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Digital rupee – dissecting the viability of CBDC in India

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ABSTRACT

Crypto Currencies are gaining widespread attention all around the globe. Given many of the disadvantages and high risk involved in crypto transactions, new emergent mechanism of exchange like Central Bank Digital Currency (CBDC) are entering the market domain which seem relatively promising and less risked. Indian economy can be characterized by ever rising Non-Performing Assets (NPA), low money multiplier, tax evasion, poor tax base, menace of black money and high currency deposit ratio (CDR); our research finds that CBDC along with effective policy intervention mechanism can act as a panacea towards ebbing out such perplexities which the economy is confronting. Research points out the poor banking habit among the Indian population which is the primary driving force behind the big divorce between theoretical and actual money multiplier in India. Implementation of CBDC has the requisite potential towards developing banking habit in the masses. Akin to two faces of a coin, with charms comes concerns and in same consonance implementation of CBDC also poses some daunting challenges. First and foremost is the concern of data security in the contemporary milieu when advancement of science and technology is at its zenith and concomitantly cyber crimes have been witnessing a spur. However, CBDC is a form of crypto currency which is characterized by storage of data using the block chain technology. Under block chain framework of data storage, pieces of data are stored in a decentralized manner which makes data theft and deletion an arduous task for cyber criminals. Use of mechanisms like 'Tokenization' can also contribute towards securing the data of depositors and preventing frauds and scams. Another impediment in the way is the existing digital divide in the economy, however implementation of CBDC mechanism in a phased and targeted manner can curb out this impediment to a greater extent. With the unprecedented economic crisis owing to the pandemic might have devastating implications in the future and in order to rejuvenate and get all cylinders firing for Indian economy, CBDC implementation is the dire exigency given the implementation is efficient and in a phased and targeted manner.

Keywords— *Digital Rupee, CBDC, Block Chain Technology, Indian Economy*

1. INTRODUCTION

System of exchange has been playing the mainstay role for any economy on the face of the earth since time immemorial. Texts manuscripts, accounts of travelers and scriptures have testified the fact, that even in the ancient and medieval phases of human history, system of exchange existed, given the modest and unsophisticated scheme of things in the ancient society, exchange system was also in the same consonance. Barter System of Exchange was widely followed without the concepts of fiat money and legal tender occupying any space in the simple natured economies and social structures. As the society and economic structures developed by degrees, so was the case with the system of exchange. It is rightly said, that the necessity is the mother of invention, system of exchange or the exchange regime of any economy bears testimony to the well-known quote given by the well-known Athenian Philosopher - Plato. Given the difficulties with Barter regime, economies marched ahead towards commodity money. India used cowries, South East Asia used whale teeth and etc, but soon the dilemma once again registered its presence. There were perplexities with the new regime as well which again pushed the economies into working out a new exchange regime. Consequently, metallic money was invented which were stamped by the rulers and kings to authenticate them for general exchange. Akin to the trajectory of exchange regime from barter system to metallic money, economies and societies crossed many milestones of development in the exchange system, from metallic money to token coins, from token coins to fiat money, from fiat money to bank money, from bank money to digital wallets and online transactions and in the contemporary scheme of things, the global economy is teeming with the debate, whether crypto-currencies deserve to be brought in formal financial system or not. A step beyond the traditional idea of crypto-currencies is Central Bank Digital Currencies (CBDC's).

Central Bank Digital Currencies is a developing concept in the domain of exchange mechanism born due to difficulties and concerns identified in the crypto-currency framework. When all is said and done, CBDC is a ‘digitally issued’ fiat money as well as legal tender and exists on the liabilities side of the central bank’s balance sheet. Appearing on the balance sheet under liabilities head essentially implies that CBDC’s are backed up by assets akin to the paper currency in circulation. This feature keeps the volatility low and circulation within established bounds, which concomitantly keeps a check on imperative monetary indicators. A CBDC approval in India will imply issuance of rupee digitally as a crypto-currency by the reserve bank of India (RBI). Needs and benefits exist in Indian scenario but they are accompanied with dire concerns which this paper will later delve into.

The concept of CBDC took shape after the discovery of intricacies with the private crypto-currencies. First and foremost, crypto-currencies are issued by private individuals or anonymous firms without any central authority back up or undertaking which invites frauds, scams and theft of wealth. Secondly, crypto-currencies are digitally ‘Mined’ without any asset backup in the backend which succors high volatility and inflated risk for the investors. Thirdly, the anonymity in transactions entices the criminal minds to route their funds through this medium. Therefore, it oils the wheels of terror financing and other criminal exercises. The snippet of perplexities and intricacies of adopting cryptos, is enough to understand the evolution of CBDC’s.

CBDC’s are also crypto-currencies but the concept has curbed out the intricacies of a crypto in the process of its evolution. CBDC’s are issued by the central authority, in India – RBI, and circulated as fiat money and legal tender, appearing on the liabilities side of central bank’s balance sheet. To a greater extent, this eliminates out the concerns in association with the traditional private crypto-currencies and leaping a step ahead, CBDC’s are run on block-chain technology akin to the traditional crypto-currencies which has considerable charms which will be discussed later in this paper. Keeping in view, the challenges associated with traditional private crypto-currencies and charms in association with CBDC and block-chain technology, the union finance ministry drafted a bill in early 2021 which sought to ban the use of traditional cryptos and empower the RBI to issue its CBDC. RBI and Finance Ministry also amplified their stance in press conferences, the same year.

