



Evolution of Currency in India

Harsha Sanwal (Research Scholar)
 Prof. Deepak Babu (Professor & Head, Department of Commerce)*
 Siddharth University, Kapilvastu, Siddharth Nagar UP

Abstract

The evolution of the Indian monetary system reflects the broader transformation of the country's economic structure and financial institutions. In ancient India, economic transactions began with the barter system, where goods and services were directly exchanged without a standardized medium of value. Over time, the limitations of barter—such as the lack of a common measure of value and the problem of double coincidence of wants—led to the introduction of metallic coins during early civilizations and later under various dynasties and colonial administrations. With the development of organized banking and financial governance, paper currency emerged as the dominant medium of exchange, eventually regulated and issued by the Reserve Bank of India after its establishment in 1935.

In the post-independence era, India's currency system continued to modernize through banking expansion, electronic payment systems, and digital financial services. The rapid growth of fintech and the need for secure, efficient digital transactions have recently led to the introduction of the Digital Rupee (e₹), India's Central Bank Digital Currency (CBDC). Issued by the Reserve Bank of India, the Digital Rupee represents the latest stage in the evolution of money, combining the reliability of sovereign currency with the technological advantages of digital platforms. This progression—from barter to digital currency—highlights India's continuous adaptation to economic, technological, and societal changes in the monetary landscape.

Keywords: Barter system, Digital Currency, Economic structure, Monetary landscape, electronic payment system

Received: 09/01/2026
 Accepted: 26/02/2026
 Published: 28/02/2026

*Corresponding Author:

Prof. Deepak Babu

Email: profdeepakmisra@gmail.com

1. INTRODUCTION

We often wonder what "generalized purchasing power" is. We automatically assume that the only thing with a broad buying power is "Money." One of the greatest innovations in human

history, money is the widely used medium of trade. The concept of "Money" is not new to us; it is widely accepted worldwide, but its development was not without its challenges, with two distinct stages. The Latin term "**Moneta**", which was the surname of the *Roman goddess of Juno*, in whose

temple money was created in Rome, is where the word "Money" originates. As *"The Goddess of Heaven,"* this goddess was known in ancient Italy. It was at this Goddess' temple that metallic currency was created. The recipient of this money experienced the happiness of heaven since it was created in the temple of "The Goddess of Heaven". Therefore, it is thought that the word "Moneta" is the root of the word "Money". Since there is disagreement among economists over what money is, different economists have given it different definitions. Some of the suggested definitions are too long, while others are too brief. Certain economists support a definition that is solely based on universal acceptance, while others have made functions of the money as focal point of the definition. As an illustration, *Walker's¹ definition is rather broad.* In *Walker's* words, *"money is what money does."* We may include everything that has a financial role under this description. Therefore, money is not limited to metallic coins and currency notes; it also includes checks, Hundies, bills of exchange, and other items that serve the same purposes as money. However, *Robertson²* asserts that *"Money is the commodity which is used to denote anything which is widely accepted in payment for goods or in discharge of other business obligations"*. This definition states that only metallic money is entitled to be referred to as money in the literal meaning of the word as it is the only form that the public, left to their own discretion, finds acceptable. By using this definition, the scope of money is reduced. "Anything which the state declares to be money is

money," according to certain economists who define money in legal terms. As a result, money has the legal authority to pay off obligations and carry out other tasks. However, a legal consequence by itself does not significantly influence whether money is deemed acceptable in society. Although bank deposits and credit money are not considered legal currency, they form a significant portion of the circulating medium and are commonly accepted as payment. Since the aforementioned definitions are either too short or too broad, none of them are acceptable.

From the perspective of widespread acceptance, however, *Crowther's³* definition seems to be the best one. According to his definition, money is *"Anything that is generally accepted as a means of exchange and at the same time act as a measure and as a store of value"*. The reason this definition is considered the best one for money is that it emphasizes that money should serve the three crucial purposes of being *a store of value, a standard of worth, and a medium of exchange*. In other words, the item used as money must be widely accepted in the society as a means of paying debts or exchanging goods and services.

Undoubtedly, "Currency" stands as one of the three pivotal inventions in human history, alongside *fire* and the *wheel*, with its evolution unfolding over an extensive timeline. Throughout this significant evolution of economic systems, numerous items have served as currency. Throughout various phases of economic development, commodities such as animal hides and skins, as well as agricultural products like

wheat and rice, have served as forms of currency. In contemporary society, various forms of currency such as metallic coins, paper notes, and digital platforms have emerged as mediums of exchange.

