

# What is a Digital Rupee? RBI to pilot launch on November 1

Simply put, it is a digital form of fiat currency, i.e. The Indian Rupee. As a result, it can be exchanged for fiat currency one for one.



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The Reserve Bank of India (RBI) announced on Monday that from November 1, 2022, it will begin pilot launches of the Digital Rupee (₹1) for specific use cases. According to the notification, the first Digital Rupee pilot will be in the Wholesale segment (₹1-W) and will begin on Tuesday.

According to the RBI, the nine banks include State Bank of India, Bank of Baroda, Union Bank of India, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Yes Bank, IDFC First Bank, and HSBC.

RBI, which has repeatedly expressed its opposition to private digital currencies, proposed to the government in October last year to broaden the scope of the paper rupee to include digital currency.

Union Finance Minister Nirmala Sitharaman had earlier announced that the RBI will launch a CBDC in 2022-23, which is the first official statement from the Union government on the much-anticipated digital currency's launch. According to the FM, the introduction of CBDC will boost the digital economy and will be based on blockchain technology.

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### **What is Central Bank Digital Currency (CBDC)?**

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As per RBI, "CBDC is the legal tender issued by a central bank in a digital form. It is the same as a fiat currency and is exchangeable one-to-one with the fiat currency. Only its form is different."

CBDC will have all of the advantages that we see with cryptocurrencies and digital forms of payment. To begin with, a digital currency can never be torn, burned, or physically damaged. They are also not physically lost. In comparison to notes, the lifeline of a digital form of currency will thus be indefinite.

The Digital Rupee will bring with it another significant advantage in terms of cryptocurrencies which is that it will be governed by a central authority,

reducing the volatility risk associated with other digital currencies such as Bitcoin.

The RBI has repeatedly expressed concerns about private cryptocurrencies such as Bitcoin, Ether, and others being used for money laundering, terror financing, and tax evasion. The introduction of its own CBDC has been viewed as a means of bridging the benefits and risks of digital currency.