Peeping beyond the borders, in the world of CBDC’s also paints a positive picture. Trial run pertaining to the use and viability of CBDC’s is going on in the United States, Canada and Mexico. The People’s Republic of China (PRC) has launched its CBDC – Digital Renminbi as a pilot project. Marshall Island, which holds free association with the United States and circulates US Dollar as legal tender has also launched its CBDC called Sovereign [SOV]. In the latin America, Venezuela has institutionalized its CBDC called Petro, the value of which is tied with oil barrel price. At the end of the day, it is interesting to note, that acceptance of CBDC is inflating in the global economy by degrees. In consonance with the same, the RBI is also monitoring its viability and structured plan of its implementation.

On a scrutinized analysis of facts and figures, we have identified a whole lot of positive benefits which CBDC can propagate towards development of Indian economy, bolstering its GDP, addressing the distressing concerns like Non Performing Assets (NPA), Income Tax Evasion, Low Money Multiplier, high Currency Deposit Ratio (CDR), Black Money Menace and etc. To clinch the benefits by leveraging the disruptive idea of CBDC’s in Indian context, we have an idea to pitch forward which can bolster the growth of the economy and holds requisite potential to act as panacea for addressing the sluggish growth and recovery from the covid shock, which Indian economy has confronted.

2. INTRODUCING DIGITAL RUPEE: A PANACEA FOR GROWTH

Indian economy has been manifesting discouraging trend in growth even prior to the advent of pandemic shock. The galling trend of rising Non-Performing Assets (NPA’s), low banking penetration in India, poor banking habit among the near 150 crore population, low money multiplier variable, high Currency Deposit Ratio (CDR), Tax Evasion, Poor Tax Base, Black Money Accumulation, Parallel Economy and etc. Such discouraging and potentially jeopardizing trends observed in the Indian economy, imperils sustainable growth and development of our economy. The question is, how introduction of Digital Rupee (CBDC – Issued By RBI) can address the above stated ‘Snippet’ of Indian Economic health? The answer to this perplexing and hefty question is not a straightforward one. Only CBDC’s introduction cannot impart the requisite impetus to claw back on our growth trajectory rather we need certain crucially imperative policy intervention. This paper suggests introduction of CBDC along with the requisite Policy Intervention.

2.1 Introducing CBDC in India

Introduction of an RBI regulated digital currency – Digital Rupee with the stature of fiat money and legal tender in India can be a welcome move from the policy planner’s side. The digital rupee will be a CBDC and essentially a crypto-currency operating on block-chain technology. By leveraging the benefits of the disruptive and innovative block-chain framework and crypto-currency, concomitantly doing away with the intricacies and perplexities of traditional private owned crypto-currencies, India has the opportunity to add up wings on its economic growth story. Imperative to note here is that squandering off the golden opportunity can again make India land under the shadow of low sustainable economic growth rate, which in turn makes the vision of 5 trillion-dollar economy a daunting and enigmatic endeavor.

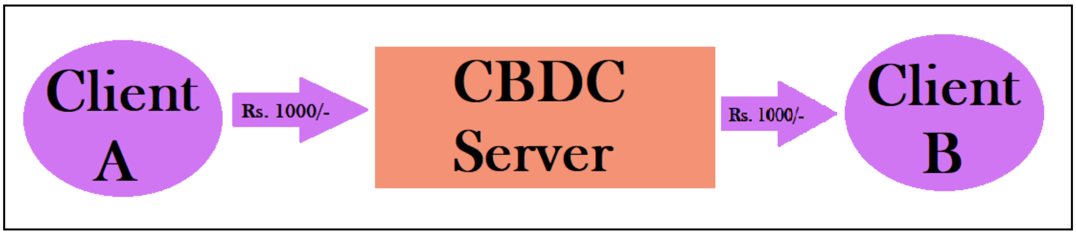

Fig. 1: CBDC server, regulated and monitored by RBI, to facilitate and maintain a record of all CBDC transactions

The CBDC needs to be introduced in India through a dedicated RBI regulated and monitored 'CBDC Server' which will facilitate the digital rupee transactions in India. The independent RBI regulated server need not require banks as intermediary for the purpose of facilitating transactions, rather the intermediary between the transaction parties shall be the server itself. In the present scheme of things, it is impossible to conduct a digital transaction without using bank as intermediary in some or the other way. Low Banking penetration, low banking awareness and technicalities in the whole gamut of banking has restricted the growth of digital payments and transactions in India. The CBDC transactions need to be facilitated using NPCI's IMPS like mechanism which succors offline transactions from non smart phones using USSD code as well. The CBDC server needs to ensure that the transactions are made online as well as offline with least possible technicalities involved. This will ensure that the remote corners of mainland India are also covered under the CBDC net. The payment mechanism has to be simple without any undue complications, offline as well as online, for smart as well as non smart phones and without employing the banking framework. The data needs to be stored using the block chain technology akin to all traditional crypto currencies operating in the financial domain of the global economy. The block chain technology facilitates the storage of data in a completely decentralized manner unlike the other payment service operators (PSO's) and PPI's which store the data in a centralized server. The noteworthy advantage of storing the data in block chain framework is the enhanced security and lowered risk of data theft and data alteration. To a greater extent this assures much needed data security in the digital domain and entices the depositors to contribute towards digital payments and enhances bank habit of the nation as a whole.