Objectives of the study: This research paper focused on the descriptive study. The objective of the study is:

- To examine the evolution of the monetary system in India from the **barter system** to modern digital currency.
- To analyze the different stages in the development of Indian currency, including the introduction of metallic coins, paper currency, and digital payment systems.
- To study the emergence and significance of the Digital Rupee (₹) as India's Central Bank Digital Currency.
- To evaluate the impact of technological advancements on the transformation of the Indian payment and currency system.
- To highlight the benefits and future potential of digital currency in strengthening India's financial ecosystem.

Literature review:

Sampat and Agarwal (2024): studied the concept of the digital rupee and its role in financial inclusion. Their research highlighted that India's Central Bank Digital Currency, issued by the Reserve Bank of India, has the potential to improve transaction efficiency, reduce the cost of cash management, and provide secure digital payment options to the unbanked population. However, they also emphasized the importance of strong regulatory

frameworks and technological infrastructure for its successful implementation.

1. "Francis Amasa Walker (1840-1897) was an American economist, statistician, and educator who served as the third president of the Massachusetts Institute of Technology (MIT)."
2. "Sir Dennis Holme Robertson (23 May 1890 – 21 April 1963) was an English economist who taught at [Cambridge](#) and [London](#) Universities."
3. "Geoffrey Crowther, Baron Crowther (13 May 1907 – 5 February 1972) was a British economist, journalist, educationalist and businessman. He was editor of *The Economist* from 1938 to 1956. His major works include *Economics for Democrats* (1939) and *An Outline of Money* (1941)."

Malik and Anita (2024): examined the digitalization of currency in India and discussed the pilot launch of the digital rupee in 2022. Their research emphasized that the digital rupee combines the advantages of physical currency and digital payments, potentially reducing dependency on physical cash and enabling wallet-based transactions.

Shekhar and Ramesh (2025): analyzed the design and implications of the e-rupee for India's financial system. Their study suggested that while CBDC offers advantages such as faster settlement, programmability, and improved transparency, its adoption may face challenges due to the already well-established digital payment ecosystem in India.

Bishnoi (2025): explored the potential

impact of CBDC on India's monetary policy. The study found that the introduction of digital currency could influence monetary policy transmission, financial stability, and public awareness of digital financial systems.

Globally, the concept of Central Bank Digital Currency (CBDC) has gained significant attention among researchers and policymakers.

Singh, John, and Jacob (2022): reviewed the global developments in CBDCs and highlighted how many central banks are exploring digital currencies to modernize payment systems and maintain control over monetary policy in the digital economy.

Kapoor, Sindwani, and Goel (2024): examined the global adoption of CBDCs and discussed both opportunities and challenges associated with their implementation. Their study emphasized that CBDCs could enhance payment efficiency and financial transparency, but they also raise concerns regarding cybersecurity, privacy, and regulatory governance.

International research has also focused on the technological aspects of CBDC. Studies on digital currency systems highlight the role of technologies such as blockchain and distributed ledger systems in enabling secure digital transactions and programmable money. These technologies can support innovative features like offline payments and real-time settlement in digital currency systems.

Research Gap:

Although several studies have examined the evolution of money and the emergence of digital

currencies, there is limited research that comprehensively connects the historical development of currency in India—from the barter system to modern digital forms—with the introduction of Central Bank Digital Currency (CBDC). Most existing studies focus either on the historical monetary system or on the technological and policy aspects of digital currency separately.

Furthermore, many studies emphasize the technical and financial implications of the Digital Rupee (e₹), but comparatively fewer works analyze its development in relation to the entire historical progression of Indian currency. There is also limited research that evaluates public awareness, adoption potential, and the broader economic implications of CBDC within the Indian context.

Therefore, this study aims to bridge this gap by examining the complete journey of Indian currency—from barter exchange to the introduction of CBDC—while highlighting the economic, technological, and institutional factors shaping this transformation.

Research Methodology:

This study adopts a descriptive and analytical research design to understand the evolution of Indian currency. The study is mainly based on secondary data collected from books, research papers, journals, government publications, reports of the Reserve Bank of India, and reliable online sources.

Research Questions:

1. How did the monetary system in India evolve from the barter system to modern currency?

2. What were the major stages in the development of Indian currency?
3. What role has the Reserve Bank of India played in regulating and managing the monetary system in India?
4. What are the key features and objectives of the Digital Rupee (e₹)?
5. What are the potential benefits and challenges associated with the adoption of CBDC in India?

