The move to link credit cards with UPI

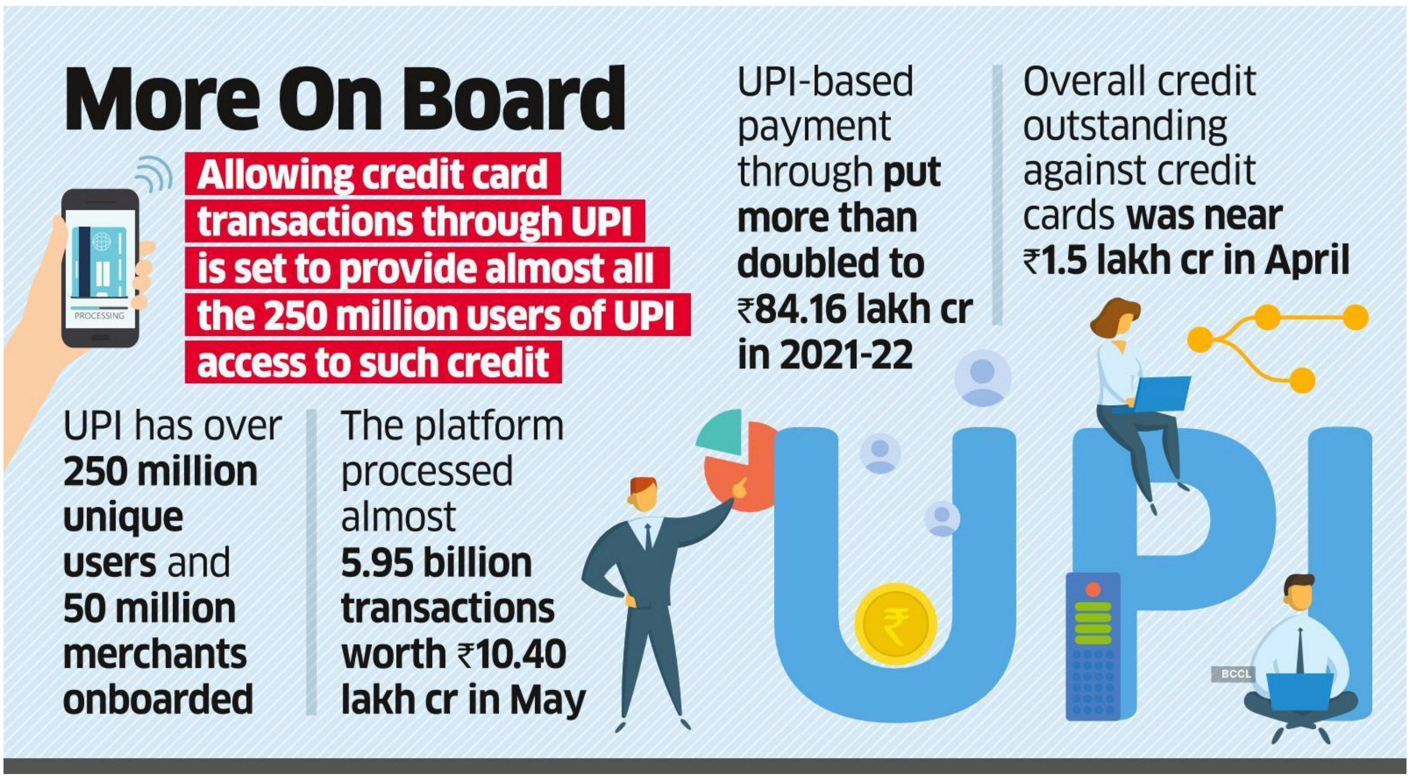
(GS Paper 3, Indian Economy)

Why in news?

- The Reserve Bank of India (RBI) has proposed to allow linking of credit cards with the **Unified Payments Interface (UPI)** platform. The move is part of the central bank's efforts to enhance the scope of UPI.
- The RuPay credit cards issued by the RBI-promoted **National Payments Corporation of India (NPCI)** will be enabled first, and will become available after system developments.
- The UPI, also managed by the NPCI, was first introduced in 2016.

What explains the effort to link credit cards with UPI?

- The UPI has, over time, become a popular mode of payment in India with more than 26 crore unique users and five crore merchants on the platform. In May 2022, about 594 crore transactions amounting to ₹10.4 lakh crore were processed through the interface.
- At present, the UPI facilitates transactions by linking savings/current accounts through users' debit cards.
- It is now proposed to allow linking of credit cards on the UPI platform. This is intended to provide additional convenience to users and enhance the scope of digital payments.



