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Central Banks Digital Currencies in Future Digital Transformation

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Abstract

A central bank digital currency (CBDC) is a digital version of a domestic currency with a unit of account equivalent to its domestic currency. Block chain or distributed ledger technology (DLT) can be used to enable CBDC to enable and settle peer-to-peer transactions. With the emergence of private money such as crypto currencies and stable coins and the increasing use of digital payments to mitigate the spread of global pandemics, CBDC is an area of intense research among central banks worldwide. Many central banks are starting their CBDC projects, creating DLT Proof of Concepts to mimic wholesale payment systems, and expanding their investigation into other use cases such as Delivery and Payment and cross-border remittances. Many major economies such as the US have plans to explore CBDC. This article discusses the use of block chain for CBDC through issuance of CBDC projects by central banks. Furthermore, this paper analyzes the issues, identifies challenges and discusses future work in this rapidly growing field.

INTRODUCTION

A central bank digital currency (CBDC; also known as digital fiat currency or digital base money) is a digital currency issued by a central bank rather than a commercial bank. It is the responsibility of the central bank and is denominated in sovereign currency just like physical banknotes and coins. The sign for the Hangzhou Metro ad acceptance of digital

people's currency" the first CBDC adopted by a major economy (China), instead of a new currency, CBDC is a form of central bank electronic money used by households and businesses to make payments. A report by the Bank for International Settlements notes that while the term "central bank digital currency" is not well defined, "it is envisioned by most as a new form of central bank

money distinct from traditional reserves or reserves. Settlement accounts." The present concept of CBDCs differs from virtual currency and crypto currency in that a CBDC is or would be issued by a state. Most CBDC implementations will likely not use or need any sort of distributed ledger such as a block chain.

Benefits and impact

Governments and central banks are studying CBDCs and their implications for financial inclusion, economic growth, technology innovation, and the efficiency of bank transactions.

Technological efficiency

The Technology efficiency depends on intermediaries such as banks and clearing houses, money transfers and payments could be made in real time, directly from the payer to the payee. Being real time has some advantages:

➤ **Reduces risk:** payment for goods and services often needs to be done in a timely manner and when payment verification is slow, merchants usually accept the risk of