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The Impact of Recent Changes & Development in Indian Financial Market in Terms of Digi Currency & Tokenization

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ABSTRACT

The recent initiatives taken by the Reserve Bank of India (RBI) on Central Bank Digital Currencies (CBDC) have led to a whole new dimension for the Indian Financial system. It increases finality for settlements, reduces credit risk and also allows programmable use cases. The ongoing process of expanding the digital rupee and tokenisation in both retail and wholesale sectors allow India to improve liquidity management and reduce value chains both domestically and internationally. In order to answer this research question it would be best to combine secondary research with primary perceptions. Research Design Type: Exploratory and Descriptive. Methodology: Mixed methods. Data Collection: Secondary Data (Quantitative) Official data can be collected from the Reserve Bank of India (RBI), National Payments Corporation of India (NPCI) and SEBI on how many transactions have occurred using the e-Rupee (CBDC-R & CBDC-W) and how much value has been transacted. Also the number of wallets being used. Review regulatory guidelines, whitepapers, and financial reports published between 2023 and 2026. Data Analysis Framework: Quantitative Analysis: Use descriptive statistics (growth percentages, transaction volume trends, and comparative metrics against UPI) to measure shifts in digital payment efficiency. Qualitative Analysis: Perform thematic analysis on interview transcripts to identify core themes surrounding trust, security, infrastructure readiness, and barriers to mainstream adoption of digital currencies and tokenized assets. Conclusion: The recent development of digital currency and tokenisation is bringing significant changes to the Indian financial market.

Keywords: *Digi Currency & Tokenization, RBI, NPCI), and SEBI, e-Rupee CBDC-R.*

Introduction

The Indian financial market is changing rapidly because of technology , online payments, new regulations, and new financial products. People are more likely to used digital technology such as UPI payments , mobile banking and internet banking it has made transaction more faster and easier. Digital Rupee which is RBI's Central Bank Digital Currency is introducing a digital form of the Indian rupee for certain types of transactions.

The another development is Tokenisation where assets and financial instruments can increasingly be represented as digital tokens using blockchain technology, which can make ownership and transactions more efficient. Blockchain-based tokenisation is creating new ways to represent and transfer financial assets digitally were as FinTech companies are making banking, investment,

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insurance and lending more accessible. With these changes, various regulations by authorities like RBI & SEBI have been put into place to make the financial market more secure, transparent, and consumer friendly. The Indian financial market is becoming more digital, accessible, tech driven and regulated.

They can also cause problems like cyber security threats, privacy issues, regulation compliance & digital awareness. Studying these changes can help understand how they affect the efficiency, accessibility and future growth of the financial market in India.

Review of Literature

- **The Evolution of Digital Money and Government Control:** The development of digital money has changed the way we use money. In previous times people would use cash, however most payments are now done through digital methods. Countries are creating their own digital currencies such as Indias Digital Rupee (e₹) which is controlled by the RBI. Using digital money can make payments quicker and easier but can raise security and privacy issues.
- **Asset Tokenisation and Capital Markets Efficiencies:** Asset tokenisation is when an asset is tokenised using technology such as blockchain. This helps with buying assets such as property as they can be tokenised so you can own a small part. This can make buying/selling assets quicker, easier and more transparent. It can also decrease paperwork and costs.
- **Cross Boundary Infrastructure and Interoperability:** Cross boundary infrastructure is when there are systems to send money between countries. Interoperability is when different payment systems can be used together which can make international payments quicker, easier and cheaper. However different countries have different rules and currencies which can make it complicated.
- **Regulatory Gaps and Systemic Vulnerabilities:** Regulatory gaps means that there aren't always clear regulations for the new financial technology. As digital finance is evolving quickly at times there may be a delay in laws being created which can increase the risks of fraud, hacking and money laundering. Strict regulations and security is needed to keep the financial system safe.

