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Linking BRICS CBDCs: India's Digital Finance Diplomacy

Context and Core Development

The Reserve Bank of India has proposed that the issue of **interlinking Central Bank Digital Currencies (CBDCs) of BRICS nations** be formally included in the agenda of the **2026 BRICS Summit**, which India is scheduled to host. The objective of this proposal is to enable **interoperability among sovereign digital currencies** issued by BRICS central banks, thereby facilitating **faster, cheaper, and more efficient cross-border payment mechanisms** within the grouping.

Relevance

- **GS II:** BRICS, India's foreign policy, strategic autonomy, multilateral and minilateral diplomacy
- **GS III:** Digital currencies, RBI, fintech innovation, cross-border payments, global financial architecture, de-risking strategies

Strategic Rationale Behind the RBI Proposal

Cross-border payments globally continue to be **slow, expensive, and opaque**, with average transaction costs hovering around **6–7 percent**, disproportionately burdening developing economies. Linking CBDCs could dramatically **reduce settlement time, lower transaction costs, and minimise dependence on correspondent banking networks**, thereby improving trade settlement and remittance efficiency among BRICS economies.

Continuity with the BRICS 2025 Declaration

The RBI's proposal builds on the **2025 BRICS Summit Declaration adopted in Brazil**, which advocated **interoperability among national payment systems** to enhance cross-border transaction efficiency. The CBDC linkage represents a **gradual evolution**—moving from payment-system connectivity toward **sovereign digital currency integration**, rather than abrupt disruption of existing systems.

Status of CBDCs Across BRICS

None of the BRICS members have yet launched a fully operational retail CBDC. However, all five core members are conducting **pilot programmes**, indicating parallel experimentation without formal adoption.

India's **Digital Rupee (₹)** pilot, launched in 2022, had crossed **1.3 million users and over 400,000 merchants by 2024**, placing India among the most advanced CBDC pilots globally.

India's Digital Rupee as a Technological Anchor

The RBI has publicly indicated its interest in linking the **digital rupee with other national CBDCs**, positioning India as a potential **technology and standards-setting leader** in sovereign digital finance. India's robust **digital public infrastructure ecosystem**—including UPI, Aadhaar, and India Stack—offers a scalable foundation for cross-border CBDC experimentation.

Implications for BRICS Trade and Payments

Interoperable CBDCs could enable **direct settlement of trade invoices in local digital currencies**, reducing reliance on intermediary currencies and cutting foreign-exchange conversion costs. This is particularly significant given that **intra-BRICS trade exceeds USD 450 billion**, yet remains largely **dollar-denominated**, despite increasing local-currency trade initiatives.

De-risking Rather Than De-dollarisation

Although CBDC linkage could lower dependence on the US dollar, the RBI has clarified that India's objective is **pragmatic payment efficiency**, not ideological de-dollarisation. This distinction is essential to safeguard India's continued access to **Western capital markets, advanced technologies, and global financial credibility**.

Geopolitical Sensitivities and the US Factor

The proposal carries the risk of unsettling the United States, which has repeatedly cautioned against initiatives perceived as circumventing the dollar-centric financial system. Former US President Donald Trump has previously labelled BRICS as "anti-American" and threatened punitive trade measures, highlighting the geopolitical costs of misinterpreted signalling.

India's Balancing Role Within BRICS

India must carefully support **functional financial innovation** within BRICS without allowing the forum to evolve into an overt **anti-Western or currency-bloc platform**. This approach aligns with India's doctrine of **strategic autonomy and multi-alignment**, enabling engagement with diverse power centres without rigid bloc politics.

Financial Sovereignty and Payment Resilience

CBDC interoperability can strengthen **financial sovereignty** by reducing exposure to sanctions risks, payment disruptions, and chokepoints inherent in traditional correspondent banking. This has gained relevance following recent global instances of **financial sanctions and payment-system weaponisation**.

