in India any time in the near future. The CBDC could be on a private blockchain or a permissioned blockchain instead of a decentralized blockchain. In a permissioned blockchain network, banks and other financial institutions that have partnered with the central bank (in this case, the RBI) would facilitate transactions for their respective clients by hosting nodes. Besides them, no one else would have a similar role or access to the permissioned blockchain," said Sumit Gwalani, Co-Founder, Neobank Fi.

The RBI has been strongly opposing private cryptocurrencies as they could have implications on financial stability.