

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 5859
TO BE ANSWERED ON 30.03.2026

IMPLICATION OF FALLING RUPEE VALUE ON INDIAN ECONOMY

5859. Shri K E Prakash:

Will the Minister of Finance be pleased to state:

- (a) whether the Government has taken note of the continued depreciation of the Indian Rupee against the US Dollar in recent years and the concerns regarding its potential impact on inflation, capital flows and investment in the country, if so, the details thereof;
- (b) whether the Government has assessed the possible economic implications in the event of further depreciation of the Rupee alongside a sharp increase in global crude oil prices and if so, the details thereof;
- (c) whether such developments may compel monetary tightening and increase the cost of capital in the economy, if so, the details thereof; and
- (d) the steps taken or proposed to be taken by the Government to strengthen macroeconomic stability and protect the value of the Rupee?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) The Indian Rupee (INR) depreciated against the US Dollar (USD), closing at ₹93.88 per USD on March 24, 2026, with a depreciation of 9.0 per cent in 2025-26 (till March 24, 2026).

The depreciation of currency is likely to enhance export competitiveness, which in turn impacts the economy positively. On the other hand, depreciation may raise the prices of imported goods. However, the overall impact of exchange rate depreciation on domestic prices depends on the extent of the pass-through of international commodity prices to the domestic market. Furthermore, besides exchange rate movements, imports and capital flows are determined by several other factors, including global supply-demand conditions, geopolitical developments, domestic demand, and factors such as global value chain integration necessitating imports of intermediate goods for production and exports, and international prices of imported goods, etc.

Overall, while exchange rate movements have some impact on capital flows and investment, India's strong macroeconomic fundamentals and diversified sources of investment continue to support stability and sustained capital formation.

(b) and (c): The Government closely tracks the trends in key economic parameters, including movements in the exchange rate, global crude oil prices, monetary aggregates, domestic interest rates etc. These trends are discussed at various forums at various levels of the Government and appropriate action is taken, as may be required, on a regular basis.

(d) 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).

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. 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:

- i. 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).
- ii. 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.
- iii. 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.