Technical and Regulatory Constraints

Operationalising CBDC linkages demands robust solutions for **interoperability standards, cybersecurity, data localisation, privacy safeguards, and settlement finality** across jurisdictions. Differing regulatory frameworks and capital-control regimes among BRICS members could complicate harmonisation.

Monetary Policy and Financial Stability Concerns

Cross-border CBDC usage raises concerns about **currency substitution, volatile capital flows, and spillover effects on domestic monetary policy transmission**. Central banks will require safeguards to ensure that CBDC connectivity does not undermine capital controls or financial stability.

Institutional Architecture and Governance

Any BRICS-level CBDC linkage would require a **multilateral governance framework**, potentially involving shared settlement platforms or coordinated clearing mechanisms. Valuable lessons can be drawn from **BIS-led initiatives such as Project mBridge**, which explores multi-CBDC payment systems.

BRICS as a Digital Finance Testbed

BRICS offers a relatively secure **South–South experimentation space** for digital financial innovation, given shared developmental concerns and payment inefficiencies. Successful CBDC interoperability could later be extended to other emerging economies, enhancing BRICS' functional relevance.

Implications for Global Financial Architecture

Interoperable CBDCs are unlikely to replace systems like SWIFT in the near term but could create **parallel settlement channels**, increasing redundancy and resilience. Over time, this may gradually reshape norms around **cross-border payments, transparency, and sovereign control**.

India's Agenda-Setting Opportunity in 2026

As host of the 2026 BRICS Summit, India possesses agenda-setting leverage to frame CBDC linkage as a **technical, development-oriented initiative**, rather than a geopolitical signal. Emphasising efficiency, inclusion, and resilience aligns the proposal with **Global South priorities**.

Way Forward: Incremental and Calibrated Strategy

India should promote **pilot-based, sandbox-driven implementation**, beginning with limited trade corridors and transaction-linked use cases. Parallel diplomatic engagement with Western partners can help mitigate misperceptions and reinforce India's **non-confrontational intent**.

India–UAE Strategic Partnership: From Energy Security to Geopolitical Convergence

Context and Strategic Backdrop

Prime Minister Narendra Modi's meeting with UAE President Sheikh Mohamed bin Zayed Al Nahyan in New Delhi highlights the deepening **Comprehensive Strategic Partnership** between India and the UAE amid intensified geopolitical volatility in West Asia. The interaction occurred against the backdrop of the Gaza conflict and discussions around the **Gaza Board of Peace**, underscoring bilateral coordination on regional stability and diplomatic de-escalation.

Relevance

- **GS II:** India–UAE relations, West Asia policy, CEPA, strategic partnerships
- **GS III:** Energy security, LNG trade, infrastructure investment, IMEC connectivity

Trade Ambition: The USD 200-Billion Vision

India and the UAE have jointly set a target of **USD 200 billion in bilateral trade**, building on the momentum generated by the **India–UAE Comprehensive Economic Partnership Agreement (CEPA)**. Since CEPA's implementation in 2022, non-oil trade has crossed **USD 50 billion**, placing the UAE among India's top three trading partners.

CEPA as the Economic Backbone

CEPA has reduced tariffs on more than **80 percent of traded goods**, expanding market access for Indian textiles, gems and jewellery, pharmaceuticals, and services. It positions

the UAE as a gateway for Indian exports to **Africa and Europe**, while attracting Emirati capital into India's infrastructure and manufacturing sectors.

Energy Security: LNG and Beyond

Energy cooperation remains central, particularly **long-term LNG supply agreements**, as India seeks diversified, reliable, and affordable energy sources. The UAE is a key hydrocarbon partner, supporting India's rising energy demand while facilitating a gradual shift toward cleaner fuels.

Strategic Value of LNG Cooperation

For India, LNG contracts help manage **price volatility** during geopolitical disruptions. For the UAE, long-term agreements ensure **stable demand and market diversification**, reinforcing mutual energy interdependence.

Defence and Security Cooperation

Defence collaboration has expanded beyond transactional ties to include **joint exercises, defence industrial cooperation, and intelligence sharing**, driven by shared concerns over maritime security, terrorism, and regional instability.

