

INDIAN ECONOMY**CRYPTOCURRENCIES AND DOLLARISATION OF ECONOMY**

Recently, top officials of the RBI said that Cryptocurrencies can lead to "Dollarisation" of a part of the economy.

About the recent developments in Cryptocurrency sector

- **Tax on trading:** The Union Budget presented this year introduced a tax on trading in cryptocurrencies and related assets like non-fungible tokens (NFTs) at a flat 30 per cent and one per cent of the tax will be deducted at the source (TDS) when any such transaction takes place.
- **Data and Statistics:** There are an estimated 15 million to 20 million crypto investors in India, with total crypto holdings of around USD 5.34 billion.
 - No official data is available on the size of the Indian crypto market.
- **RBI and SEBI:** As statutory bodies, both RBI and SEBI report to Parliament and the panel has the parliamentary responsibility to call upon the officials of these regulators over the financial and economic issues of the country.

What do you mean by dollarisation of the economy?

- Dollarisation is a form of currency substitution, where dollars are used in addition to or instead of the local currency of a country.
 - Ideally, the extensive use of cryptos should cause 'cryptorisation'.
- Crypto currencies are dollar-denominated and also issued by foreign private entities which could lead to dollarisation.
- They are also known to have said that cryptocurrencies have the potential to become a medium of exchange and replace the rupee in financial transactions both domestic and cross-border thereby replacing a part of the Indian monetary system.
- Apart from being used as payment for goods and services, cryptos can also be exchanged for fiat currencies and the US Dollar is the most preferred for this exchange.
- Most Indians who buy cryptos, convert rupees to dollars, in order to buy them.

Associated issues with dollarisation of economy

- It will seriously undermine the RBI's capacity to determine monetary policy and regulate the monetary system of the country.
- These currencies can replace a part of the monetary system; it will also undermine the RBI's capacity to regulate the flow of money in the system.
- Besides being used for terror financing, money laundering and drug trafficking, cryptos pose a bigger threat to the stability of the financial system of the country.
- It will also have a negative impact on the banking system as these being attractive assets people may invest their hard-earned savings in these currencies which may result in banks having lesser resources to lend.

Dollarisation and its Implications on the economy

- Though only tax havens like Liberia and Panama can be defined as 'dollarized' in a true sense, there are many economies dollarised to a large extent.
- Two-thirds of dollars are held outside the United States which issues it.
- Countries which have been victims of hyperinflation like Bolivia have become dollarised too, with over 80% of the currency in use being dollars.
- In spite of its current inflation troubles, India is far away from dollarisation to this extent.
 - However, there are research papers that suggest that Indian EXIM transactions are dominated by dollars.
 - 86% of both Indian imports and exports are invoiced in dollars.
 - Only 5% of India's imports and 15% of exports are from and to the US showing that few countries use their own currencies for international transactions due to the popularity of the dollar abroad.

Central banks versus cryptos/dollars

- Central banks of economies with high dollarisation, become bodies with no power.
- Their monetary policies which govern the local currency will have no effect on an economy ruled by a foreign currency.
- This is one of the reasons why the Reserve Bank of India has been opposing it and the Indian finance ministry too backed their fears by imposing a 30% crypto tax on it without officially 'allowing' it in India.

- This move aimed to stall Indian rupees going up into purchasing virtual assets which will then be owned by foreign entities - that cannot be tracked by tax authorities here.
- The tax does not apply to individuals who mine cryptos to earn them but only to those who spend Indian rupees to acquire or trade in it.

Way Forward

Extra vigilant: The central bank is always worried about the movement of the Indian rupee and now more than ever it is extra vigilant with high inflation, devaluation and of course fears of possible stagflation looming large.

IMPORTANT FACTS FOR PRELIM

1. Sikkim Statehood Day

Sikkim recently observed its 47th statehood day. It became the 22nd state of India on 16 May 1975.

