CRITICAL ANALYSIS OF CENTRAL BANK DIGITAL CURRENCY (CBDC) UNDER FINTECH REGIME IN NEPAL: SOUTH ASIAN CONTEXT

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ABSTRACT

The concept of money represents one of the foundational innovations in human civilization. Money fulfils mostly three (3) functions, viz, a medium of exchange, a unit of account, and a store of value. With the growth of information technology and its impacts on day-to-day lives, money is no exception. Digital monetary systems are evolving to enhance the resilience of payment infrastructures. As a result, the Central Bank Digital Currency (CBDC) has been developed as a virtual form of fiat currency of a nation, denominated in the national unit of account used as a legal tender. This access to central bank money could create new opportunities for payment and the way foreign currency exchange takes place. In this milieu, this study delves into use cases and design considerations of CBDCs that are in research among the South Asian Association for Regional Cooperation (SAARC) and representative countries. Illustrating the approach undertaken, paper emphasizes the role of the Fintech Regime for the central bank in Nepal to facilitate transactions in this digital era. However, this paper does not attempt to provide a blueprint for the implementation of CBDC, recognizing that no one-size-fits-all solution exists, but rather highlights some legal scenarios, challenges, and possible ways ahead that could help guide the policy choice for CBDCs in Nepal.

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