When will the facility be made available?

- This facility would be available after the required system development is complete. The RBI will issue necessary instructions to NPCI separately to facilitate the change.
- To begin with, the indigenous RuPay credit cards would be linked to the UPI platform. It is likely to be followed by other card networks such as Visa and MasterCard that would bring in more users.

What is the benefit of this provision?

- The arrangement is expected to provide an additional avenue for payment to customers and hence enhance convenience.
- The linking of credit cards to UPI has been proposed to further deepen the reach and usage of credit cards.

Why do authorities expect this move to spur the use of credit cards?

- It is expected to bolster transactions and acceptance at more merchant sites. People who generally prefer to pay by credit card so as to avail of a longer pay-back period or loans on credit-card outstanding, or who do not wish to touch their savings at the moment of purchase, can pay using credit cards via UPI.
- Currently, many merchants do not have **credit card point-of-sale (PoS) terminals** especially in semi-urban and rural areas but a significant number do have the QR code-based UPI acceptance facility. Now, they too will be able to accept credit payments via UPI without needing a PoS device.
- Linking of credit cards with UPI is likely to increase the use of such cards in small-ticket-size payments, as it would provide users with more options to pay from. The move will provide a significant boost to overall spending via credit cards currently, spending through the use of credit cards is more than double the average spend via debit cards. More spending is generally a force multiplier for the economy.
- Besides accelerating digital transactions this measure is also expected to affect the average ticket size of financial transactions.
- Many people use credit cards for rewards and benefits and UPI for its convenience & security. The new provision of linking credit cards to UPI brings both these advantages together.
- Kirana stores where credit cards are not accepted would likely find it convenient to accept credit card payments through UPI.

Will a merchant discount rate be applicable for these payments?

- There is no word yet on the merchant discount rate (MDR) applicable on transactions using credit card numbers via UPI, other than for RuPay, which attracts no such charge. Today, since foreign card issuers such as Visa and MasterCard have a lion's share of the credit card network business, part of the fees goes to them.
- However, the Indian government has shown its intent to promote the indigenous RuPay card system. It remains to be seen if it indeed does turn out more economical for merchants to accept payments from users with credit cards from foreign issuers.

The reasons behind the crashing crypto market

(GS Paper 3, Indian Economy)

Context:

- Bitcoin has lost more than two-thirds of its value since it hit a peak of around $69,000 in November 2021 and is currently trading at around the $22,000 mark. Ethereum, another cryptocurrency popular among investors, has lost almost 80% from its peak.
- As a result, the overall market capitalisation of cryptocurrencies has dropped under $1 trillion for the first time since January 2021.
- The crash, which shows no signs of reversal yet, seems to have led to a drop in investor enthusiasm with trading volumes in Indian cryptocurrency exchanges dropping by 90% from their peak.

Why are cryptocurrencies crashing?

a) The fall in the price of cryptocurrencies is **in line with the fall in prices of stocks and other assets** as central banks such as the U.S. Federal Reserve tighten monetary policy to fight price rise. As central banks withdraw liquidity from the market, there's less money chasing assets, which in turn causes the prices of assets to drop.
b) Others believe that the crash could also mark the **popping of the bubble that has driven the prices of cryptocurrencies** to stratospheric levels.
c) Sceptics have long argued that the price of cryptocurrencies seems d**riven more by speculative fervour fuelled by easy monetary policy** than by any fundamental factors.

- For instance, the extreme volatility in the price of cryptocurrencies was seen by many as a feature that ruled out the use of cryptocurrencies as money. Such extreme volatility simply seemed to reflect investor behaviour that bordered on gambling.
- These sceptics also pointed to the fact that even though cryptocurrency prices were rising aggressively, the **use of cryptocurrencies for real-life transactions was low**.
- So, in essence, there was very little reason to believe that the rally in cryptocurrencies was driven by their wider acceptability as an alternative to fiat currencies.

How do governments view cryptocurrencies?

- Some sceptics have also argued that even though private cryptocurrencies can rise to the status of alternatives to fiat currencies over time, governments and central banks may not allow this to happen.
- Many countries have taken several steps to discourage the widespread use of cryptocurrencies. While countries such as **China and Russia have opted to impose outright bans on cryptocurrencies**, others such as India have tried to tax and regulate them heavily.

