

MAINS MASTERY 2026 · GS PAPER III · QUESTION 1 · STUDENT EDITION

The Digital Rupee: Meaning, Working and Progress

THE QUESTION, AS SET IN UPSC CSE MAINS 2026

What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

Directive: Explain | 10 marks | 150 words | Economy: money, banking, payments

1 **PYQ Deep Decode**
Demand, hidden demand, structure, form

2 **PYQ Intelligence**
2015 to 2026: money, inclusion, digital economy

3 **Additional information**
Meaning, working, progress

4 **Pitfalls and variations**
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5 **The model answer**
One answer, with a flow diagram

6 **Other ways to write it**
Outlines, and when each works

7 **Quick recall**
Sixteen facts for Mains and Prelims

8 **Write it yourself**
A seven-point self-check

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What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

1 PYQ Deep Decode

Read the question the way the examiner set it: the demand, the hidden demand, the structure that follows from both, and how the answer should be presented, opened and closed.

1.1 The demand

This is a three-part question on **money and payments**, not an essay on digital India. It asks first for a **meaning**, then for a **mechanism**, then for a **record of progress**. Each phrase below fixes what that part must contain.

Words in the question	What they ask you to do	What goes wrong if you miss them
What do you mean by Digital Rupee?	Give a precise definition: **legal tender issued by the RBI in digital form**, a direct liability of the central bank, equivalent to cash.	The definition slides into "digital payments" or "UPI", which are a different thing.
In this context	Keep the rest of the answer tied to that definition: the working and progress of **this** currency, not of digital payments generally.	Paragraphs on UPI's success that never return to the e-rupee.
explain the working	Show the **mechanism**: who issues, who distributes, how a user holds and spends it, how it settles, and its two forms (retail and wholesale).	A list of benefits in place of an account of how it works.
and progress	Trace the **stage reached**: pilots, participants, features added, use cases, and the latest figures, including where adoption has slowed.	The launch date alone, as if introduction were progress.
India's Central Bank Digital Currency (CBDC)	Speak of the **RBI's e-rupee**, placed briefly among other central bank currencies where it helps.	A global survey of CBDCs with India as an afterthought.

THE DEMAND IN ONE LINE

Define the e-rupee exactly, show how it moves from the RBI to a user and settles, and judge how far the pilots have taken it.

1.2 The hidden demand

Most answers describe the e-rupee as another digital payment. A strong answer goes two steps further, which the question implies but does not state. First, **what makes it different** from the money already moving through UPI and cards: the e-rupee is **central bank money**, a claim on the RBI itself, while UPI moves **bank deposits**. Second, whether **progress in pilots** amounts to **broad adoption**. Here read the evidence carefully: cumulative transactions and users kept rising, while the retail e-rupee **held at year-end** fell by about a quarter in 2025-26. Progress is real but uneven, and that judgement earns its own small part.

What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

Each point should connect a feature to what it does and, where needed, to what it has not yet achieved. The qualification is where the hidden demand is met.

Feature: what exists	Working: what it does	Qualification: what is still open
Programmability, used in welfare pilots in Gujarat, Puducherry and Chandigarh.	Money that can be restricted to a purpose, such as a food subsidy.	Pilots, not nationwide schemes; restriction also raises questions of choice and privacy.
Interoperability with UPI QR codes since 2023.	Participating e-rupee wallets can make merchant payments through supported UPI QR codes.	Wider acceptance did not prevent retail e-rupee outstanding from falling during 2025-26; circulation at a date must be distinguished from sustained transactional adoption.

WEAK

The e-rupee is a digital payment method like UPI.

STRONG

Unlike ordinary bank-account UPI payments, the e-rupee is central bank money. Direct transfers between e-rupee wallets settle instantly and finally; payments initiated through UPI QR codes follow UPI settlement timelines.

1.3 The structure

The question has **three demands** (meaning, working, progress) and **one hidden demand** (difference from existing money, and progress against adoption). So the answer has **four parts**, in that order. The shares below are of the body between the introduction and the conclusion; they are a teaching guide, not a UPSC rule, and the whole answer, introduction and conclusion included, stays at 150 words.

