Discuss the various avenues to utilise the excess foreign exchange reserve of country to maximise returns.

India's forex reserve till December 2020 had 580 billion USD leading to the idea of using the liquidity of reserves towards bringing return of investments potential.

Finance infrastructure development:

1. Infrastructure like ATM, POS, digital currency education still lacks in India.
2. Thus the excess liquidity of forex reserves through DIGITAL INDIA scheme can focus on monetary digitalisation.
3. (e.g) Shradha committee - Integrated framework on Inflation and employment requires investment in financial infrastructure.

Increase money supply - post pandemic:

1. Conversion of excess forex into Indian rupees.

2. Thus the technical recession - RBI can be kickstarted towards growth as per target of 5 trillion economy by 2024.

3. (e.g) 500 crore can be routed towards MGNREGA towards rural demand increase.

Recapitalisation of stressed banks:

1. Twin balance sheet, rising NPA is still a illhealth in Indian banking.

2. Thus influx of targeted reserve can revive banking sector

3. (e.g) NBFC on long term investments can be done using recapitalisation.

Concerns and Challenges:

1. Currency Risk:
   i. Foreign currency conversion in forex is risk as it may lead to mismanagement of government debt.

2. Independence of RBI reduced:
   i. RBI may have to orient its target towards government due to huge monetary base depending.

Thus more investment in capital goods, investment towards capital entity like NBFC proves to be a good shoulder in Indian financial sector.