How wide acceptance of cryptocurrencies can affect money supply?

- In India, while the government has not imposed an outright ban on cryptocurrencies, the Reserve Bank of India has been quite vocal about the need to ban them completely. It is no surprise that central banks are wary of private cryptocurrencies since they challenge the monopoly that central banks currently enjoy over the money supply of an economy.
- If cryptocurrencies became widely acceptable, it would **affect the control that central banks possess over the economy's money supply**.
- It would also affect the ability of governments to fund their spending by creating fresh money as citizens could then opt to switch to alternative currencies.

Will cryptocurrencies rise again?

- Cryptocurrency enthusiasts argue that cryptocurrencies such as Bitcoin have always been subject to extreme price swings and that the current crash is a good time to buy these virtual currencies at a tremendous bargain.
- Many crypto-enthusiasts have been handsomely rewarded in the past when they bought cryptocurrencies during times of panic selling. They argue that cryptocurrencies, just like gold, protect investors against the risk of price inflation.
- Unlike fiat currencies issued by central banks, the supply of various cryptocurrencies is limited by design. By holding their wealth in cryptocurrencies that either maintain their value or even appreciate in value over time, investors can protect themselves against the debasement of their wealth by central banks.

No fundamental value:

- Even if cryptocurrencies manage to recover from the current crash, they may still not manage to hold on to their gains, because cryptocurrencies possess no fundamental value as money. In fact, some have argued that the real value of cryptocurrencies is somewhere close to zero.

- They point out that even the most popular cryptocurrencies such as Bitcoin are still not used very much in the daily purchase and sale of goods and services in the real economy.
- Crypto-enthusiasts argue that while cryptocurrencies may not be widely accepted as a currency, they still represent an independent asset class like gold that can help investors protect their wealth from central banks.
- This argument is still prone to the criticism that cryptocurrencies do not possess any independent value of their own to be compared to gold and silver, and thus cannot offer any wealth protection over the long-run.

Conclusion:

- Precious metals such as gold and silver are far more acceptable than cryptocurrencies, which is what gives them their intrinsic value. In fact, precious metals served as currencies for centuries and have been widely used for industrial and other purposes.
- No cryptocurrency has such a record. The fact that precious metals are limited in supply definitely helped boost their value. But limited supply alone cannot make cryptocurrencies like Bitcoin a valuable asset like gold and silver.

ASEAN-India Foreign Ministers' Meeting (SAIFMM)

(GS Paper 2, International Relation)

Why in news?

- Recently, India hosted ASEAN Foreign Ministers and Secretary General for a Special **ASEAN-India Foreign Ministers' Meeting (SAIFMM)** to commemorate 30 years of ASEAN-India Dialogue Relations.

Background:

- The senior officials of ASEAN, which is a regular platform for engagement, had last interacted virtually in May 2022.
- During the virtual meeting in May, India had talked about the "**convergence between the ASEAN Outlook for the Indo-Pacific (AOIP),** India's **Indo-Pacific Oceans' Initiative (IPOI)** and **Indo-Pacific policies** announced by several ARF countries."
- The focus for all the meetings had been on security, post-pandemic recovery, development of resilient supply chains, cybersecurity and open transparent rules-based maritime zones.

US & ASEAN:

- The ASEAN leaders held a special summit with US President Joe Biden in Washington DC in April. The summit was high on political and regional posturing but **lacked economic push**.
- The US-ASEAN relationship is likely to be elevated to the "comprehensive economic partnership" status towards the end of 2022. However, this would not guarantee a wholehearted support from all of ASEAN for a US-led Indo-Pacific order.

- Most of the nations in the southeast Asian neighbourhood, which constitutes ASEAN, are striving for greater economic engagement with rich nations.
- The US has investments worth $330 billion in ASEAN nations. However, the US has taken a back seat in furthering its economic engagements and trade relations with ASEAN.

RCEP:

- This has led to an aggressive **China-led Regional Comprehensive Economic Partnership (RCEP)** dictating most of the economic agenda.
- Notably India is not part of RCEP, which is the largest free trade agreement in force.
- The ASEAN countries have been using the RCEP+ model to negotiate favourable agreements with large trading partners such as EU and Canada.
- The ASEAN members' agility in negotiating trade and economic relations has also seen many of the member countries joining the recently announced **Indo-Pacific Economic Framework** in Tokyo.

