

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 2458
TO BE ANSWERED ON 17.12.2024

DEVALUATION OF INDIAN RUPEE

2458 Shri Abdul Wahab:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that value of Indian Rupee is being devalued for the past few years;
and
(b) if so, the efforts made by Government to stabilise the Rupee?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a): No, Sir. The value of the Indian Rupee (INR) is market-determined, with no target or specific level or band. Various domestic and global factors influence the exchange rate of the INR, such as the movement of the Dollar Index, trend in capital flows, level of interest rates, movement in crude prices, current account deficit etc.

(b): The RBI monitors key developments across the globe which may have an impact on USD-INR exchange rate. Among others, it includes monetary policy actions of the major Central Banks, major economic data releases across the globe and their impacts thereof, OPEC+ meeting decisions, tracking, and analysing geo-political events, daily movements in G-10 and EME currencies etc. RBI regulates the foreign exchange market with a view to ensure its orderly functioning and development and intervenes only to curb undue volatility in the INR.

The RBI had announced various measures in the last three years to diversify and expand the sources of forex funding to mitigate exchange rate volatility and dampen global spill overs. Incremental Foreign Currency Non-Resident (Bank) [FCNR(B)] and Non-Resident (External) Rupee (NRE) deposit liabilities were exempt from the maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) for deposits mobilised up to November 4, 2022. Fresh FCNR(B) and NRE deposits were exempted from the extant regulation on interest rates (interest rates shall not be higher than those offered by the banks on comparable domestic rupee term deposits) till October 31, 2022. Further, the regulatory regime relating to foreign portfolio investment in debt flows has been revised to encourage foreign investment in Indian debt instruments. The External Commercial Borrowing limit (under automatic route) was raised to \$1.5 bn and the all-in-cost ceiling was raised by 100 bps in select cases up to December 31, 2022. Authorised Dealers-Cat-I banks could utilise overseas foreign currency borrowing for lending in foreign currency to end use prescriptions as applicable to external commercial borrowings.
