



## INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS AND MANAGEMENT

### CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	<b>IMPACT OF MARKETING ACTIVITIES ON CONSUMER BASED BRAND EQUITY - A CASE STUDY OF PAKISTAN'S MOBILE SERVICE SECTOR</b> <i>SHAHZAD GHAFUOR &amp; UZAIR FAROOQ KHAN</i>	1
2.	<b>UNDERSTANDING THE RELATIONSHIPS OF CORPORATE IMAGE, EMOTION, VALUE, SATISFACTION, AND LOYALTY AMONG AIR PASSENGERS: A CONCEPTUAL MODEL AND EMPIRICAL EVIDENCE</b> <i>DR. HAFEDH IBRAHIM</i>	13
3.	<b>GAME THEORY AS ANOTHER PHILOSOPHICAL FOUNDATION OF POLITICAL MARKETING: EVIDENCE FROM NIGERIA'S ELECTORAL PROCESS</b> <i>DR. ROWLAND E. WORLU</i>	23
4.	<b>CORPORATE UNDERSTANDING OF TAKĀFUL</b> <i>DR. WAHEED AKHTER, MR. HASAN AFZAL &amp; MR. ALI RAZA</i>	30
5.	<b>SMALL AND MEDIUM SCALE ENTERPRISES AS A SURVIVAL STRATEGY FOR EMPLOYMENT GENERATION IN NIGERIA</b> <i>DR. AREMU, MUKAILA AYANDA &amp; DR. (MRS.) ADEYEMI, SIDIKAT LARABA</i>	36
6.	<b>A STUDY ON LABOUR WELFARE FACILITY (WITH REFERENCE TO AFT, PONDICHERRY)</b> <i>S. POONGAVANAM</i>	40
7.	<b>INTERNATIONALIZATION OF INDIAN RUPEE - AN EMPIRICAL STUDY</b> <i>SHRINIVAS R. PATIL &amp; DR. RAMESH R. KULKARNI</i>	45
8.	<b>PROFITABILITY PERFORMANCE OF PUBLIC SECTOR BANKS-AN EMPIRICAL STUDY</b> <i>M. RAJESH &amp; DR. N R V RAMANA REDDY</i>	51
9.	<b>GLOBAL INTEGRATION OF ORGANISATION IS EFFECTIVE THROUGH LEGISLATION: A PERSPECTIVE ON THE CURRENT ECONOMIC ENVIRONMENT</b> <i>DR. S. P. RATH, PROF. BISWAJIT DAS &amp; ANAND IYENGAR</i>	56
10.	<b>NON-PERFORMING ASSETS: A STUDY OF SCHEDULED COMMERCIAL BANKS IN INDIA</b> <i>DR. M. JAYASREE &amp; R. RADHIKA</i>	60
11.	<b>SOLVENCY ANALYSIS OF PUBLIC SECTOR UNDERTAKING: A CASE STUDY OF POWER FINANCE CORPORATION LIMITED (PFCL)</b> <i>DR. S. K. KHATIK &amp; TITTO VARGHESE</i>	64
12.	<b>GLOBAL FINANCIAL CRISIS AND ITS EFFECT ON REAL ESTATE SECTOR IN INDIA</b> <i>DR. SANMAN JAIN N &amp; NISHI S JAIN</i>	71
13.	<b>AN INTROSPECTIVE ON CONSUMER BEHAVIOR ON THE BASIS OF DEMOGRAPHY: A SURVEY (WITH SPECIAL REFERENCE TO FMCGS)</b> <i>DR. B. CHANDRA MOHAN PATNAIK &amp; PRAKASH KUMAR PRADHAN</i>	74
14.	<b>PROFITABILITY ANALYSIS OF ICICI BANK</b> <i>DR. K. MANIKANDAN, DR. S. MANIVEL &amp; DR. R. VELU RAJ</i>	81
15.	<b>WHAT SAVED INDIA FROM THE GLOBAL ECONOMIC MELTDOWN?</b> <i>DR. S. RAGHUNATHA REDDY &amp; DR. A. AMRUTH PRASAD REDDY</i>	86
16.	<b>PERFORMANCE AND RISK ANALYSIS OF MONTHLY INCOME PLANS (MIP) OF SELECTED MUTUAL FUNDS</b> <i>DR. ASHOK KHURANA &amp; DR. BHAVET</i>	90
17.	<b>CONSUMER BUYING BEHAVIOUR OF GREEN PRODUCTS</b> <i>DR. H. C. PUROHIT</i>	94
18.	<b>CORPORATE SOCIAL RESPONSIBILITY STRATEGIES FOR SUSTAINABLE DEVELOPMENT: INDIAN EXPERIENCE</b> <i>DR. VILAS M. KADROLKAR</i>	98
19.	<b>A STUDY ON MEASURING THE PERFORMANCE OF INDIAN BANKING SECTOR IN THE EVENT OF RECENT GLOBAL ECONOMIC CRISIS- AN EMPIRICAL VIEW</b> <i>M. S. RAMARATNAM, R. JAYARAMAN &amp; B. BALAJI SRINIVASAN</i>	106
20.	<b>e-PROCUREMENT USING REVERSE AUCTIONS FOR CONSTRUCTION PROJECTS</b> <i>T. BALADHANDAYUTHAM &amp; DR. SHANTHI VENKATESH</i>	110
21.	<b>PERFORMANCE ANALYSIS WITH SUSTAINABLE GROWTH RATE: A CASE STUDY</b> <i>JAGADISH R. RAIYANI</i>	118
22.	<b>TRANSFER PRICING- A STUDY OF TRANSFER PRICING METHOD USED BY SELECTED COMPANIES</b> <i>MANU KALIA</i>	123
23.	<b>FACTORS IN FACILITATING THE PROCESS OF OBTAINING FUNDS FOR SMES: AN EMPIRICAL STUDY ON VISAKHAPATNAM DISTRICT</b> <i>DR. P. P. CHANDRA BOSE</i>	128
24.	<b>EMPLOYEES' WORKPLACE EMOTIONS IN ORGANIZATIONS</b> <i>R. GOPINATH</i>	133
25.	<b>DISPARITIES IN INDUSTRIAL DEVELOPMENT IN INDIA – AN INTER-STATE ANALYSES</b> <i>SUMAN RANI &amp; SEEMA</i>	140
	<b>REQUEST FOR FEEDBACK</b>	144