Money and Currency

In a common parlance there is no distinction between ‘Money’ and ‘Currency’. But in economic terminology, they are looked upon as two different things. The term ‘currency’ includes paper notes and metallic coins. They are referred to as ‘currency’, because these things are in actual circulation in the country and legal tender. The term ‘money’, however, is assigned a wider meaning. It includes not only paper notes and metallic coins, but also demand deposits. The distinction between ‘currency’ and ‘money’ can be articulated by saying that “all currency is money, but all money is not currency”. Currency is basically legal tender money which is circulated in the economy. There are some traditional economists and some modern economists who have firm believe in the basic difference between money and currency. As per *Redcliffe committee report*⁴ in “1959 money includes not only currency in circulation, but also all liquid assets such as saving bank deposits, short-term securities, treasury bills etc. held by individuals”. *Milton Friedman*⁵ also broadened the scope of money as it includes not only currency in

circulation, saving bank deposits, demand deposits but also the time deposits of commercial banks too. Friedman’s thoughts regarding money are similar to the Chicago Approach. *Gurley* and *Shaw* further broadened the area of money they include liquidity in money as well. They believed that money includes liquid assets like bonds, insurance reserves, pension funds, savings and shares etc. Which are close substitutes for the payments of debts. According to Central Bank Approach, “Money includes not only currency in circulation, but also various types of commercial bank deposits plus all credit created by the various banking agencies operating in the economy”.

4. “The Radcliffe Committee report, also known as The Radcliffe Report, was published in August 1959. The report was the result of an investigation into the workings of the Bank of England and monetary policy in the 1950s. The committee was appointed by the British Chancellor of Exchequer in 1957 and was chaired by Cyril Radcliffe, 1st Viscount Radcliffe. The report is still considered an important reference document on the Bank of England.”
5. “**Milton Friedman** (July 31, 1912 – November 16, 2006) was an American economist and statistician who received the 1976 Nobel Memorial Prize in Economic Sciences for his research on consumption analysis, monetary history and theory and the complexity of stabilization policy. With George Stigler, Friedman was among the intellectual leaders of the Chicago

school of economics, a neoclassical school of economic thought associated with the work of the faculty at the University of Chicago.”

Classification of money:

Money is classified on the basis of different parameters these parameters include:

- Basis of material used
- Basis of time

On the basis of material used:

The evolution of money from the barter system to modern financial instruments is a fascinating journey that highlights human innovation in trade and economics. Here's an overview of how money has evolved over time:

Barter System (Prehistoric to Early Civilizations)

- **Nature:** The barter system entailed the direct trade of commodities and services without a universal means of exchange.
- **Challenges:**
 - **Double coincidence of wants:** Both parties had to want what the other had.
 - **Indivisibility:** Some goods couldn't be easily divided for smaller transactions (e.g., splitting a cow).
 - **Value assignment:** Difficulty in determining the value of one good against another.
- **Example:** A farmer exchanging grain with a blacksmith for tools.



Commodity Money (Ancient Civilizations)

- **Nature:** Goods with intrinsic value, like livestock, grains, salt, or shells, were used for satisfying needs and as a medium of exchange.
- **Advantages:**
 - Commodity money had inherent value (it could be consumed or used).
 - Easier to store and trade compared to bartered goods.
- **Challenges:**
 - Commodities like grain or cattle were still not ideal for portability, divisibility, or long-term storage.

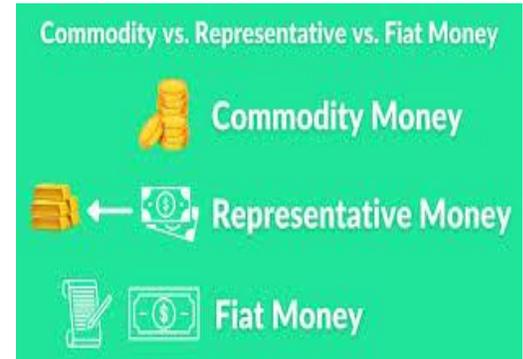
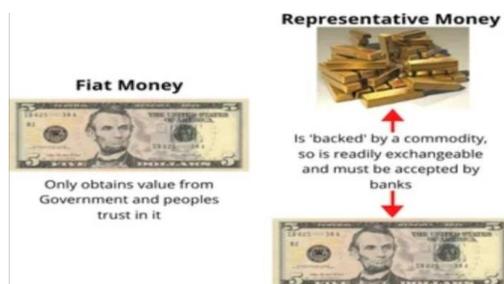
Metal Money (Circa 1000 BCE)

- **Nature:** Metals like gold, silver, and copper were shaped into coins to serve as money.
- **Advantages:**
 - Metals were durable, divisible, and portable.
 - Precious metals had intrinsic value, which was universally accepted.
- **Standardization:** Coins began to be stamped with a symbol or image to guarantee their weight and value.
- **Example:** The Lydians (modern-day Turkey) are credited with minting the first coins around 600 BCE.