Maritime and Indian Ocean Security

Both countries share converging interests in securing **sea lanes of communication, energy shipping routes, and strategic ports**, aligning with India's vision of the Indian Ocean as a zone of peace and the UAE's growing maritime role.

West Asia Diplomacy and Strategic Balancing

India continues to maintain parallel relationships with **Israel, the UAE, Saudi Arabia, Iran, and Egypt**, leveraging its image as a non-interventionist, development-focused partner to navigate regional fault lines.

Gaza and the Board of Peace Context

References to the Gaza Board of Peace indicate convergence on **humanitarian diplomacy, ceasefire advocacy, and regional stabilisation**, while allowing India to preserve strategic neutrality.

Investment Flows and Economic Diversification

UAE sovereign wealth funds such as **ADIA and Mubadala** are major investors in Indian infrastructure, renewables, logistics, and digital platforms, supporting India's National Infrastructure Pipeline and Make in India objectives.

IMEC and Connectivity Synergies

India-UAE cooperation is integral to the **India-Middle East-Europe Economic Corridor (IMEC)**, enhancing supply-chain resilience and offering a strategic alternative to China-centric connectivity models.

Diaspora as a Strategic Pillar

With over **3.5 million Indians** residing in the UAE, the diaspora serves as a critical bridge through remittances, skills transfer, and people-to-people ties.

Technology and Digital Cooperation

Bilateral collaboration is expanding in **fintech, AI, digital payments, and smart infrastructure**, combining India's scale with UAE's capital strength.

Multipolarity and Strategic Autonomy

The partnership exemplifies India's **multi-alignment strategy**, strengthening autonomy in an increasingly polarised global system.

Challenges and Way Forward

Regional instability, energy price volatility, and regulatory bottlenecks pose risks. Deepening CEPA implementation, expanding defence industrial ties, securing energy contracts, and operationalising IMEC remain priorities.

Odisha's Saltwater Crocodile Conservation: A Success Story with Emerging Challenges

Core Development and Context

According to the latest census conducted by the Odisha Forest and Environment Department, the State's **saltwater (estuarine) crocodile population has increased to 1,858**, registering a net rise of **32 individuals**. Notably, this assessment employed a **pilot drone-based survey**, marking a significant advancement in wildlife monitoring techniques and data accuracy.

Relevance

- **GS I:** Estuarine ecosystems, mangroves, spatial distribution of biodiversity
- **GS III:** Wildlife conservation, endangered species protection, application of drones in ecology

Census Methodology and Population Structure

The census was carried out between **January 8 and January 10**, a period chosen to minimise seasonal migration bias and enhance visibility in estuarine and riverine habitats. The population structure reflects a healthy demographic spread, comprising:

- 531 hatchlings
- 365 juveniles
- 167 sub-adults
- 353 adults

This balanced age composition indicates sustained reproductive success and long-term population viability.

Spatial Concentration and Habitat Dominance

The **highest concentration (1,424 individuals)** was recorded within **Bhitarkanika National Park**, particularly the Kanika Wildlife Range, reaffirming the park's status as **India's strongest mainland habitat for estuarine crocodiles**.

Bhitarkanika's **mangrove-rich deltaic ecosystem**, nourished by the Brahmani–Baitarani river system, offers ideal nesting, breeding, and feeding conditions.

Species Profile: Saltwater Crocodile (*Crocodylus porosus*)

The saltwater crocodile is the **largest living reptile species globally**, exhibiting exceptional ecological adaptability across marine, estuarine, and freshwater environments.

Within India, it is primarily distributed across **Odisha, the Sundarbans of West Bengal, and the Andaman & Nicobar Islands**, with Odisha hosting the **largest mainland population**.

Legal and Conservation Status

- **India:** Listed under **Schedule I** of the Wildlife (Protection) Act, 1972, granting the highest legal protection
- **Global:** Categorised as “**Least Concern**” on the IUCN Red List, reflecting recovery in several regions

Role of the Crocodile Conservation Project

Odisha's success builds upon the **Crocodile Conservation Project launched in 1975**, one of India's earliest species-focused conservation initiatives.

