27/7/22 RBI's notification regarding settling transactions in

GS-3 rupees has potential to create positive impacts on the

economy. Discuss

RBI recently gave green signal to

traders who are importing and exporting to

use the Indian rupee for their transactions.

The payments will be channeled via the

Vostro accounts

Importer $\xrightarrow{\text{Pays}}$ Vostro accounts $\xrightarrow{\text{Receivable}}$ Exporter

Positive impacts

Dollar is the largest currency that is being

traded by us. More than 85% of oil payment

is done in dollars. Indian rupee has

depreciated about 7% making dollar at

₹80.

The vostro route can reduce the

exchange rate volatility caused by Dollar.

Easy to trade with Russia as it is under global sanctions and cannot use the swift system. Russian oil imports have gone up by fifty times.

The rupee strengthens against the Dollar and results in internationalisation of Indian rupee. It can greatly bring down the trade deficit and Balance of payment crises.

Rising Dollar prices makes imports dearer and causes domestic inflation. This route can greatly reduce inflation and halt capital flight by FPIs

However, structural measures must be taken on a long term to insulate the external shocks caused by circumstances.