Recently, Forex Reserve of India touched all time hight at $580bn.

This provides a security from foreign shocks and economists are now of the view to utilise it, since forex Reserve has gained adequacy.

Utilising Forex Reserve

(i) Infrastructure investment - when Govt. is struggling in fiscal management.

Pros	Cons
i) Help to free domestic bond market for private sector	i) Forex comes under RBI perview and not infrastructure funding, thus Independency & credibility of RBI get affected.
ii) Diversify fund for govt. to manage infra. needs	

(ii) capitalisation of state-own Banks

Pros	Cons
i) will not have much impact on domestic currency.	ii) But expose state-run bank to dollar shocks.

III) To increase import of goods and service

→ It's the traditional approach which is still going either way.

→ In the calls of "Atmanirbhar Bharat" export is the main focus.

(iv) Investment in financial instruments which have higher yields like Bond & golds

→ This can be the viable option but foreign bonds like US Treasury Bills & EU Bonds provide very low returns post 2008 crisis.

→ There is no alternate fund management system apart from RBI to look after this.

→ Gold today provide more incentive then bond market, which is also liquid and free from external shocks.

common concerns

→ Investment in domesting project will need exchange rate management, manipulation of base rate and monetary policy consequences.

(ii) current account deficit, does not allow central bank to pack larger fund due to volatile nature of capital inflows due to which forex is on high.

Thus, not only in one sector but a diversified and calculated risk should be taken, at the same time adequate reserve should also be maintained.