**CHIEF PATRON**

**PROF. K. K. AGGARWAL**

Chancellor, Lingaya's University, Delhi  
Founder Vice-Chancellor, Guru Gobind Singh Indraprastha University, Delhi  
Ex. Pro Vice-Chancellor, Guru Jambheshwar University, Hisar

**PATRON**

**SH. RAM BHAJAN AGGARWAL**

Ex. State Minister for Home & Tourism, Government of Haryana  
Vice-President, Dadri Education Society, Charkhi Dadri  
President, Chinar Syntex Ltd. (Textile Mills), Bhiwani

**CO-ORDINATOR**

**DR. BHAVET**

Faculty, M. M. Institute of Management, Maharishi Markandeshwar University, Mullana, Ambala, Haryana

**ADVISORS**

**PROF. M. S. SENAM RAJU**

Director A. C. D., School of Management Studies, I.G.N.O.U., New Delhi

**PROF. M. N. SHARMA**

Chairman, M.B.A., Haryana College of Technology & Management, Kaithal

**PROF. S. L. MAHANDRU**

Principal (Retd.), Maharaja Agrasen College, Jagadhri

**EDITOR**

**PROF. R. K. SHARMA**

Dean (Academics), Tecnia Institute of Advanced Studies, Delhi

**CO-EDITOR**

**DR. SAMBHAV GARG**

Faculty, M. M. Institute of Management, Maharishi Markandeshwar University, Mullana, Ambala, Haryana

**EDITORIAL ADVISORY BOARD**

**DR. AMBIKA ZUTSHI**

Faculty, School of Management & Marketing, Deakin University, Australia

**DR. VIVEK NATRAJAN**

Faculty, Lomar University, U.S.A.

**DR. RAJESH MODI**

Faculty, Yanbu Industrial College, Kingdom of Saudi Arabia

**PROF. SIKANDER KUMAR**

Chairman, Department of Economics, Himachal Pradesh University, Shimla, Himachal Pradesh

**PROF. SANJIV MITTAL**

University School of Management Studies, Guru Gobind Singh I. P. University, Delhi

**PROF. RAJENDER GUPTA**

Convener, Board of Studies in Economics, University of Jammu, Jammu

**PROF. NAWAB ALI KHAN**

Department of Commerce, Aligarh Muslim University, Aligarh, U.P.

**PROF. S. P. TIWARI**

Department of Economics & Rural Development, Dr. Ram Manohar Lohia Avadh University, Faizabad

**DR. ASHOK KUMAR CHAUHAN**

Reader, Department of Economics, Kurukshetra University, Kurukshetra

**DR. SAMBHAVNA**

Faculty, I.I.T.M., Delhi

**DR. MOHENDER KUMAR GUPTA**

Associate Professor, P. J. L. N. Government College, Faridabad

**DR. SHIVAKUMAR DEENE**

Asst. Professor, Government F. G. College Chitgappa, Bidar, Karnataka

***ASSOCIATE EDITORS***

**PROF. ABHAY BANSAL**

Head, Department of Information Technology, Amity School of Engineering & Technology, Amity University, Noida

**PARVEEN KHURANA**

Associate Professor, Mukand Lal National College, Yamuna Nagar

**SHASHI KHURANA**

Associate Professor, S. M. S. Khalsa Lubana Girls College, Barara, Ambala

**SUNIL KUMAR KARWASRA**

Vice-Principal, Defence College of Education, Tohana, Fatehabad

**DR. VIKAS CHOUDHARY**

Asst. Professor, N.I.T. (University), Kurukshetra

***TECHNICAL ADVISORS***

**MOHITA**

Faculty, Yamuna Institute of Engineering & Technology, Village Gadholi, P. O. Gadholi, Yamunanagar

**AMITA**

Lecturer, E.C.C., Safidon, Jind

***FINANCIAL ADVISORS***

**DICKIN GOYAL**

Advocate & Tax Adviser, Panchkula

**NEENA**

Investment Consultant, Chambaghat, Solan, Himachal Pradesh

***LEGAL ADVISORS***

**JITENDER S. CHAHAL**

Advocate, Punjab & Haryana High Court, Chandigarh U.T.

**CHANDER BHUSHAN SHARMA**

Advocate & Consultant, District Courts, Yamunanagar at Jagadhri

# CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the area of Computer, Business, Finance, Marketing, Human Resource Management, General Management, Banking, Insurance, Corporate Governance and emerging paradigms in allied subjects. The above mentioned tracks are only indicative, and not exhaustive.

Anybody can submit the soft copy of his/her manuscript **anytime** in M.S. Word format after preparing the same as per our submission guidelines duly available on our website under the heading guidelines for submission, at the email addresses, **info@ijrcm.org.in** or **infoijrcm@gmail.com**.

## GUIDELINES FOR SUBMISSION OF MANUSCRIPT

### 1. **COVERING LETTER FOR SUBMISSION:**

Dated: \_\_\_\_\_

The Editor

IJRCM

Subject: **Submission of Manuscript in the Area of** \_\_\_\_\_ **(Computer/Finance/Marketing/HRM/General Management/other, please specify).**

Dear Sir/Madam,

Please find my submission of manuscript titled ' \_\_\_\_\_ ' for possible publication in your journal.

