



## PERCEPTION ABOUT CBDC LAUNCHED BY RBI W.R.T CURBING ILLEGAL ACTIVITIES

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**Article History:** Received: 21.05.2023

Revised: 30.06.2023

Accepted: 26.07.2023

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### Abstract

CBDC is the most talked about concept these days. The evolution of crypto made central banks in various countries explore the option of CBDC. It refers to Central Bank Digital Currency which will enable central banks to promote a formal economy, effective financial inclusion, curbing illegal activities like money laundering, etc. The launch of CBDC also raises questions on changing monetary policy implementations, probable threats to financial stability, and many more. CBDC is a fully electronic digital asset carrying features of legal tender providing the option to use digital means for transactions. It is also essential for central banks to attract and make citizens adopt this system. The mode of conducting crypto transactions and trading features is likely a strategic advantage for the central banks. Apart from a few Caribbean countries, Nigeria has implemented CBDC already. India is already in the pilot stage of implementing CBDC in the country. India is undergoing a paradigm shift as moving towards "Digital India." In a country like India, where people are more comfortable using physical cash, it is a significant challenge for people to adopt this innovation. CBDC issuance has three types, i.e., Central Bank Issued (CBI), Central Bank Authorized (CBA), and Non-Central Bank (NCB). India is working on Central Bank-issued (CBI) digital currency. CBDC implementation will help to have a digital trail of transactions in the country, which was impossible to identify at the retail level. It will also help central banks to curb activities like money laundering, tax evasion, etc. While the whole exercise is going on by The Reserve Bank of India, it is important to highlight people's perceptions. People will play a pivotal role in the success of CBDC implementation. The paper looks forward to addressing people's perception of curbing illegal activities like money laundering.

**Keywords:** CBDC, Money Laundering, Cryptocurrency, Digital India.

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**DOI: 10.31838/ecb/2023.12.6.240**

## 1. Introduction

CBDC is a central bank-issued fiat currency that exists only in electronic form. This idea gained popularity with the rise of cryptocurrencies and private digital currencies. A digital response by central banks to private and digital currencies, CBDC is an excellent replacement for legal currency status because central bank assets back it. Even though CBDC has the "potential to be the next stage in the development of money," the issue of CBDC should be viewed with caution. Significant problems are raised by the novelty and complexity of CBDC issuance, particularly regarding its potential effects on the financial system and its stability. The use of CBDC by senior citizens, building user confidence, cyberattacks, user privacy, the accumulating of sensitive data, etc., are some of the issues central banks face. Additional difficulties include the burden on a central bank's institutional ability to issue a CBDC, security problems, and dangers to central banks' reputations, etc. CBDC will aid in advancing the formal economy, financial inclusion, lowering settlement risk, and various payment choices, among other things.

### Objective of Study

- To understand awareness among people about the development of CBDC
- To study people's perception of CBDC
- To study people's perception of CBDC in curbing illegal activities like money laundering.

## 2. Methodology

**Primary Data:** While conducting research for a detailed study, 62 respondents from South Mumbai participated, and Google forms were used for collecting the responses.

**Secondary Data:** Secondary data sources contain data from various research works conducted by various people and websites.

### Limitations of Study

The study mostly depends on the availability of accurate and adequate data provided by the respondents.

Accurate & adequate data from the secondary sources.

CBDC is a relatively new concept and is still at the pilot stage of implementation by RBI; hence, user experience and knowledge about the subject were available in limited numbers along with the time constraint.

### Hypothesis

**H<sub>0</sub>:** There is no significant influence of gender on the perception of the role of CBDC in curbing illegal activities like fraud, money laundering, etc

### Review of Literature

**Amitoj Singh, David Parapallicherayil John, and Arun Pattamookkil Jacob (2022):** Review paper on exploratory research by authors suggested CBDC will offer more people access to financial services, which will, in turn, benefit the government to execute various financial inclusion schemes. It was observed that introducing CBDC will help cover settlement risk in cross-border transactions. These will benefit the general public and develop a healthy and effective financial system. The paper also reviewed the research work carried out by various researchers on the experience of various countries.

**D. Priyadarshini and Sabyasachi Kar (2021):** Their IEG working paper on "Central Bank Digital Currency: Critical Issues and the Indian Perspective" highlighted no universal definition of CBDC. It can be defined based on the features associated with it or alternative perspectives. The paper also discussed the role of CBDC in improving monetary policy transmission and the efficiency of

monetary systems and others. These features will help to curb illegal activities like fraud, money laundering, etc. It also discussed the possible challenges for nations adopting CBDC in the disintermediation of the banking sector, accessibility, privacy, legal and regulatory considerations, etc. It is necessary to understand that; It is a long journey ahead. It will require many reforms to contribute to the development process of our country rather than disrupt the process.