About Sikkim State (Gangtok)_

History:

- The Kingdom of Sikkim was founded by the Namgyal dynasty in the 17th century. It was ruled by Buddhist priest-kings known as the Chogyal.
- It became a princely state of British India in 1890.
- In 1950, three years after India's independence, a treaty was signed between Sikkim and the Republic of India. Under which the former continued its status as a 'protectorate' state within the Union of India.
 - A protectorate state is a smaller country which is protected by a larger, sovereign nation. Such a state has autonomy over its internal affairs, while the larger country controls policies such as foreign affairs, defence, communications etc.
- In September 1974, the Chogyals, Sikkim's ruler, called for a referendum, as demands, seeking the now-former kingdom's integration with India, had begun to rise.
- In April 1975, after an appeal by the Prime Minister of Sikkim, the Indian Army entered and took control of the kingdom.
- In the subsequent referendum, as many as 97.5 per cent of participants voted in favour of joining India, while 2.45 per cent voted against the proposal.
- On May 15, 1975, then-President of India, Fakhruddin Ali Ahmed, signed a constitutional amendment, and, a day later, Sikkim became the 22nd state of India; the position of the Chogyal was abolished as well.

Location:

- Situated in Eastern Himalayas, Sikkim is the least populous and second smallest among the Indian states.
- It borders the Tibet Autonomous Region of China in the north and northeast, Bhutan in the east, Nepal in the west, and West Bengal in the south.

Geography:

- **Mount Kanchenjunga** (India's highest peak and the world's third-highest mountain) is situated here.
- Kanchenjunga National Park (KNP) is India's high-elevation conservation area.
- In 2016, UNESCO declared KNP as a World Heritage Site under the 'mixed' category (sites containing elements of both natural and cultural significance).
- **Major Rivers:** Teesta River and its tributaries such as the Rangit, Lhonak, Talung, and Lachung.
- Sikkim is the world's first 100 per cent organic state. The state also bagged the prestigious Future Policy Gold Award from the UN Food and Agriculture (FAO).

2. Tomato Flu

Increased surveillance after cases of Tomato Flu has been reported from the states of Kerala.

What is Tomato Flu?

About:

- Tomato fever is a rare contagious disease of viral nature in humans whose origins are not yet known.
- However, medical experts have opined that it might be an aftereffect of dengue or chikungunya.
- It gets its name from the tomato-shaped red rashes that it causes on the body of infected individuals.
- The flu is said to affect children below five years of age.

Symptoms:

- **Major symptoms include:**
 - Rashes
 - Diarrhoea
 - Dehydration
 - In certain cases, discolouration of hands and knees has also been observed.

Treatment:

- This flu is a self-limiting one and so far, there is no specific drug for its cure.
- Symptoms vanish over time on their own with medicinal support.
- Utensils, clothes and other items used by the infected persons must be sanitised to prevent the flu from spreading.
- Fluid intake should be increased to counter dehydration.

Preventive Measures by the states:

- Proper screening by the health authorities.
- Increased surveillance

3. Devasahayam Pillai

Recently, Devasahayam Pillai became the first Indian layman to be declared a saint by Pope Francis (Catholic Church) Vatican City.

Who was Devasahayam Pillai?

About:

- He was born on 23 April 1712, as Neelakanta Pillai into a Hindu upper-caste family, at Nattalam in Kanyakumari district, which was part of the erstwhile Travancore kingdom.
- He was an official in the court of Travancore's Maharaja Marthanda Varma. It was during his service in the court that he met Captain De Lannoy, a Dutch naval officer and was introduced to Christianity.
- He had converted to Christianity in the 18th century in the then Kingdom of Travancore.
- He was inspired by the teachings of Jesus Christ, he was baptised in 1745 and assumed the name of 'Lazarus' or 'Devasahayam', meaning 'God is my Help'.
- His conversion did not go well with the heads of his native religion. False charges of treason and espionage were brought against him and he was divested of his post in the royal administration.

