

RBI Aspires To Promote Internationalization Of Indian Rupee

- **RBI in Its Annual Report for 2023-24** highlighted the **Action Plan for Promoting Internationalisation of INR**.
- **Key Highlights of the news:**
 1. **Opening INR Accounts Abroad:**
 - Allowing people living outside India (PROI) to open INR accounts.
 2. **INR Lending by Indian Banks:**
 - Permitting Indian banks to lend INR to PROIs.
 3. **Foreign Investments through SNRR and SRVA Accounts:**
 - Facilitating Foreign Direct Investment (FDI) and Portfolio Investment using Special Non-Resident Rupee (SNRR) accounts and Special Rupee Vostro Account (SRVA).
- **What is Internationalisation of the Rupee?**
 - Internationalisation of the Rupee means using INR for cross-border transactions. For INR to be accepted as an international currency, it needs to be widely used globally, easily convertible, and supported by a stable financial market.
- **Benefits of Internationalisation of the Rupee**
 - **Reduces Dollar Demand:** This strengthens the INR.
 - **Cost Efficiency:** Lowers business costs and enhances competitiveness.
 - **Foreign Exchange Reserves:** Less need to hold large reserves.
 - **External Stability:** Less vulnerability to global economic shocks.
- **Challenges in Internationalisation of the Rupee**
 - **Limited Convertibility:** INR is not fully convertible.
 - **Triffin Dilemma:** Balancing global currency supply with domestic monetary policies can be challenging.
 - **Financial Market Integration:** Could impact macroeconomic stability.
- **Steps Taken for Internationalisation of the Rupee**
 - **Indian Payment Systems Abroad:** Implementing Indian payment systems in countries like Singapore and Malaysia.
 - **Bilateral Currency Swap Agreements:** Agreements with countries like Japan, Sri Lanka, and Bhutan.
 - **Rupee-Denominated Bonds (Masala Bonds):** Issuing bonds in INR to attract foreign investment.
- **Special Non-Resident Rupee (SNRR) Account**
 - **Who Can Open It:** Any person living outside India with business interests in India.
 - **Purpose:** For conducting legitimate transactions in INR.
 - **Usage:** Allowed for trade, foreign investments, and external commercial borrowings.
- **Special Rupee Vostro Account (SRVA)**
 - **What is a Vostro Account:** An account that domestic banks hold for foreign banks in INR.
 - **Purpose of SRVA:** To complement the existing system using freely convertible currencies.
 - **Approval:** Requires prior approval from RBI to open.

Millet Production Stagnates In India: RBI Annual report

- Despite India producing nearly 80% of Asia's and 20% of the world's millets, the production and acreage of millets have not increased significantly over the years. Several factors contribute to this stagnation:
 - **Yield Gap:** Labor shortages and insufficient fertilizer use result in lower yields.
 - **Consumer Preferences:** A shift towards fine cereals, supported by Minimum Support Price (MSP) procurement schemes, has reduced millet cultivation.
 - **Storage Issues:** Millets have a relatively shorter shelf life, making storage challenging.
- **About Millets (Shree Anna)**
 - Millets are small cereal grains that belong to the Poaceae family (grass family) and are primarily grown during the Kharif season. They are classified into major millets (like sorghum and pearl millet) and minor millets (like foxtail and kodo millet).
- In 2022, India's millet productivity (excluding sorghum) **lagged behind countries** like China, Ethiopia, and Russia.
- **Major millet-producing states in India include** Rajasthan, Karnataka, Maharashtra, Uttar Pradesh, and Haryana.

➤ Initiatives to Promote Millets

- **National and International Year of Millets:** Celebrated in 2018 and 2023, respectively, to raise awareness.
- **National Food Security Mission:** Aims to increase the production and productivity of millets in India.
- **Saksham Anganwadi and Poshan 2.0:** Mandates the inclusion of millets in meals at least once a week, integrating them into hot cooked meals.

Decline in India's Foreign Direct Investment (FDI) Inflows in FY 2023-24: DPIIT Report

➤ According to data released by the Department for Promotion of Industry and Internal Trade (DPIIT), Foreign Direct Investment (FDI) inflows into India decreased by 3.49% in the financial year 2023-24, totaling \$44.42 billion compared to the previous year.

➤ Key Highlights

- **Top FDI Recipients:** Maharashtra received the highest FDI, followed by Gujarat and Karnataka.
- **Leading Source Countries:** Singapore was the largest source of foreign inflows, followed by Mauritius and the USA.
- **Historical FDI Sources (2000-2024):** Mauritius tops the list, followed by Singapore, the USA, the Netherlands, and Japan.
- **Sectors Receiving Highest FDI in FY 2023-24:** The computer software & hardware sector received the most FDI, followed by the services sector and construction activities.
- **Top Sectors for FDI Equity Inflows (2000-2024):** Services sector, computer software & hardware, trading, telecommunications, and the automobile industry.