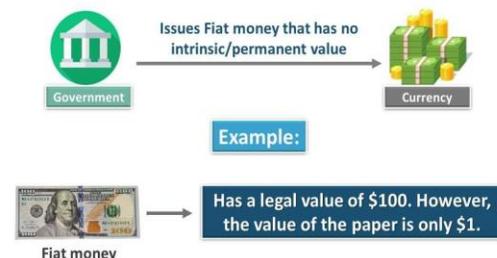
Representative Money (Medieval Period)

- **Nature:** Paper money or tokens that could be exchanged for a fixed amount of a commodity (like gold or silver) held by a government or bank.
- **Introduction of Banks:** Banks and governments issued certificates that represented stored metal reserves.
- **Advantages:**
 - Lighter and easier to carry than metal coins.
 - Facilitated larger-scale trade, reducing the need for individuals to carry actual precious metals.
- **Example:** In 11th century China, the Song Dynasty introduced the first government-issued paper money.



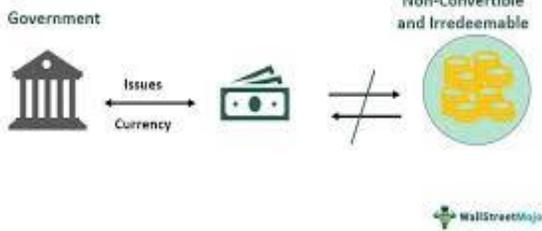
Fiat Money (Modern Era)

- **Nature:** Money that has no intrinsic value but is accepted as legal tender by governments.
- **Fiat System:** Currency is not backed by a physical commodity (like gold), but by the trust in the government that issues it.
- **Advantages:**
 - Governments have more control over the supply of money, which can help manage economies.
 - Facilitates large and complex economies.
- **Challenges:**
 - Inflation or devaluation of currency can occur if governments print too much money.
- **Example:** Most modern currencies (e.g., U.S. dollar, Euro) are fiat money, not tied to gold reserves.



Fiat Money

Fiat Money is a government-issued currency backed by the administration and not the physical commodities like silver or gold.



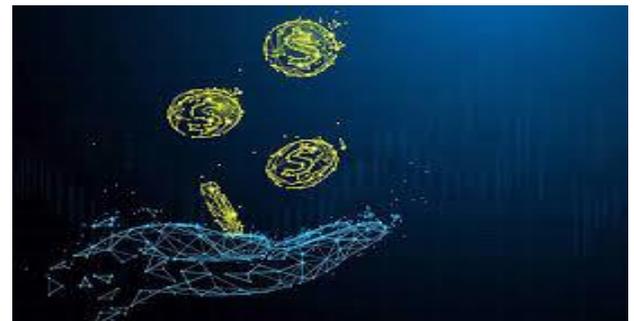
Digital Money and Crypto currencies (21st Century)

- **Nature:** Electronic forms of money, including bank transfers, online payments, and crypto Currencies like Bitcoin etc.
- **Digital Transactions:** Most money today exists as digital records in bank accounts, facilitating online transactions and international trade.
- **Crypto Currencies:**
 - Decentralized, often based on block-chain technology.
 - Not controlled by any central authority or government.
 - Potential for privacy and lower transaction costs.
- **Challenges:**
 - Crypto-currencies are volatile and lack widespread regulatory frameworks.
- **Examples:** Bitcoin (2009), Ethereum (2015), digital payment systems like PayPal (1998) and digital wallets like Apple Pay (2014).



Future prospects of Money

- **Potential Trends:**
 - Central Bank Digital Currencies (CBDCs): Now Governments are in a quest for creating their own digital currencies to combine the security of fiat money with the efficiency of digital transactions.
 - Increased use of decentralized finance (DeFi) and smart contracts in block-chain based systems.
 - Further decline of physical cash as mobile payments, crypto-currencies, and digital transactions become more widespread.





The journey of money reflects the evolving needs of society, moving from simple trade to complex financial systems that underpin global economies.

