

CBDC TO REDUCE TIME, COST IN CROSS-BORDER BUSINESS: RBI'S SANKAR

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Central bank digital currency (CBDC), to be introduced this year, could become a tool for reducing time and cost for cross-border transactions, Reserve Bank Deputy Governor T. Rabi Sankar said on Wednesday.

The RBI has proposed to roll-out the CBDC, or a digital equivalent to the rupee, on a pilot basis this fiscal year, as announced by Finance Minister Nirmala Sitharaman in the Budget.

“We have to understand that internationalisation of CBDC is crucial to addressing the payments issue that bodies like G-20 and Bank for International Settlements (BIS) are dealing with now,” he said at the India Ideas Summit.

Observing that India had an ‘excellent, cheap and fast’ domestic payments system, he said the cost of cross-border payments, however, was still high.

There was a lot of scope for improvement in terms of both cost and speed, he noted.

CBDC was probably the most efficient answer to this, he said, adding, for example, if India’s CBDC and the U.S. CBDC systems could talk to each other, one wouldn’t have to wait for settling transactions.

“That massively takes out the settlement risk from cross border transactions that reduces time, that reduces cost. So, CBDC internationalisation is something that I’m looking forward to,” he said.

Concerning fraud management, Mr. Sankar said digital payment needs to be scaled up while preserving system integrity, which essentially means technical stability.

“It just doesn’t mean that the technical failures of transactions have to be minimised, it also means that transactions themselves have to inspire confidence; we cannot have too many instances of frauds,” the RBI Deputy Governor added.

‘Fraud management’

“Fraud management is an area that we also need to focus on if we have to scale it up [digital payment],” he noted. Citing the example of the Unified Payments Interface (UPI) for non-feature phones, Mr. Sankar said the RBI pays special attention to the fact that digital payment technology should be inclusive.

“The third is of course innovation. I’ve talked about it in terms of what the RBI India Innovation Hub has been doing. But this innovative impulse is something that we would want the industry to rise up to,” he said.

On data security, he said the RBI had to keep working on it on a continuous basis.

“We need to understand [that] there’s never a moment when we feel we are secure enough because that is the moment you get vulnerable,” he added.

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