➤ About FDI

- Foreign Direct Investment (FDI) involves a company or individual from one country investing in business interests located in another country. In India, DPIIT is the nodal department for formulating FDI policy.
- **Routes for FDI:**
 - **Automatic Route:** No government approval required.
 - **Government Route:** Approval required.
- **Instruments Included in FDI:**
 - Foreign Currency Convertible Bonds.
 - Foreign Institutional Investment (subject to conditions).
 - Global Depository Receipts.
- **Prohibited Sectors for FDI:**
 - Lottery business.
 - Gambling and betting.
 - Chit funds.
 - Nidhi companies.
 - Trading in Transferable Development Rights.

Initiative to promote FDI

- **Liberalization of Sectors:** Easing FDI regulations in sectors such as insurance and power exchanges.
- **Investment Promotion and Facilitation:** Implementing the Invest India Programme to encourage and support foreign investments.
- **Make in India Initiative:** Attracting foreign investment by promoting manufacturing and business in India through the Make in India campaign.

Global Food Policy Report 2024

➤ Released by **International Food Policy Research Institute (IFPRI)**

➤ Key Findings From The Report

- **Impact of Climate Change and Biodiversity Loss:** These factors can significantly affect diets by influencing food availability and diversity.
- **Global Dietary Challenges:** Over two billion people, primarily in Africa and South Asia, cannot afford a healthy diet.
- **Unhealthy Eating in India:** Approximately 38 percent of the Indian population consumes unhealthy foods.
- **Malnutrition in India:** Due to poor dietary habits, 16.6% of Indians suffer from malnutrition.

➤ About IFPRI

- The International Food Policy Research Institute (IFPRI) was established in 1975 and is a research center within the Consortium of International Agricultural Research Centers.

RBI Is Working On Expanding UPI To 20 Countries By 2028-29

- The **Reserve Bank of India (RBI)** has partnered with **NPCI International Payments Ltd. (NIPL)** to expand the Unified Payments Interface (UPI). The RBI also plans to explore collaboration on fast payment systems with groups like the European Union and SAARC, along with multilateral linkages.
- **About UPI**
 - Launched by NPCI in 2016, UPI integrates multiple bank accounts into a single mobile application, combining various banking features, seamless fund routing, and merchant payments. UPI is currently supported in several countries, including Bhutan, Nepal, UAE, France, and Mauritius.
- **Significance of Internationalizing UPI**
 - **Global Market Expansion:** Facilitates faster and easier cross-border payments, boosting trade between India and other countries.
 - **Interoperability and Standardization:** Promotes seamless integration with global financial technologies by ensuring payment systems across countries are interoperable.
 - **Digital Diplomacy:** Enhances India's influence and goodwill through technological collaboration.
- **Challenges in Internationalizing UPI**
 - **Regulatory Compliance:** Navigating diverse regulatory frameworks across different jurisdictions can be complex and time-consuming.
 - **Security and Data Privacy:** Requires robust security measures, encryption protocols, and data protection mechanisms to maintain user trust.
 - **Infrastructure Disparities and Competition:** Differences in infrastructure and competition from established players like China's Alipay pose additional challenges.
- **Steps Taken for Internationalization of UPI**
 - **NIPL:** A wholly-owned subsidiary of NPCI, established in 2020, focuses on deploying RuPay and UPI outside India.
 - **UPI One World:** A prepaid payment instrument linked to UPI, provided to foreign nationals and NRIs from G20 countries.
 - **India's Initiatives under G20:**
 - **Global Digital Public Infrastructure (DPI) Repository.**
 - **Social Impact Fund:** To promote DPI in the Global South.

RBI's Gold Reserve

- In the financial year 2024, the **Reserve Bank of India (RBI)** relocated **100 metric tonnes** of gold from the U.K. to domestic vaults in Mumbai and Nagpur. India's total gold holdings reached 822 metric tonnes, with about 50% now stored locally.
- **Backing of Banknotes**
 - According to Section 33 of the RBI Act, 1934, all banknotes issued by the RBI are backed by assets such as gold, government securities, and foreign currency assets.
- **Risks of Storing Gold Abroad**
 - Storing gold in foreign countries carries risks, especially during geopolitical tensions. This risk was highlighted by the recent freezing of Russian assets by Western nations.

Variable Rate Repo (VRR)

- The recent **Variable Rate Repo (VRR)** auction by the Reserve Bank of India (RBI) received a positive response from banks.
- **About VRR**
 - **Market-Determined Borrowing Rate:** VRR is the rate at which RBI allows banks to borrow money, determined by the market.
 - **Repo Rate Comparison:** Unlike the Repo Rate, which is fixed by the RBI for banks to borrow money, the VRR rate is market-driven.
 - **Borrowing Duration:** The borrowing period under VRR is typically more than one day and usually extends up to 14 days.
 - **Purpose:** VRR is used to inject short-term liquidity into the banking system.
- **Variable Rate Reverse Repo (VRRR)**
 - **Liquidity Absorption:** VRRR is a tool used to absorb excess liquidity from the banking system.