

② RBI has made a good beginning in internationalisation of rupee.

RBI enabled exports & imports to be denominated in rupees which is referred to as Internationalisation of rupee.

RBI's move -

① RBI's move to permit the payments, settlements of export & import in rupees.

② The above initiative is aimed at reducing the outflows of dollars which in turn could minimize the depreciation of rupee value.

③ This arrangement ^{is} expected to play a big role in (Ind - RUSS) trade corridor.

④ But this ~~a~~ initiative seems to be highly uncomfortable for New

⑤ Delhi's trading partners in developed world as Indian rupee replacing the hard currency.

⑥ From Central Bank stand, this payment method has ^{been} kept open for countries to trade in rupees. (Sri Lanka - for instance)

Objective & Mechanism -

* enable the importer to pay for expensive oil & coal in rupees thereby preventing dollar outflows.

* This initiative could bring down the trade deficit (eg) \$10 (IND-RUSS)

* Banker's also pointed out that traders can buy rupee from the market. by having Vostro Account.

* Central Bank also allowed, funds in the ^{Vostro} account can be used to invest in projects, govt securities, T-bills which could even gives high interest rates.

* RBI even eased the rules ~~after~~
to attract (FPI) & dollar deposits
following the rupee depreciation.

Conclusion -

Though Indian rupee's
trajectory determined by dollar index,
it is worth exploring ^{ways} to bring in
the dollars.