Introduction	1. Meaning about one-fifth	2. Working about two-fifths	3. Progress about three-tenths	4. Hidden a tenth	Conclusion

Part 1 ### Meaning of the Digital Rupee *about one-fifth*

Legal tender issued by the RBI in digital form; a direct liability of the RBI; exchangeable at par with a rupee note; pays no interest; legal basis in the **RBI Act, 1934** as amended by the **Finance Act, 2022**.

Part 2 ### Working of India's CBDC *about two-fifths*

Issuance and distribution	A **two-tier (intermediated)** model: the RBI issues; participating banks and approved non-bank providers offer wallets and handle distribution and redemption.
Two forms	**e₹-R** (retail, token-based, for people and merchants) and **e₹-W** (wholesale, for settlement between financial institutions).
Transacting	Person-to-person and person-to-merchant transfers from the wallet; payment by QR code, including UPI QR for merchants; offline capability under testing.
Settlement	Direct wallet-to-wallet transfers move central bank money itself and settle finally; payments routed through UPI QR follow the UPI arrangement.

What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

Part 3 **Progress** about three-tenths

Wholesale pilot from **1 November 2022**; retail from **1 December 2022**; UPI QR interoperability, programmability, offline testing and non-bank wallets since; welfare pilots and a digital-assets MoU with Singapore in 2025-26; over **120 million cumulative** transactions by December 2025; retail e-rupee outstanding **₹1,016 crore** (March 2025) falling to **₹772 crore** (March 2026).

Part 4 **Experiment against adoption** about one-tenth

Show what sets the e-rupee apart from UPI money, and why growing pilots and features have not yet become broad everyday use.

1.4 How to present it

The form follows the question. "Explain the working" describes a **flow**: from the RBI, through banks and wallets, to users and merchants. A compact **flow diagram** is an effective choice for Part 2, provided it keeps direct e-rupee transfers apart from payments routed through UPI QR codes; four short points work equally well. Points suit the progress part.

Form	Fit here	Reason
Flow diagram for the working	**Best**	Issuance, wallets, use and settlement are a sequence; four labelled boxes show it in one glance.
Points with headings	Good	Right for the progress part, where milestones and figures are listed.
Table	Possible	A comparison with UPI fits the hidden part, but a full table costs time.

1.5 The introduction and the conclusion

The introduction serves the whole question. The question opens by asking for a meaning, so the introduction begins with a **definition**, then signals the working and progress to follow: its retail and wholesale forms, and its pilot stage since 2022.

The conclusion settles the demand. The question asks how the CBDC works and how far it has come, so the closing line judges its **stage**: a working system with useful features, still in pilot, whose future depends on adoption, not technology.

2 PYQ Intelligence 2015 to 2026

The question's context in 2026, its place in a line of questions on money, finance and inclusion, and what to prepare next.

2.1 Why the subject was topical in 2026

The e-rupee reached its fourth year of pilots with new features, new welfare uses, rising cumulative transactions and a fall in retail holdings, all reported by the RBI and the Government. UPSC never states why it sets a question, so treat this as **context, not cause**.

What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

When	What happened	Why it matters for this question
5 December 2025	At the RBI's post-policy press conference, Deputy Governor T. Rabi Sankar reports over **120 million cumulative** retail CBDC transactions worth over **₹28,000 crore**, and a little over **8 million** users.	Scale of use so far: a **flow** over three years, not a stock at one date.
2025-26	The RBI Annual Report 2025-26 records that PDS beneficiaries in **Gujarat, Puducherry and Chandigarh** received food subsidies through programmable CBDC, redeemable for eligible commodities at fair-price shops or identified merchants.	A significant use case, but not unique to CBDC: NPCI's e-RUPI vouchers are also purpose-specific. The fundamental distinction of the e-rupee is that it is central bank money, a direct liability of the RBI.
29 May 2026	RBI Annual Report 2025-26: retail e-rupee outstanding falls **about 24%**, from ₹1,016.46 crore (end-March 2025) to **₹771.66 crore** (end-March 2026); an MoU with the Monetary Authority of Singapore on digital-asset collaboration.	Features and pilots grew while the value held at year-end fell; the MoU is collaboration, **not an operating cross-border corridor**.
14 August 2026	The Government operationalised programmable CBDC-based food-subsidy transfers for all eligible PMGKAY beneficiaries in **Chandigarh** and **Dadra and Nagar Haveli**, building on earlier pilots in Gujarat and Puducherry.	Programmability moving from pilot towards routine delivery.