2.2 Policy Intervention

As discussed above, only the introduction of CBDC mechanism in India cannot act as panacea for economic health rather the policy makers need to address the loopholes in the financial systems which are oiling the wheels for non robust economic health. The Reserve Bank Of India Act, 1934 specifies the currency notes in India above the denomination of rupee one as 'Unlimited Legal Tender' while coins are limited legal tenders. This essentially implies that cash/currency notes can be used to settle any amount of transaction. Contrary to the established provision in RBI Act, 1934, the Finance Act of 2017 made currency notes a limited legal tender by specifying the above limit as 2,00,000/- for cash transactions. This implies for transactions beyond 2 lacs, cash cannot be used and it is compulsory to use digital payment infrastructure – NEFT, RTGS, IMPS etc. The rationale behind this policy was to put a curb on black money and money laundering but to a larger extent, the transaction cap has failed to meet its rationale rather financial crime committers have enjoyed the benefit of loophole of a larger cap.

We propose the transaction cap to be brought down from present 2,00,000 to 2,000 only. The transactions involving value greater than two thousand needs to be routed through CBDC server or any other digital payment mechanism operating in India's digital payments space. The rationale behind this suggestion is to infuse transparency, curb financial crimes like black money, tax evasion, money laundering and address key concerns of the economy like low tax base, poor banking habit, low money multiplier, high cost of printing currency and etc. The highest denomination of currency notes should remain a fifty rupee note (50) for transactions up to 2,000. This will greatly encourage digital payments and boost the digital payments infrastructure in India.

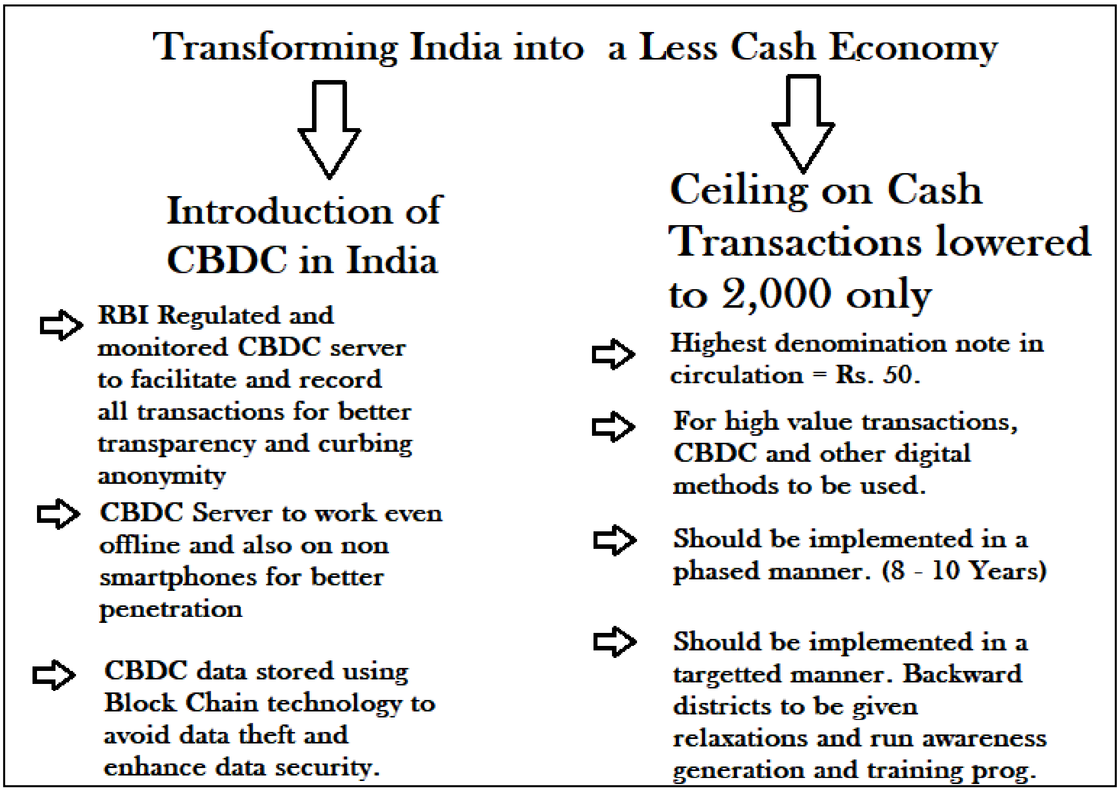

Fig. 2

Implementation of such a broad-based policy can never be accomplished in short run rather it should ideally be implemented in a phased manner entailing at least 8 – 10 years for complete accomplishment. Printing of new currency should be immediately halted and awareness drives regarding CBDC, digital payments, associated benefits needs to be propagated. Population needs to be informed about converting their physical currency into CBDC Digital Rupee at the earliest in a phased manner. This policy is similar in features with the demonetization exercise but the difference lies in the fact that this policy is phased in nature, entails long term project and vision and ultimate result is less cash economy.

Keeping in view the digital divide in our diverse economy, same policy cannot be used for the whole nation. Therefore, apart from being phased, this policy needs to be targeted as well. In the districts of low digital penetration or backward districts, maximum cash transaction limit can be differentiated from the comparatively developed districts only for a phased interval. This interval can be put to use to generate CBDC awareness, training, digital transaction training and banking awareness. Gradually and by degrees, in the long run, India will transform itself into a less cash economy with highest denomination in currency being a 50 rupee note and maximum permissible cash transaction being 2,000. This has over-reaching and phenomenal advantages in the long run which can directly contribute towards growth and development of the Indian economy.

