Twitter Thread by CA Kanan Bahl

CA Kanan Bahl
@BahlKanan

India's own CBDC has been launched today for pilot

It might be the next revolution in payments like UPI■

What does it mean to you? ■

Here is all about the Indian CBDC ■



1/ What is CBDC?

CBDC stands a Centrally Backed Digital Currency

Just like a physical note, CBDC will be:

- Legal Tender
- Liability of the RBI to return us that money
- Our legal obligation to accept it
- Freely convertible against commercial bank money

Symbol: e■

2/ Features of CBDC?

Apart from 1 above,

A. You won't need a bank account for transacting ■

B. Lower cost of issuance vis-a-vis notes

C. Negligible risk of being stolen or torn vis-a-vis notes

3/ How will it be different from UPI?

- No time required for settlement amongst banks

- No need of having a bank account
Hence, improving financial inclusion

- Substitute of cash

4/ Need for CBDC

A. Security over bank deposits

While our bank balances are insured up to ■5Lakhs

But since CBDC is CENTRALLY BACKED,

it is the government's liability to return us each and every penny

Well, that's what's in for us.

What about the govt? Read on■

B. Reduction in cost associated with physical cash management

Did you know■■

Govt incurred ■4,984.80 Cr. for just printing money■

CBDCs will help in reducing cost of:
- Printing
- Storage
- Transportation
- Reconciliation (and delay)
- Settlement

++ Environment Friendly!

C. No Settlement Risk

- In an online payments system, banks need to settle transactions amongst themselves

- CBDC will eliminate this by giving choices to market
participants to choose among various settlement options

-Payments using CBDCs are final and reduce settlement risk

D. Improved Cross-Border Payments Scenario

India is the world’s largest recipient of remittances as it received $87 billion in 2021

- High costs
- Slow speed
- Limited access and
- Insufficient transparency

are some challenges which CBDC will endeavour to solve

E. Support Financial Inclusion

Despite measures taken like 'Jan Dhan Yojana' and UPI

our score at the Financial Inclusion Index is quite low

CBDCs will solve the problems like:

- Poor bank infra availability in remote areas,
- Poor connectivity etc,

F. Ensure end-use utilisation

CBDC is programmable. The trail of money can be tracked

It will be easy for govt to ensure that subsidy released has not been siphoned-off

And indeed used for the purpose intended

E.g. To track subsidy for fertilizer is used for its purchase only

G. Reduced Threats From Western Sanctions

Countries keep their foreign reserves in US Dollars and Gold Reserves

The West recently froze Russian assets held in such reserves

CBDC will help us from such future sanctions

What do you think about the CBDCs? Let me know■

Follow me (@BahlKanan) for more around Personal Finance and Investing

I write a thread daily to ensure you get rich daily in terms of your knowledge and awareness :)

Wanna learn about:

- Personal Finance,
- Fundamental Analysis,
- Stock Markets,
- Mutual Funds?

Check out our courses on:
https://t.co/7akFwLvFa8

It took me 6+ hours to research and write on this topic■

If you understood it within 15 mins, kindly:

- Follow me (@BahlKanan)
- Retweet the first (https://t.co/hzyrEOQTsZ)

■■■■ ■■ ■■■■ ■■ ■■■! Come on :P

> India's own CBDC has been launched today for pilot
>
> It might be the next revolution in payments like UPI\U0001f92f
>
> What does it mean to you? \U0001f914
>
> Here is all about the Indian CBDC \U0001f447 pic.twitter.com/epZR8EHLLN
>
> — CA Kanan Bahl (@BahlKanan) December 1, 2022

Join our newsletter with 2,729+ subscribers

https://t.co/m16MIhFUVE

Sources:
1. RBI's concept note on CBDCs (https://t.co/sN9ZT6BEJ3)
2. Anshul Gupta (@anshgupta64) sir's thread https://t.co/oDemOdOhSM
3. Various News Articles