

# Chapter 9

## Navigating the Path to CBDC Adoption

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### **ABSTRACT**

*As central bank digital currencies (CBDCs) continue to gain global interest, establishing effective strategies for widespread adoption is crucial, yet remains unestablished. This concise exploration underscores the importance of stakeholder buy-in, extensive public awareness, and robust value propositions. Emphasis is given to leveraging strategic partnerships and aligning mutual benefits to secure substantial commercial participation, while multidimensional education initiatives can help foster a clear understanding of CBDCs among potential users. A persistent theme is the necessity of intertwining CBDC operations with user expectations, which involves creating an accessible, easy-to-use, and inclusive digital currency. By incorporating realistic timeframes in the gradual adoption process, the road to integration becomes more manageable, avoiding potential destabilisation of the financial landscape.*

### **1. INTRODUCTION**

As our financial ecosystems experience rapid innovation, Central Bank Digital Currencies (CBDCs) have become the government's strategic response to the burgeoning digital revolution. These state-issued digital currencies aim to reflect the changing needs and behaviours of consumers and institutions, ensuring that public monetary systems keep pace with private sector advancements. CBDCs are a digital form of a country's fiat currency, issued and regulated by the country's central bank. They represent a new chapter in the annals of money, marrying the innovation of digital platforms with the reliability of state-backed currency systems.

At its core, a CBDC is akin to physical money but exists in a digital or electronic form. Unlike decentralised cryptocurrencies, which operate without a central authority, CBDCs are centralised and provide the same level of legal tender status as coins and banknotes. There are two primary forms of CBDCs:

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- **Retail CBDCs:** Designed for public use, retail CBDCs allow citizens and businesses to conduct everyday transactions. They are akin to digital cash and aim to offer a high level of accessibility and convenience. Retail CBDCs can be expected to coexist with and potentially replace physical banknotes and coins in the future.
- **Wholesale CBDCs:** Tailored for financial institutions that hold reserve deposits with a central bank. Primarily, they aim to improve the efficiency and security of wholesale financial activities, including interbank payments and settlement systems. These could revolutionise the backbone of financial markets, revamping how banks settle transactions with one another.

With only a handful of nations having ventured into full-scale CBDC implementation, the roadmap to widespread and adequate adoption is still emerging from the fog of limited empirical evidence.

While the adventure into the world of CBDCs has begun for a select few nations, the journey has revealed that favourable results go beyond merely launching the CBDC. The erroneous belief that “if you build it, they will come” doesn’t hold true in the realm of CBDCs. Evidence from early adopters signals that successful implementation requires a harmonious alignment of technology, consumer engagement, and favourable regulatory policies (amongst others), along with a genuine value proposition that meets the needs of the citizens.

This chapter aims to delineate the route to CBDC adoption against a backdrop of diverse international experiences. It concentrates on the evolution of citizen attitudes and the common challenges encountered along the way, moving toward the key strategies that enable successful CBDC rollouts. By examining a curated selection of learnings, this chapter aims to shed light on the nuanced process of integrating CBDCs into the existing financial ecosystem, highlighting practical insights and outlining valuable strategies.

## **2. CITIZEN ATTITUDE FORMATION TOWARDS CBDCS**

Achieving successful CBDC adoption is deeply intertwined with the formation and influence of citizen attitudes. In this section, we will examine the multifaceted process of citizen attitude formation towards CBDCs, exploring various influences and stages from initial conception to post-launch reactions, and the pivotal role of social media in shaping these perspectives.

### **2.1 Attitude Before CBDC Launch**

Understanding the pre-launch/existing attitudes of citizens towards CBDCs is crucial in predicting their future adoption. However, few studies have looked at what the perceptions of CBDCs are prior to launch and how these affect adoption at this nascent stage of the CBDC journey. The extended attitude formation theory (EAFT) delves into this pre-launch sentiment, providing a lens through which to view the public’s expectations, concerns, and perceived understanding of CBDCs. Developed by Tronnier et al. (2023), EAFT builds upon the idea that attitudes towards new technologies, like CBDCs, are influenced by existing beliefs about related technologies and their perceived equivalence with CBDCs (Tronnier et al., 2023). This means that the public’s familiarity with digital transactions and e-money plays a crucial role in shaping their attitudes towards new forms of digital money like CBDCs.

The study primarily focused on four variables:

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