

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
STARRED QUESTION NO. 25
TO BE ANSWERED ON 04.02.2025

DECLINE OF INDIAN RUPEE VALUE AGAINST US DOLLAR

25 Shri Vaiko:

Will the Minister of *Finance* be pleased to state:

- (a) whether there is continuous decline in Indian Rupee value against US Dollar in the last three years;
- (b) the reasons for sharp fall in Indian Rupee value against US Dollar, which has touched ₹ 86 per US \$;
- (c) the measures taken to stabilize Indian Rupee against Dollar in an environment where other prime currencies are almost stable against US Dollar; and
- (d) other concrete steps taken to address the serious economic issue?

ANSWER

THE MINISTER OF FINANCE
(SMT NIRMALA SITHARAMAN)

(a) to (d): A statement is laid on the Table of the House.

**STATEMENT REFERRED TO IN REPLY TO THE RAJYA SABHA STARRED
QUESTION NO. 25 RAISED BY SHRI VAIKO**

FOR 4th FEBRUARY 2025

ON

DECLINE OF INDIAN RUPEE VALUE AGAINST US DOLLAR

(a) The change in value of INR vis-à-vis US Dollar (USD) for the last three years is presented as below:

Date	INR/USD exchange rate	Appreciation (+)/ Depreciation (-) of INR against USD (Percent)
30-Dec-2022	82.74	-10.15%
29-Dec-2023	83.21	-0.57%
31-Dec-2024	85.61	-2.80%
28-Jan-2025	86.53	-1.07%

Note: The appreciation/ depreciation is for the intervening period between the two dates. The appreciation/ depreciation mentioned in the row against 30-Dec-22 is over 31-Dec-21. USD/INR rate was 74.34 on 31-Dec-21

(b) The value of the 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.

Regarding the recent movement of the INR against the USD, the following are the details:

- Since the commencement of the last quarter of calendar year 2024, INR along with other Asian currencies depreciated against the USD amid uncertainties surrounding results of US elections. US Dollar Index rose 6.5% during October 1, 2024, to January 27, 2025, with all major Asian currencies depreciating against the USD. INR has depreciated 2.9% during this period, least among major Asian currencies barring Hong Kong Dollar. South Korean Won, Indonesian Rupiah and Malaysian Ringgit depreciated by 8.1%, 6.4% and 5.9% respectively in this period. Further, all G-10 currencies also depreciated during this period by more than 5.5% with Japanese Yen, British Pound and Euro depreciating by 7.0%, 6.6% and 5.8% respectively.

- INR was also under pressure owing to narrowing interest rate differential between US and India. The US 10-year yield rose 75 bps during the aforementioned period, while the Indian generic 10-year yield remained relatively stable.
- Foreign portfolio investments (FPI) outflows of around USD 19.5 billion from Indian markets during October 1, 2024, to January 27, 2025, contributed to the depreciation of INR against the USD.
- The trade deficit of USD 31.8 billion for November 2024 also exerted pressure on INR.

(c) and (d): The Reserve Bank of India (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. These measures include:

- (i) 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.
- (ii) The regulatory regime relating to foreign portfolio investment in debt flows has been revised to encourage foreign investment in Indian debt instruments.
- (iii) 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.

(iv) 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.

More recent measures taken by the RBI for mitigating the impact of the sharp decline in Indian Rupee include:

(i) With effect from January 2025, persons resident outside India, having business interest in India, were allowed to open a Special Non-Resident Rupee Account (SNRR account), with an authorized dealer in India or its branch outside India for the purpose of putting through permissible current and capital account transactions with a person resident in India, in accordance with the rules and regulations framed under the FEMA Act, and for putting through any transaction with a person resident outside India.

(ii) Transfer of funds for all bona fide transactions between repatriable Rupee accounts was permitted in January 2025.

(iii) The ceiling rate for FCNR(B) deposits was raised by RBI on December 6, 2024, allowing banks to offer higher interest rates on such deposits mobilized till March 31, 2025.

(iv) Foreign Portfolio Investors (FPIs) investing in breach of the prescribed 10% limit of the total paid-up equity capital on a fully diluted basis, have the option of divesting their holdings or reclassifying such holdings as foreign direct investment (FDI). An operational framework for reclassification of foreign portfolio investment by FPI to FDI, upon breach of the stipulated limits was released in November 2024.

(v) An authorized dealer in India was permitted to allow a person resident outside India to open, hold and maintain an interest-bearing account in INR and / or foreign currency for the purpose of posting and collecting margin in India, for a permitted derivative contract entered into by such person in terms of Foreign Exchange Management (Margin for Derivative Contracts) Regulations in May 2024.

Further, RBI has also been intervening in the forex market to curb undue volatility of INR.
