

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:229

ANSWERED ON:09.12.2011

VALUE OF RUPEE

Ray Shri Rudramadhab ;Singh Shri Brij Bhushan Sharan

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has conducted any study to ascertain the reasons for devaluation of rupee against US dollar and other foreign currencies;
- (b) if so, the details thereof and the sector-wise impact of such fall on the Indian economy; and
- (c) the steps taken/proposed to be taken by the Government to check the devaluation of rupee?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PRANAB MUKHERJEE)

(a)to(c): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 229 BY SHRI RUDRA MADHAB RAY AND SHRI BRJ BHUSHAN SHARAN SINGH REGARDING VALUE OF RUPEE DUE FOR ANSWER ON DECEMBER 9, 2011

- (a) No such study has been conducted by the Government.
- (b) Though in the long run, the Rupee fall would benefit exporters through higher export earnings, the decline in the value of Rupee would have detrimental effects in the short run. The Rupee decline makes oil and other imports more expensive. In situations where the higher cost is passed on to the consumers, it would contribute to inflationary pressures. Absorbing the higher cost in the budget increases fiscal deficit. Besides, the Rupee cost of servicing foreign debt would increase, which would mean higher pressure on corporate balance sheets and on the Government budget.
- (c) The recent policy initiatives include inter alia, increase in all-in- cost ceiling for trade credits; liberalization of External Commercial Borrowing norms; requirement to bring into the country proceeds of ECBs raised abroad for Rupee expenditure; raising of FII investment limit in corporate and Government securities and raising of interest rates on Non- Resident Indian Deposits.