I hereby affirm that the contents of this manuscript are original. Furthermore It has neither been published elsewhere in any language fully or partly, nor is it under review for publication anywhere.

I affirm that all author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name(s) as co-author(s).

Also, if our/my manuscript is accepted, I/We agree to comply with the formalities as given on the website of journal & you are free to publish our contribution to any of your journals.

**Name of Corresponding Author:**

Designation:

Affiliation:

Mailing address:

Mobile & Landline Number (s):

E-mail Address (s):

2. **INTRODUCTION:** Manuscript must be in English prepared on a standard A4 size paper setting. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 12 point Calibri Font with page numbers at the bottom and centre of the every page.
3. **MANUSCRIPT TITLE:** The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.
4. **AUTHOR NAME(S) & AFFILIATIONS:** The author (s) full name, designation, affiliation (s), address, mobile/landline numbers, and email/alternate email address should be in 12-point Calibri Font. It must be centered underneath the title.
5. **ABSTRACT:** Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain background, aims, methods, results and conclusion.
6. **KEYWORDS:** Abstract must be followed by list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.

7. **HEADINGS:** All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
8. **SUB-HEADINGS:** All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.
9. **MAIN TEXT:** The main text should be in a 8 point Calibri Font, single spaced and justified.
10. **FIGURES & TABLES:** These should be simple, centered, separately numbered & self explained, and titles must be above the tables/figures. Sources of data should be mentioned below the table/figure. It should be ensured that the tables/figures are referred to from the main text.
11. **EQUATIONS:** These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.
12. **REFERENCES:** The list of all references should be alphabetically arranged. It must be single spaced, and at the end of the manuscript. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use **(ed.)** for one editor, and **(ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parentheses.
- Use endnotes rather than footnotes.
- The location of endnotes within the text should be indicated by superscript numbers.

**PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:**

**Books**

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio," Ohio State University.

**Contributions to books**

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

**Journal and other articles**

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

**Conference papers**

- Chandel K.S. (2009): "Ethics in Commerce Education." Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

**Unpublished dissertations and theses**

- Kumar S. (2006): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

**Online resources**

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

**Website**

- Kelkar V. (2009): Towards a New Natural Gas Policy, Economic and Political Weekly, Viewed on February 17, 2011 <http://epw.in/epw/user/viewabstract.jsp>

## INTERNATIONALIZATION OF INDIAN RUPEE - AN EMPIRICAL STUDY

SHRINIVAS R. PATIL

ASSOCIATE PROFESSOR

INSTITUTE OF MANAGEMENT STUDIES &amp; RESEARCH

HUBLI

DR. RAMESH R. KULKARNI

DIRECTOR

GLOBAL BUSINESS SCHOOL

BELGAUM

## ABSTRACT

The recent paradigm tells us that, countries like Russia, Switzerland and Venezuela are withdrawing their foreign exchange reserves from US dollar and investing in Yen, Euro etc. some of the countries are willing to exit from the American currency, but shifting from dollar to Yen or Euro is like jumping out of the frying pan into the fire, as Europe and Japan are suffering from same problems like USA. So, Indian rupee is much stronger in this aspect because of long traditional market oriented financial institutions, mercantile civilization and spreading Indian traders at abroad for last 5000 years. At the beginning of the 20<sup>th</sup> century, it brought bright opportunities for the Indian rupee to gain back its value on the back of the healthy foreign investments. India has been attracted by many foreign investors in the forms of Foreign Direct Investment and Foreign Institutional Investment. The rupee has touched a 10-year high in June 2008 against the US dollar because of attracting flows of foreign funds. In spite of seeing the year 2008-09 economic slowdown, the rupee managed to keep up its position due to Reserve Bank of India's interference in reducing volatility of the Indian market. The turnover of rupee and dollar is increasing drastically year by year. In the current decade, US dollar dipped below the symbolically significant level, and Rupee has risen against the dollar and other currencies. These signals indicate the rising influence of the India's Rupee in international markets. Thus the study is an attempt to understand the position of Indian rupee in the international market and its future growth of becoming world leader after 2020. The paper provides an in-depth analysis of various issues pertaining to internationalization of the Indian rupee, its opportunities as an alternative for US Dollar and opportunities of other currencies. Six major currencies like, Euro, Yen, Yuan, IMF's SDR, USD and INR are studied for analysis as a sample. The correlation of performance of USD with selected five major currencies is considered. As a part of the study, data is collected for 20 years. Thus it is analyzed by using statistical tools such as Arithmetic Mean, Standard Deviation, and Correlation. The study hypothesized that, demand for USD is gradually coming down and INR having positive correlation with other currencies is appreciating against other currencies at a quite moderate rate.

## KEYWORDS

Foreign Exchange, Rupee, Currency, USD.

## INTRODUCTION

**U**S Dollar ruled the international transactions space for many years, but the crisis has shown the need to have an alternative currency. The recent global economic slowdown and weakness of the US dollar in the international market has prompted a wide-ranging discussion on the need for a new global reserve currency. However it is quite unlikely that the dollar will lose its predominance as global reserve currency in the foreseeable future. The current crisis has, however, thrown open the debate on the need for a new global reserve currency in case the US economy fails to make a significant turnaround and the weakness of the US dollar persists making its continuance as a global reserve currency unsustainable.

The issue of a new global reserve currency is attracting the notice of policy makers all over the world in recent days. The issue has assumed significance for Asian central banks, including the Reserve Bank of India, which have invested a significant proportion of their reserves in dollar denominated assets. If there is any small reduction in the value of the dollar would necessitate significant losses to these central banks. The debatable question, however, is which currency is capable of replacing the US dollar in the future days. China has already stepped up its efforts towards greater internationalization of its currency Yuan.

