

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 3590
TO BE ANSWERED ON 24.03.2026

DEPRECIATING RUPEE DESPITE STRONG ECONOMY

3590 Shri Ramji Lal Suman:

Will the Minister of Finance be pleased to state:

- (a) whether it is a fact that despite India's strong economy, the value of the Rupee is continuously falling against the US Dollar;
- (b) whether this reflects the paradox of a strong economy;
- (c) the details of the growth of the Dollar against the Rupee in the last five years, yearwise; and
- (d) the steps taken to strengthen the Rupee, the details thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) & (b): At present, the macroeconomic fundamentals of the Indian economy remain strong. Growth continues to be supported by robust domestic demand, moderating inflation, improved corporate balance sheets, and sustained fiscal discipline. Real GDP has consistently grown at over 7 per cent during the last three years. Headline consumer price inflation has eased significantly, averaging 1.9 per cent during 2025-26 (April-February).

Alongside, the exchange rate of the Indian Rupee (INR) against the US Dollar (USD) has witnessed a depreciation of 7.49 per cent (till March 17, 2026) during 2025-26. This depreciation of the INR has been influenced by the increase in trade deficit, amid relatively weak support from the capital account. Additionally, increasing crude oil prices amid the ongoing conflict in the Middle East have added further pressure on the INR.

The exchange rate is determined by a combination of global and domestic factors such as the movement of the Dollar Index, trend in capital flows, level of interest rates, movement in crude prices, current account deficit, etc. These factors may evolve differently from domestic growth conditions. Therefore, the coexistence of strong economic growth with exchange rate depreciation does not represent a paradox but rather reflects the distinct drivers influencing the economy and the external sector.

(c): Calendar year (CY) wise percentage depreciation/appreciation of the INR against the USD during the last five years is given in the table below:

CY	Value of INR against USD (as at end of CY)	Appreciation (+) / Depreciation (-) of USD against INR (%)
2021	74.34	-1.7
2022	82.74	-10.2
2023	83.21	-0.6
2024	85.61	-2.8
2025	89.88	-4.8

Source: Bloomberg

(d) The value of the INR is market-determined, with no target or specific level or band. The RBI regularly monitors the foreign exchange market and intervenes in situations of excess volatility. Further, the RBI monitors key developments worldwide that may affect the 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 geopolitical events, daily movements in G-10 and EME currencies, etc. The measures taken by RBI to boost forex inflows and to mitigate volatility in the exchange rate, as well as the steps taken to reduce the dependency on hard currencies and increase the acceptability of INR among non-residents, which in turn may ease the depreciation pressure on INR, include:

- In February 2026, the revised External Commercial Borrowings framework was introduced, in terms of which the eligibility norms were simplified, the minimum average maturity period was standardised, end-use provisions were eased, and operational flexibility was enhanced (including interest rates).
- In October 2025, Authorised Dealer banks in India were permitted to lend in INR to residents of Nepal, Bhutan or Sri Lanka for cross-border trade transactions.
- In August and October 2025, surplus balances in Special Rupee Vostro Account were permitted to be invested into Government Securities, non-convertible debentures/bonds, commercial papers, etc.
- In May 2025, the requirement on Foreign Portfolio Investors to comply with the short-term investment limit and concentration limit for their investments in corporate debt securities was withdrawn.