His Teachings:

- He particularly insisted on the equality of all people, despite caste differences.
- Devasahayam always fought against casteism and communalism and stood for equality and what is right.

Sainthood road:

- In 2004, the diocese of Kottar along with the Tamil Nadu Bishops' Council and the Conference of Catholic Bishops of India recommended Devasahayam for beatification. He was declared Blessed by the Kottar diocese in 2012, 300 years after his birth.
- In 2014, Pope Francis recognised a miracle attributed to Devasahayam, clearing the path to his canonisation. He was approved for sainthood in February 2020 for "enduring increasing hardships" after he decided to embrace Christianity.

Death:

- He fought against Caste discrimination prevalent in the country and was persecuted and then killed.
- On 14th January 1752, Devasahayam was shot dead in the Aralvaimozhy forest. He is widely considered a martyr, and his mortal remains were interred inside what is now Saint Francis Xavier's Cathedral in Kottar, Nagercoil.
- The Vatican 2012 recognised his martyrdom after a rigorous process.

DAILY ANSWER WRITING PRACTICE

Q1. What role did India play in the Cold War as a non-aligned country? Discuss the key learnings from Cold War period that India can apply in the present Russia-Ukraine conflict. (250 words)

Introduction

The Non-Aligned Movement was formed during the Cold War as an organization of States that did not seek to formally align themselves with either the United States or the Soviet Union, but sought to remain independent or neutral. The Movement has its origin in the Asia-Africa Conference held in Bandung,

Indonesia in 1955. “Ten Principles of Bandung”, were proclaimed at that Conference were guiding principles of NAM.

Body

Role of India as a non-aligned country

- As a leader of NAM, India’s response to the cold war power politics was two-fold
 - India steered itself away from the great power politics, positioning itself as an ‘interested observer’.
 - It raised its voice against the newly decolonized nations from joining the either bloc.
- In addition, India played a significant role in defining the NAM in very neat & precise terms, which was becoming less homogeneous due to coming together of countries of various different political systems & interests.
- India’s stand on various issues showed that the movement was neither ‘isolationism’ nor ‘passivity’.
- A/q to Nehru, non-alignment was not a policy of ‘fleeing away’. On the contrary, it is based on active intervention in world affairs but in a neutral and independent manner.
- The movement seeks to take a collective position on international issues and challenges faced by the developing world.
 - Eg :Based on this idea, India led the NAM effort to resolve Iran-Iraq dispute.
- During the cold war, India made a, concerted effort to activate those regional & international organizations, which were not a part of the alliances led by US & USSR, thus maintaining the spirit of NAM.

Learnings from NAM India can apply in the present Russia-Ukraine conflict

- Multilateralism must be upheld and nations must display sensitivity and reciprocity in multilateral institutions like the United Nations Security Council and the WTO to cooperate for world prosperity.
- Rhetoric of New Cold War or Cold war 2.0 is on the unveil. Trade war, military aggression in South China Sea has become frequent.
 - Non-alignment policy and peaceful co-existence can ensure against the threat of war.
- South-South cooperation: To prevent band wagoning against any nation in a conflict, all developing nations can rally behind peace and against ill-effects of war such as rising crude and inflation.
- Disarmament: In the General Assembly, India submitted a draft resolution declaring that the use of nuclear weapons would be against the charter of the United Nations and crime against humanity and should therefore be prohibited.
 - Such stance by all nations can help prevent the Russia-Ukraine war from spiralling into a nuclear war.
- UNSC reforms: Right from its inception NAM was in the favour of UNSC reforms, it was against the domination of US and USSR. Russia itself is now party to war while being a member of UNSC whose responsibility is world peace. Representation to nations like India can remove such irony.
- Strive for multipolarity: India is striving hard for a multipolar world order and asserting itself as one of the players. Multi polar world order is very much closed to NAM principles.

