

The Rise of Central Bank Digital Currencies: Implications for Global Monetary Policy and Financial Stability

Yashas. D. V

MBA Seshadripuram College, Tumakuru, India

Abstract: *Central Bank Digital Currencies (CBDCs) are among the most revolutionary financial innovations of the 21st century. More than 100 nations have been investigating or testing CBDCs, and the trend promises a new age for monetary systems based on technological developments. CBDCs in the form of digital legal tender provided by central banks seek to improve the efficiency of payments, ensure financial inclusion, and ensure monetary sovereignty against the emergence of private digital money. Yet this development raises intricate implications for monetary policy worldwide and financial stability. Based on secondary data analysis, this paper discusses the theoretical underpinnings of CBDCs, the reasons for their adoption, and the far-reaching effects they have on the transmission of monetary policy and financial system stability. Policy suggestions are made to alleviate risks while leveraging the advantages.*

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