2.2 The skill UPSC keeps testing

These questions from 2015 to 2026 share one concern: **how a new financial instrument or policy actually reaches people**, and the gap between design and use.

Year	The question, as UPSC set it	What it asked of you	What changed in 2026
2015 GS III · Q5	In what way could replacement of price subsidy with Direct Benefit Transfer (DBT) change the scenario of subsidies in India? Discuss.	Judge a change in how welfare money reaches people.	Programmable e-rupee in PDS pilots takes DBT a step further: money tied to its purpose.
2016 GS III · Q3	Pradhan Mantri Jan-Dhan Yojana (PMJDY) is necessary for bringing unbanked to the institutional finance fold. Do you agree with this for financial inclusion of the poorer section of the Indian society? Give arguments to justify your opinion.	Judge whether a scheme achieves inclusion, not just enrolment.	The same test of design against use, now for a new form of money.
2021 GS I · Q19	What is Cryptocurrency? How does it affect global society? Has it been affecting Indian society also?	Define a new form of digital money and trace its effects.	Both demand precise definitions of digital money; 2026 asks about the design and progress of a **sovereign** one.
2022 GS III · Q2	Is inclusive growth possible under market economy? State the significance of financial inclusion in achieving economic growth in India.	Link financial inclusion to growth.	A new instrument judged by access and use, not only technology.

What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

Year	The question, as UPSC set it	What it asked of you	What changed in 2026
2023 GS III · Q2	What is the status of digitalization in the Indian economy? Examine the problems faced in this regard and suggest improvements.	Status, problems and remedies of the digital economy.	The closest precedent: 2026 narrows from the digital economy to one digital currency.
2026 GS III · Q2	Examine the view that financial inclusion is an integral part of social and economic inclusion in a country like India. Also throw light on the usefulness of the R.B.I.'s Financial Inclusion Index.	Inclusion and how the RBI measures it (Q2, the same paper).	The same paper asked about money's reach twice: through inclusion in Q2, through a new currency in Q1.

CARRY THIS METHOD TO ANY QUESTION ON A NEW INSTRUMENT

1. **What is it, exactly?** Legal nature and issuer.
2. **How does it move?** From issuer to user to settlement.
3. **What is new?** Against what already exists.
4. **How far has it gone?** Dated milestones and figures.
5. **Is it used?** Adoption, not announcement.

2.3 What to prepare next

MONEY AND PAYMENTS AROUND THE E-RUPEE

UPI	Real-time transfer of bank deposits; the system the e-rupee must work alongside.
Stablecoins and crypto-assets	Privately issued or decentralised digital assets, not necessarily money or legal tender; some stablecoins seek a stable value against fiat currency. Unlike the e-rupee, they are not liabilities of the RBI, hence its concerns over monetary sovereignty.
Tokenisation	Representing deposits or assets on digital ledgers; the next stage of wholesale CBDC work.
Financial Inclusion Index	The RBI's measure of access, usage and quality (2026 Q2).

CENTRAL BANK DIGITAL CURRENCIES ABROAD

Sand Dollar (Bahamas, October 2020)	Among the first retail CBDCs launched nationally.
eNaira (Nigeria, October 2021)	A launched CBDC with documented adoption difficulties: a lesson for India.
e-CNY (China)	Among the largest and most advanced retail CBDC programmes.
United States (2025)	Executive Order 14178 (23 January 2025) directs federal agencies, except as required by law, not to establish, issue or promote a CBDC.

