

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
STARRED QUESTION NO. 65
TO BE ANSWERED ON DECEMBER 12, 2022

CURRENCY DEVALUATION AND FOREIGN EXCHANGE RESERVES

65. Shri Anumula Revanth Reddy

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken note of the fact that the Indian currency is weakening day-by-day and has hit Rs. 83 per US dollar for the first time ever and if so, the details thereof and the reasons therefor;
- (b) whether the Reserve Bank of India (RBI) has been using forex reserves to stem the fall in the Indian currency and if so, the details thereof;
- (c) whether the RBI has sold US dollars between Rs. 78.97 and Rs. 78.98 per US dollar and significantly increased its foreign exchange reserves to prevent the rapid devaluation of the rupee and if so, the details thereof and the reasons therefor;
- (d) the details of the measures taken by the RBI to bolster the forex inflows while ensuring overall macroeconomic and financial stability during each of the last three years; and
- (e) whether the Government has taken any steps to stem the rupee's slide against the dollar and if so, the details thereof and if not, the reasons therefor?

ANSWER

THE MINISTER OF FINANCE
(SMT. NIRMALA SITHARAMAN)

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

**STATEMENT REFERRED TO IN REPLY TO THE
LOK SABHA STARRED QUESTION NO. 65
RAISED BY SHRI ANUMULA REVANTH REDDY FOR 12th DECEMBER, 2022 ON
“CURRENCY DEVALUATION AND FOREIGN EXCHANGE RESERVES”**

(a) The exchange rate of the Indian Rupee (INR) against the dollar was Rs 83.20 per dollar on October 20, 2022. The value of INR is market-determined. As global spillovers from geopolitical tensions and aggressive monetary policy tightening across the world intensified alongside a surge in crude oil prices, the US dollar strengthened by 7.8% in the financial year (till November 30, 2022). The INR depreciated by 6.9% in the current financial year (till November 30, 2022). It has performed better than most Asian peer currencies, including the Chinese Renminbi (10.6%), Indonesian Rupiah (8.7%), Philippine Peso (8.5%), South Korean Won (8.1%), Taiwanese Dollar (7.3%) etc during the financial year.

(b) & (c): 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. During the financial year, the RBI's operations have resulted in net sales of US\$33.42 billion till September 2022 (settlement basis).

(d) & (e): The RBI had announced various measures in the recent period to diversify and expand the sources of forex funding to mitigate exchange rate volatility and dampen global spillovers. 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 November 4, 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 October 31, 2022.
- Further, 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 December 31, 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 July 11, 2022.
