

E-RUPEE

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Context:

Major fintech companies, including Google Pay, PhonePe, Amazon Pay, Cred, and Mobikwik are looking to join the Reserve Bank of India's (RBI) digital currency project by allowing their users to transact in e-rupee via Unified Payments Interface (UPI).

Background:

Initially, only banks were allowed to offer e-rupee transactions, but the RBI has now opened the project to payment firms to increase transaction volumes and user engagement.

About e - rupee:

1. The e-rupee, or digital rupee, is a digital currency issued by the Reserve Bank of India (RBI).
2. It was launched on a pilot basis in December 2022.
3. It is available entirely in electronic form and does not leave computer network.

Types:

1. Retail e-Rupee: Intended for general public use, allowing individuals to make everyday transactions.
2. Wholesale e-Rupee: Designed for financial institutions to facilitate interbank transactions and other large-scale financial activities.

Features:

1. Legal Tender: The e-rupee is like banknotes issued by the RBI and is a legal tender that can be used to make transactions. The only difference is that they can only be transacted online.
2. Non-Interest Bearing: The digital rupee in users wallets does not attract interest payments from the central bank.
3. Conversion: Deposits held in banks can be converted into digital rupees and vice versa for ease of use.

Objectives:

1. Efficiency: Aims to enhance the efficiency and security of transactions.
2. Accessibility: Provides an additional option for using money, especially in a digital format.

Implementation:

1. Initially offered by a select group of public and private banks in a few major cities.
2. Usage: Can be used for both person-to-person and person-to-merchant transactions.

Significance:

1. Modernization: Represents a step towards modernizing India's financial system.
2. Adoption: With fintech companies joining the initiative, the adoption rate is expected to increase further.

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