3 Additional information

Everything needed to answer this question well. Tier 1 holds what the demand needs; Tier 2 places it within the wider debate on money, privacy and policy.

TIER 1 · ESSENTIAL: MEANING, WORKING AND PROGRESS OF THE E-RUPEE

Subject	What it is	Why it matters for the answer
MEANING		
Legal nature	Legal tender issued by the RBI in digital form; exchangeable at par with cash; a direct liability of the RBI; India's retail e-rupee **pays no interest**.	The definition Part 1 needs, and the root of every difference from UPI.

What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

Subject	What it is	Why it matters for the answer
Legal basis	Section 125 of the **Finance Act, 2022** amended the **RBI Act, 1934**: Section 2(aiv) now defines bank notes to include RBI-issued notes in physical or **digital form**, and a new Section 22A exempts digital bank notes from specified provisions. The digital rupee was announced in the Union Budget on 1 February 2022.	Shows that the e-rupee is currency in law, not a private token.
Concept Note	RBI Concept Note on CBDC, **7 October 2022**: motivations, design choices, two forms, intermediated model.	The official source for how it is meant to work.
WORKING		
Two-tier model	The RBI issues the e-rupee; participating banks, and since 2024 approved non-bank providers, offer **wallets** and handle distribution, redemption and customer transactions.	Keeps the RBI out of retail banking while preserving banks' role.
Retail e₹-R	**Token-based**, transferable like cash: held in a wallet, sent person-to-person or paid to merchants by QR code. Token design does **not** guarantee the anonymity of physical cash.	The everyday form; closest to a digital banknote.
Wholesale e₹-W	For institutions; began on **1 November 2022** with nine banks, settling secondary-market government-securities trades. It has since expanded; the RBI's FAQs of 1 October 2026 list four use cases (government securities, interbank call money, tokenised certificates of deposit, tokenised corporate bonds) and 16 participating banks and non-banks. End-of-day redemption can leave outstanding balances at nil despite real transactions.	Faster, cheaper settlement in central bank money between institutions.
Settlement	A **direct transfer between e-rupee wallets** settles in central bank money: no bank deposit sits in between. A payment from an e-rupee wallet through a **UPI QR code** may credit the merchant's bank account under the UPI arrangement.	The core difference from UPI and cards, which move commercial bank money.
PROGRESS		
Pilots	e₹-W from **1 November 2022**; e₹-R from **1 December 2022** in a closed user group in **Mumbai, New Delhi, Bengaluru and Bhubaneswar**, first through SBI, ICICI Bank, YES Bank and IDFC First Bank, widening since.	The start of progress.
Features added	UPI QR interoperability for merchant payments (2023); **programmability** and **offline** capability (announced 2024, offline tested in controlled pilots); non-bank wallet providers permitted (2024).	Each addition answers a barrier to use; announced, piloted and universally available are different stages.
Use	About **₹1,016 crore** outstanding and about **60 lakh** users onboarded by March 2025; over 120 million **cumulative** transactions worth over ₹28,000 crore and a little over 8 million users by December 2025.	Scale achieved in the pilot.
2025-26	Retail outstanding fell 24.1%, from **₹1,016.46 crore** (end-March 2025) to **₹771.66 crore** at end-March 2026. The RBI Annual Report records programmable PDS food-subsidy pilots in Gujarat, Puducherry and	Progress in design and use has been uneven: transactions grew while year-end holdings fell.

What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

Subject	What it is	Why it matters for the answer
	Chandigarh, alongside digital-asset collaboration with Singapore. Wholesale outstanding was nil at year-end owing to end-of-day redemption, **not inactivity**.	

CBDC, UPI and crypto are three different things. The **e-rupee** is central bank money in digital form. **UPI** is a payment system that moves bank deposits. **Cryptocurrencies** are private assets issued by no central bank. Keeping these apart is what the definition part is testing.

Stock is not flow. E-rupee **outstanding** at end-March is a stock: what users hold on one day. **Transactions** are a flow over time, and **onboarded users** are not the same as active users. A fall in the stock alone does not prove that use fell; it shows that features have not yet raised what people hold.