3. DESIDERATUM AND BENEFITS OF CBDC IMPLEMENTATION

Trajectory towards 5 trillion-dollar economy is teeming with impediments and CBDC along with stringent policy interventions as discussed in Section B holds requisite impetus to boost the growth of the economy, churning out the impediments to clinch the 5 trillion badges. Following are the needs and benefits of implementing the suggestions listed in the last section:

3.1 Tax Evasion

This galling financial crime takes place when an individual or a corporation unlawfully stops paying its tax or pays a partial amount of the requisite tax. Tax evasion entails hiding revenue, exaggerated deductions without bona fide documentation, non disclosure of cash transactions etc. In India, tax evasion is a daunting challenge posing threat for fiscal stability in India. Going by the statistics, only 1% of massive Indian population declares their income beyond the non-taxable bar. Nonpayment of income tax further succors' black money in physical cash beyond the formal financial cycle which does not contribute towards money multiplier in India. Tax evasion is at the heart of low tax base in India.

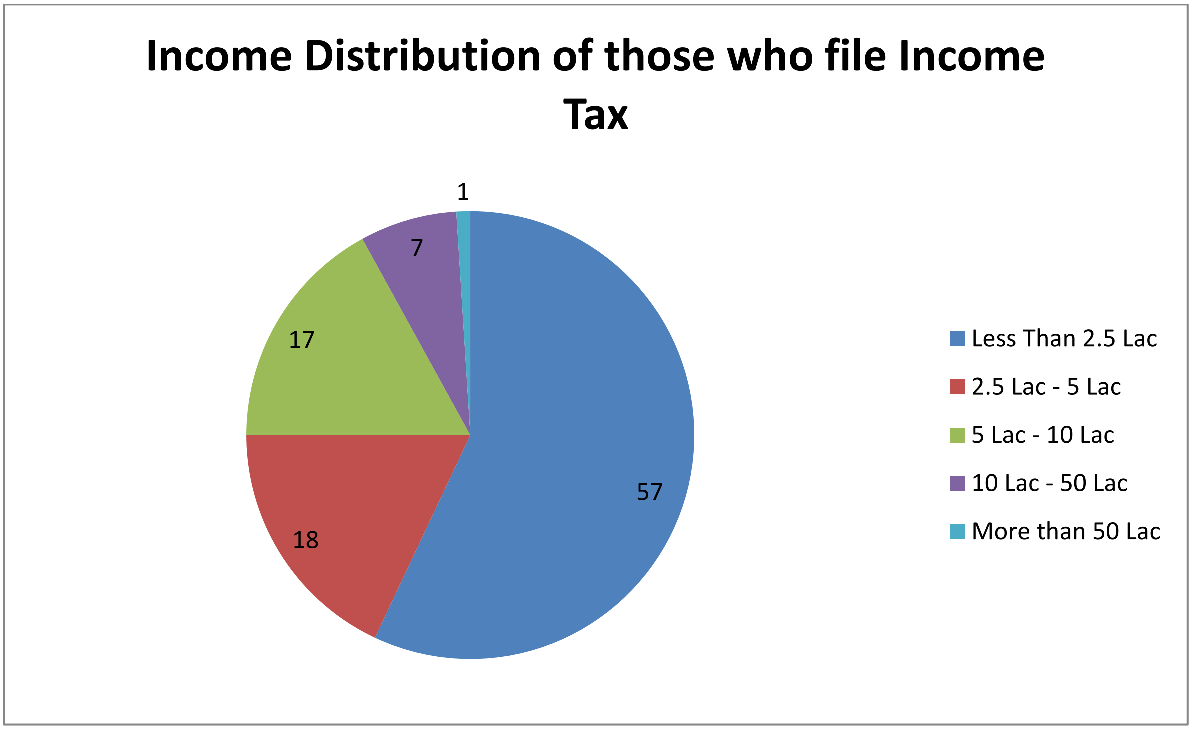

Fig. 3: Income Distribution of 1% Income Tax Fillers
(Source: Times of India/ Reference Point 3)

Figure 3 manifests that even among the 1% population, 75% declare their income less than 5 lacs and merely 25% declare it above non-taxable limit. This explicitly chalks out the dire exigency to improve the tax base.

On implementation of CBDC mechanism and policy interventions, it will be near impossible task to evade taxes in India. Currently, anonymity and information imbalance are the imperative ingredients which are leading to tax evasion in the form of possession of undeclared physical currency. Contrary to this, when all transactions beyond 2,000 value are routed via CBDC and other digital payment mechanisms, transparency will increase by leaps and bounds and anonymity will be curbed at every level. With income data stored with CBDC server, authorities can promptly identify and extract out tax amount. Therefore, this exercise will bolster India's tax base which will consequently inflate central treasury leading to growth and development of the economy.

3.2 Black Money

Black money is the illicit and undeclared physical currency in possession which is operating beyond the formal financial framework of the country. Such currency possession is concealed from the tax administrator. As discussed in C1, evaded tax often transforms into Black Money. In India, the menace of black money has been ever increasing concomitant to the growth of evade taxes every year. As per National Council of Applied Economic Research (NCAER), black money in India accounted for 70% -

90% of the Gross Domestic Product of India between 1980 and 2010. Total illicit money beyond Indian borders was estimated at around 27 lac crores, that is a major proportion of our GDP. Recently, government took stringent steps towards curbing the menace entailing demonetization, finance act 2017, promoting digital payments, NPCI's UPI, BHIM app etc, but still a lot needs to be done.

CBDC and policy interventions can help curb this menace to a greater extent. When transactions are only taking place through CBDC or any other digital means, while currency notes are limited in circulation, black money can be effectively and efficiently checked.