Objective

- To evaluate the growth rate of retail and wholesale transactions using RBI , E rupee across city :-Studying how the use of RBI's digital rupee (e₹) is growing over time. It focuses on everyday retail payments as well as large-value wholesale transactions, and compares their usage across different cities. This helps to understand the adoption and growth of digital currency in India's financial market.
  - *Retail Transactions (e₹-R):* This looks at daily, consumer-facing transactions. It measures how fast everyday citizens and merchant shops across various cities are adopting the Digital Rupee for buying goods and services.
  - *Wholesale Transactions (e₹-W):* This focuses on high-value, interbank transactions, such as financial institutions settling government securities or overnight money markets.
- To investigate the extent to which digi Currency adopted :- The global adoption of digital currency has reached a critical crossroad. While private digital assets (cryptocurrencies and stablecoins) are experiencing explosive grassroots growth, sovereign Central Bank Digital Currencies (CBDCs) are facing severe headwinds in retail user adoption.

Globally , the number of digital currency owner has scaled dramatically encompassing roughly 9% of the world's population between (650 million and 741 million users) .

- To determine the influence of recent compliance framework:- Technology moves fast , but it needs rules to stay safe . The objective is to understand how recent rules and regulations are framework to improve security, transparency, consumer protection, and regulatory control, while also naming whether they create challenges for bank, financial institutions, business, and other participants. This objective helps access how the changing regulatory environment as shaping the growth and adoption of digital financial technologies in India .

- To measure the impact of blockchain-based tokenisation :-means studying how blockchain technology and digital tokens are affecting the financial market. It looks at whether tokenisation makes transactions faster, safer, more transparent, and easier, and what challenges it may create for businesses, investors, and financial institutions.

Hypothesis

Digi currency and tokenisation has no statistical significant impact on retailer and wholesaler transaction:- This means that any changes in their transactions may be due to other factors rather than digital currency or tokenisation. The study will use statistical testing to determine whether the relationship is significant.

The Statistical Framework

- **Null Hypothesis (H_0):** Digital currency adoption and asset tokenisation have no statistically significant effect on transaction metrics (such as transaction costs, settlement speeds, or volume) in retail and wholesale markets.
- **Alternative Hypothesis (H_1):** Digital currency adoption and asset tokenisation have a statistically significant effect on transaction metrics in retail and wholesale markets.

The expansion of digi currency and assets tokenisation significantly improve transaction settlement efficiency and change traditional banking structure in India or banking liquidity structure in India :- Digital currency and asset tokenisation will dramatically accelerate transaction settlement efficiency and fundamentally reshape banking liquidity structures in India.

By migrating traditional financial workflows onto programmable ledger systems, the Reserve Bank of India's (RBI) Digital Rupee (e₹) and broader tokenisation frameworks remove institutional intermediaries, optimize treasury operations, and unlock trapped capital.

Research Question

"How do the introduction of the Central Bank Digital Currency (e- rupee) and regulatory tokenisation framework impact retail adoption , transaction efficiency, and assets liquidity in the Indian financial market ?

The introduction of e-Rupee and tokenisation is helping to make financial transactions more digital, faster and efficient. The introduction of the e-Rupee will encourage a shift to more digital payments as it will provide a digital version of the Indian Rupee. Tokenization will also help users buy, sell and transfer assets more easily.

However there are many factors that could influence how quickly they become adopted including awareness, trust, security, technology and regulation.

Research Methodology

To effectively answer this research question, it is recommended that a mixed methodology is used.

- **Research Design**
  - Type: Exploratory and Descriptive Study.
  - Approach: Mixed-methods (combining quantitative metrics with qualitative insights).
- **Data Collection Methods**
  - Secondary Data (Quantitative):
  - Gather official data from the Reserve Bank of India (RBI), National Payments Corporation of India (NPCI), and SEBI regarding e-Rupee (CBDC-R and CBDC-W) transaction volumes, value, and wallet adoption rates.
  - Review regulatory guidelines, whitepapers , and financial reports published between 2023 and 2026.
- **Data Analysis Framework**
  - Qualitative Analysis: Perform thematic analysis on interview transcripts to identify core themes surrounding trust, security, infrastructure readiness, and barriers to mainstream adoption of digital currencies and tokenised assets.

Conclusion

Advancements in the area of digital currencies and tokenization have seen some major changes occur in the Indian financial market. E-Rupee can provide improvements to payment systems by making them more secure and efficient. Tokenization can also provide improvements to ease of access to assets. This will increase transparency and reduce transaction costs. However challenges have been faced due to low awareness, cyber security issues, regulatory issues and low adoption rates. Overall, digital currencies and tokenization have great potential to digitise the Indian financial market.

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