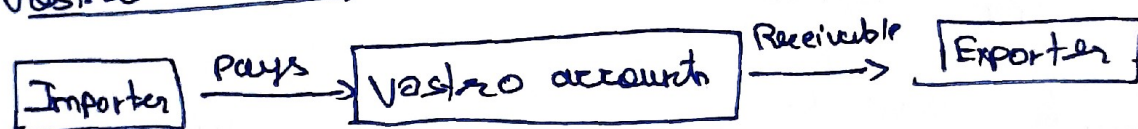


27/7/22
CS-3

RBI's notification regarding settling transactions in rupees has potential to create positive impacts in 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



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 price 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 in a long term to insulate the
external shocks caused by circumstances.