3.3 Counterfeit Currency in Circulation

Fake/Counterfeit currency notes pose another daunting concern for the Indian economy. One of the rationales behind the 'historic' demonetization exercise was to curb the counterfeit currency in circulation as well but advent of 2,000 rupee note as highest currency denomination in place of 1,000 rupee note, problem has seen a spur with Indian economy in perspective. Fake notes are widely used for promoting illicit activities like terror financing and funding other crimes. Therefore it can be concluded that fake notes are in direct proportion with crime rate and ebbing out fake notes will improve the law and order situation as well. As per the RBI's annual report data on counterfeit currency, the magnitude of the problem is inching towards potentially very dangerous extent.

Table 1: Counterfeit Currency in India as per RBI released data. Reference Point 4

Currency Denomination	2016 – 17	2017 – 18	2018 – 19
2000	638	17929	21847
500	199	9892	21865
100	177195	239182	221218
50	9222	23447	36875
20	324	437	818
10	523	287	345

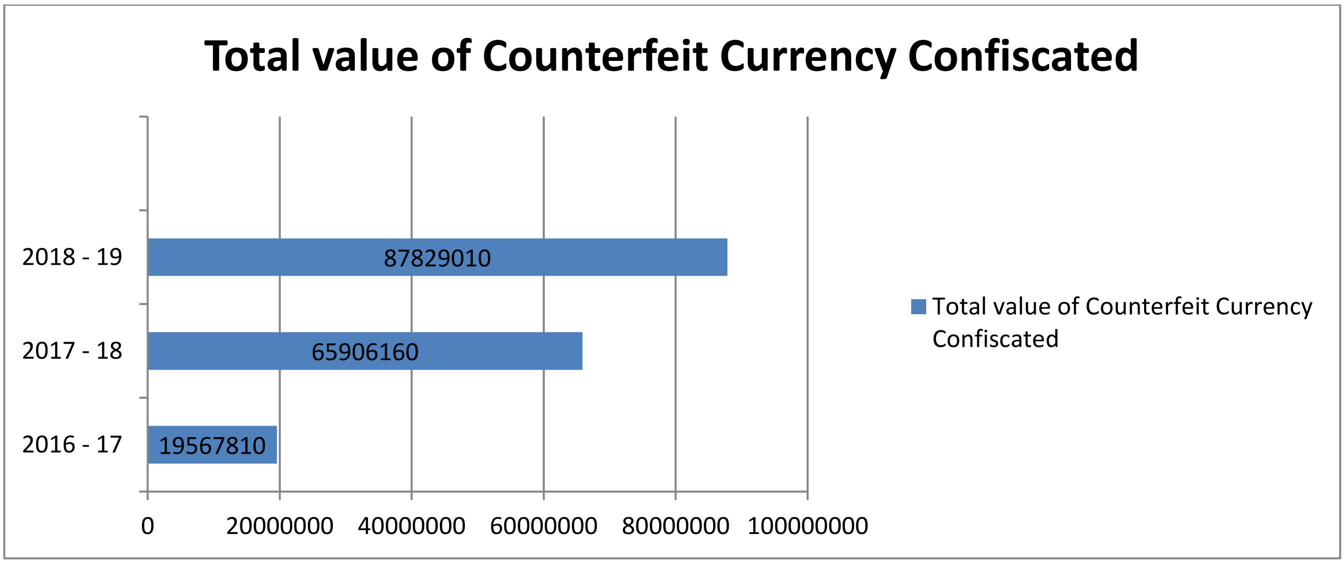

Fig. 4: Total Value of Fake Currency Confiscated and Reported to RBI over the years

(Source: RBI)

With CBDC implementation and transforming the currency framework by turning 50 rupees note as highest denomination, the counterfeit currency menace can be limited to a greater extent. As per data total fake currency value in 2018 – 19 was 8,78,29,010 (Fig 4) and it consisted of fake money totaling 7,67,48,300 in denominations greater than Rs. 50. Therefore, if the policy is implemented effectively, reduction in fake money will be approximately around 87%. This will directly imply heavy weight reduction in crime funding and crime rate in India thereby creating a safe economy for India.

3.4 Money Multiplier and Currency Deposit Ratio (CDR)

Money multiplier essentially refers to how an initial deposit can lead to a multiplied financial increase in total money supply. For example, if RBI prints a 100 rupee note, total increase in the total money supply might be 1000 rupees, so here the multiplier is 10. Delving into the technicalities of multiplier is not the objective of the paper, so we will directly jump upon the results. We know that multiplier can be calculated in two ways:

(a) Multiplier is the reciprocal of Cash Reserve Ratio (CRR) which is prescribed by the RBI.
(b) Multiplier is the ratio of money supply (M3) and fiat money/reserve money (M0).

The first method is used to calculate the theoretical money multiplier while on the other hand; the second method is used to estimate the actual operating money multiplier. As per RBI data, following graphs highlight the stark divorce between the theoretical multiplier and actual operating money multiplier in India.