Why UPI's success makes the e-rupee harder. UPI's wide merchant acceptance and easy bank-account transfers reduce the everyday incentive to switch. UPI already offers some **offline** (UPI Lite X) and **cross-border** links (UPI-PayNow with Singapore, from 21 February 2023), so these are not unique to a CBDC. The e-rupee's distinct case is **transferable central bank money** and **purpose-bound** transfers.

Cash, UPI and the e-rupee. Cash: physical legal tender; RBI banknotes are RBI liabilities, while coins and ₹1 notes are liabilities of the Government of India; settles by hand. **UPI**: a payment system that moves commercial-bank deposits, which are liabilities of the banks; UPI itself is not a liability or currency. **E-rupee**: RBI liability, digital, held in a wallet; direct transfers settle in central bank money.

TIER 2 · EXTENDED UNDERSTANDING: THE WHOLE TOPIC AROUND IT

How a retail e-rupee payment moves

Issue	Load	Pay	Settle	Redeem
The RBI creates and issues e-rupee to participating banks and authorised non-bank providers, which distribute it through customer wallets.	A customer loads the wallet from a bank account, as if withdrawing cash.	The customer pays a person or a merchant by scanning a QR code.	CBDC-QR wallet transfers settle instantly in central-bank money; UPI-QR payments follow UPI settlement timelines.	A merchant or user can move the balance back to a bank account.

What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

The case for a CBDC

1. **Cost of cash:** printing, storing and moving notes.
2. **Settlement:** final, risk-free central bank money.
3. **Programmability:** targeted subsidies and conditional payments.
4. **Offline functionality:** solutions for limited-connectivity and no-internet payments remain under testing. Wallet onboarding is generally linked to a savings account, but eligible beneficiaries of programmable DBT schemes may onboard with mobile and/or Aadhaar authentication (RBI FAQs, 1 October 2026).
5. **Cross-border:** scope for faster settlement, still exploratory.
6. **Sovereignty:** an official alternative to private digital money.

The concerns

1. **Adoption:** little reason to switch while UPI works well.
2. **Disintermediation:** if people shift deposits into CBDC, banks lose funds for lending; holding limits and no interest guard against this.
3. **Privacy:** wallet records make digital money traceable unless safeguards are designed in.
4. **Cyber risk:** a central system is an attractive target.
5. **Choice:** programmable money restricts how money may be spent.

Two debates worth knowing

Does India need a retail CBDC when it has UPI?

One view holds that UPI already gives instant payments with wide acceptance, so retail CBDC adds little. The other holds that a CBDC is central bank money that can be programmed and may support new offline and cross-border designs. The balanced reading: **the e-rupee must prove value in specific uses**, not compete with UPI for ordinary payments.

Is programmable money a benefit or a risk?

Programmability can make subsidies reach their purpose and cut leakage. It can also limit how citizens spend and extend the State's view of transactions. The balanced reading: **purpose-bound money suits public schemes, with privacy and choice protected by design**.

4 Pitfalls and variations

The mistakes that cost marks here, the claims never to make, and how the answer changes when the question changes.

4.1 Six pitfalls, each with its correction

Calling it a payment app

~~The Digital Rupee is a payment app launched by the RBI.~~

The Digital Rupee is legal tender in digital form, a liability of the RBI, held in wallets.

Merging it with UPI

~~UPI is India's digital currency.~~

UPI moves bank deposits; the e-rupee is central bank money itself.

What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

Calling it a cryptocurrency

~~The e-rupee is India's official cryptocurrency.~~

The e-rupee is RBI-issued legal tender and a direct central-bank liability. Decentralised cryptocurrencies such as Bitcoin have no central issuer, though some privately issued crypto-assets and stablecoins do.

Benefits in place of working

~~The e-rupee reduces cash costs and increases transparency.~~

The RBI issues e₹; banks and authorised non-banks distribute it through wallets; users transfer directly or pay by CBDC or UPI QR. Direct wallet transfers settle finally at once; UPI-QR payments follow UPI timelines.

