Indian Economy · GS - III

Examine the potential of linking India's Unified Payments Interface with foreign digital payment systems in strengthening India's trade and financial connectivity. Discuss the challenges associated with local currency trade.

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MARKS	WORD LIMIT
10	~150 words

Answer Hint

UPI internationalisation, digital public infrastructure, cross-border payments, transaction costs, financial inclusion, local currency settlement, exchange-rate risks, interoperability, regulatory coordination, India-Egypt relations.

Model Answer

Introduction

India's UPI has emerged as a major component of its digital public infrastructure. Linking it with foreign payment systems, alongside promoting local currency trade, can strengthen India's international economic engagement.

Potential Benefits

UPI linkages can enable faster and more affordable cross-border retail payments, benefit tourists and businesses, and improve financial connectivity. Local currency settlement can reduce dependence on third-country currencies and potentially lower transaction costs. These initiatives can complement broader trade agreements and strengthen India-Egypt economic relations.

Key Challenges

Differences in regulatory frameworks, cybersecurity standards, exchange-rate volatility, settlement mechanisms and technological interoperability can complicate implementation. Limited acceptance of local currencies and trade imbalances may also restrict their effectiveness.

Way Forward

India should strengthen bilateral payment agreements, establish secure settlement arrangements, harmonise technical standards and encourage wider merchant acceptance. Effective regulatory coordination and financial safeguards are essential.

Conclusion

International payment connectivity and local currency trade can support India's economic diplomacy, provided implementation remains secure, inclusive and commercially sustainable.

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