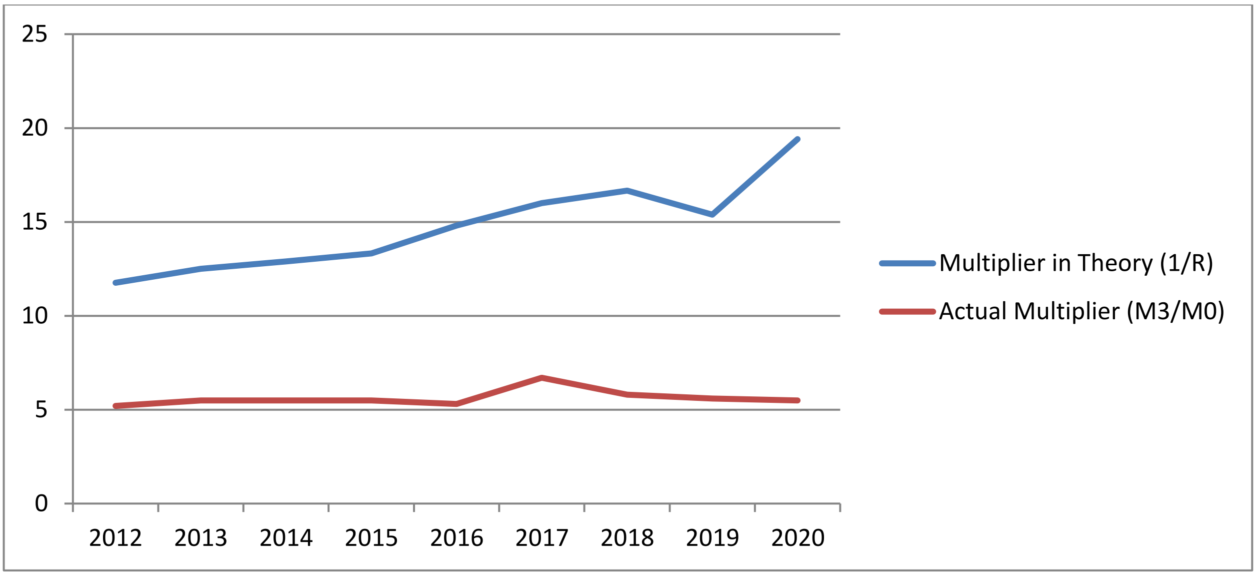

Fig. 5: Divorce between theoretical money multiplier and actual money multiplier.
Data Source: RBI Annual Reports. (Reference Point 5)

The question which stands here is, why there is such a sharp divorce between theoretical and actual money multiplier in India. Answer to this question lies in the poor banking habit of the population along with illicit accumulation of black wealth. An assumption of theoretical money multiplier is that the whole population of an economy is fully utilizing the banking services and there is no illicit financial exercises going on in the domain of the economy. However, in India, neither the population is in an ideal banking habit nor are we free from financial crimes.

Another imperative indicator here is Currency Deposit Ratio (CDR) which is essentially the ratio between coins/currency held with public and bank time and demand deposits.

$$Cash\ Deposit\ Ratio\ (CDR) = \frac{Currency\ in\ circulation}{Bank\ Deposits}$$

Higher CDR indicates more of coins/currency held physically by the public over bank deposits. Indian economy has been manifesting higher CDR data in the past decade which bears testimony to the Liquidity Preference Theory given by Keynes. As per liquidity preference theory, cash is the most liquid form of asset and people prefer cash over other assets. Following CDR data extracted from the RBI sources is also in consonance with the same idea.

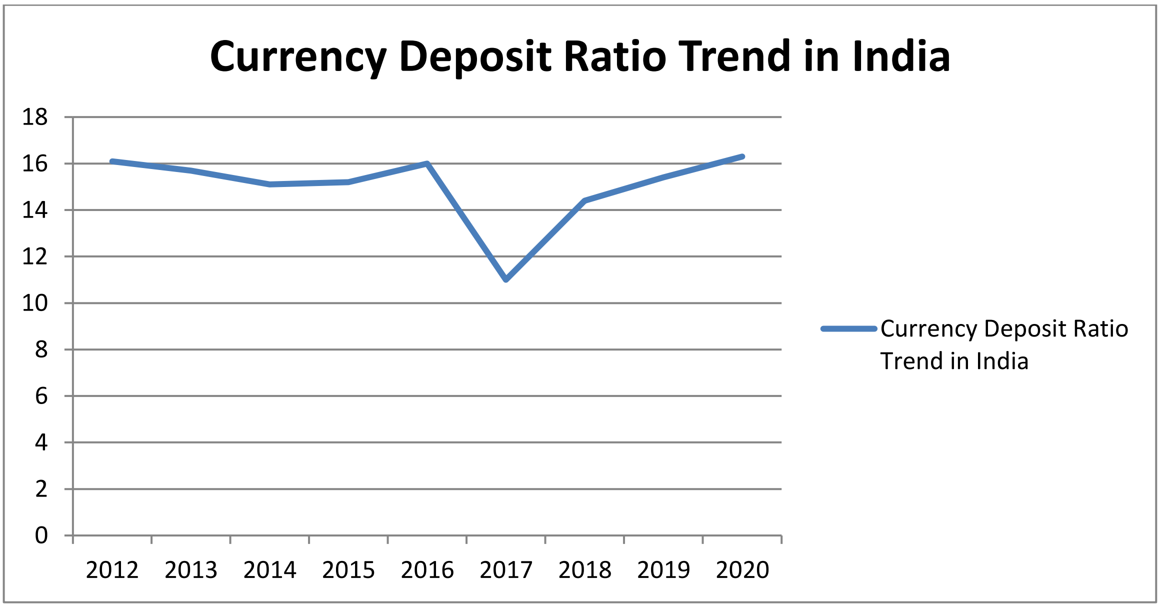

Fig. 6: CDR Trend in India. Source RBI (Reference Point 5)

Figure 6 manifests a drop in CDR in 2016-17 which is primarily due to the historic demonetization move, after 2016-17 CDR has registered an upward trend.

