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RBI Digital Rupee for Retail Sector

Why in Newspapers?

On Thursday, the Reserve Bank successfully piloted the digital rupee for the retail sector in the country.

Quick Issue?

- Demand for digital currency of Rs. 1.71 crore was received from four banks in select major cities of the country.
- According to the demand, digital rupee was issued by RBI. According to the official associated with the case, in the coming time, there will be an increase in the amount issued by the banks according to the increasing need.
- Currently the Central Bank Digital Currency has been launched in Delhi, Mumbai, Bengaluru and Bhubaneswar. ICICI Bank, State Bank of India, IDFC Bank and Yes Bank are involved in this pilot project.

Other Key Facts?

Issues related to CBDC in India

- **Cyber Security:** - The Central Bank Digital Currency (CBDC) ecosystem may be vulnerable to cyber-attacks which are already present in the current payment system.
- **Privacy issue:** - CBDC is expected to generate huge amount of data in real time. Data privacy, concerns related to its anonymity and its effective use will be a challenge.
- **Digital divide and financial illiteracy:** - National Family Health Survey (NFHS) also provides data disaggregation on the basis of rural-urban divide. Only 48.7% of rural males and 24.6% of rural females use the Internet. CBDCs can therefore bridge the digital divide as well as gender-based

Historical Background?

- The initial phase of this pilot project will focus on a few specific locations and banks in a closed user group (CUG) made up of participating customers and business owners.
- This pilot project will initially cover cities like Mumbai, New Delhi, Bengaluru and Bhubaneswar, where customers and merchants will be able to use Digital Rupee (E-R) or e-RUPI.
- According to the central bank, this pilot project will test the robustness of the entire process of creation, distribution and retail use of digital rupee in Realtime.
- **E-Rupee (E-Rupee):** - RBI defines CBDC as a digital version of currency issued by the central bank. It is a sovereign or fully independent currency issued by a central bank (in this case, the RBI) according to the country's monetary policy.
- **Legal Tender:** - Once officially issued, the CBDC will be considered as a medium of payment and legal tender by all the three parties – citizens, government bodies and

enterprises. Being recognized by the government, it can be freely converted into currency or notes of any commercial bank. RBI is not in favour of interest on e-rupee as people can withdraw money from banks and convert it into digital rupee, which can lead to bank failure.

- **Differentiation from Cryptocurrencies:** - The underlying technology of Cryptocurrencies (Distributed Ledger) may ease some of the dimensions of the digital rupee system, but the RBI is yet to decide on the same. However, cryptocurrencies like bitcoin or Ethereum are 'private' in nature. Digital Rupee on the other hand will be issued and controlled by RBI.
- **Global Scenario:** - By July 2022, around 105 countries were considering CBDC. Ten countries have introduced CBDCs, the first being the Bahamian Sand Dollar in 2020 and the latest being Jamaica's JAM-DEX.
- Based on the use and functions performed by the digital rupee and considering the different levels of penetration, the RBI has demarcated the digital rupee into two broad categories - retail and wholesale.
- **Retail e-Rupee** is an electronic version of cash primarily meant for retail transactions. It will potentially be available for use by everyone – the private sector, non-financial consumers and businesses – and can provide access to safe money for payment and settlement as it is a direct liability of the central bank
- **Wholesale CBDCs** are designed to have limited access to select financial institutions. It has the potential to make settlement systems for financial transactions undertaken by banks in government securities (G-sec) and capital markets more efficient and secure in terms of operating costs, use of collateral and liquidity management.
- **Retail Digital Rupee:** - The e-Rupee will be in the form of a digital token that represents legal tender. It will be issued in the same denominations as paper currency and coins and distributed through intermediaries i.e. banks.
- According to RBI, users will be able to transact with e-Rupee through digital wallets offered by participating banks and stored on mobile phones and devices.
- Transactions can be both **Person to Person (P2P)** and **Person to Merchant (P2M)**.
- Payment to merchants can be done using the QR code displayed at the locations. E-Rupee will provide features of physical cash like trust, security and finalization of settlement.
- In case of cash, it will not earn any interest and can be converted into other forms of money with banks.
- **Benefits of e-Rupay:** - Reduction in operational cost involved in handling physical cash, promote financial inclusion, Bring flexibility, efficiency and innovation in payment system. Provides convenience to the public that any private virtual currency without the risks can provide.



India's first private space shuttle launchpad

Why in Newspapers?

For the first time, a private launchpad and mission control center was established within the ISRO campus at the Satish Dhawan Space Center in Sriharikota. Private sector Indian space-tech start-up Agnikul has designed and operates the launchpad.

Quick Issue?

- This launchpad was inaugurated on November 25, 2022 by ISRO Chairman **Shri S Somnath**.

Historical Background?

- The establishment of this private launchpad is a significant step towards opening up the Indian space sector to private companies. The current facility consists of a launchpad and a mission control center.
- The center can perform liquid stage-controlled launches, also supporting monitoring of critical flight safety parameters by ISRO's Range Operations teams during launch. Agnikul plans to direct and control his upcoming launches from this launchpad.
- In its first launch, it will launch Agni Baan, a 2-stage launch vehicle.
- **AgniKul - AgniKul Cosmos Private Limited** is a Chennai based start-up which is incorporated in the **Indian Institute of Technology, Madras (IIT Madras)**. Agnikul was founded in 2017 by **Srinath Ravichandran**.
- **Private Sector in the Space Sector-** Explain that the entry of the private sector in the space sector will boost the capacity and resources of the space sector.
- Also increasing private sector participation will discourage brain drain of talented space scientists and experts who often go out of India in search of leisure.
- Several organizations have been set up to increase private sector participation in the space sector in India:
- IN-SPACE was announced in June 2020. It is an autonomous and single window nodal agency in the Department of Space for promotion, promotion and regulation of space activities of both government and private entities.

Other Key Facts?

Fireball

- Agni Baan is a two-stage launch vehicle capable of carrying a payload of up to 100 kg to a low Earth orbit of about 700 km from the Earth's surface.
- It will be powered by the company's 3D-printed Agnilet engine.
- Agnilet is the world's first 3-D printed engine designed and manufactured entirely in India and was successfully test-fired in early 2021, making Agnikul the first company in the country to test its engines at ISRO It has become
- The Ignite rocket is a "semi-cryogenic" engine that uses a mixture of supercooled liquid oxygen to propel itself.
- This engine is very complex and it works at very high temperature.



- The role of **New Space India Limited (NSIL)** acting as a single window operator will also facilitate ease of doing business in the space sector. NSIL will be involved in manufacturing launch vehicles, providing launch services, manufacturing satellites, providing space based services, technology transfer etc.
- **ISpA** ie Indian Space Association is the premier industry association of space and satellite companies. It will establish policy coordination with all stakeholders in the Indian space domain, including the government and its agencies.

Likely Question Asked In Preliminary Exam

Que. Consider the following pairs -

Occasionally in the News

Word

1. Belle II Experiment
2. Blockchain Technology
3. CRISPR – Cas9

Reference

- Artificial Intelligence
Digital/Cryptocurrency
Particle Physics

Which of the pairs given above is/are correctly matched?

- (a) 1 and 3 only
(c) 2 and 3 only

- (b) 2 only
(d) 1, 2 and 3 only

Answer: (b) 2 only

