Saarj Journal on Banking & Insurance Research (SJBIR)
ISSN: 2319-1422 Vol. 15, Issue 04, July 2026 SJIF 2022=7.852
A peer reviewed journal

CENTRAL BANK DIGITAL CURRENCY- CHANGING THE COMMERCIAL BANKING LANDSCAPE IN INDIA

Dr Shashi Bala*

*Principal
G.K.S.M. Government College,
Tanda Urmar, Punjab, INDIA
Email Id: Shashi_97@Yahoo.Com

DOI: 10.5958/2319-1422.2026.00007.9

ABSTRACT

Digital Currency of Reserve bank of India called Digital Rupee or Central Bank Digital currency (CBDC) represents one of the most significant developments in the evolution of the modern monetary and financial system. It aims at transforming India's financial sector, streamlining financial transactions, reducing cash management. Unlike crypto currencies and privately issued digital money, a CBDC is a digital form of sovereign currency issued and backed by a central bank. In India, the Reserve Bank of India (RBI) introduced pilot programmes for the Digital Rupee (e₹) in both wholesale and retail segments. The retail CBDC pilot was launched in December 2022, with commercial banks acting as intermediaries for distribution through digital wallets.

The introduction of CBDC has important implications for commercial banks because bank deposits constitute a major source of bank funding and are central to the process of financial intermediation. While CBDC can improve payment efficiency, reduce transaction costs, encourage financial inclusion and create new opportunities for banks, it may also increase competition for traditional bank deposits and potentially affect bank liquidity, lending and profitability. Recent empirical evidence from India's live retail CBDC rollout suggests that CBDC eligibility reduced retail deposits by approximately 2.7%, particularly liquid savings deposits, although the impact on lending was initially negative and subsequently recovered.

This paper aims at examining the conceptual relationship between CBDC and commercial banks, analyses the opportunities and risks arising from CBDC adoption, and evaluates the Indian experience.

KEYWORDS: *Central Bank Digital Currency, CBDC, Digital Rupee, Commercial Banks, E₹, Bank Deposits, Financial Intermediation, Financial Stability In India.*

REFERENCES

1. Reserve Bank of India. *Annual Report / Report on Currency and Finance*, relevant editions.
2. Reserve Bank of India. *Operationalisation of Central Bank Digital Currency – Wholesale (e₹-W) Pilot*, 2022.
3. Reserve Bank of India. *Operationalisation of Central Bank Digital Currency – Retail (e₹-R) Pilot*, 2022.
4. Bank for International Settlements. *Central Bank Digital Currencies*, CPMI Papers.
5. Bank for International Settlements. *CBDC and Banks: Disintermediating Fast and Slow*, BIS Working Paper No. 1280, 2025.
6. Abad, J., Nuño Barrau, G., & Thomas, C. *CBDC and the Operational Framework of Monetary Policy*, BIS Working Paper No. 1126, 2023.

7. Di Maggio, M., Ghosh, P., Ghosh, S. K., Vats, N., & Wu, A. *Central Bank Digital Currency (CBDC), Bank Deposits, and Digital Payments: First Evidence from a Live Retail CBDC*, NBER Working Paper No. 32457, 2024, revised 2026.