Globalizing the Rupee – The Way Forward

Increased financial sanctions imposed on Russia by the Western nations have disrupted the mode of financial transactions in an unforeseen fashion. Emerging economies have now strongly advocated for de-dollarization and international trade to be enhanced in their respective domestic currencies. Picking up the trend, RBI has also announced its intention of giving the rupee a universal appeal. The preconditions in such a case will be setting all export and import business transactions coupled with stronger flexibility of current and capital account transactions in rupee. At present, India has a stronghold over its current account transactions.

What is the guidance provided by RBI?

Various proposals ranging from interim to extended time period mechanisms have been presented by the inter-department Group (IDG).
The interim measures are based on: - (a) Reviewing all mutual and multiparty business agreements for billing, contracts, and clearances using the rupee or the respective foreign nations' domestic currency, (b) Providing easier facilities for starting rupee accounts for NRIs in India and abroad, (c) Merge domestic payment systems with foreign players for facilitating transboundary transactions, (d) reforms needed in FPI schemes and RTGS payments, and (e) development of a 24 hour, 5 days robust financial market activities hub.
The extended time period mechanism called for the rupee's incorporation into IMF's Special Drawing Rights (SDR) in order to promote its higher usability. This move is aimed at encouraging the financial stature of Indian commercial activities, and overall economic outlook and imposing goodwill on the rupee. Currently, the euro (EU), pound sterling (Britain), renminbi (China), yen (Japan), and dollar (USA) form the SDR currency basket. India holds 2.8% of the SDR quota.

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