Basis of time:

The progression of Indian currency unfolds over numerous centuries, mirroring transformations in technology, governance, and economic structures. Here's an overview of the key stages in the development of Indian currency:

Ancient and Medieval Periods

- a. **Cowry Shells (Circa 1200 BCE):** In ancient India, cowry shells were one of the earliest forms of currency used for trade.
- b. **Punch-Marked Coins (Circa 6th Century BCE):** The first coins in India, made of silver, were introduced around 600 BCE during the Mahajan pada period. These coins were irregularly shaped and punch-marked with symbols.
- c. **Dynastic Coins (Circa 300 BCE - 300 CE):**
 - o **Maurya Empire (Circa 322-185 BCE):** The Mauryan rulers issued punch-marked coins made of silver and copper.
 - o **Kushan and Gupta Empires (1st to**

6th Century CE): Coins during this period became more refined, often bearing images of kings, deities, and legends in Brahmi script.

d. Islamic Influence (Circa 12th - 18th Century CE):

- o With the establishment of the Delhi Sultanate (1206-1526) and later the Mughal Empire (1526-1857), India saw a shift towards Islamic coinage. Silver tanka and gold dinars became prominent.
- o Under Sher Shah Suri (1540–1545), the Rupiya was introduced, a silver coin weighing around 11.66 grams, which is considered the precursor to the modern rupee.

Colonial Period (1600s to 1947)

a. East India Company (1600s - 1858):

- o The British East India Company began minting coins for trade, initially using Mughal designs. Over time, they introduced coins bearing portraits of British monarchs.
- o The Bengal Presidency, Bombay Presidency, and Madras Presidency had their own distinct coins.

b. British India (1858 - 1947):

- o After the East India Company's rule ended in 1858, the British Crown took control. Uniform currency coins were issued across British India.
- o Silver rupees became the standard, but due to the global shift away from silver in the late 19th century, gold and paper

currency became more common.

- In 1861, the Paper Currency Act was passed, allowing the British government to issue banknotes. The Victoria Portrait Series of banknotes was among the earliest.
- In 1935, the Reserve Bank of India (RBI) was established and began managing the issuance of Indian currency.

Post Independence (1947 - Present)

a. Initial Years (1947-1957):

- After independence in 1947, India's currency retained the British design for a brief period, with King George VI's portrait on coins and notes.
- In 1950, new Indian coinage was introduced, with "Republic of India" inscribed. The portrait of King George VI was replaced by the Lion Capital of Ashoka.
- In 1957, India transitioned to a decimal system, where 1 rupee was divided into 100 paise.

b. Introduction of High-Denomination Notes (1960s - 1970s):

- The government introduced higher denomination banknotes to facilitate large transactions, including ₹100, ₹500, and ₹1,000 notes.

c. 1980s and 1990s:

- New designs featuring national leaders, like Mahatma Gandhi, and national symbols, such as the Himalayas and agricultural themes, were introduced.

- The Mahatma Gandhi Series of banknotes was launched in 1996, becoming the dominant currency design in circulation.

d. Demonetization (2016):

- The evening of 8th of November 2016, the government led by Prime Minister Narendra Modi announced the demonetization of ₹500 and ₹1,000 notes to curb black money and counterfeit currency. New notes of ₹500 and ₹2,000 were introduced.
- A new series of notes, with updated security features and designs, was introduced soon after demonetization.

e. Mahatma Gandhi (New) Series (2017-Present):

- In 2017, the Mahatma Gandhi (New) Series of banknotes was launched with modern designs and advanced security features.
- Denominations of ₹10, ₹50, ₹100, ₹200, ₹500, and ₹2,000 were redesigned, featuring images of important landmarks like Rani ki Vav, Red Fort, Hampi, and Mangalyaan.

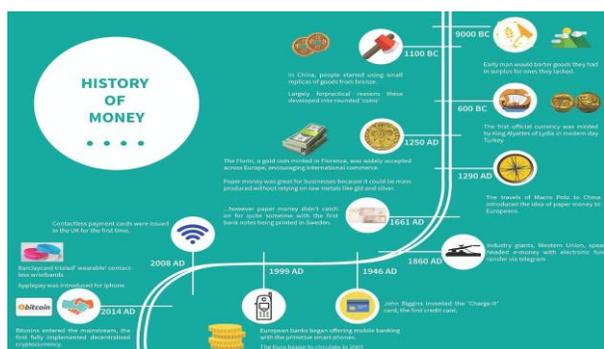
f. Digital Currency and UPI (2020s):

- The rise of digital payments and platforms like Unified Payments Interface (UPI) has increasingly moved India toward a less cash-reliant economy.
- In the year of 2022, the Reserve Bank of India launched a pilot project for its Central Bank Digital Currency (CBDC) or Digital Rupee for wholesalers and

retails to further promote digital transactions in business world in a phased manner.

