

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
LOK SABHA UNSTARRED QUESTION NO. 720  
TO BE ANSWERED ON 12.12.2022

**Digital Currency**

720. SHRI SANJAY SADASHIVRAO MANDLIK:  
SHRI RAVINDRA KUSHWAHA:  
SHRI MANOJ TIWARI:  
SHRI SUBRAT PATHAK:  
SHRI SUDHEER GUPTA:  
SHRI RAVI KISHAN:  
SHRI PRATAPRAO JADHAV:  
SHRI BIDYUT BARAN MAHATO:  
SHRI SANGAM LAL GUPTA:  
SHRI DHAIRYASHEEL SAMBHAJIRAO MANE:  
SHRI SHRIRANG APPA BARNE:

Will the Minister of FINANCE

be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has launched Central Bank backed digital currency recently on pilot basis;
- (b) if so, the details thereof along with the salient features of the said digital currency;
- (c) the details of various segments in which RBI has given permission for use of this digital currency;
- (d) the manner in which this digital currency is going to be beneficial for the market forces and facilitate the common public in their day to day transactions;
- (e) whether the RBI also proposes to use the digital currency in the retail sector in the near future and if so, the details thereof and the time by which it is likely to be introduced in the retail sector; and
- (f) the manner in which the Central Bank Digital Currency is going to reduce the operational costs, including printing, storage, transportation and replacement of bank notes and more?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI PANKAJ CHAUDHARY)

- (a): Yes sir, the Reserve Bank of India has launched Central Bank Digital Currency (CBDC) recently on pilot basis.

(b) to (e): The Reserve Bank of India (RBI) has launched pilots in CBDC in both Wholesale and Retail segments. The first pilot in the Digital Rupee -Wholesale segment (e₹-W) was launched on November 1, 2022, with the use case being settlement of secondary market transactions in government securities. Further, the first pilot in retail digital Rupee (e₹-R) was launched on December 01, 2022. The pilot is covering select locations in closed user group (CUG) comprising participating customers and merchants.

The e₹-R is in the form of a digital token that represents legal tender. It is being issued in the same denominations that paper currency and coins are currently issued. It is being distributed through financial intermediaries, i.e., banks. Transactions can be both Person to Person (P2P) and Person to Merchant (P2M). The e₹-R offers features of physical cash like trust, safety and settlement finality. Like cash, it will not earn any interest and can be converted to other forms of money, like deposits with banks.

The key benefits with regard to CBDC in retail segment include potential reduction in operational costs involved in physical cash management, fostering financial inclusion, adding efficiency to the existing settlement system and boosting innovation in cross-border payments space. In case of wholesale CBDC, dealing in central bank money provides benefits such as avoidance of settlement guarantee infrastructure or the need for collateral to mitigate settlement risk. Going forward, bringing efficiency in cross-border payments is also an important motivation for introducing CBDC in wholesale segment.

(f): Through introduction of CBDC, the Digital Rupee can be created by RBI, distributed to the banks and eventually transferred to customers in much less time and with reduced operational costs as compared to physical currency.

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