UPSC & STATE PCS CURRENT AFFAIRS · UJIYARI.COM

EDITORIAL ANALYSIS

# Consolidating the SRVA Framework: The Slow Road to Rupee Internationalisation

BUSINESS STANDARD

18 July 2026 · ECONOMY · GS3

CURATED & WRITTEN BY

## Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

# Consolidating the SRVA Framework: The Slow Road to Rupee Internationalisation

Business Standard 18 July 2026 GS3

Every fact web-verified against primary sources

## THE LIFT LINE

A currency does not become international by decree. It becomes international when enough of the world wants to hold it, invoice in it and settle in it because doing so is convenient and safe. The Reserve Bank of India's decision to consolidate its **Special Rupee Vostro Account (SRVA)** rules into a single framework is a housekeeping act with a strategic message: India intends to keep building the plumbing for rupee trade settlement patiently, one bilateral relationship at a time, rather than chase headlines about dethroning the dollar.

## WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

Rupee internationalisation sits at the intersection of monetary policy, external-sector management and geopolitics, which makes it a recurring theme in both Prelims and Mains. The consolidation of SRVA norms gives you a concrete, current hook to discuss a large, abstract debate that examiners love: how a developing economy manages the trade-off between the benefits of a globally used currency and the loss of monetary autonomy that can follow.

**GS Paper 3:** External sector, exchange-rate management, and the mobilisation of resources for the economy all connect here. **GS Paper 3 (Indian economy):** the reform speaks directly to trade settlement, reserves management and de-dollarisation.

For **Prelims**, hold the specifics: the SRVA mechanism was introduced by the RBI in **July 2022** to settle international trade in **Indian rupees**; a **Vostro account** is a domestic bank holding an account on behalf of a foreign correspondent bank ("your account with us"); the RBI has now merged multiple circulars issued between **2022 and 2025** into one consolidated framework; and the two **Tarapore Committees (1997 and 2006)** examined the roadmap to capital-account convertibility. Distinguish **current-account convertibility** (which India adopted in **1994** under Article VIII of the IMF) from **capital-account convertibility**, which remains only partial.

For **Mains**, the value lies in nuance: argue that internationalisation is a means, not an end, and that its pace must be calibrated to trade scale, macro stability and the sequencing of convertibility.

## BACKGROUND AND CONTEXT

The SRVA route was born of necessity. When Western sanctions after 2022 complicated dollar and euro settlement for several of India's trading partners, the RBI created a mechanism allowing overseas banks to open rupee vostro accounts with authorised Indian banks. Importers could pay in rupees, exporters could be paid in rupees, and the surplus rupee balances could be invested in Indian government securities. It was a pragmatic workaround that also advanced a longer-standing ambition articulated by an RBI inter-departmental group: to make the rupee a currency of choice for cross-border transactions.

Over the following three years the central bank issued a series of clarifications on eligibility, permitted uses of balances, and reporting. The **2026 consolidation** stitches these scattered instructions into one reference document. Nothing revolutionary changes in substance, but coherence itself is a policy signal. A single, stable rulebook lowers the friction for foreign banks and Indian authorised dealers weighing whether to build rupee-settlement capacity.

## THE CORE ARGUMENT / ISSUE

### Internationalisation is trade-led, not fiat-led

The central claim is simple: currencies internationalise on the back of real economic weight. A country whose firms sell goods the world needs, and whose macro fundamentals inspire confidence, finds its currency slipping naturally into invoices and reserves. India's rising share of global trade, its deep government-securities market and its relative macro stability are the true enablers. SRVA is the pipe; trade competitiveness is the water.

### The convertibility calibration

Here lies the hardest trade-off. A currency widely held abroad must be reasonably convertible, yet full capital-account convertibility exposes an economy to volatile flows and can undercut the central bank's control over domestic monetary conditions. India has deliberately kept convertibility partial, a caution vindicated during multiple emerging-market crises. Internationalisation therefore cannot outrun the sequencing that the Tarapore Committees urged: sound fiscal deficits, low inflation, a healthy banking system and adequate reserves must precede any further opening.

### The autonomy trade-off

| DIMENSION | BENEFIT OF INTERNATIONALISATION | ATTENDANT RISK OR COST |
|---|---|---|
| Trade settlement | Lower forex conversion cost, sanctions insulation | Partners may hold idle rupee balances they cannot easily deploy |
| Reserves | Reduced dependence on hard currencies (de-dollarisation) | Greater exposure to volatile short-term inflows |
| Monetary policy | Seigniorage and prestige | Erosion of autonomy as external demand shapes the rupee |
| Financial markets | Deeper, more liquid g-sec market | Amplified transmission of global shocks |

The table captures why enthusiasm must be tempered. Every gain has a matching demand on macro discipline.

## HOW TO THINK ABOUT THIS (ANALYTICAL FRAME)

Treat rupee internationalisation as a **staircase, not a switch**. The bottom step is trade invoicing in rupees for willing partners; the middle steps are deeper rupee-denominated financial instruments and wider convertibility; the top step, held only by the dollar and to a lesser degree the euro, is a genuine global reserve and safe-haven role. India is consciously on the lower steps. The right analytical question is not "will the rupee replace the dollar" but "is India climbing at a pace its fundamentals can sustain."

## THE DIAGRAM IN WORDS

```
Trade competitiveness + macro stability -> SRVA plumbing enables rupee invoicing ->
rupee balances recycled into g-secs -> gradual convertibility calibration -> deeper
rupee use in reserves and settlement -> partial, trade-led internationalisation
```

## WAY FORWARD

1. **Widen the partner base.** Prioritise SRVA arrangements with countries where India runs balanced or surplus trade, so that partners are not left holding rupees they cannot spend, which is the single biggest drag on adoption.
2. **Deepen recycling avenues.** Broaden the menu of rupee-denominated instruments (g-secs, corporate bonds, project finance) so that surplus rupee balances earn returns and stay in the system rather than being converted out.

3. **Sequence convertibility carefully.** Advance capital-account opening only in step with fiscal consolidation, credible inflation control and robust reserves, honouring the logic of the Tarapore Committees.
4. **Anchor macro credibility.** Sustain the low-inflation, stable-growth record that ultimately does more for the rupee's global standing than any circular, because trust in the issuer is what makes a currency travel.

## PYQ LINKAGE AND PRACTICE

UPSC has repeatedly probed the external sector: a 2019 Mains question asked candidates to examine the rationale behind moving towards capital-account convertibility, and Prelims has tested convertibility concepts and the role of the RBI. This editorial equips you to connect a live reform to that enduring syllabus theme.

**Practice question:** "Rupee internationalisation is desirable in principle but must be pursued gradually in practice." Examine this statement in the light of the consolidated SRVA framework and India's approach to convertibility. **(15 marks, 250 words)**

*Sources: Business Standard, RBI Notifications*

---

Source: Consolidating the SRVA Framework: The Slow Road to Rupee Internationalisation — Ujiyari.com | Free UPSC & State PCS Editorial Analysis

### RELATED DAILY ARTICLES

25 Jul NATGASIND: NSE Launches India's First...

24 Jul Thirty Five Years of the 1991 Economic Reforms

23 Jul US Tariffs on Generic Drugs and the Challenge for...

21 Jul Mission for Cotton Productivity and India's White Gold...

CURATED & WRITTEN BY

## Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

📖 Read Full Article on Ujiyari →

https://ujiyari.com/editorials/2026/07/bs-srva-rupee-internationalisation-2026/