



Internationalisation of Rupee

INTERNATIONALISATION OF RUPEE

MEANING

- Increasing the use of Indian rupee in **cross-border transactions**

INVOLVES

- Rupee for **import** and **export**
- Rupee for **current** and **capital account transactions**

Indian Rupee is fully convertible in current account, but partially in capital account (BoP)

NEED

- Weaponisation of USD by US (for **sanctions**)
- Wave of **de-dollarisation**
- Increasing **internationalisation of Chinese Renminbi**
- India's **minimal share in global forex market turnover** (1.7%)

RBI'S EFFORTS

- Indian currency in cross-border trade - key component in **Foreign Trade Policy 2023**
- Mechanism introduced for **rupee trade settlement with 18 countries**
 - Banks from these countries allowed to open **Special Vostro Rupee Accounts (SVRAs)**
- Circular on "**International Trade Settlement in Indian Rupees**" (2022)
- External **commercial borrowings in INR** enabled

SIGNIFICANCE

- Reduced dependency** on USD
- Lesser need** for holding forex reserves
- Better bargaining** power of Indian business
- Less exposure** to currency volatility

CHALLENGES

- Rupee not fully convertible
- Less need for other countries to hold INR; **India's low share in global exports**
- Rupee may become **more vulnerable to external shocks**
- India's **lesser control** on Rupee supply

STEPS THAT CAN BE TAKEN

- More **liberalised settlements in INR** (in India and overseas)
- India to **expand its reach** in the global financial market
- Transition to an **export-oriented economy** to **reduce trade deficit**

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