GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 1820
ANSWERED ON AUGUST 2, 2022

PLUNGE IN RUPEE VALUE

1820. Smt. Phulo Devi Netam:
Dr. L. Hanumanthaiah:

Will the Minister of FINANCE be pleased to state:

(a) the reasons as to why the value of Rupee has been persistently dropping recently, with a record low of almost ₹ 80 to one US dollar, as on 11th July, 2022;
(b) the measures taken by Government and Reserve Bank of India (RBI) to reverse this plunge; and
(c) whether steps already taken by the RBI to boost Forex inflow have increased the value of the Rupee, if so, the details thereof, and if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) The reasons for the depreciation of the Indian Rupee against the US Dollar are global factors such as the Russia-Ukraine war, soaring crude oil prices and tightening of global financial conditions. However, the Indian Rupee has strengthened against major currencies such as the British Pound, the Japanese Yen and the Euro.

(b) and (c) RBI regularly monitors the foreign exchange market and intervenes in situations of excess volatility. Further, recent measures taken by RBI include 1) Exemption of Incremental Foreign Currency Non-Resident (Bank) [FCNR(B)] and Non-Resident (External) Rupee (NRE) deposits from the maintenance of CRR and SLR up to November 4, 2022; 2) Exemption of fresh FCNR(B) and NRE deposits from the extant regulation on interest rates to allow banks to provide higher interest rates till October 31, 2022 than those offered to comparable domestic rupee term deposits with a view to attract foreign currency deposits; 3) Revision of regulatory regime relating to Foreign Portfolio Investment in debt flows to encourage foreign investment in Indian debt instruments; 4) Raising of External Commercial Borrowing limit (under automatic route) to $1.5 billion and the all-in-cost ceiling by 100 bps in select cases up to December 31, 2022; 5) Allowing Authorised Dealer Category-I (AD Cat-I) banks to utilise overseas foreign currency borrowing for lending in foreign currency to entities for a wider set of end-use purposes, subject to the negative list set out for external commercial borrowings.

Additionally, in order to promote growth of exports from India and to support the increasing interest of global trading community in the Indian Rupee, RBI has decided to put in place an additional arrangement for invoicing, payment, and settlement of exports / imports in INR vide its circular on International Trade Settlement in Indian Rupees (INR) dated July 11, 2022.

The exchange rate of the Indian Rupee vis-à-vis the US Dollar stood at Rs. 79.01/US$ as on July 1, 2022 and depreciated to Rs. 79.98/US$ on July 21, 2022. It has now appreciated to Rs. 79.79/US$ as on July 26, 2022.

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