GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 256
TO BE ANSWERED ON 21.07.2026

IMPACT OF FALLING RUPEE ON THE COUNTRY'S ECONOMY

256 Shri Ramji Lal Suman:

Will the Minister of Finance be pleased to state:

(a) whether Government is aware that falling value of Indian Rupee against US Dollar reflects serious concerns about the health of the Indian economy as on date;
(b) the details of steps Government has taken to address the structural weaknesses in Indian economy which are exacerbating currency crisis;
(c) the details of action Government/RBI would take to address increasing burden on India's external debt and foreign exchange reserves due to this depreciation; and
(d) the details of Government's roadmap to achieve Rupee stability and the targeted timeline to reverse this trend and shield the economy from further volatility?

ANSWER
THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) Various domestic and global factors influence the exchange rate of the Indian Rupee (INR), including movements in the Dollar Index, trends in capital flows, interest rates, crude oil prices, and the current account deficit. At present, the macroeconomic fundamentals of the Indian economy remain strong. Real GDP has consistently grown at over 7 per cent during the last three years. Economic growth continues to be supported by robust domestic demand, healthy corporate balance sheets and prudent fiscal management. The high-frequency indicators for the first quarter of 2026-27 also point to sustained momentum in economic activity and domestic demand, indicating the continued resilience of the Indian economy.

(b) & (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 across the globe which may have an impact on 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. Various measures taken by RBI to boost forex inflows, which in turn may ease the depreciation pressure on INR, *inter-alia*, include:

- The External Commercial Borrowings (ECB) framework was amended in February 2026 through expansion of eligible borrower and recognised lender base, rationalisation of borrowing limits and restrictions on average maturity period, removal of restrictions on the cost of borrowing for ECBs, review of end-use restrictions and simplification of reporting requirements.
- Several measures were announced on June 5, 2026, which include:
  a. The universe of 'specified securities' under the Fully Accessible Route (FAR) has been expanded by including all new issuances of 15-year, 30-year and 40-year tenor Government securities, as well as Sovereign Green bonds in FAR eligible tenors. Limits pertaining to short-term investment, concentration and individual securities on FPI investment under the General Route have also been removed.
  b. The limits for investment by Non-Resident Indians (NRIs) and Overseas Citizens of India (OCIs) in equity instruments traded on the stock market without SEBI registration have been increased. Further, the same facility is being extended to all individual Persons Resident Outside India (PROIs) at par with NRIs and OCIs.
  c. A facility for bearing the full hedging cost incurred by Authorised Dealer (AD) banks for raising fresh 3 to 5 year Foreign Currency Non-Resident (Bank) [FCNR (B)] deposits was announced. This swap facility has already come into effect and will remain open till October 16, 2026.
  d. A facility of concessional forex swap has been announced to incentivise the External Commercial Borrowing by Public Sector Undertakings and overseas foreign currency borrowings with a minimum maturity of three years raised by AD banks, wherein the concessional rate of the swap was fixed at 1.5 per cent per annum compounded semi-annually. The swap facility has already come into effect and will remain open till January 15, 2027.
  e. The time period for realisation of exports has been restored to nine months from 15-month period stipulated earlier.
- In addition to the above, Memorandum of Understanding on Local Currency Arrangements with trading partners, i.e., UAE, Indonesia, Maldives, and Mauritius, have been signed.

(c) The key external debt vulnerability indicators are benign and indicate that India's external debt levels remain sustainable and prudently managed. As of end-March 2026, India's external debt stood at USD 762.8 billion, rising marginally from USD 736.4 billion as of end-March 2025. The debt service ratio has declined from 6.6 as of end-March 2025 to 5.8 as of end-March 2026.

The country's external sector continues to be supported by adequate reserve buffers. As of June 12, 2026, India's foreign exchange reserves stood at USD 671.6 billion, adequate in terms of the standard metrics of reserve adequacy, including providing an import cover of 10.3 months of goods and covering 88 per cent of the country's external debt outstanding as of end-March 2026.

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