

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1354

ANSWERED ON:03.03.2000

VALUE OF RUPEE

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Will the Minister of FINANCE be pleased to state:

- (a) whether the value of Indian currency has been continuously decreasing as against American dollar;
- (b) if so, the maximum and minimum value of Indian currency as against the American dollar during 1996-97, 1997-98, 1998-99 and during the first 10 months of the year 1999-2000;
- (c) the reasons for continuous increase in the value of rupee; and
- (d) the additional financial loss estimated to be suffered by the country, particularly in import due to devaluation of rupee in the said period.

Answer

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

(a) & (b): The exchange rate of the rupee has depreciated from the annual average of Rs.35.50 per US dollar in 1996-97 to Rs.43.28 in 1999-2000 (upto January 2000). Based on the daily average of buying and selling rates, the external value of the rupee vis-a-vis the US dollar was maximum and minimum in each of the above periods as shown below: (Rs. Per US \$ 1)

Year/Period	Maximum Value	Minimum Value	Annual Average
1996-97	34.1400	35.9600	35.4999
1997-98	35.6975	40.3600	37.1648
1998-99	39.4800	43.4200	42.0706
1999-2000	42.4400	43.6400	43.2792

(April to January)

(c): The exchange rate of the rupee is largely determined by the 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. However, both Government and the Reserve bank of India monitor the movements of exchange rate and take appropriate measures to reduce excessive volatility, prevent the emergence of destabilizing speculative activities, develop an orderly foreign exchange market condition and help maintain adequate level off foreign exchange reserves.

(d): The depreciation of the rupee vis-...-vis the US dollar increases the outgo in terms of Indian rupee in the case of payments on the current and capital accounts. At the same time, the depreciation also increases receipts in rupee terms. The extent of increase or decrease in rupee terms depends upon a number of factors, such as the elasticity of receipts/payments with respect to prices, trends of international prices of goods and services, and movements of cross-country exchange rates.