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Senior RBI officials have informed the parliamentary panel that cryptocurrency will lead to the “dollarization” of the economy. This will be harmful to India’s national interest.

The senior officials, including RBI governor Shaktikanta Das, spoke to the parliamentary standing committee on finance chaired by the Jayant Sinha, the former minister of state for finance. The panel also included GST council Head Sushil Modi and former union ministers Manish Tewari and Sugata Roy.

The officials were wary of the threat that cryptocurrencies posed to the Indian economy and the country’s financial stability. Cryptocurrencies have the attributes of being a medium of exchange. It can potentially replace the rupee in domestic and international transactions. A major concern is that if it is allowed in the country, it will be difficult for the RBI to manage the flow of money in the system.

The report further states that all the cryptocurrencies are denoted by dollar and are run by foreign entities; this would lead to the “dollarization” of the economy, which will be against India’s Sovereign interest.

Allowing cryptocurrencies would even hamper the banking industries as well. As people will tend to invest their hard-earned money into crypto, which will lead to banks having fewer resources to lend.

Finance Minister Nirmala Sitharaman, while presenting the union’s budget, mentioned that the state would impose a 30% tax on crypto trading which shall include crypto-related assets and Non-fungible tokens. A 1% TDS will be deducted at the source.

Currently, India has about 15-20 million crypto investors holding around $5.34 billion worth of crypto. In the past month, Union Finance Minister said that the Biggest issue with cryptocurrency in the middle of such a fintech revolution is Money laundering. The money can be later used to fund terrorist activities, and the only solution to counter it is by regulating the technology.

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