## RATIONALE OF STUDY

Looking at the recent happenings in India, the significant appreciation of the Indian rupee, and continued excellent performance of the Indian economy has moved up the issue of greater internationalization of the Indian rupee.

India has followed a calibrated approach towards capital account liberalization. India does not permit rupee to be officially used for international transactions except those with Nepal and Bhutan though there are indications that Indian rupee is gaining acceptability in other countries. There are certain problems associated with Internationalization of the rupee as it can increase volatility of its exchange rate and affects on Indian export. Withdrawal of short-term funds and portfolio investments by non-residents can be a major potential risk of internationalization of the Indian rupee.

India generally runs a significant trade and current account deficits. Similarly, its capital account is still relatively closed and Indian financial markets lack depth compared to global standards. For invoicing of international trade the Indian rupee is rarely used, recently Iran has agreed to accept Indian rupee for exporting crude oil to India. India needs to proactively take steps to increase the role of the Indian rupee in the region.

## REVIEW OF LITERATURE

**Mr. Bharat Jhunjunwala** in his article in New Indian Express opined that, world currency needs to have four major qualities: 1) freely convertible 2) backed by a large economy 3) growing and leading economy in the world and 4) sound economic management. He expressed that the above qualities are there with British sterling, however in the recent years it is becoming weak. **Kenen** in the year 1983 has given an early thought on the roles of international currencies. **Chinn and Frankel** in the year 2005 have developed a list of international functions of an international currency, according to them an international currency has to be capable of playing roles of store of value, medium of exchange and unit of account for both residents and non-residents. More specifically, it can be used for private purposes, such as, currency substitution, trade and financial transaction invoicing and denomination. It can also be used for public purpose as official reserves. **Bank for International Settlements** survey stated the average daily turnover of the currency pair stood at \$36 billion in the middle of 2010 which indicates the growth of Indian trade in the international market. **The RBI staff** conducted a study on Indian Rupee and expressed their opinion as; Indian rupee was regarded as an official currency of foreign countries, like Kuwait, Bahrain, Qatar, the Trucial States (United Arab Emirates (UAE) since 1971) and Malaysia in previous times. The Gulf rupee, known as the Persian Gulf rupee, was introduced by the Government of India as a replacement for the Indian rupee for circulation exclusively outside the country with the Reserve Bank of India [Amendment] Act, May 1, 1959.



Considering the above literatures, it is quite clear that, there is no as such well-established framework to mean what is meant by internationalization of a currency. For theoretical discussions, however, gives a guideline for understanding various functions that an international currency plays. However Indian rupee is emerging as better candidate than other currencies to take on the role of the world currency since it deserves to be.

### CURRENCY INTERNATIONALIZATION

If currency is widely accepted across the world as a medium of exchange, it can be termed as 'international currency'. Internationalization of currency is characterized as i) payments for international transactions is made in that currency ii) both residents and non-residents have to hold financial assets and liabilities denominated in that currency and iii) freedom for outsiders to hold tradable currency balances, even beyond the territory of the issuing country.

#### INTERNATIONALIZATION OF INDIAN RUPEE

Internationalization of a one nation's currency is a policy matter and depends on the broader economic objectives of the issuing country. The Indian position in internationalizing the India rupee is different. India may not permit rupee to be officially used for international transactions except countries like Bhutan and Nepal (Bhutanese *Ngultrum* is at par with the currency of Indian Rupee and both are accepted in Bhutan. The Indian rupee is again accepted in towns of Nepalese side of Nepal-India border).

India usually trade its international trade in US denomination because of impact on export and NRIs issues, still efforts to promote invoicing in the Indian currency have been met with little success in countries with currencies which are not internationalized as the trade-counterparty does not have the necessary infrastructure to hedge his exposure in international markets.

The contribution of India is very small portion in foreign exchange market turnover in the world as compared to other countries. The survey conducted by BIS Triennial Central Bank reveals, data for 2007 shows that India's daily average share in the total foreign exchange market turnover is just 0.9% as compared to 34.1% of UK and 16.6% of USA. Though, the share of India in total foreign exchange market turnover is less compared to other major countries, but its growth is continuously increasing. India's share has increased from 0.1% of the total foreign exchange market turnover in 1998 to 0.2% in 2001 to 0.3% in 2004 to the current more than 1%.

It is also seen that, there are some anecdotal evidences that Indian rupee is accepted in Singapore, Malaysia, Hong Kong, Indonesia, Sri Lanka and the UK. The Central Bank of Nepal, *Nepal Rastra Bank*, also holds Government of India Treasury Bills.

Let us observe the off-shore rupee in different countries. There is increasing demand for off-shore rupee-linked papers like bonds, given the caps on foreign investor flows to the Indian local currency debt market. AIDB, Inter-American Development Bank issued the first offshore rupee bond with a 3 years maturity for Rs.1,00,00,000 in February 2007, and 10-year tenor for Rs.1,50,00,000 offshore rupee bonds in May 2007 issued. In June 2007, the World Bank issued a similar bond for Rs.1.25 billion with a 3-year tenor. European Bank for Reconstruction and Development (EBRD) also issued rupee offshore bonds with 5 years maturity for Rs.1,00,00,000 in July 2007.

