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Q53

Consider the following statements in respect of the digital rupee:

1. It is a sovereign currency issued by the Reserve Bank of India (RBI) in alignment with its monetary policy. 2. It appears as a liability on the RBI's balance sheet. 3. It is insured against inflation by its very design. 4. It is freely convertible against commercial bank money and cash. Which of the statements given above are correct ? (a) 1 and 2 only (b) 1 and 3 only (c) 2 and 4 only (d) 1, 2 and 4 Official key: D.

UPSC Civil Services Prelims 2024 · General Studies · 2 marks · Economy

Indian economy, budget, schemes - Prelims GS Paper I.

Explanation

(a)

1 and 2 only. Convertibility (4) is also keyed.

(b)

1 and 3 only. e₹ is not inflation-insured by design.

(c)

2 and 4 only. Drops the sovereign-currency limb, which is keyed.

(d) Official key

1, 2 and 4. RBI **CBDC**; liability of RBI; convertible with cash and bank money. Not an inflation hedge by design.

Summary

Official key is (d) 1, 2 and 4. The digital rupee is a sovereign **CBDC** issued by the RBI, a liability on the RBI's balance sheet, and designed to be freely convertible with cash and commercial-bank money. It is not "insured against inflation by its very design" - statement 3 is false.

Related possible facts

These can be asked in a future Prelims paper.

e₹ / e-Rupee

RBI's central bank digital currency; wholesale and retail pilots.

CBDC

Digital form of fiat; unlike crypto it is a central-bank liability.

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