- Cowry shells and barter systems were used in ancient times.
- The Rupee introduced by Sher Shah Suri became the foundation for India's modern currency.
- British India introduced uniform currency and paper banknotes.
- Post-independence saw the introduction of decimal currency and the dominance of the Mahatma Gandhi Series.
- The 2016 demonetization and shift towards digital payments are pivotal moments in modern Indian currency history.

India's currency continues to evolve, with a growing focus on digitalization in the financial ecosystem.



Findings and future prospects:

India has made impressive progress towards innovation in digital payments. India has enacted a separate law for Payment and Settlement Systems which has enabled an orderly development of the payment eco-system in the country. The present state-of-the-art payment systems that are affordable, accessible, convenient, efficient, safe, secure and

available 24x7x365 days a year are a matter of pride for the nation. This striking shift in payment preference has been due to the creation of robust round the clock electronic payment systems such as RTGS and NEFT that has facilitated seamless real time or near real time fund transfers. In addition, the launch of IMPS and UPI for instant payment settlement, the introduction of mobile based payment systems such as BBPS, and National Electronic Toll Collection (NETC) to facilitate electronic toll payments have been the defining moments that has transformed the payments ecosystem of the country and attracted international recognition. The convenience of these payment systems ensured rapid acceptance as they provided consumers an alternative to the use of cash and paper for making payments. The facilitation of non-bank FinTech firms in the payment ecosystem as PPI issuers, BBPOUs and third-party application providers in the UPI platform have furthered the adoption of digital payments in the country. Throughout this journey, the Reserve Bank has played the role of a catalyst towards achieving its public policy objective of developing and promoting a safe, secure, sound, efficient and interoperable payment system.

Private virtual currencies sit at substantial odds to the historical concept of money. They are not commodities or claims on commodities as they have no intrinsic value. The rapid mushrooming of private crypto currencies in the last few years has attempted to challenge the fundamental notion of money as we know it. Claiming the benefits of decentralization, crypto currencies are being hailed as

innovation that would usher in de-centralized finance and disrupt the traditional financial system. However, the inherent design of crypto currencies is more geared to bypass the established and regulated intermediation and control arrangements that play a crucial role of ensuring integrity and stability of monetary and financial eco-system.

As the custodian of monetary policy framework and with the mandate to ensure financial stability in the country, the Reserve Bank of India has been consistent in highlighting various risks related to the crypto currencies. These digital assets undermine India's financial and macroeconomic stability because of their negative consequences for the financial sector. Further, a wider proliferation of crypto currencies has the potential to diminish monetary authorities' potential to determine and regulate monetary policy and the monetary system of the country which could pose serious challenge to the stability of the financial system of the country.

In addition to the process of making payments, even the types of money being used for making payments are undergoing change. The Central Banks provide money to the public through physical cash and to banks and other financial entities through reserve and settlement accounts. Recent technological advances have ushered in a wave of new private-sector financial products and services, including digital wallets, mobile payment apps, and new digital assets. While cash is still the king (Bech et al (2018)), innovations are pushing Central Banks to think about how new central bank digital currencies (CBDCs) could complement or

Knowledgeable Research (KR) 2026, vol,5, Issue,02

replace traditional money (Committee on Payments and Market Infrastructures and the Markets Committee (CPMI-MC) (2018)). CBDC is a third form of base money, and central banks around the globe are exploring its feasibility, potential benefits, and the risks involved. As per the results of 2021 Bank for International Settlements (BIS) survey on CBDCs conducted on 81 central banks, 90% of central banks are engaged in some form of CBDC work and more than half are now developing them or running concrete experiments.

Recognizing the global developments in the field of CBDC, the Reserve Bank had set up an Internal Working Group (WG) in October 2020 to undertake a study on appropriate design / implementation architecture for introducing CBDCs in India. The WG in their February 2021 report made the following major recommendations:

- i. Need for a robust legal framework to back the issuance of e₹ (Digital Rupee) as another form of currency. It was recommended to amend the RBI Act to cover e₹ in the definition of the term 'bank note' and also insert a new section in the RBI Act covering features pertaining to e₹ and necessary exemptions.
- ii. The design of e₹ may be decided depending on the circumstances and the need of the country. It recommended that the design of e₹ should be compatible with the objectives of monetary and financial stability.
- iii. The most widespread use and advantage of e₹ was expected to emerge from the token-based variant in the retail segment. Keeping

this in mind, the WG recommended undertaking some pilot projects with phased implementation to serve as a learning experience.