The programme emphasised habitat protection, captive breeding, restocking, and strict anti-poaching enforcement, particularly after severe population declines during the mid-20th century.

Significance of Drone-Based Surveys

The integration of drones enhances **survey accuracy, spatial coverage, and researcher safety**, especially in inaccessible mangrove and tidal environments.

Drone-based monitoring reduces human-wildlife conflict risks for forest personnel while enabling **real-time spatial mapping** of crocodile distribution.

Child Trafficking in India: Legal Framework, Judicial Response and Way Forward

Core Issue and Scale

Child trafficking remains one of the most serious **human rights violations** in India, involving the recruitment, transportation, harbouring, or receipt of children for exploitation.

According to **NCRB data**, approximately **3,098 children below 18 years were rescued in 2022**, while more than **53,000 children** were rescued between **April 2024 and March 2025** from labour, trafficking, and kidnapping.

Despite these rescue efforts, conviction rates for trafficking-related offences between **2018 and 2022 stood at just 4.8 percent**, highlighting systemic enforcement failures.

Relevance

- **GS I:** Vulnerable sections, poverty, migration, social exploitation
- **GS II:** Constitutional provisions, BNS 2023, POCSO Act, Supreme Court jurisprudence

International Legal Framework: Palermo Protocol

The **UN Palermo Protocol (2000)** defines child trafficking broadly, covering recruitment, transportation, transfer, harbouring, or receipt of a child for exploitation, **irrespective of consent**.

As a signatory, India is obligated to prevent trafficking, protect victims, and prosecute offenders, aligning domestic laws with international norms.

Domestic Legal Definition under BNS, 2023

Section 143 of the Bharatiya Nyaya Sanhita (BNS), 2023 adopts an expansive definition of trafficking, encompassing threats, coercion, abduction, fraud, deception, abuse of power, inducement, and payments.

The provision criminalises sexual exploitation, forced labour, slavery, servitude, and organ removal, explicitly negating consent, especially in cases involving children.

Constitutional Safeguards

- **Article 23:** Prohibits trafficking, begar, and forced labour
- **Article 24:** Bans employment of children below 14 years in hazardous occupations
- **Article 39(e) & (f):** Directs the State to protect children from abuse, exploitation, and abandonment

Statutory Framework

- **Sections 98 & 99, BNS 2023:** Criminalise buying and selling of minors
- **Immoral Traffic (Prevention) Act, 1956:** Addresses trafficking for sexual exploitation
- **Juvenile Justice Act, 2015:** Provides mechanisms for rescue, rehabilitation, and reintegration

Role of the POCSO Act, 2012

The **POCSO Act** criminalises sexual assault, harassment, and child pornography through a gender-neutral framework, prescribing stringent penalties including life imprisonment and death penalty in extreme cases.

Around **400 fast-track POCSO courts** are operational nationwide to reduce judicial delays.

Judicial Approach

- **Vishal Jeet vs Union of India (1990):** Recognised trafficking as a socio-economic problem
- **M.C. Mehta vs State of Tamil Nadu (1996):** Prohibited child labour in hazardous industries
- **Bachpan Bachao Andolan vs Union of India (2011):** Issued comprehensive anti-trafficking directions
- **K.P. Kiran Kumar Case:** Held child trafficking as a gross violation of Article 21, mandating victim-centric investigation and speedy trials

Socio-Economic and Digital Drivers

Poverty, migration, disasters, family breakdown, and unemployment heighten vulnerability. Digital platforms have enabled deceptive recruitment through fake job offers, modelling scams, and entertainment promises, exploiting weak cyber monitoring.

Implementation Gaps

Low conviction rates reflect poor investigation quality, inter-State coordination failures, witness intimidation, and lack of specialised training among law enforcement agencies.

