

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1954
ANSWERED ON:17.07.2009
VALUE OF RUPEE
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Will the Minister of FINANCE be pleased to state:

- (a) the present value of Indian rupee against the currencies of other major countries including the United States of America (USA);
- (b) the depreciating or appreciating variation in terms of value over the last one year;
- (c) the impact on the various sectors of the economy;
- (d) the estimated losses suffered by corporate/business houses due to variation/fluctuation in the value of Indian rupee during the last three years; and
- (e) the steps taken/being taken to protect each sector of the economy affected by such variation?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (Shri Namo Narain Meena)

(a) & (b) : The exchange rate of Indian Rupee as on 14th July 2009 as against some of the major international currencies and its depreciation / appreciation over the corresponding date during 2008 is as under

Currency Exchange Rate as Present Value as Depreciation (-) /
on 14.7.2008 on 14.7.2009 Appreciation (+) of Rupee

US dollar 42.8250 48.8250 - 12.3

Pound
sterling 84.9775 79.5362 + 6.8

Euro 68.1263 68.4162 - 0.4

Yen 40.2150 52.3937 - 23.2

Per 100 Yen,

Note: Average of buying and selling indicative market rates of Foreign Exchange Dealer Association of India (FEDAI).

(c) to (e) : Depreciation of rupee adversely affects the import costs as larger amount of local currency has to be mobilised for buying the same unit of foreign currency and vice versa. Rupee appreciation adversely affects export earnings as receipts in terms of local currency decline and vice versa. Beside, currency volatility also creates uncertainty for exporters and importers.

In recent times, global economic recession has adversely affected India's exports/imports. The exports, imports and trade balance during last three years are as follows:

US\$ billions
Years Exports Imports Trade Balance

2006-07 128.9 190.7 - 61.8

2007-08	166.2	257.8	-	91.6
2008-09	175.2	294.6	-	119.4

Source: RBI

To minimize the adverse impact of global economic slowdown on the export sector, stimulus packages were announced in 2008-09 which include, inter alia, the following:

- (i) Interest subvention of 2 per cent from 1.12.2008 to 30.9.2009 to the labour intensive sectors of exports such as textiles (including handloom), handicrafts, carpets, leather, gems and jewellery, marine products and small and medium enterprises.
- (ii) An additional allocation for export incentive schemes of Rs. 350 crore.
- (iii) Inclusion of handicrafts items in Vishesh Krishi and Gram Udyog Yojana (VKGUY);
- (iv) Provision of additional Rs. 1,100 crore to ensure full refund of claims of Central Sales Tax (CST)/terminal excise duty/duty drawback on deemed exports.
- (v) Restoration of Duty Entitlement Pass Book (DEPB) rates for all items where they were reduced in November 2008 and increase in duty drawback rates on certain items effective from September 1, 2008.
- (vi) Provision of additional funds of Rs. 1,400 crore for textile sector to clear the backlog claims of Technology Upgradation Fund (TUF).
- (vii) Excise duty reduced across the board by 4 per cent for all products except petroleum products and those products where current rate was less than 4 per cent.
- (viii) The guarantee cover under credit guarantee scheme for micro and small enterprises on loans doubled to Rs. 1 crore with a guarantee cover of 50 per cent.

The guarantee cover extended by credit guarantee fund trust increased to 85 per cent for credit facility up to Rs. 5 lakh. The lock-in period for such collateral free loans was reduced.

In addition, the Union Budget 2009-10 has also announced measures to help the export sector, which include, inter alia, the following:

- (i) Extension of the adjustment assistance scheme to provide enhanced Export Credit Guarantee Corporation (ECGC) cover at 95% to badly hit sectors upto March 2010.
- (ii) Enhancement of allocation to Market Development Assistance Scheme by 148%.
- (iii) Interest subvention of 2 per cent to the labour intensive sectors of exports such as textiles (including handloom), handicrafts, carpets, leather, gems and jewellery, marine products and small and medium enterprises extended to 31.3.2010.
- (iv) Flow of credit at reasonable rates to Micro, Small and Medium Enterprises (MSMEs).
- (v) Exemption of service tax on Export Promotion Councils and Federation of Indian Export Organization till 31.3.2010.
- (vi) Exemption of service tax for services received by exporters from goods and transport agents and commission agents where the liability to pay service tax is ab initio on the exporter. Thus there would be no need for the exporter to first pay the tax and later claim refund.