- iv. Implementation of a specific purpose e₹, one each in the wholesale and retail segments to begin with. The proposed models could be implemented with little or no disruption to the market and help unravel the benefits of CBDC. For Wholesale CBDC (CBDC-W), a phased implementation strategy for wholesale account-based CBDC model, in securities settlement (outright), was proposed. For Retail CBDC (CBDC-R), a token-based CBDC with tiered architecture model was proposed wherein the Reserve Bank shall only issue and redeem e₹ while the distribution and payment services will be delegated to the banks.
- v. As traceability, privacy and transaction costs vary for each CBDC type resulting in different cost implications for each stakeholder, the need to conduct more research on the technological aspects of CBDC implementation on a national scale was recommended.
- vi. The WG was of the view that finalizing a model for implementation of e₹ within a short duration may not be desirable and reiterated that the initial models proposed be simple models that could be considered to commence work in this connection. The WG proposed to continue deliberations on

CBDC over a longer period to refine and crystallize requirements for the implementation of other models of e₹ in future.

Earlier, in November 2017, a High Level Inter-ministerial committee was constituted under the chairmanship of the Secretary, Department of Economic Affairs (DEA), and Ministry of Finance, Government of India (GoI) to examine the policy and legal framework for regulation of virtual / crypto currencies and recommend appropriate measures to address concerns arising from their use. The committee had recommended the introduction of CBDCs as a digital form of sovereign currency in India.

Across the globe, more than 60 central banks have expressed interest in CBDC with a few implementations already under pilot across both Retail and Wholesale categories and many others are researching, testing, and/or launching their own CBDC framework. As of July 2022, there are 105 countries in the process of exploring CBDC, a number that covers 95% of global Gross Domestic Product (GDP). 10 countries have launched a CBDC, the first of which was the Bahamian Sand Dollar in 2020 and the latest was Jamaica's JAM-DEX. Currently, 17 other countries, including major economies like China and South Korea, are in the pilot stage and preparing for possible launches. China was the first large economy to pilot a CBDC in April 2020 and it aims for widespread domestic use of the e-CNY by 2023. Increasingly, CBDCs are being seen as a promising invention and as the next step in the evolutionary progression of

sovereign currency.

Like other central banks, RBI has been exploring the pros and cons of introduction of CBDCs for some time. The introduction of CBDC in India is expected to offer a range of benefits, such as reduced dependency on cash, lesser overall currency management cost, and reduced settlement risk. It could provide general public and businesses with a convenient, electronic form of central bank money with safety and liquidity and provide entrepreneurs a platform to create new products and services. The introduction of CBDC, would possibly lead to a more robust, efficient, trusted, regulated and legal tender-based payments option (including cross-border payments).

However, CBDC could also pose certain risks that may have a bearing on important public policy issues, such as risk to financial stability, monetary policy, financial market structure and the cost and availability of credit. They need to be carefully evaluated against the potential benefits.

Government of India announced the launch of the Digital Rupee — a Central Bank Digital Currency (CBDC) from FY 2022-23 onwards in the Union Budget placed in the Parliament on February 01, 2022. In the budget announcement it was stated that the introduction of CBDC will give a big boost to the digital economy. The broad objectives to be achieved by the introduction of CBDC using blockchain and other technologies as a ‘more efficient and cheaper currency management system’ were also laid down in the budget.

The Government of India vide gazette notification dated March 30, 2022 notified the

necessary amendments in the Reserve Bank of India Act, 1934, which enables running the pilot and subsequent issuance of CBDC.

An internal high-level committee on CBDC under the chairmanship of Shri Ajay Kumar Choudhary, Executive Director, RBI was constituted in February 2022 by the Reserve Bank to brainstorm and undertake an extensive study on various aspects of CBDC and explore the motivation for the introduction of CBDC, its design features and its implications on policy issues, choice of technology platforms and accordingly suggest measures for its successful introduction.

Based on the deliberations in the Committee, the Reserve Bank hereby releases this Concept Note to present the background, motivation, choices of design features and other policy frameworks for e₹ system for the country. The aim is to build an open, inclusive, interoperable and innovative CBDC system which will meet the aspirations of the modern digital economy of India.

