

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
STARRED QUESTION NO. 5
TO BE ANSWERED ON JULY 18, 2022

DEPRECIATION OF INDIAN CURRENCY

5. Shri Deepak Baij:

Shri Vijayakumar (Alias) Vijay Vasanth:

Will the Minister of FINANCE be pleased to state:

- (a) whether Indian rupee has fallen historically low in comparison to US dollar during the month of June, 2022;
- (b) if so, the details thereof and the reasons therefor along with the value of Indian rupee against US dollar in each year from 2014 to 2022;
- (c) whether Indian rupee has reached equal to Bhutan's currency on 29th June, and 30th June, 2022 and if so, the reasons for steep decline in the value of Indian currency;
- (d) whether any review/study has been made by the Government in this regard to assess its impact on Indian Economy/people and various sectors of the country and if so, the details thereof;
- (e) whether the Government has taken any steps to contain the downfall of Indian rupee, if so, the details thereof and if not, the reasons therefor; and
- (f) whether the depreciation in Indian rupee has caused huge flow of money from abroad to India and if so, the details thereof?

ANSWER

THE FINANCE MINISTER
(SMT. NIRMALA SITHARAMAN)

- (a) To (f) : A statement is laid on table of the House.

**STATEMENT REFERRED TO IN REPLY TO THE LOK SABHA STARRED QUESTION NO. 5
RAISED BY Shri Deepak Baij and Shri Vijayakumar (Alias) Vijay Vasanth FOR 18TH JULY, 2022 ON
“DEPRECIATION OF INDIAN CURRENCY”**

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(a) and (b) Yes Sir. The exchange rate of the Indian Rupee against the dollar was Rs 78.94 per dollar as of June 30, 2022. The calendar year-end values of the exchange rate of the Indian Rupee against the US Dollar from 2014 are in Annexure. Global factors such as the Russia-Ukraine conflict, soaring crude oil prices and tightening of global financial conditions are the major reasons for the weakening of the Indian Rupee against the US Dollar. Currencies such as the British pound, the Japanese yen and the Euro have weakened more than the Indian rupee against the US dollar and therefore, the Indian rupee has strengthened against these currencies in 2022.

(c) No Sir. The Bhutanese Ngultrum (BTN) has been pegged at par with the Indian Rupee since its introduction in 1974 and moves in tandem with the Indian Rupee.

(d) and (e) Nominal exchange rate is only one of the factors that impact an economy. The depreciation of a currency is likely to enhance the export competitiveness which in turn impacts the economy positively. The depreciation also impacts the imports by making them more costly. The Reserve Bank of India (RBI) regularly monitors the foreign exchange market and intervenes in situations of excess volatility. The Reserve Bank of India has raised interest rates in recent months that increase the attractiveness of holding Indian rupees for residents and non-residents.

Further, recent measures taken by RBI include 1) Exemption of Incremental Foreign Currency Non-Resident (Bank) [FCNR(B)] and Non-Resident (External) Rupee (NRE) deposits from the maintenance of CRR and SLR up to November 4, 2022; 2) Exemption of fresh FCNR(B) and NRE deposits from the extant regulation on interest rates to allow banks to provide higher interest rates till October 31, 2022 than those offered to comparable domestic rupee term deposits with a view to attract foreign currency deposits; 3) Revision of regulatory regime relating to Foreign Portfolio Investment in debt flows to encourage foreign investment in Indian debt instruments; 4) Raising of External Commercial Borrowing limit (under automatic route) to \$1.5 billion and the all-in-cost ceiling by 100 bps in select cases up to December 31, 2022; 5) Allowing Authorised Dealer Category-I (AD Cat-I) banks to utilise overseas foreign currency borrowing for lending in foreign currency to entities for a wider set of end-use purposes, subject to the negative list set out for external commercial borrowings.

(f) The outflow of foreign portfolio capital is a major reason for the depreciation of the Indian Rupee. Monetary tightening in advanced economies, particularly in the United States of America, tends to cause foreign investors to withdraw funds from emerging markets. Foreign portfolio investors have withdrawn about \$14 bn from Indian equity markets in FY 2022-23 so far.

INR/US\$ Exchange Rate

Date	INR/US\$
11-07-2022	79.41
31-12-2021	74.30
31-12-2020	73.05
31-12-2019	71.27
31-12-2018	69.79
29-12-2017	63.93
30-12-2016	67.95
31-12-2015	66.33
31-12-2014	63.33

Source: Reserve Bank of India