Conclusion

The philosophy and ideology of “Non alignment” lays emphasis on strategic independence and autonomy, and the “Non-Aligned Movement” seeks to take a collective position on challenges faced by the developing world. These principles shall always remain relevant. NAM is a platform where India can assert its soft power and provide an active leadership and by being a torchbearer for smaller countries at multilateral platforms.eighbours believe in its nuclear doctrine through effective confidence building measures.

DAILY QUIZ

Q1. With reference to Ujjwala Scheme, consider the following statements:

1. The scheme provides LPG connections to the Below Poverty Line (BPL) households only.
2. It is launched by the Ministry of Power.

Which of the statements given above is/are correct?

- (a) Neither 1 nor 2 (b) 2 only (c) 1 and 2 only (d) only 1

- Q2. With reference to State Election Commissions (SECs), consider the following statements:
1. The power of conducting elections to the Corporations, Municipalities, Zilla Parishads, Panchayat Samitis, Gram Panchayats and other local bodies is vested with SECs.
 2. SECs are independent of the Election Commission of India.
- Which of the statements given above is/are correct?
- (a) Neither 1 nor 2 (b) 2 only (c) **1 and 2 both** (d) only 1
- Q3. Consider the following statements with reference to Kaziranga National Park
1. It is the oldest park in Assam
 2. It is famous for the Great Indian one-horned rhinoceros.
 3. It is recognized as an Important Bird Area by IUCN.
- Which of the statements given above is/are not correct?
- (a) 1 and 3 only (b) 2 and 3 only (c) 1 and 2 only (d) **only 3**
- Q4. What can be the possible steps to prevent inflation?
1. Change the monetary policy.
 2. Controlling the money supply.
 3. Higher Income Tax rate.
 4. Invest in long-term investments.
- Which of the given above options are correct?
- (a) 1 and 3 only (b) 2 and 4 only (c) 1 and 2 only (d) **1, 2, 3 and 4**
- Q5. Which of the following statements is not correct?
- (a) Article 324 of the Constitution entails the provisions related to the chief election commissioner and other election commissioners.
 - (b) The Constitution has not specified the term of the members of the Election Commission.
 - (c) Election commissioners receive salaries and allowances similar to those of a judge of the Supreme Court.
 - (d) **Chief Election Commissioner holds his office at the pleasure of the president.**
- Q6. Which of the following state first in the country to declare snakebite a state specific disaster
- (a) **Odisha** (b) Assam (c) Kerala (d) Maharashtra
- Q7. With reference to “NET – ZERO” goal for 2050, consider the following statement
1. It means that a country will bring down its emission to zero by 2050
 2. It means that a country’s emission will be compensate by absorption and removal of green house gases from the atmosphere
- Select the correct statement using the code given below
- (a) 1 only (b) **2 only** (c) Both (d) Neither 1 nor 2
- Q8. Consider the following statement with respect Jigyasa programme
1. The main focus of the programme is to connect school students and scientists
 2. It is jointly implemented by niti ayog and kendriya vidyalaya Sangathan (KVS)
- Choose the correct statement/s using the codes
- (a) **1 only** (b) 2 only (c) Both (d) None of the above
- Q9. Consider the following statement with respect to recent Survey on Defence Land
1. It is for the first time since Independence ,entire defence land has been surveyed
 2. Technologies like Electronic Total Station(ETS) and Differential Global Positioning System (DGPS) were used in this survey
- Choose the correct statement using the code given below
- (a) 1 only (b) 2 only (c) **Both 1 and 2** (d) Neither 1 nor 2
- Q10. Consider the following statement with regards to “RS-28 SARMAT”
1. The Sarmat will be the first Russian missile that can carry smaller hypersonic boost-glide vehicles
 2. The Sarmat is a liquid fuelled missile
- Choose the incorrect statement/s using the code given below
- (a) 1 only (b) 2 only (c) Both 1 and 2 (d) **Neither 1 nor 2**