References:

1. Kaur, M. (2017), ‘Demonetization: Impact on Cashless Payment System’, 6th International Conference on Recent Trends in Engineering, Science & Management
2. Chopra, R. (2017), ‘Impact of Demonetization on Indian Economy’, Global Journal of Enterprise Information System
3. Balaji, K., & Balaji, K.C. (2017), ‘A Study on Demonetization and its Impact on Cashless Transactions’, International Journal

- of Advanced Scientific Research & Development
4. Sivathanu, B. (2018, January 7), 'Adoption of digital payment systems in the era of demonetization in India: An empirical study', *Journal of Science and Technology Policy Management*
 5. Harshita, B. (2017), 'Demonetization to Digitalization: A Step Toward Progress', *Management and Economics Research Journal*, 03, 11
 6. Ghosh, A. (2017), 'Turning India into a Cashless Economy: The Challenges to Overcome.
 7. Metri, P.B., & Jindappa, D. (2017), 'Impact of Cashless Economy on Common Man in India', *Imperial Journal of Interdisciplinary Research (IJIR)*, 3(3), 885–887
 8. Banerjee, S.S. (2015), 'From Cash to Digital Transfers in India: The Story So Far', *CGAP Brief (February)*, 2–5
 9. Mahajan, P., & Singla, A. (2017), 'Effect of Demonetization on Financial Inclusion in India', *International Journal of Science Technology and Management*.
 10. P. Phani Bhaskar, & D. Prasanna Kumar (2017), 'Affect of Demonetization on E-Commerce', *Review of Research*, 6(4).
 11. Balaji, K. C., & Balaji, K., (2017). "A Study on Demonetization and Its Impact on Cashless Transactions". *International Journal of Advanced Scientific Research & Development (IJASRD)*, 04 (03/I), pp. 58 – 64.
 12. CMIE, 2. (2017, July 11). centre for monitoring Indian economy pvt. Ltd. Retrieved November 28, <https://www.cmie.com/kommon/bin/sr.php?kall=warticle&dt=2017-0711%2011:07:31&msec=463>
 13. Dec., M. a. (2017, December 1). GDP growth rebounds to 6.3% in second Quarter. New Delhi, India: Mint, Hindustan Times Dec. 1, 2017.
 14. DJ, a. 1. (2017, April 15). Notebandi ke baad se 23 guna bad gaye hai digital transaction. NCR: Dainik Jagran P.12.
 15. DJ, N. 2. (2017, November 27). Karobar se bahar huyi ek tihai panjikrit companiya. NCR: Dainik Jagran p.8.
 16. DJ, N. 8. (2017, November 8). badal gaye bachat v kharch ke tarike. New Delhi: Dainik Jagran pg.11.
 17. DJ, N. 8. (2017, November 08). Notebandi ke Baad deh guna bada digital len den. New Delhi: Dainik Jagran, Pg.11.
 18. Eco survey vol 2, 2.-1. (2016-17). Services sector. *Economic survey*, 232. 8. Eco survey, E. (2016-17). *State of the Economy: An Analytical Overview and Outlook for the Policy*. *Economic Survey*, Government of India, 39.
 19. *Economic survey*, G. o. (2016-17). *Economic Outlook and Policy Changes*. *Economic survey*, Vol I, 2.
 20. *Economic survey*, v. 1. (2016-17). *Demonetization: To Deify or Demonize*. *Economic Survey*, Vol I, 53.

21. Ghosh, S. k. (2017, November 9). It was worth the short-term pain. New delhi: Hindustan times, pg 18.
22. Gupta, S. (2017, november 12). Notebandi ka Hisab Kitab. delhi, NCR: Dainik Jagran, pg 10.
23. Gupta, A. S. (2017). Impact of Demontization on MSME. International conference on Paradigm shift in World Economies: Opportunities and Challenges- 2017 (pp. 102-105). Delhi: Enriched Publications Pvt. Ltd.
24. HT, H. T. (2017, November 9). No stop in Valley's stone- pelting incidents. Delhi, NCR: Hindustan Times. 15. HT, H. T. (2017, November 08). Manmohan, jaitley spar over impact of note ban. New Delhi, NCR: Hindustan Times.
25. Jaitley, A. (2017, November 08). Manmohan, jaitley spar over impact of note ban. Delhi, NCR Region: Hindustan Times.
17. Jaitley, A. (2017, november 8). pura hua notebandi ka maksad. NCR: Dainik Jagran p.8.
26. Kumar, A. (2017, November 05). Kadam Lagu Karna bhi Aham. Dainik Jagran. Delhi, NCR: Dainik Jagran. 19. Mishra, A. R. (2017, December 1). GDP Growth rebounds to 6.3% in second quarter. New Delhi, India: Mint, Hindustan Times.
27. Mittal, A. (2017). Impact of demonetization on General Public: An Empirical Study of People's Experiences during Demonetization Days. International Conference on Paradigm

shift in World Economies:Opportunities and Challenges- 2017 (pp. 1-7). Delhi: Enriched Publications pvt. Ltd