

GOVERNMENT OF INDIA
MINISTRY OF EXTERNAL AFFAIRS
LOK SABHA
UNSTARRED QUESTION NO-271
ANSWERED ON- 21/07/2023

TRADING IN LOCAL CURRENCIES

271. SHRI DAYANIDHI MARAN

Will the Minister of EXTERNAL AFFAIRS be pleased to state :-

- (a) whether the Indian Rupee as a mode of settlement for trade with Malaysia benefit businesses in terms of reducing transaction costs;
- (b) if so, the measures proposed to be taken by the Ministry of External Affairs to ensure that trading in local currencies does not lead to increased exchange rate volatility;
- (c) whether the use of local currencies align with the Government's goal of establishing the rupee as a global currency;
- (d) if so, whether the Government has any plans to expand the use of local currencies in trade with other countries beyond Malaysia, and if so, the countries that are being considered therefor; and
- (e) the steps taken by the Government to support Small and Medium-sized Enterprises (SMEs) in managing the administrative burden associated with trading in local currencies, particularly for those with limited resources?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF EXTERNAL AFFAIRS

(DR. RAJKUMAR RANJAN SINGH)

(a to e) The Reserve Bank of India has put in place an arrangement allowing transactions in domestic currencies to promote growth of global trade with emphasis on exports from India and to support the increasing interest of global trading community in INR. Trade settlement with Malaysia in Indian Rupee was operationalized in April 2023 with India International Bank of Malaysia opening Special Rupee Vostro Account with Union Bank of India. This mechanism will allow businesses to directly trade in Indian Rupees thereby reducing risks related to dependence on hard currencies. It would be a mutually beneficial mechanism for both countries in terms of saving each other's foreign exchange reserves. This initiative aligns with the overall objective of internationalizing Indian Rupee. As on date, banks from 22 countries have opened Special Rupee Vostro Accounts in Indian Banks. These countries include Belarus, Botswana, Fiji, Germany, Guyana, Israel, Kenya, Malaysia, Mauritius, Myanmar, New Zealand, Oman, Russia, Seychelles, Singapore, Sri Lanka, Tanzania, Uganda, Bangladesh, Maldives, Kazakhstan and United Kingdom. Government is engaged with Indian trading community including the Small and Medium Enterprises (SMEs) to simplify the administrative procedures to implement this mechanism.