India's FTA with ASEAN:

- India has had a free trade agreement in place with ASEAN members since 2010; however, it has always seen a trade imbalance, with imports exceeding exports by huge margins.

Challenges:

- The rising challenges of **non-tariff barriers, import restrictions, export taxes by ASEAN countries**, together with **backdoor entry of China (read China-made goods) through ASEAN countries** is a major cause of concern for India.
- There have been ongoing talks for setting up a review panel on the India-ASEAN FTA for a more equitable growth for the partners.

Opportunities:

- India has been looking at expanding the ASEAN FTA to include several novel aspects of such as services, digital economy, electronics, supply chains, fisheries, etc. The goal is to take the economic relationship from nearly $80 billion to $200 billion.
- It might be a difficult FTA review for India to pull out, given it is entering in parallel negotiations with bodies such as the EU and UK. The EU and UK trade agreements could include negotiations on some of the novel aspects including those related to the digital trade on which India has apprehensions.
- These upcoming negotiations could have dedicated work groups on cross-border data flows, data privacy related topics, on some of which India has chosen to tread a path different from that of the Western world.

Way Forward:

- India's position on these new-age trade issues with the developed world could shape its negotiations with existing partners such as ASEAN.

Black Death

(GS Paper 3, Health)

Why in news?

- There was much debated mystery over the place of origin of Black Death, one of the deadliest epidemics in the history of humankind.
- Recently, researchers have claimed that the disease originated in modern day northern Kyrgyzstan around 1338-1339 nearly 7-8 years before it ravaged large parts of the world.

What was the Black Death?

- The term Black Death refers to the **bubonic plague that spread across Western Asia, Northern Africa, Middle East and Europe** in 1346-53.
- Most scholars agree that the Black Death, which killed millions, was caused by **bacterium Yersinia pestis** and was **spread by fleas** that were carried by rodent hosts.

- The microorganism Y. pestis spread to human populations, who at some point transmitted it to others either through the vector of a human flea or directly through the respiratory system.

Symptoms:

- Contemporaries who wrote about the epidemic, often described the buboes (hard, inflamed lymph nodes) as the distinguishing clinical feature.
- The onset of symptoms was followed by intense fever and vomiting of blood. After the initial infection, most victims died within 2-7 days.

How did researchers pinpoint the Black Death's origin?

- In the late 19th century, excavations of two Christian cemeteries near Lake Issyk-Kul in Kyrgyzstan unearthed a settlement of a trading community that had been affected by an unknown disease in 1338-1339.
- They examined the tombstones, on which Syriac inscriptions stated that the victims died of an unknown epidemic or "pestilence".
- The researchers then extracted DNA from the teeth of seven people that were buried at the cemetery and found genetic traces of Y. pestis bacterium.
- The extracted DNA was compared with bacterial DNA collected from other plague victims in Europe.
- The researchers found that the strain of Y. pestis that caused the epidemic in the settlements near Lake Issyk-Kul was the direct ancestor of the strain that caused the Black Death.
- By piecing together the Y. pestis genome from the cemeteries in Kyrgyzstan, researchers found a single plague strain that can be placed at the beginning of the Black Death outbreak before it spread to Europe years later.

Why is the new discovery significant?

- The geographical origin point of the plague has been debated for centuries. **Some historians have argued that the plague originated in China,** and spread across Europe by Italian merchants who first entered the continent in trading caravans through Crimea.

- According to another contested theory based on a 1**348 memoir of an Italian notary from Piacenza, it has been argued Mongol army hurled plague-infested bodies** into the city during the siege of Caffa (Crimea) and led to spread of the disease.
- If the latest research is correct, it would mean that the plague spread through trading routes and not, as some historians have argued, through warfare a century prior.

Why was this plague called the Black Death?

- It is commonly believed that the term Black Death gets its name from the black marks that appeared on some of the plague victims' bodies.
- In the 14th century, the epidemic was referred to as the 'great pestilence' or 'great death', due to the demographic havoc that it caused.
- Historian Nukhet Varlik argues that the term Black Death was devised by European writers in the 19th century, becoming widely accepted as time went by.
- German physician Justus Friedrich Carl Hecker is credited with universalizing the term in his 1832 book Der Schwarze Tod (Black Death), which was translated to other languages as well. He presented the Black Death as a unique plague, distinct from any other disease that came before it.