

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2063

ANSWERED ON:04.08.2000

VALUE OF RUPEE

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Will the Minister of FINANCE be pleased to state:

- (a) whether the value of Indian rupee against the major foreign currencies had gone down during the month of May and June, 2000;
- (b) if so, the details thereof alongwith the reasons therefor;
- (c) the extent to which it has affected the forex reserves of the country; and
- (d) the steps being taken by the Government to strengthen the Indian rupee in the International Market?

Answer

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

(a) & (b) : The average exchange rate of rupee against the major foreign currencies are given below:

Month	Rs./US\$	Rs./Japanese Yen+	Rs./U.K.Pound	Rs/Euro
April 2000	43.639	41.418	69.047	41.303
May 2000	43.983	40.686	66.400	39.871
June 2000	44.689	42.090	67.459	42.414

+ Rs. per 100 Yens.

The exchange rate of the rupee in India is largely 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, short-term factors and imbalances.

(c): The total foreign exchange reserves comprising foreign currency assets, gold and SDRs declined from US \$38,036 million at the end of March 2000 to US \$36,285 million as on July 21, 2000. The movements in foreign exchange reserves reflect the net outcome of India's international transactions on the current and capital accounts. The current level of foreign exchange reserves is considered adequate, judged from our need for essential imports and debt service payments liability.

(d): During May to July 2000, the Reserve Bank of India took the following measures to strengthen the Indian rupee in the foreign exchange market :-

- (i) An interest rate surcharge of 50 per cent of the lending rate on import finance was imposed with effect from May 26, 2000 as a temporary measure except essential categories such as export related imports, bulk imports in respect of crude oil, petroleum products and edible oil.
- (ii) In order to discourage any delay in realisation of export proceeds, it was decided that in respect of overdue export bills, banks will charge interest at 25 per cent per annum (minimum) from the date the bill falls due for payment.
- (iii) The Bank Rate was increased by 1 percentage point from 7 per cent to 8 per cent as at the close of business on July 21, 2000.
- (iv) The Cash Reserve Ratio (CRR) is being increased by 0.5 percentage point from 8 percent to 8.5 per cent in two stages by 0.25 percentage point each effective from fortnights beginning July 29, 2000 and August 12, 2000 respectively.
- (v) The limits available to banks for all refinance facilities including the collateralised lending facility (CLF) are being reduced temporarily to the extent of 50 per cent of the eligible limits. This would be implemented under two stages: reduction by 25 per cent effective from July 29, 2000 and by another 25 per cent effective from August 12, 2000.