Launch as progress

~~The e-rupee was launched in 2022 and is now widely used.~~

Pilots began in 2022; cumulative transactions rose, but retail holdings fell to about ₹772 crore by March 2026.

Forgetting wholesale

~~The e-rupee is for retail customers.~~

It has two forms: retail for people and merchants, wholesale for financial institutions.

4.2 Never write these

- "The e-rupee earns interest like a deposit."
  It is not interest-bearing.
- "The e-rupee runs on bitcoin's blockchain."
  It is issued by the RBI on its own infrastructure.
- "The e-rupee has replaced cash."
  It is a tiny fraction of currency in circulation.
- "The RBI opens accounts for citizens."
  Banks and authorised providers distribute it.
- "Retail circulation keeps rising every year."
  It fell about 24% in 2025-26.
- "The e-rupee is anonymous like cash."
  Token design does not guarantee cash-like anonymity.
- "UPI cannot work offline or across borders."
  UPI Lite X and UPI-PayNow show otherwise.
- "India and Singapore run a CBDC payment corridor."
  The 2025-26 MoU is collaboration, not an operating corridor.

4.3 If the question changes

If it asks	The structure becomes	What must change
Critically examine India's CBDC...	1. Its promise (about two-fifths); 2. Its limits and risks (about two-fifths); 3. The way forward (about one-fifth)	Disintermediation, privacy and adoption carry real weight; end with a verdict.
Distinguish CBDC from UPI and cryptocurrency	A three-way comparison: issuer, liability, settlement, privacy, risk	A table is the natural form.
"The digital rupee is a solution in search of a problem." **Comment.**	1. Where the statement holds; 2. Where the e-rupee adds value that existing payments do not	Take a position on the statement and hold it.
The same question for **15 marks**, 250 words	The same four parts, with the case for and the concerns added inside the working and the hidden part	Add one example each of programmability and cross-border use.

What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

5 The model answer

One answer, written in 150 words, in the form this question calls for: a definition, a flow diagram for the working, points for progress. The introduction covers the whole question; the conclusion settles its demand.

Model answer **Definition, flow diagram and points** **150 words**

The Digital Rupee (e₹) is RBI-issued legal tender in digital form, a direct central-bank liability, exchangeable at par with physical cash.

Meaning: It is non-interest-bearing and exists as retail (e₹-R) and wholesale (e₹-W) CBDC.

RBI issues e₹ → **Banks, non-banks** distribute wallet balances → **Users** pay persons or merchants

Working: At a CBDC QR, wallet-to-wallet transfers settle instantly in central-bank money; payments through UPI QR follow UPI settlement timelines. Wholesale e₹ supports government-security settlement, interbank call money and tokenised instruments.

Progress: Wholesale and retail pilots began in November and December 2022. RBI added UPI-QR interoperability, programmability and offline trials. PDS food subsidies in selected jurisdictions use purpose-bound e₹. Cumulative retail transactions exceeded 120 million by December 2025. Retail e₹ outstanding fell from ₹1,016 crore in March 2025 to ₹772 crore in March 2026.

Thus, pilots show progress, but sustained adoption beyond selected uses remains unproven; holdings and transactions must be read separately.

DEMAND
Meaning, working and progress, in that order

HIDDEN DEMAND
Central bank money versus UPI settlement; holdings (stock) read apart from transactions (flow)

STRUCTURE
Definition, meaning, working, progress, then a measured judgement

BALANCE
Introduction 21 words, conclusion 19 words; 150 words in all

Why it works: the introduction defines first, as the question asks; the flow shows the working in one glance and keeps CBDC-QR and UPI-QR settlement distinct; progress is dated and measured for both retail and wholesale; the conclusion judges the stage reached without overclaiming, and keeps stocks (holdings) and flows (transactions) apart.

6 Other ways to write it

The model answer above remains the answer. These outlines show how a different, equally valid answer could be built, and when each choice works.

