


Chapter 14

International Lessons and Adaptations Examining Global CBDC Implementations and Extracting Insights for India's Digital Rupee

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ABSTRACT

This chapter analyzes global central bank digital currency (CBDC) implementations to inform India's digital rupee development. By examining case studies from China, Sweden, and the Bahamas, it seeks to understand the successes, challenges, and strategies behind CBDCs. The focus is on technological, regulatory, and economic aspects, aiming to offer actionable insights for India's unique context. This comparative study aims to equip policymakers and financial experts with knowledge to navigate India's CBDC journey, emphasizing learning from global practices to address challenges and capitalize on opportunities for a smooth and impactful digital rupee rollout.

INTRODUCTION

The digital age has ushered in a transformative era for global finance, prominently featuring the advent of Central Bank Digital Currencies (CBDCs). CBDCs, which are the digital equivalent of a country's fiat currency, are issued and regulated by the nation's central bank. This innovative approach to currency aims to modernize financial systems, facilitating more efficient transactions, enhancing financial inclu-

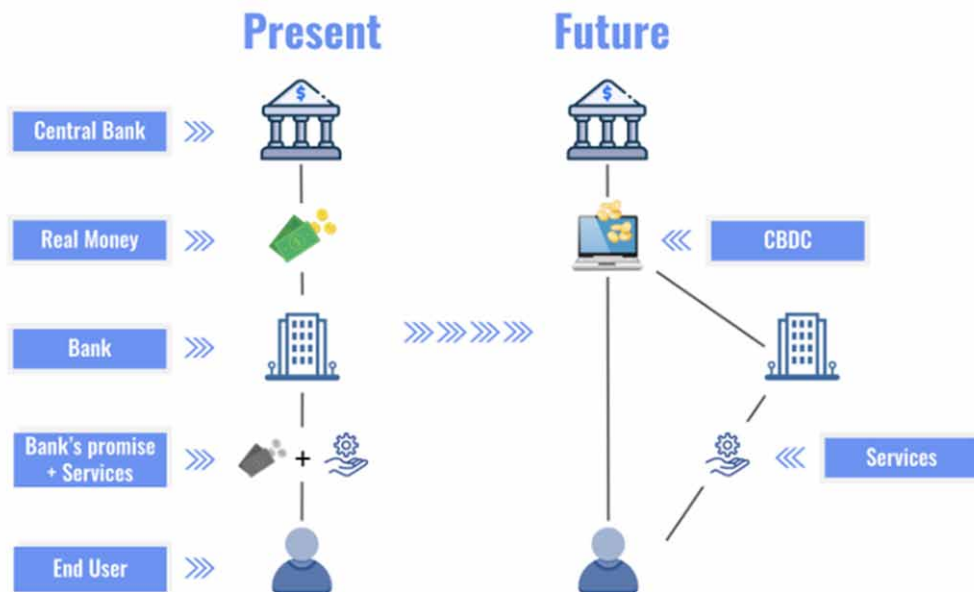
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sion, and securing the financial ecosystem against emerging digital threats. As nations across the globe explore CBDCs, their potential to reshape monetary policy, banking, and everyday financial transactions becomes increasingly significant. This chapter introduces the concept of CBDCs, underscores their global relevance, and sets the stage for a deeper exploration of their implications, especially in the context of India's evolving digital financial landscape.

Overview of Central Bank Digital Currencies (CBDCs)

CBDCs are at the forefront of financial technology innovation, offering a digital alternative to traditional cash. By integrating advancements in blockchain technology, CBDCs provide a secure, efficient, and transparent method for monetary transactions. There are two primary categories of CBDCs: wholesale, aimed at facilitating transactions between financial institutions and the central bank, and retail, designed for use by the general public. The emergence of CBDCs is driven by the necessity to update payment infrastructures, reduce operational costs, ensure transactional security, and maintain the sovereignty of national currencies in a digital world increasingly influenced by cryptocurrencies.

Figure 1. Layout of future payments (digitalasset.com)



Through CBDCs, central banks aim to address these challenges, leveraging digital technologies to enhance the functionality and inclusivity of modern financial systems.

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