

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2973
ANSWERED ON:26.11.2010
CORRECTIVE STEPS ON RUPEE RISE
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Will the Minister of FINANCE be pleased to state:

- (a) whether the partial convertible Indian rupee has touched a record high against the dollar recently;
- (b) if so, whether the exporters association have requested the Reserve Bank of India to take corrective steps in this regard ; and
- (c) if so, the steps taken by the RBI in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI NAMO NARAIN MEENA)

(a) to (c) In the month of October 2010, the monthly average exchange rate of rupee was Rs.44.5 per US dollar, indicating 3.6 per cent appreciation over the exchange rate of Rs.46.1 in September 2010. The rupee however, has depreciated by 2.4 per cent against US dollar in the current month from Rs.44.54 per US dollar on October 29, 2010 to Rs.45.62 on November 23, 2010. The moderation in capital flows, together with the appreciation of US dollar in the international market appear to be responsible for the depreciation.

The RBI has received representations from exporters associations which, inter alia include request for fixed exchange rate of rupee, allowing interest on balances in EEFC account and granting concessional rupee export credit.

The exchange rate regime in India is primarily based on market determined exchange rate mechanism where RBI's intervention is limited to managing excessive volatility and ensuring orderly conditions in the foreign exchange market, without any fixed targets or pre-announced band. The RBI, however, has ensured that there are sufficient hedging tools available (both OTC and exchange traded) in the form of forwards, options, swaps and exchange traded futures for exporters and importers to hedge and mitigate currency exchange risks.