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Transformation To Development - Secrets of Gold

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***Abstract*—India has a fascinating relationship with gold. It's not just a metal; it's woven into the very fabric of our culture and economy. From the ancient civilization, the Mauryan empire with a boom of currency as gold coins. Today Indian households are estimated to hold around 24000-25,000 tons of gold, the countries official reserves at approx. 853tons. India stands as one of the largest consumers and reserves of gold in the world. This unique situation presents us a remarkable position for us to leverage our gold holdings to strengthen our economy and can present ourselves as a global gold concentrated economy. Implementation of a gold banking system, reducing taxes on gold, and introducing import restrictions. These steps could create a favourable and neat environment for investment and economic growth. To explore further, Let's dive into these ideas and explore their potential implications for India's future; while also considering the challenges the nation may face in the procedure.**

I. INTRODUCTION

Initially, let’s talk about the vast amount of gold held by Indian households. It's estimated that India holds about 11% of the world's total gold, making us a significant player in the global gold market. If the government encouraged citizens to deposit or sell their gold to the state in exchange for interest on their holdings, the nation could dramatically increase its gold reserves. This influx of gold could have several positive effects. For one, it could strengthen the Indian rupee, enhance the purchasing power of consumers and attract foreign investment. A stable currency is crucial for investors when deciding where to put their money, and backing the rupee with gold could instil greater confidence among both domestic producers and international investors.

Now, let's consider foreign investment. Many foreign investors are often discouraged by high taxes and currency volatility, by reducing taxes on gold and businesses, and creating a more favourable environment for gold transactions, India could attract more foreign direct investment (FDI). In the fiscal year 2020-21, India received around $81.72 billion in FDI, but there's potential for much more. A gold banking system could enhance India's appeal as a destination for favourable investment, especially in sectors like manufacturing and technology. With a youthful population—over 65% of Indians are under the age of 35— conquering the potential to become a significant manufacturing hub by funding the small industries, who lost the momentum during globalised trade. By leveraging our gold reserves and fostering a business-friendly environment, we could attract manufacturers looking for a stable and cost-effective location, as it would provide affordable labour to industries and employment to India. The "Make in India" initiative aims to position India as a global manufacturing powerhouse, and a gold banking system could complement these efforts by providing a solid financial foundation.

To further strengthen our economy, India could consider implementing import restrictions on certain goods. By making imported products more expensive through tariffs or quotas, these restrictions would encourage consumers to buy domestically produced items. This could lead to increased demand for local manufacturers and stimulate economic growth. The Indian movement has already taken steps to promote local manufacturing in sectors like electronics and textiles, and extending this approach to other industries could increase significant benefits. Import restrictions or tariff barriers could also support the proposed gold banking system by encouraging the use of gold in transactions. If consumers are more inclined to use gold as a medium of exchange, it could enhance the stability during inflation, reducing dependency on foreign currencies for trade and further strengthening the rupee.

Gold banking system-Now, let's explore into the idea of a gold banking system. This system would be a transformative step for India's economy. In this setup, individuals and businesses could deposit their gold with banks, receiving a digital representation of their holdings or physical receipt. They can either sell it out or lend it to the bank itself, for a short period of time, the interest rate would be accordingly with the gold's growth globally. The banks could then lend out a portion of this gold to lenders, creating a system of gold-backed loans. A gold-backed currency could provide greater stability compared to paper currencies, which are often subject to inflation and market uncertainty. Historical examples, like the gold standard used in various countries until the mid-20th century, show that gold can serve as a reliable store of value. This stability could enhance investor confidence by visuals of stable portfolios, providing a hedge against inflation and economic uncertainty. A structured gold banking system would make it easier for individuals to invest in gold without the hassle of physical storage. Furthermore, a gold banking system could enhance market liquidity by providing a structured platform for buying and selling gold, helping to stabilize gold prices and reduce volatility. The central bank can start gold bonds, which are very similar to gold ETF'S however would be affordable to public with the increase quantity of gold reserves with gold banking system.

II. CHALLENGES

However, it's important to recognize that implementing a gold banking system comes with its own set of challenges. Managing physical gold storage and transactions presents significant hurdles. Ensuring the security and integrity of gold holdings would require better investment in infrastructure and technology. Transitioning from a fiat currency system to a gold-based system may face resistance from the public and businesses that are accustomed to using fiat currency. Building trust and acceptance would be crucial for the success of such a system. Additionally, establishing an efficient regulatory framework to ensure transparency, security, and consumer protection would be essential for SUCCESS.