

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 877
TO BE ANSWERED ON 11.02.2025

DECLINING VALUE OF INR

877 Smt. Sagarika Ghose:

Will the Minister of *Finance* be pleased to state:

- (a) the negative implications of the declining value of the Indian Rupee against the US Dollar;
- (b) the effect of this depreciation of the Indian Rupee on MSME's;
- (c) the initiatives taken by Government to control the decline of the value of the Indian Rupee against the US Dollar;
- (d) the value of the Indian Rupee against the US Dollar in the last five years; and
- (e) how RBI is planning to expand the sources of forex funding to mitigate exchange rate volatility?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) and (b): The depreciation of currency is likely to enhance the export competitiveness, which in turn impacts the economy positively. On the other hand, depreciation may raise the prices of imported goods. The industries reliant on imported inputs may face cost pressures. 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.

(c) The Reserve Bank of India (RBI) monitors key developments across the globe which may have an impact on 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 geo-political events, daily movements in G-10 and EME currencies etc. RBI regulates the foreign exchange market with a view to ensure its orderly functioning and development and intervenes only to curb undue volatility in the INR.

The RBI had announced various measures in the last three years to diversify and expand the sources of forex funding to mitigate exchange rate volatility and dampen global spill overs. These measures include:

- (i) Incremental Foreign Currency Non-Resident (Bank) [FCNR(B)] and Non-Resident (External) Rupee (NRE) deposit liabilities were exempt from the maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) for deposits mobilised up to November 4, 2022. Fresh FCNR(B) and NRE deposits were exempted from the extant regulation on interest rates (interest rates shall not be higher than those offered by the banks on comparable domestic rupee term deposits) till October 31, 2022.
- (ii) The regulatory regime relating to foreign portfolio investment in debt flows has been revised to encourage foreign investment in Indian debt instruments.
- (iii) The External Commercial Borrowing limit (under automatic route) was raised to \$1.5 bn and the all-in-cost ceiling was raised by 100 bps in select cases up to December 31, 2022.
- (iv) Authorised Dealers-Cat-I banks could utilise overseas foreign currency borrowing for lending in foreign currency to end use prescriptions as applicable to external commercial borrowings.

More recent measures taken by the RBI for mitigating the impact of the sharp decline in Indian Rupee include:

- (i) With effect from January 2025, persons resident outside India, having business interest in India, were allowed to open a Special Non-Resident Rupee Account (SNRR account), with an authorized dealer in India or its branch outside India for the purpose of putting through permissible current and capital account transactions with a person resident in India, in accordance with the rules and regulations framed under the FEMA Act, and for putting through any transaction with a person resident outside India.
- (ii) Transfer of funds for all bona fide transactions between repatriable Rupee accounts was permitted in January 2025.
- (iii) The ceiling rate for FCNR(B) deposits was raised by RBI on December 6, 2024, allowing banks to offer higher interest rates on such deposits mobilized till March 31, 2025.
- (iv) Foreign Portfolio Investors (FPIs) investing in breach of the prescribed 10% limit of the total paid-up equity capital on a fully diluted basis, have the option of divesting their holdings or reclassifying such holdings as foreign direct investment (FDI). An operational framework for reclassification of foreign portfolio investment by FPI to FDI, upon breach of the stipulated limits was released in November 2024.

(v) An authorized dealer in India was permitted to allow a person resident outside India to open, hold and maintain an interest-bearing account in INR and / or foreign currency for the purpose of posting and collecting margin in India, for a permitted derivative contract entered into by such person in terms of Foreign Exchange Management (Margin for Derivative Contracts) Regulations in May 2024.

Further, RBI has also been intervening in the forex market to curb undue volatility of INR.

(d) The value of Indian Rupee against US Dollar in the last five years is given below:

As on	USD/ INR exchange rate
31-12-2020	73.07
31-12-2021	74.34
30-12-2022	82.74
29-12-2023	83.21
31-12-2024	85.61
30-01-2025	86.63

(e) Measures taken by RBI are listed in response to part (c) of the question above.