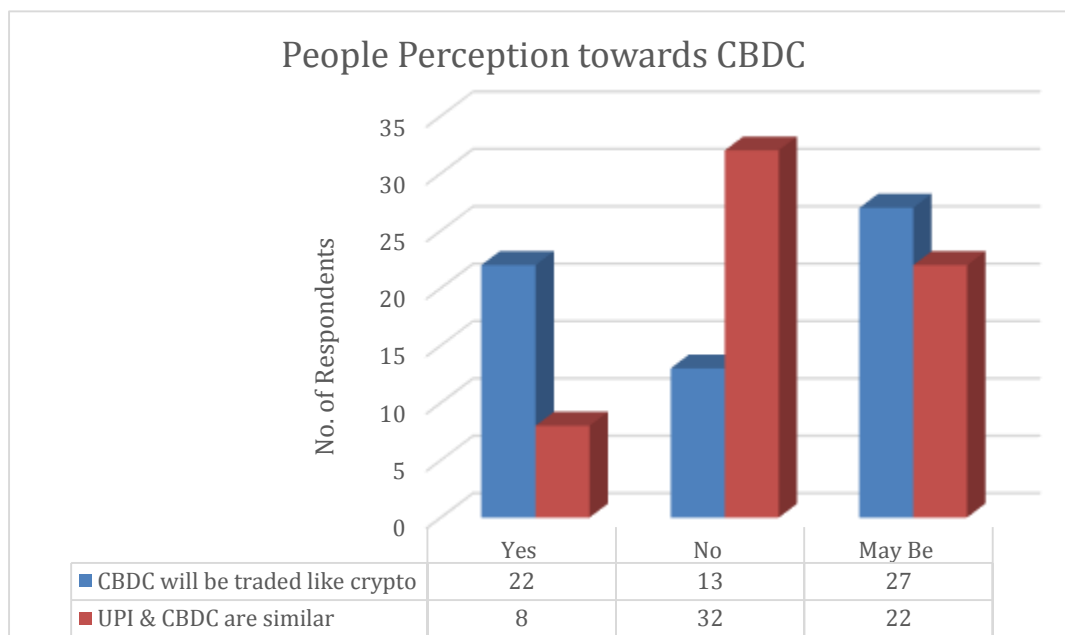
**Aditya Kulkarni (2022):** In his report on "Public perception of the Digital Rupee in India," conducted primary research with 200 respondents using a google form comprising open-ended and closed-ended questions. Sentiment analysis was also done using machine learning using hashtags on Twitter, and the digital rupee will ease domestic and cross-border payment systems. Three hundred twenty-seven tweets were analyzed. The finding suggested that approximately 84.2% of respondents were aware of it. It was also observed that respondents of 18-35 years showed the highest support for the decision of the digital rupee. Positive sentiments were recorded towards the support of the digital rupee and ease in domestic and cross-border payments. The research concluded that India has the youngest workforce and the most extensive consumer base for data consumption, which will help the central bank successfully implement the digital rupee.

**Debashis Saha and Partha Ray (2021):** In their paper "The techno-economics of

CBDC: An exploration," discussed the operational aspects of CBDC and various implications of implementing CBDC—concern over banks losing predominance as a significant channel of monetary policy transmission. The history of money is full of innovations, and various factors have contributed to these developments. It also suggested that it might increase the cost of bank-based financial intermediation. Fear of the impact of CBDC still exists in regulators' minds. It is believed that time will give the best answers to the fear and positive implications of CBDC.

#### **Views on Topic**

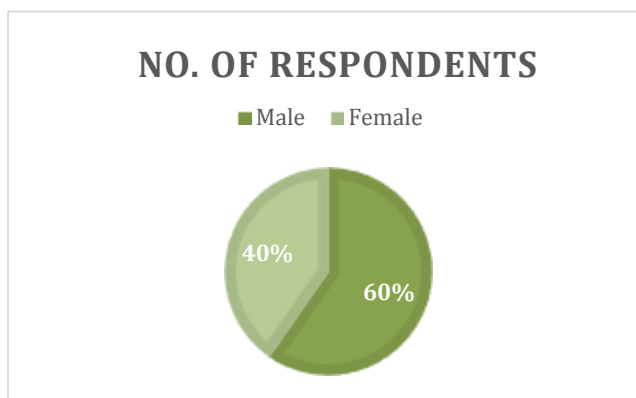
The role of CBDC is seen from the perspective of promoting a formal economy. It will also enable central banks to keep track of the circulation of the money supply and curtail the funds flowing into illegal activities like terror funding, money laundering, drug paddling, etc. While India is on the verge of making a big statement on the global platform, it is essential for the country to make people aware of CBDC. The survey highlighted issues of the need for more awareness about the CBDC initiative of the country. Approximately 22 respondents believed that CBDC would also feature trading like crypto. Whereas 27 respondents felt it would be allowed to trade as crypto. It was also observed that 8 respondents felt that UPI and CBDC are similar to each other, and 22 respondents felt that might be UPI & CBDC might be similar to each other.



