

Chapter-9

CRITICAL LEGAL ASPECT OF CENTRAL BANK DIGITAL CURRENCY FROM AN INDIAN PERSPECTIVE

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ABSTRACT

Advancements in digital technology have enabled innovation in many sectors, including finance. One of the current examples of digital advancement is digital currency. As the name suggests, it is a currency in the form of electronic or virtual currency. Digital currencies come in various types, including Bitcoin, cryptocurrencies, and the Central Bank Digital Currencies. Several nations have authorized and implemented central bank digital currency. This paper aims to explore the rationale behind the adoption of Central Bank Digital Currency (CBDC), assess its legality within the context of the monetary policy framework, and examine its role in national campaigns and with the advanced acceptance of this technology in the financial sector by the RBI, there has to be an examination of the challenges and opportunities that would surface in the near future. This research paper contemplates the need to create a sturdy and exhaustive regulatory legal framework for digital currency in India.

Keywords: Central Bank Digital Currency, Reserve Bank of India, Digital Currency, Blockchain, Monetary Sovereignty.

INTRODUCTION

“Change is inevitable. Growth is optional” - John C Maxwell

Over the years, money has evolved from sea shell to gold, silver, and copper coins. Money serves three main purposes: As a medium of exchange, it not only facilitates transactions but also acts as a repository of value and a standard for measuring worth. With the evolution of money, it is evident that the entire financial system interacts with its sustainability. Our society has welcomed the idea of money development, just like any other modern economy, institutions,¹ and processes that have come together to lead the free flow of money and keep the economy going. These changes might include coming up with new ways to pay, updating new rules and regulations, and even people's preferences.² The progress of digital currency in India has been notable due to the emergence of the internet and advancements in fintech.³ The nation is leading the way in innovating digital currency solutions. As awareness of digital currencies, such as Bitcoin, Dogecoin, and Foam, grows among Indian

¹ Duncan, R., Martínez-García, E., & Toledo, P., Just Do IT? An Assessment of Inflation Targeting in a Global Comparative Case Study, Fed. Reserve Bank of Dallas, Globalization Inst. Working Papers, 2022(418), <https://doi.org/10.24149/gwp418>.

² Banet, J., & Lebeau, L., *Central Bank Digital Currency: Financial Inclusion vs. Disintermediation*, Fed. Reserve Bank of Dallas, Working Papers, 2022(2218), <https://doi.org/10.24149/wp2218>.

³ Smyrnova, O. V., The Development Tendencies of the Financial Services Market's Management with Use of Financial Instruments, Бізнес інформ, 3(494), 302-08 (2019), <https://doi.org/10.32983/2222-4459-2019-3-302-308>.

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