Amongst the Asian countries, India grips an important position in terms of economic growth and volume of trade. It (India) is playing a growing role in Asia as major part in an engine of economic growth. It has been increasingly getting integrated with East Asian Countries. India's economy has almost more than a trillion US dollars growing at a rate of nearly 8.5% every year and expected to accelerate rapidly being second in the world. The value of the Indian rupee is mostly market-determined and not pegged to any currency. Its forex reserves are amongst the largest in the region, It is around \$300.21 billion whereas US has just \$136.53 billion end of November, 2010. India has wider scope to increase its volume of trade with ACU countries. The share of ACU countries in India's exports is ranging around 6 per cent and in imports around 5 percent in recent years. India export major goods to ACU countries are like petroleum, non-ferrous metals, pulses, chemicals, wood products, iron & steel, textile yarn, and fabrics made-up articles. Imports from ECU countries include engineering goods, petroleum and chemicals.

#### PERCEIVED COSTS AND BENEFITS OF FURTHER CURRENCY INTERNATIONALIZATION

Currency internationalization gives certain benefits to the country. It may promote growth by facilitating greater degree of integration both in terms of foreign trade and international capital flows. Other benefits are savings in foreign exchange transactions, ease of international trade and reduced foreign exchange exposure.

In spite of the above benefits, internationalization of the domestic currency is not free from several disadvantages. A major problem with the internationalization of a currency is that it may increase the issuing country's weakness to externals, given the freedom to Indian residents and outsiders with respect to the flow of funds in and out of the country and from one nation's currency to other nation's currency. When large amounts of domestic currency are held by foreigners, particularly at offshore locations, any expectation that the currency is vulnerable due to weak fundamentals, can turn out to be self-fulfilling and can lead to a sell-off resulting in a sharp fall in the value of the currency.

### STATUS OF CURRENCIES

Various currencies of different countries are analyzed here to know the position of their status in international market in terms of GDP, per capital, forex reserves and FDI. The pros and cons of currencies are critically narrated.

#### UNITED STATES DOLLAR

Looking at US Dollar condition, its demand in international market especially in terms of foreign exchange reserve is deteriorating. Though US remains the largest economy in the world but its growth rate is pathetic. The share of the US was about half of the world income in the early 1940, has come down to about one-fourth now. The US economy does not display sound economic management. It has trade and fiscal deficits. It spent huge amounts on wars in Vietnam, Afghanistan and Iraq much the way Britain indulged in militarism. It is borrowing money from other countries through the sale of Treasury Bills and using same money to make war or to increase consumption of its people instead of using it for investments. The US is still the technology leader but has not made any decisive technological advance like the internet in the last decade. Rather, Research & Development activities are being moved to India in a big way. It seems the developments in technologies in the future days will take place in India rather than the United State. So the dollar is gradually losing its status as the international currency and countries like Japan, China, Europe, Britain and India are beginning to see their currencies as viable potential successor to the dollar.

#### BRITISH POUND STERLING

The pound sterling was the currency to witness as an international dimension in 19<sup>th</sup> and 20<sup>th</sup> century and it had lot of opportunities to become international currency, but failed in some of the aspects. Britain ceased to lead the world economy. Its growth rate has been faltering. As a result countries pulled out of the sterling in the early part of the twentieth century. United Kingdom has made it mandatory for its colonies to hold their foreign exchange in pound sterling in order to strengthen the currency. But, of course, such measures failed to stem the decline, and then United State Dollar became the world currency.

#### EURO DOLLAR

Among the prospective contenders for the world currency is Euro. The combined income of the European Union is more than the United States. But the growth rate of the EU is little low compared to US, Europe did not add to the invention of new technologies in the last half century, and it has no cities like New York that can emerge as the global finance capital. Though the income of European Union is more but it is combination of group of Europe countries not from high rates of indigenous economic growth. Though Euro may provide safety but it lacks the strength to lead the world economy.

#### CHINA'S RENMINBI

One of the biggest Asia's contenders is the Chinese Yuan, known as Renminbi. When we look at the economy, it has got highest growth rate among major countries of the world and is growing at a faster rate. It is not investing in unproductive schemes like US. It (China) is investing in productive projects like Roadways, Tibetan Railway etc. however the Yuan is not fully convertible. The trading volume of Yuan in forex market is not quite good. The price is determined less by the market and more by the perceptions of officials of the Bank of China. Since China being the state-run economy, the culture of China idolizes the emperor. This philosophy does not match with the requirements of the global investors today who want the market to determine the value of their holdings

rather than some official sitting in the passage of the Bank of China. China is also not the leader in technological developments nor is it a global financial centre. The foreign investors are not so interested to invest in Yuan for these reasons.

#### THE EMERGENCE OF INDIA RUPEE

Looking at the various reasons of different nations, the situation of the Indian rupee is quite better. It is growing faster towards full convertibility. India's share in world income is increasing rapidly in spite of having less market share at present. IMF expects, the growth of India in the year 1950 increase by 2900% compared with 2010, where China grows only 1415% and other countries growth will be negligible against India (Exhibit A4). India is obviously becoming the global centre for technology developments, as world is looking at us in terms of Information and Technology. It (India) has a long tradition of market-oriented finance institutions. It is often described as a 'mercantile' civilization. Our traders have travelled to other lands for the last 5,000 years while China has mainly looked inward. Mumbai has the institutions to develop into a world finance centre.

The history tells us that; Indian rupee was regarded as an official currency of foreign countries, like Kuwait, Bahrain, Qatar, the Trucial States (United Arab Emirates (UAE) since 1971) and Malaysia in previous times. The Gulf rupee, known as the Persian Gulf rupee, was introduced by the Government of India as a replacement for the Indian rupee for circulation exclusively outside the country with the Reserve Bank of India [Amendment] Act, May 1, 1959. This creation of a separate currency was an attempt to reduce the strain put on India's foreign exchange reserves. After India devalued the rupee on June 6, 1966, those countries still using it – Oman, Qatar and UAE – replaced the Gulf rupee with their own currencies and Kuwait and Bahrain had done so earlier in 1961 and 1965, respectively.

