Indian Economy · GS - III

What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

EXAM YEAR	PAPER	SUBJECT
2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

CBDC, e₹, RBI, digital legal tender, blockchain/DLT, retail and wholesale CBDC, programmability, offline payments, financial inclusion

Model Answer

Digital Rupee (e₹) is India’s Central Bank Digital Currency, issued by the Reserve Bank of India as a digital form of sovereign currency. Unlike cryptocurrency, it is a liability of the RBI and carries sovereign backing.

Working:

1. RBI issues e₹ to authorised intermediaries; users hold it in CBDC wallets.
2. It can be transferred person-to-person or used for merchant payments, including through QR codes.
3. Retail CBDC serves the public, while wholesale CBDC facilitates institutional transactions.
4. Programmability and offline-payment capabilities can potentially improve targeted transfers and payment resilience.

Progress:

The pilot has expanded from retail and wholesale use-cases to wider bank and non-bank participation. Integration with existing payment infrastructure, including UPI QR interoperability, has improved usability.

Thus, CBDC can complement cash and UPI by combining sovereign money with digital programmability, while its long-term success will depend on privacy, cybersecurity, interoperability and wider adoption.