Approach	How it is built	When it works
Points for the working	Part 2 as four short points (issuance, distribution, use, settlement) in place of the diagram.	When drawing boxes would cost more time than it saves.
Open with a comparison	Introduction: cash, UPI and the e-rupee in one line each; then meaning, working and progress.	When the difference from UPI is the point you want to lead with.
Timeline for progress	Part 3 as a short dated timeline from 2022 to 2026.	When the milestones are fresh and dates are secure.
For 15 marks	Add the case for and the concerns (disintermediation, privacy) inside Part 2 and Part 4.	When there is room to weigh benefits and risks.

What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

7 Quick recall and Prelims crossover

Facts for rapid revision and Prelims.

1	**CBDC**: legal tender issued by a central bank in digital form.	9	Retail pilot: **Mumbai, New Delhi, Bengaluru, Bhubaneswar**, closed user group.
2	Announced in the **Union Budget, February 2022**.	10	**UPI QR** interoperability from **2023**.
3	Legal basis: **RBI Act, 1934**, amended by the **Finance Act, 2022**.	11	**Programmability** and **offline** capability announced in **2024**.
4	RBI **Concept Note** on CBDC: **7 October 2022**.	12	Non-bank payment providers allowed to offer wallets: **2024**.
5	**e₹-W** (wholesale) pilot: **1 November 2022**, government securities.	13	Retail outstanding: **₹1,016.46 crore** (end-March 2025).
6	**e₹-R** (retail) pilot: **1 December 2022**.	14	Retail outstanding: **₹771.66 crore** (end-March 2026), down about 24%.
7	Model: **two-tier** (intermediated); retail is **token-based**.	15	Welfare pilots: **Gujarat, Puducherry, Chandigarh** (PDS subsidies).
8	India's retail e-rupee pays **no interest**.	16	RBI-**MAS** (Singapore) MoU on digital-asset collaboration, 2025-26.

THE ONE SENTENCE TO CARRY OUT OF THIS DOCUMENT

The e-rupee is central bank money in digital form that already works; whether it matters will be decided by uses where it adds clear value over existing payments.

8 Write it yourself

Write the answer in 150 words without looking back, then check it against each line below.

	Check	Yes / No
1	Does the introduction begin with a **definition** and frame the working and progress?	
2	Is the e-rupee defined as **legal tender and an RBI liability**, not as a payment app?	
3	Does Part 2 show the **flow**: issuance, distribution, use, settlement, and both forms?	
4	Is progress **dated and measured**, with stock (holdings) and flow (transactions) kept apart?	
5	Does Part 4 separate the e-rupee from **UPI money** and judge **adoption** without overclaiming?	
6	Does the conclusion **judge the stage reached**, at about the length of the introduction?	
7	Is it **150 words or a little over**, with no claim from section 4.2?	

Sources

- Reserve Bank of India: Concept Note on Central Bank Digital Currency (7 October 2022); press releases on the wholesale (1 November 2022) and retail (1 December 2022) pilots; Digital Rupee (e₹) FAQs, updated 1 October 2026; Annual Report 2025-26 (released 29 May 2026).
- Monetary Authority of Singapore on the UPI-PayNow linkage (21 February 2023); NPCI on UPI-CBDC QR interoperability (2023).

What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

- News On AIR, 14 August 2026, on CBDC-based PMGKAY transfers in Chandigarh and Dadra and Nagar Haveli; US Executive Order 14178 (23 January 2025).
- RBI post-policy press conference, 5 December 2025 (Deputy Governor T. Rabi Sankar), as reported by Business Standard.
- Reuters, via Deccan Chronicle, on the RBI Annual Report 2025-26 (29 May 2026).
- Union Budget 2022-23 speech; Finance Act, 2022.
- UPSC Civil Services (Main): GS Paper III 2015, 2016, 2022, 2023; GS Paper I 2021; GS Paper III 2026 Q1 and Q2. Official question papers.

What do you mean by Digital Rupee? In this context, explain the working and progress of India's Central Bank Digital Currency (CBDC).

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Guranchal Ma'am
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