There was British sterling before dollar that formed the foundation of the global economy. After two world wars and several decades, pound sterling was replaced by dollar as the world standard. Since then US played the role of Big-boss, but in the present situation, the direction of time cycle is showing towards other currencies like INR, CHY, JPY, Euro, GBP and even IMF's SDR as international currency.

#### INDIAN ECONOMY

India economy, the third largest economy in the world, in terms of purchasing power, is going to touch new heights in coming years. As predicted by Goldman Sachs, the Global Investment Bank, by 2035 India would be the third largest economy of the world just after US and China. It will grow to 60% of size of the US economy. This booming economy of today has to pass through many phases before it can achieve the current milestone of 9% GDP.

The history of Indian economy can be broadly divided into three phases:

Pre- Colonial,  
Colonial and  
Post Colonial.

**PRE COLONIAL:** The economic history of India since Indus Valley Civilization to 1700 AD can be categorized under this phase. During Indus Valley Civilization Indian economy was very well developed. It had very good trade relations with other parts of world, which is evident from the coins of various civilizations found at the site of Indus valley. Before the advent of East India Company, each village in India was a self sufficient entity. Each village was economically independent as all the economic needs were fulfilled within the village.

**COLONIAL:** The arrival of East India Company in India ruined the Indian economy. There was a two-way depletion of resources. British used to buy raw materials from India at cheaper rates and finished goods were sold at higher than normal price in Indian markets. During this phase India's share of world income declined from 22.3% in 1700 AD to 3.8% in 1952.

**POST COLONIAL:** After India got independence from this colonial rule in 1947, the process of rebuilding the economy started. For this various policies and schemes were formulated. First five year plan for the development of Indian economy came into implementation in 1952. These Five Year Plans, started by Indian government, focused on the needs of Indian economy.

If on one hand agriculture received the immediate attention on the other side industrial sector was developed at a fast pace to provide employment opportunities to the growing population and to keep pace with the developments in the world. Since then Indian economy has come a long way. The Gross Domestic Product (GDP) at factor cost, which was 2.3 % in 1951-52 reached 9% in financial year 2005-06

Trade liberalization, financial liberalization, tax reforms and opening up to foreign investments were some of the important steps, which helped Indian economy to gain momentum. The Economic Liberalization introduced by Man Mohan Singh in 1991, then Finance Minister in the government of P V Narsimha Rao, proved to be the stepping-stone for Indian economic reform movements.

To maintain its current status and to achieve the target GDP of 10% and more for the coming financial year, Indian economy has to overcome many challenges.

#### CHALLENGES BEFORE INDIAN ECONOMY:

- **Population explosion:** This monster is eating up into the success of India. According to 2001 census of India, population of India in 2001 was 1,028,610,328, growing at a rate of 2.11% approx. Such a vast population puts lots of stress on economic infrastructure of the nation. Thus India has to control its burgeoning population.
- **Poverty:** As per records of National Planning Commission, 36% of the Indian population was living Below Poverty Line in 1993-94. Though this figure has decreased in recent times but some major steps are needed to be taken to eliminate poverty from India.
- **Unemployment:** The increasing population is pressing hard on economic resources as well as job opportunities. Indian government has started various schemes such as Jawahar Rozgar Yojna, and Self Employment Scheme for Educated Unemployed Youth (SEEUY). But these are proving to be a drop in an ocean.
- **Rural urban divide:** It is said that India lies in villages, even today when there is lots of talk going about migration to cities, 70% of the Indian population still lives in villages. There is a very stark difference in pace of rural and urban growth. Unless there isn't a balanced development Indian economy cannot grow.

#### OPPORTUNITIES

The above challenges can be overcome by the sustained and planned economic reforms, these include;

- Maintaining fiscal discipline
- Orientation of public expenditure towards sectors in which India is faring badly such as health and education.
- Introduction of reforms in labour laws to generate more employment opportunities for the growing population of India.
- Reorganization of agricultural sector, introduction of new technology, reducing agriculture's dependence on monsoon by developing means of irrigation.
- Introduction of financial reforms including privatization of some public sector banks.



## INDIA'S GDP RATE SINCE 1951-52

TABLE A1: GDP IN INDIA

Fin. Year	GDP	Fin. Year	GDP	Fin. year	GDP
1951-52	2.3%	1970-71	5%	1989-90	6.7%
1952-53	2.8%	1971-72	1%	1990-91	5.6%
1953-54	6.1%	1972-73	-0.3%	1991-92	1.3%
1954-55	4.2%	1973-74	4.6%	1992-93	5.1%
1955-56	2.6%	1974-75	1.2%	1993-94	5.9%
1956-57	5.7%	1975-76	9%	1994-95	7.3%
1957-58	-1.2%	1976-77	1.2%	1995-96	7.3%
1958-59	7.6%	1977-78	7.5%	1996-97	7.8%
1959-60	2.2%	1978-79	5.5%	1997-98	4.8%
1960-61	7.1%	1979-80	-5.2%	1998-99	6.5%
1961-62	3.1%	1980-81	7.2%	1999-2000	6.1%
1962-63	2.1%	1981-82	6%	2000-01	4.4%
1963-64	5.1%	1982-83	3.1%	2001-02	5.8%
1964-65	7.6%	1983-84	7.7%	2002-03	3.8%
1965-66	-3.7%	1984-85	4.3%	2003-04	8.5%
1966-67	1%	1985-86	4.5%	2005-06	-
1967-68	8.1%	1986-87	4.3%	2004-05	7.5%
1968-69	2.6%	1987-88	3.8%	2005-06	9%
1969-70	6.5%	1988-89	10.5%	2009-10	8.5%

Source: Wikipedia.com

Table A1 explains about per cent age of GDP rate from 1951-52 to 2009-10, by having glance over the table, it seems that, the rate of GDP from 1951-52 and later, it is growing about 5% on an average, and is accelerated from the recent decade. The growth rate was too much volatile up to 1991 and maintained somewhat stable after that. The growth rate is constant and growing at moderate level from 2003-04. It is crossed 10% during 1988-89, and is expected around 9% to 10% for the forthcoming years.

