

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 3090
TO BE ANSWERED ON MARCH 28, 2023

DEVALUATION OF RUPEE

3090 Shri Raghav Chadha:

Will the Minister of FINANCE be pleased to state:

- (a) whether the value of Rupee against the US dollar has continuously been decreasing during the last few months and if so, the details thereof and the reasons therefor;
- (b) whether Government has taken any steps to increase the value of Rupee;
- (c) if so, the details thereof and if not, the reasons therefor; and
- (d) whether Government has formed a committee to control the plummeting value of Indian Rupee and if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) The Rupee came under depreciation pressure from March 2022 onwards as geo-political tensions worsened and US Federal Reserve began its monetary policy tightening. This led to a surge in crude oil prices and capital outflows from domestic financial markets as global financial market conditions tightened. The Dollar Index strengthened to a two-decade high on account of US interest rate hikes (totalling 4.75 percentage points since March 2022 till date) and is currently up by around 4.1% in the financial year (till March 22, 2023).

INR, which had earlier weakened by as much as 8.7% against the US dollar (till October 19, 2022) on account of factors mentioned above, has since pared some of the losses and its depreciation stands at about 8.3% in the current financial year (till March 22, 2023). During the same period, other emerging market peer currencies have depreciated by 20.1% in case of South African Rand, 9.5% in case of Brazilian Real, 7.7% in case of Chinese Renminbi and 7.3% in case of South Korean Won. The average exchange rate of the Indian Rupee against the US Dollar during the last six months is as below.

Table: Average Exchange Rate of Indian Rupee against USD

₹/Unit of Currency

Month	US Dollar
Sep-2022	80.2316
Oct-2022	82.3373
Nov-2022	81.8105
Dec-2022	82.4642
Jan-2023	81.8996
Feb-2023	82.4845

Source: Reserve Bank of India.

(b) & (c) The value of Indian Rupee is market determined. The Reserve Bank of India (RBI) closely monitors the foreign exchange markets and intervenes only to maintain orderly market conditions by containing excessive volatility in the exchange rate, without reference to any pre-determined target level or band. RBI has announced various measures in the recent period to diversify and expand the sources of forex funding to mitigate exchange rate volatility and dampen global spill overs. Some of these measures are:

- Incremental Foreign Currency Non-Resident (Bank) [FCNR(B)] and Non-Resident (External) Rupee (NRE) deposit liabilities were exempted from the maintenance of cash reserve ratio (CRR) and statutory liquidity ratio (SLR) for deposits mobilized up to 4th November, 2022.
- Fresh FCNR(B) and NRE deposits were exempted from the extant regulation on interest rates (i.e. interest rates shall not be higher than those offered by the banks on comparable domestic rupee term deposits) till 31st October, 2022.
- The regulatory regime relating to foreign portfolio investments in debt flows has been revised to encourage foreign investment in Indian debt instruments.
- The external commercial borrowing limit (under automatic route) has been raised to US\$1.5 bn and the all-in-cost ceiling has been raised by 100 basis points in select cases up to 31st December, 2022.
- Authorized dealer Category 1 Banks can utilize overseas foreign currency borrowing for lending in foreign currency to end use prescriptions as applicable to external commercial borrowings.
- In order to promote the growth of exports from India and to support the increasing interest of the global trading community in the Indian Rupee, RBI has put in place an additional arrangement for invoicing, payment, and settlement of exports/imports in INR on 11th July, 2022.

(d) No Sir.
