

- ⑩ Reserve Bank of India has made a good beginning in internationalisation of rupee. Explain.

Internationalisation of Rupee means the currency can be freely transacted by both resident & non-residents & can be used as reserve currency for global trades.

### Need

- ✓ Indian rupee depreciating for last few quarters & is at all time high around \$79
- ✓ Political instability in Europe, forced global trade partners to deal with dollar
- ✓ Higher oil imports & demand for dollar, resulted inflation
- ✓ Outflow of dollar from Forex reserve at faster rate

It is a long pending ambition of RBI to internationalise rupee. as a first step towards it RBI has permitted the invoicing, payment & settlement of exports & imports in rupees

As it not specified any countries with which settlements & payments permitted it will leaves doors open for any countries, like srilanka which accepted, deals are going on oil trade with Russia.

As a politically stable country comes from south asia & ASEAN region in future would trade in rupee, which creates alternative payment settlement outside Western Block

~~As~~ Importing or trading country banks need to maintain special account in rupee balances which can be used to pay projects & investment in India

Internationalization of rupee will reduce demand for dollar, strengthen Indian currency in global market & attract investment, full capital account convertibility & wider acceptance across the world through positive talks is needed