CBDC has the potential of bridging the gap between the theory and reality of multiplier operation in the economy. With highly low circulation of physical money in the economy and concomitant curb on black money, tax evasion and counterfeit currency, bank deposits will definitely witness a spur. When the banking habit of the nation will tend to improve, theoretical multiplier and actual multiplier will inch closer to each other thereby bolstering growth and development of infrastructure and economy as a whole. With banking awareness increase in the economy and majority transactions happening digitally, banking habit of the nation will cent percent inflate and Currency Deposit Ratio will register a downward growth with the implementation of the proposed plan.

3.5 High cost incurred by the RBI in printing currency notes

The Reserve Bank of India Act, 1934 empowers RBI to print, circulate and regulate fiat money in India. In the process of printing currency notes, RBI incurs heavy expenditure owing to importing currency paper, operating costs and other miscellaneous expenditures. As per RBI declarations, figure 7 exhibits the increasing cost of printing currency over the years for the Reserve Bank.

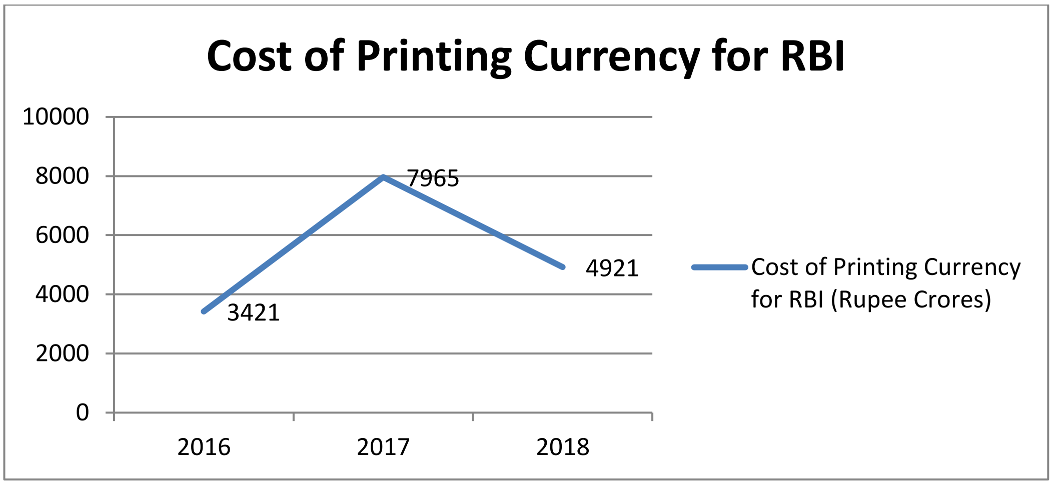

Fig. 7: Cost of Printing Currency
(Source RBI)

Shifting the exchange regime to CBDC and digital transactions will phase out the presence of physical currency in circulation which has far reaching advantages. First of all, the heavy cost incurred for printing the currency can be saved and put to some other productive utility which further helps in firing up the GDP and economic development. Secondly, this can help India reduce its import bill. The currency paper in India is imported from abroad, therefore shifting to digital mechanism; import bill can be lessened to an extent thereby reducing the fiscal deficit. Thirdly, presence of physical money poses a threat of theft and robbery which can be curbed off. Lastly, adoption of digital transactions will reduce the pressure on environment as well, as the use of paper will be lessened to a greater extent.

3.6 Non-Performing Assets (NPA)

Non-Performing Assets (NPA) refers to the loans and advances for which principal and interest remain overdue for a period more than 90 days. In India, Public sector and private sector banks have confronted the daunting of challenge of NPA's since their inception. Even cooperative banks are not an exception when it comes to NPA scams in India. Dealing with the dangerous trend of NPA's is an ordeal for the banking framework of India. Current mechanism to deal with NPA's entails the SARFAESI Act of 2002 which provides for attachment and auction of properties. The Insolvency and Bankruptcy Code of 2016 is the developing and new stricter mechanism to deal with NPA's and has manifested some success rate in the past few years yet the extent of NPA's in India have crossed a dangerous limit and needs to be effectively and efficiently brought within the requisite bounds.