Way Forward

- Specialised anti-trafficking units and forensic support
- Strengthened cyber-policing and platform accountability
- Community awareness, school vigilance, and NGO partnerships
- Long-term rehabilitation focusing on education, skills, and family reintegration

India & the Gaza Peace Board: Strategic Dilemmas and Diplomatic Calibration

Core Development

The United States has invited India to join the proposed **Gaza Board of Peace**, a multilateral body envisaged to oversee **governance, stabilisation, and reconstruction** of Gaza following the ongoing conflict. India has not yet formally accepted the invitation, reflecting a cautious and calibrated diplomatic approach.

Relevance

- **GS II:** India–US relations, Palestine issue, strategic autonomy, UN vs unilateralism
- **GS III:** Peace-building, humanitarian assistance, reconstruction diplomacy

Structure and Mandate

The Board is proposed to be chaired by **US President Donald Trump**, with selective participation from invited countries. It is expected to supervise governance and funding until the Palestinian Authority completes political and administrative reforms.

Governance and Security Model

Gaza would be administered through a **temporary technocratic Palestinian committee**, intended to fill the post-conflict governance vacuum while excluding Hamas from future administration.

A **temporary International Stabilisation Force** may be deployed to maintain order and support reconstruction.

India's Strategic Calculus

India has acknowledged receipt of the invitation but remains non-committal. Historically, India has avoided direct participation in externally imposed governance arrangements, preferring humanitarian and developmental engagement.

Consistency with India's Palestine Policy

India has long supported a **two-State solution**, advocating Palestinian sovereignty. Participation in externally led governance could be perceived as diluting this principled stance.

Diplomatic Sensitivities

India maintains balanced relations with Israel, Palestine, the UAE, Saudi Arabia, Iran, and Egypt. Joining the Board risks disrupting this equilibrium if seen as alignment with a particular geopolitical camp.

Minilateralism vs UN Frameworks

The Gaza Board reflects a broader trend toward **minilateral crisis-management mechanisms** operating outside UN structures, raising questions of legitimacy and inclusiveness. India traditionally prefers UN-mandated arrangements.

Risks and Opportunities

Risks include security exposure, reputational costs, and domestic political sensitivities. Opportunities include shaping reconstruction priorities, enhancing humanitarian credibility, and contributing development expertise without assuming political control.

Possible Middle Path

India may opt for **limited non-military engagement**, such as humanitarian aid, development assistance, or financial contributions, aligning with strategic autonomy.

Conclusion

India's response will signal how it navigates minilateral crisis governance while safeguarding sovereignty, legitimacy, and long-standing diplomatic principles.

Unclaimed Bank Deposits in India: Scale, Causes and Policy Implications

Core Data and Recent Trends

Unclaimed deposits with Indian commercial banks rose to **₹62,314 crore in 2024**, nearly **nine times higher than in 2015**, reflecting rapid financial inclusion alongside weak account usage and awareness.

Relevance

- **GS I:** Financial inclusion, social inequality, demographic factors
- **GS II:** RBI regulation, depositor protection, governance
- **GS III:** Banking efficiency, DEAF, financial literacy

Long-Term Growth Pattern

Unclaimed deposits increased from **₹918 crore in 2005** to **₹6,835 crore in 2015**, before accelerating sharply after mass account openings under inclusion drives.

Definition and Regulatory Treatment

Deposits are classified as “unclaimed” when no customer-initiated transaction occurs for **10 years**, covering savings, current accounts, fixed deposits, and accrued interest.

Transfer to RBI's DEAF

As per RBI norms, such deposits are transferred to the **Depositor Education and Awareness Fund (DEAF)**, established in 2014, while ownership rights remain with depositors or their legal heirs.

Purpose and Governance of DEAF

DEAF funds are used exclusively for **financial literacy and consumer protection**, not general government expenditure. Banks remain liable for repayment upon valid claims.

Key Causes

Migration, urbanisation, informal employment, depositor deaths without nominee details, outdated KYC, and low financial literacy contribute significantly to dormancy.

Digitalisation Paradox

Despite digital banking expansion, account inactivity persists, indicating that **access does not automatically translate into meaningful usage**.