TABLE A 2: GDP OF COUNTRIES AS ON OCTOBER, 2010 (AMOUNTS IN BILLIONS OF US\$)

	Country	2010	2011	2012	2013	2014	2015
1	World	61,963	65,417	69,125	73,112	77,405	81,963
2	European Union	16,107	16,452	17,024	17,654	18,320	18,997
3	United States	14,624	15,157	15,825	16,526	17,268	18,029
4	People's Republic of China	5,745	6,422	7,170	8,001	8,936	9,982
5	Japan	5,391	5,683	5,878	6,081	6,302	6,517
6	Germany	3,306	3,358	3,454	3,547	3,641	3,729
7	France	2,555	2,591	2,665	2,751	2,846	2,945
8	United Kingdom	2,259	2,395	2,498	2,617	2,748	2,885
9	Italy	2,037	2,055	2,110	2,167	2,227	2,289
10	Brazil	2,024	2,193	2,327	2,471	2,626	2,789
11	Canada	1,564	1,633	1,701	1,762	1,823	1,880
12	Russia	1,477	1,678	1,867	2,069	2,277	2,499
13	<b>India</b>	<b>1,430</b>	<b>1,598</b>	<b>1,762</b>	<b>1,955</b>	<b>2,174</b>	<b>2,412</b>
14	Spain	1,375	1,366	1,399	1,442	1,489	1,540

Source: International Monetary Fund and Wikipedia site

The growth rate of US, EU, Japan is decreasing against the world GDP. US from 23.6% to 22%, whereas China and India are in increasing trend in terms of growth rate from 2010 to 2015. India's growth rate is increasing from 2.3% to 2.94% whereas China's rate is from 9.27% to 12.18% from 2010 to 2015 against world's GDP, this indicates, India is growing and has wide scope of improvement in the coming years.

TABLE A3: GDP AS % INCREASE FROM 2010

Country	2010-11 (in %)	2010-12 (in %)	2010-13 (in %)	2010-14 (in %)	2010-15 (in %)
People's Republic of China	12	25	39	56	74
Russia	14	26	40	54	69
<b>India</b>	<b>12</b>	<b>23</b>	<b>37</b>	<b>52</b>	<b>69</b>
Brazil	08	15	22	30	38
World	06	12	18	25	32
United Kingdom	06	11	16	22	28
United States	04	08	13	18	23
Japan	05	09	13	17	21
Canada	04	09	13	17	20
European Union	02	06	10	14	18
France	01	04	08	11	15
Germany	02	04	07	10	13
Italy	01	04	06	09	12
Spain	99	02	05	08	12

Source: Calculated values compiled from the secondary source

The average growth of China and Russia is 41% and India's average growth is 38%, whereas the growth rate of US, UK, European Union and world is less than 20%. It is 69% growth in the year 2015 compared to 2010-11 which makes India to stand in the third rank after China and Russia in terms of rapid growth whereas it is in the 13<sup>th</sup> rank in terms of total amount of GDP.

**TABLE A4: GROSS DOMESTIC PRODUCT FROM 2010 TO 2050**

(Amount in US\$ millions in '000)

Country	2010	2015	2020	2025	2030	2035	2040	2045	2050	Change in % *
China	4,667	8,133	12,630	18,437	25,610	34,348	45,022	57,310	70,710	1415
U S	14,535	16,194	17,978	20,087	22,817	26,097	29,823	33,904	38,514	165
<b>India</b>	<b>1,256</b>	<b>1,900</b>	<b>2,848</b>	<b>4,316</b>	<b>6,683</b>	<b>10,514</b>	<b>16,510</b>	<b>25,278</b>	<b>37,668</b>	<b>2,899</b>
Brazil	1,346	1,720	2,194	2,831	3,720	4,963	6,631	8,740	11,366	744
Russia	1,371	1,900	2,554	3,341	4,265	5,265	6,320	7,420	8,580	526
Japan	4,604	4,861	5,224	5,570	5,814	5,886	6,042	6,300	6,677	45
U K	2,546	2,835	3,101	3,333	3,595	3,937	4,344	4,744	5,133	102
Germany	3,083	3,326	3,519	3,631	3,761	4,048	4,388	4,714	5,024	63
France	2,366	2,577	2,815	3,055	3,306	3,567	3,892	4,227	4,592	94
Canada	1,389	1,549	1,700	1,856	2,061	2,302	2,569	2,849	3,149	127
Italy	1,914	2,072	2,224	2,326	2,391	2,444	2,559	2,737	2,950	54

Source: International Monetary Fund, World Economic Outlook Database of October, 2010

Note: \* % of Change from 2010 to 2050 (2050/2010 \*100)

Looking India's growth, the per cent age of change from 1950 to 2010 is almost 2900% which is much better than any other countries in the world, where China's growth rate is 1415%, US at 165%, Japan at 45% and UK at 102% only. Considering the amount of GDP, China and US remain in the top position, and India will be satisfied with third position. When we compare the growth rate of India with other countries, the acceleration is almost double than China's rate, where India will surely lead the world economy having more contribution in terms of GDP, Forex reserve and other things after 2020. The growth rate of US, UK, Japan and other country will be very negligible against India's growth in 2050.

