

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS

**LOK SABHA**  
**UNSTARRED QUESTION NO. 4239**  
DUE FOR ANSWERED ON MARCH 27, 2023

**IMPACT OF THE FALL IN RUPEE VALUE**

4239. Shri D. M. Kathir Anand :

Will the Minister of FINANCE be pleased to state:

- (a) the details of the problems and issues faced by the Government and Export-Import companies on account of the continuous fall of value of Rupee against the US Dollar and the remedial action taken by the Government in this regard; and
- (b) the impact of the weak Rupee on the importers and exporters and the effective measures taken by the Government to prevent Rupee falling further?

**ANSWER**

THE MINISTER OF STATE FOR FINANCE  
(SHRI PANKAJ CHAUDHARY)

(a) & (b) The depreciation of a currency is likely to enhance competitiveness of its exports while making imports of goods costlier. However, the exchange rate is only one of the several factors which affect demand for exports and imports in an economy. These factors include kind of tradeable (i.e. essential or luxury items), availability of substitutes, freight costs, income growth of exports demanding countries, etc. Thus, the impact of recent depreciation of the Indian Rupee against the US Dollar, on levels of exports and imports, and hence on the companies engaged in such exports and imports, cannot be isolated.

The value of Indian Rupee is market-determined. 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. RBI has announced various measures in the recent period to diversify and expand the sources of forex funding to mitigate exchange rate volatility and dampen global spill overs. 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 4<sup>th</sup> November, 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 31<sup>st</sup> October, 2022.
- 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 31<sup>st</sup> December, 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 11<sup>th</sup> July, 2022.

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