Economic and Ethical Concerns

Unclaimed deposits represent idle capital, reducing allocative efficiency. Vulnerable groups—elderly, rural, migrant, and low-income households—are disproportionately affected.

RBI's Corrective Measures

RBI has mandated proactive outreach, centralised portals, alerts, and periodic reviews. The **UDGAM portal (2023)** allows depositors to search unclaimed balances across banks through a single interface.

Comparative Perspective

Unlike countries where unclaimed funds escheat to the State, India's DEAF model preserves depositor ownership, reflecting a citizen-centric regulatory philosophy.

Way Forward

Financial inclusion must evolve from **account opening to sustained usage**, integrating accounts with DBT, pensions, insurance, and credit to ensure regular transactions.

21st January 2026: Daily MCQS

Q1. With reference to the proposal for linking BRICS Central Bank Digital Currencies (CBDCs), consider the following statements:

1. The proposal aims to enable interoperability among sovereign digital currencies of BRICS countries.
2. All BRICS countries have already fully launched retail CBDCs.
3. The primary objective is to reduce cross-border transaction costs and settlement time.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: B

Q2. India's approach to linking BRICS CBDCs is best described as:

- A. Ideological de-dollarisation of the global financial system
- B. Replacement of SWIFT with an alternative settlement network
- C. Pragmatic de-risking to improve payment efficiency
- D. Creation of a BRICS currency bloc

Answer: C

Q3. Which of the following correctly explains why India's Digital Rupee (e₹) is considered technologically significant within BRICS?

- A. It is the only legally recognised cryptocurrency among BRICS nations
- B. It has achieved universal retail adoption across India
- C. It is among the most advanced CBDC pilot projects globally
- D. It is backed by gold reserves instead of fiat currency

Answer: C

Q4. With reference to Odisha's saltwater crocodile conservation, consider the following statements:

1. Saltwater crocodile is listed under Schedule I of the Wildlife (Protection) Act, 1972.
2. Bhitarkanika National Park hosts India's largest mainland population of this species.
3. The species is classified as "Endangered" on the IUCN Red List.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A

Q5. The use of drone-based surveys in crocodile population estimation is significant primarily because it:

- A. Eliminates the need for ground verification
- B. Allows census during night-time only
- C. Improves safety, coverage, and accuracy in inaccessible habitats
- D. Replaces statutory wildlife census procedures

Answer: C

Q6. With reference to child trafficking in India, consider the following statements:

1. Consent of a child is legally irrelevant in determining trafficking offences.
2. Bharatiya Nyaya Sanhita, 2023 provides an expanded definition of trafficking.
3. Conviction rates for trafficking-related offences in India are above 25 percent.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 only
- D. 1, 2 and 3

Answer: A

Q7. Which of the following Supreme Court judgments issued comprehensive directions to address large-scale child trafficking and exploitation?

- A. Vishal Jeet vs Union of India
- B. M.C. Mehta vs State of Tamil Nadu
- C. Bachpan Bachao Andolan vs Union of India
- D. K.P. Kiran Kumar vs State

Answer: C

Q8. Unclaimed bank deposits in India are transferred to which of the following, while ownership rights of depositors remain intact?

- A. Consolidated Fund of India
- B. Public Account of India
- C. Depositor Education and Awareness Fund (DEAF)
- D. National Investment Fund

Answer: C

Q9. A bank deposit in India is classified as “unclaimed” when there is no customer-initiated transaction for a continuous period of:

- A. 5 years
- B. 7 years
- C. 10 years
- D. 12 years

Answer: C

Q10. Which of the following best explains the “digitalisation paradox” in the context of unclaimed bank deposits?

- A. Digital banking increases cyber fraud
- B. Access to banking does not automatically ensure active account usage

- C. Online accounts cannot be closed easily
- D. Digital payments eliminate the need for savings accounts

Answer: B

India's engagement with minilateral groupings such as BRICS poses both opportunities and constraints for its foreign policy. Analyse with reference to emerging initiatives in digital finance and global governance. (250 words)