**(Compiled from Primary Data)**

Overall, 62 respondents who participated in the survey, 37 respondents were male and 25 were female. It was also observed that when respondents were asked about using of CBDC facility, only four respondents out of all respondents had

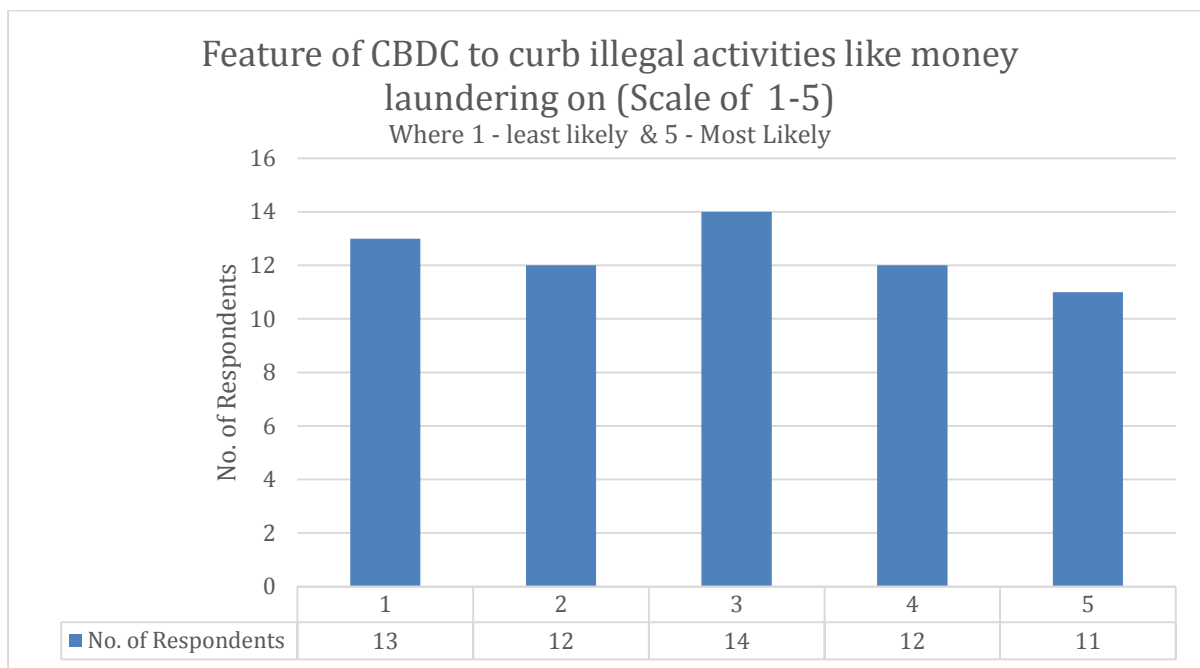
utilized the facility of CBDC. It was also observed that more than 65% of the respondents had shown keen interest about utilizing this facility soon. Which is one of the positive signs for the implementation of CBDC in the longer run.



**(Compiled from Primary Data)**

Respondents were asked to rate the role of CBDC in curbing illegal activities like money laundering and fraud on a scale of 1 to 5, where 1 was least likely, and 5 was most likely. The opinion of the

respondents is divided. It was observed that 11 respondents believed that it would most likely to curb illegal activities, whereas 13 respondents felt it would be least likely to curb the illegal activities like fraud, money laundering etc.



(Compiled from Primary Data)

**ANOVA**

		Sum of Squares	df	Mean Square	F	Sig.
Rate the following feature on the scale of 1-5. Where 1- Least likely & 5- Most likely [Curb illegal activities like fraud, money laundering etc... ]	Between Groups	10.663	1	10.663	5.865	.018
	Within Groups	109.079	60	1.818		
	Total	119.742	61			

The table represents the ANOVA analysis to determine the influence of gender on the perception about the role of CBDC relating to curbing of illegal activities like fraud, money laundering activities etc. The significant value 0.018 determines that there is a significant influence of gender on the perception about the role of CBDC relating to curbing of illegal activities like fraud, money laundering, etc. Thus, null hypothesis, that gender does not significantly influences the role of CBDC in curbing illegal activities like fraud, money laundering etc., is rejected. Gender will have any specific influence on people's perception pertaining to the role of CBDC in curbing illegal activities like fraud, money laundering etc. The digital

trail will benefit central banks to keep better control over activities like fraud, money laundering etc. CBDC will enable more transparency in economic activities, bringing about positive outcomes for the country in the long run.

**2. Conclusion**

CBDC is going to transform the traditional outlook of central banks. It will help central banks to have control over the money supply function. Also, digital trails will make it easier for the central bank to track down the footprints of any economic default or fraudulent activity which was not possible in traditional paper currency. One should also understand that each coin

has two sides, it is an inevitable fact that risks are also going to be part of this mechanism like cyber-attacks, data theft, breach of user privacy and many more. Of course, it will benefit central banks to curb illegal activities to like fraud, money laundering, terror funding, drug paddling etc. It will help to promote formal economy. It will also bring about more transparency and improve the efficiency of the economic system.

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