**HISTORICAL EXCHANGE RATES****TABLE A5: INDIAN RUPEES PER CURRENCY UNIT, AVERAGED OVER THE YEAR**

Currency	1996	2000	2004	2008	2009	2010	Average Price
U.S. dollar	35.444	44.952	45.34	43.814	48.84995	45.1587	43.9264417
Canadian dollar	26.002	30.283	34.914	41.098	42.92026	44.8479	36.6775267
Euro*	44.401	41.525	56.385	64.127	68.03312	59.912	55.73052
Pound sterling	55.389	68.119	83.084	80.633	76.38023	71.0069	72.435355
Swiss franc	28.714	26.654	36.537	40.451	45.05846	46.1323	37.2577933
Australian dollar	27.761	26.157	33.409	36.972	38.58082	44.7439	34.6039533
Japanese yen	0.3261	0.41711	0.41945	0.42627	0.52239	0.5371	0.44140333
Singapore dollar	25.16	26.079	26.83	30.932	33.60388	34.5255	29.52173

\*before Jan 1, 1999, European Currency Unit, code XEU

Source: Calculated values compiled from the secondary source

Table A5, states that, the moving average/average price of Indian Rupee against other currencies is stronger against the year 2010 except Pound Sterling. Though rupee is weakening, it helps for exporters, NRIs, FIIs and FDIs and also good sign for balance of payment which results in positive capital account.

**TABLE A6: LIST OF COUNTRIES BY FOREIGN EXCHANGE RESERVES AS NOVEMBER 2010**

Rank	Country	Foreign exchange reserves in millions of USD	
-	World	10008392	--
1	People's Republic of China	2648300	26.5
2	Japan	1050235	10.5
3	Euro system	769840	7.7
4	Russia	501100	5.0
5	Saudi Arabia	410300	4.1
6	Taiwan	380505	3.8
<b>7</b>	<b>India</b>	<b>300210</b>	<b>3.0</b>
8	United States	136532	1.4

www:[http://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_foreign\\_exchange\\_reserves](http://en.wikipedia.org/wiki/List_of_countries_by_foreign_exchange_reserves)

India stands in seventh rank in the world in terms forex reserves whereas US stands 8<sup>th</sup> position. Out of total world foreign exchange reserves, China's contributes 26.5%, Japan 10.5%, Euro 7.7%, India with \$300.21 billion 3% and US contributes just 1.4% with \$136.53 billion reserves. It indicates that, US forex reserve condition is deteriorating year by year.

**CONCLUSION**

Though Indian Rupee is far off from being an international currency but given the increased importance of Indian economy and growing at around 9% GDP, we can keep moving towards the objective. Though the size in terms of GDP, less volume of international trade and the Indian rupee is rarely being used for trading in international market but Indian rupee has been gaining its acceptability in international market. Therefore, internationalization of the rupee is not so distant objective of policy makers in India.

Current financial problems and growth of other countries ignited America leading to a slowdown the demand for US dollar. Though America is capable of coming up with its grievances more than what we have seen to topple it, but at the current pace of events it seems it will not happen in short run. Gradually dollar may be no longer the world's reserve currency. So the situation creates the environment of other currency which is going to be an alternative of US dollar. The stage is almost towards setting for world to install the Indian rupees for broad usage across world. Though China, Europe, Japan, SDR and other countries are in race but they have their own set of problems, India has lot of scope to become the leader within 20 years from now. The world currency should have investors' trust, so India is backed with relative economic stability, sustained low inflation, increasing GDP and transparent institutions. However ending the dollar's role in the world economy is not an easy matter.

**REFERENCE**

1. <http://www.articlesbase.com/finance-articles/story-of-the-rupee-the-indian-currency-.html>
2. <http://www.lankajournal.org/usa-china-debate-over-reserve-currency-a-history-of-dollar-era/>
3. <http://wnponline.wordpress.com/2009/03/25/chinas-plan-to-end-the-era-of-the-dollar/>
4. <http://marketoracle.co.uk/Article9684.html>
5. <http://www.elliottwave.com/freeupdates/archives/2009/04/02/U.S.-Dollar-Yuan-and-the-New-Reserve-Currency.aspx>
6. <http://www.ecb.int/press/key/date/2002/html/sp021122.en.html>
7. The New Indian Express, August 4, 2010, Belgaum Edition
8. International Financial Management Text Book by H R Machiraju – Himalaya Publishing House
9. International Financial Management Text Book by Madhu Viz – Excel Publishing, 3<sup>rd</sup> Edition
10. International Financial Management Text Book by Jain P K and Peyrard – Macmillarn Publishing
11. RBI staff study on Indian Rupee
12. <http://mostlyeconomics.wordpress.com/2010/05/20/could-rupee-and-renminbi-be-an-international-currency/>
13. <http://expressbuzz.com/biography/rupee-can-become-the-world-currency/195198.html>
14. Bharat Jhunjunwala - New Indian Express, August 4, 2010. Indian Rupee in Foreign

## **REQUEST FOR FEEDBACK**

**Esteemed & Most Respected Reader,**

At the very outset, International Journal of Research in Commerce and Management (IJRCM) appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to take this opportunity to request to your good self to supply your critical comments & suggestions about the material published in this issue as well as on the journal as a whole, on our E-mails i.e. [info@ijrcm.org.in](mailto:info@ijrcm.org.in) or [infoijrcm@gmail.com](mailto:infoijrcm@gmail.com) for further improvements in the interest of research.

If your good-self have any queries please feel free to contact us on our E-mail [infoijrcm@gmail.com](mailto:infoijrcm@gmail.com).

Hoping an appropriate consideration.

With sincere regards

Thanking you profoundly

**Academically yours**

Sd/-

**Co-ordinator**