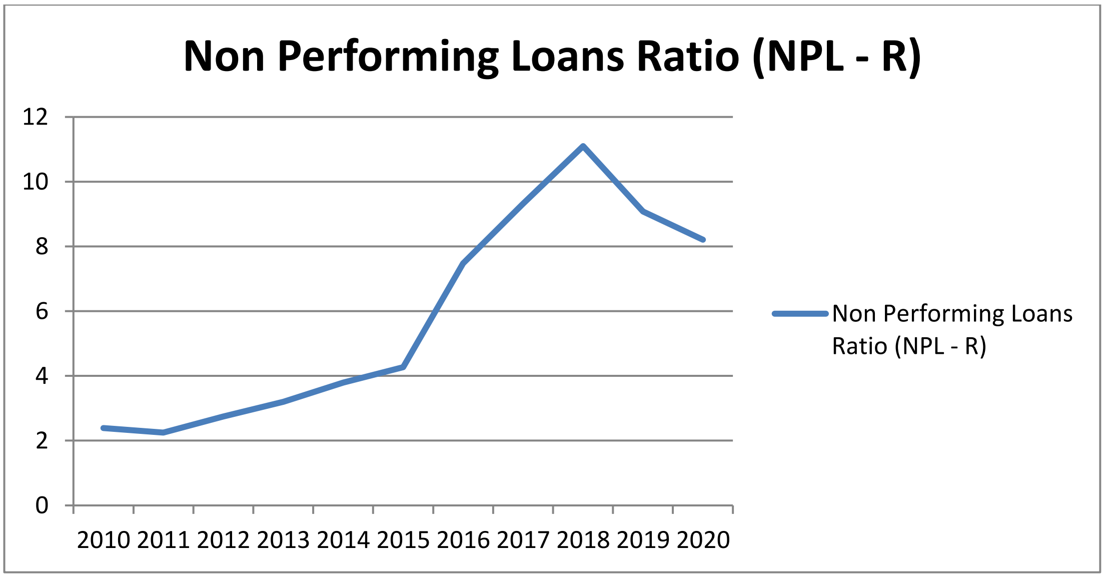

Fig. 8: Non-Performing Loans Ratio in India
(Source: CEIC Data) Reference Point 7

NPA's in India are basically of two types – willful defaulters and genuine defaulters. Introduction of CBDC and Digital Payments infrastructure in India has the requisite potential to curb the NPA's committed by willful defaulters to a larger extent. In many of the reported cases, willful defaulters tend to accumulate illicit physical cash and currency. Digital transactions and CBDC server will maintain transparency and no anonymity in holdings. Therefore, the process of early identification of NPA frauds can turn agile and RBI can claw back the holdings accumulated in the CBDC server with the rationale of a financial fraud. Transparency devoid of anonymity can be rightly attributed as panacea to deal with the galling concern of NPA's in India and CBDC introduction holds impetus.

4. CONCERNS ASSOCIATED WITH IMPLEMENTATION OF CBDC IN INDIA

Going through the dire exigencies and the potential benefits which the CBDC can propagate in India, it appears enticing to introduce but a worthy analysis needs to take into account the prospective concerns and contingencies which might hamper the trajectory of its growth after it is laid down in the formal framework. Following are the major discernible concerns which might stifle the implementation in India.

4.1 Data Security

Operation of a digital economy is always at a risk of data theft, hacking, data leakages and etc which are ever increasing with the persistent advent of new technologies and developments in science. When major portion of the economy is contingent upon the CBDC Server, risk of server hacks and thefts can leave the economy high and dry. But the advantage which needs to be paid attention to is block-chain technology. Block-chain technology is used to store data in a completely decentralized manner which makes data theft and hacking an arduous and arcane task. In such a decentralized framework of storage of data, data is not concentrated at a single resource point but exists at a variety of access points, which in turn directly implies that data theft and deletion in a block-chain stored data is next to impossible. Furthermore, the RBI needs to ensure highly protected firewalls and other state of the art digital security instruments to guard the CBDC Server. Another imperative technology is TOKENIZATION. As the rationale behind tokenization of debit and credit cards is to provide a safety against potential data attacks, same can be used in the case of CBDC Server. Other such technologies and advance programs can help RBI wean away this threat.

4.2 Contemporary Digital Divide in Indian Economy

It is a well-established fact that India is a developing economy and all spheres are yet not equally developed. Digital imbalances also exist in our economy, which are the cornerstone reasons behind slow growth of digital and banking penetration in India. Although as per statistics, 80% of Indian population has bank accounts, hardly 45% utilize the services. Digital Deepening and penetration have been limited only to metropolitan and urban areas of the mainland, while the rural poor and backward districts still relying upon physical cash transactions. Lack of awareness, negligence and efforts have been the prime reasons behind such trend.

But implementation of CBDC in a digitally divided India is still possible given the policy interventions are strictly, effectively and efficiently introduced. The backward districts and vulnerable section need to be given some relaxations in a phased manner as mentioned in Section B of this paper. In the period of relaxation, awareness programs and training camps needs to be established which will bridge the digital divorce present. The CBDC server needs to facilitate offline and non smart phone transactions as well akin to the NPCI's IMPS technology. This will ensure a wider coverage and benefits for the public in general. In a phased and targeted manner, economy can effectively implement the ground breaking exchange regime to rejuvenate and bolster the economic growth and development.

5. CONCLUSION

Indian economy is ailing with perplexities such as ever rising Non-Performing Assets, Tax Evasion, Black Money, Low Money Multiplier, High Currency Deposit Ratio and significantly low tax base. The government has taken up stringent actions in the past like the introduction of Insolvency and bankruptcy Code, 2016, enactment of Finance Act, 2017, Demonetization exercise, GST and etc but still the loopholes in the legislation have vandalized its potential benefits. In such a milieu, CBDC and digitization seems a viable option to confront the perplexities. Since the inception of Digital India, digital payments have seen a tremendous growth but the illicit economic transactions are still routed via physical cash and currency, even among the population banking habit is low which stifles the growth of digital payments in India. In order to deal with this confrontation, restricting the currency flow in the economy and replacing it with non bank associated CBDC, seems a viable option to implement. As discussed in above sections, CBDC holds potential to wean away the perplexities in the economy to a greater extent. This will ensure India's deciding step towards a less-cash economy with highest denomination legal tender being a 50 rupee note. As every coin has two faces, benefits are always accompanied with concerns. Data security and digital divorce in India are the cornerstone discernible concerns which might act as impediments in the trajectory towards less – cash economy. Nevertheless, effective and efficient policy interventions with a phased and targeted nature of implementation can wean away much of the concerns. At the end of the day, the potential benefits which CBDC and digitalization can offer outweighs the associated concerns and emerges out as a highly promising venture for the Indian economy towards clinching the 5 trillion-dollar ambition and ebbing out the perplexities innate in the system.

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