

Answer on Question #40167 - Economics - Economics of Enterprise

Assignment

What is the swapping window policy taken by RAGHURAM RAJAN(INDIA GOVERNER)?

Solution

His immediate task was to stabilize the financial markets and support the rupee, which had fallen to a record low against the dollar just a few days ago. To do this, Rajan opened concessional swap windows to draw in foreign currency deposits and banking capital. As much as \$34 billion came in.

Besides the fire-fighting measures, Rajan also announced his intention to review India's monetary policy framework and look for ways to strengthen it, a plan to take a look again at the financial-inclusion road map for the country, issue bank permits on tap, introduce interest rate futures, and offer consumer price inflation-linked savings certificates to households struggling to earn real returns in an economy grappling with high inflation.