

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5468
ANSWERED ON:28.04.2000
FOREIGN EXCHANGE RATE
KUNWAR SARVRAJ SINGH

Will the Minister of FINANCE be pleased to state:

- (a) Whether the Government propose to withdraw the present indirectly controlled foreign exchange rate because of non-existence of capital account convertibility and only current account convertibility is in place at this time;
- (b) If so, its effect on imports; and
- (c) The approximate value of a US dollar be traded, if the exchange rates are not controlled (by only current account convertibility)?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(A),(B) & (C): The Indian Rupee is convertible on the current account of balance of payments. Substantial capital account convertibility also exists for foreign investors including NRIs and in respect of some other constituent elements of the capital account. Under this framework, the exchange rate of the rupee is broadly determined by market forces, and moves in both directions on a day-to-day basis depending upon the demand and supply conditions in the foreign exchange market. The Reserve Bank of India intervenes in the market from time to time, as a part of exchange rate policy, to even out lumpy demand and supply conditions in the relatively thin foreign exchange market, takes appropriate measures to reduce excessive volatility, prevent the emergence of destabilizing speculative activities, develop an orderly foreign exchange market conditions, and help maintain adequate level of foreign exchange reserves. The exchange rate of the rupee determined by the market was Rs.43.645 per US dollar on April 20, 2000.