

ECONOMY

■ RBI Launches First Pilot Project for Retail Digital Rupee

Reserve Bank of India (RBI) launched the first pilot project for the retail digital Rupee 1st December, 2022. As stated by the central bank, eight banks have been identified for phase-wise participation in this pilot project. The first phase will begin with four banks including State Bank of India, ICICI Bank, Yes Bank, and IDFC First Bank in four cities (Mumbai, New Delhi, Bengaluru and Bhubaneswar) across the country. Four more banks, including Bank of Baroda, Union Bank of India, HDFC Bank and Kotak Mahindra Bank will join this pilot project subsequently. The digital Rupee would be in the form of a digital token that represents legal tender. Users will be able to transact with digital Rupee through a digital wallet offered by the participating banks and stored on mobile phones. Transactions can be both Person to Person and Person to Merchant. Payments to merchants can be made using QR codes displayed at merchant locations. The digital Rupee would offer features of physical cash like trust, safety and settlement finality. As in the case of cash, it will not earn any interest and can be converted to other forms of money, like deposits with banks. The pilot project will test the robustness of the entire process of digital rupee creation, distribution and retail usage in real time. Different features and applications of the digital Rupee token and architecture will be tested in future pilot projects, based on the learnings from this pilot project.

