**DANCING DOLL OF INDIAN RUPEE AGAINST US DOLLAR**

Paper submitted by

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***ABSTRACT***

*The recent unprecedented substantial depreciation of the rupee, particularly against US dollar, familiarly which is known as universal currency, to the peak of the last 7 years, has created an unfamiliar, complex and very difficult situation for the monetary authority, government and the corporate sector to deal with. Further to this anxiety, according to some forecasts the rupee might appreciate to Rs 31 or 28 per dollar by 2010 in olden days, but now the current situation is quite different, it went up to i.e. Rs.68 per dollar even though, we are having $.360USD billion in the form of forex reserves at Reserve Bank of India(RBI) in current conditions. The researcher wants to study, reasons, factors and their impact on an aggregate over economy. Finally, suitable findings and recommendations wants to be given on this context and wants to allow for further research path.*

***Key Words:***  *Rupee, US Dollar, depreciation, economy, appreciation,*

***Research Type:*** *Empirical*

* 1. **Introduction:**

The recent unprecedented substantial appreciation of the rupee, particularly against dollar to the peak of the last 20 years, has created an unfamiliar, complex and very difficult situation for the monetary authority, government and the corporate sector to deal with. To add further to this anxiety, according to some forecasts the rupee would might appreciate to Rs 30 or 28 per dollar by the year 2012, but in reality its exchange value has been depreciating year by year. At current conditions its value Rs.67 in the year 2017 and economists are forecasting that it would be Rs. 75 by the end of year 2020. Since, the Central Government has been taken so many steps in various ways like to curb block money in the name of demonitisation, introduction GST(Goods and Services Tax) 2017, changing of Foreign Trade policy, Make in India programe, allowing new start ups, motivating FDIs, eventhough our Indian Rupee value is depreciating continuously. In this regard researcher wants to study, what are the causes and reasons behind this situation along with many empirical evidences.

## 1.2 Statement of the problem

Rupee appreciation or depreciation is one of the most important element in managing foreign exchange, especially in emerging countries like India against other forex currencies and has played an important role in civilized societies. In this juncture researcher observed that through lot of empirical studies, our indian currency Rupee (Inr) is always decreasing since long time and occasionally increaseing against one of the universal currencies like US dollar. During 1993 indian rupee agaist the US dollar was around Rs. 32 whereas it is in 2017, it went upto Rs.68. some statistical predictions are saying that, if the same trend will continue in future, our indian rupee exchange price will go upto Rs.75 by 2020. As a central bank, Reserve Bank of India, though maintaining sufficient forex reserves, Indian rupee value has been decreasing more tmes than increase against US dollar. why it is going on, what are the reasons behind it and what kind of problems are facing by indian industry, however, what are the factors showing their impact on these fluctuations of indian rupee against the US dollar.

## Objective of the study

The main objective is to impact of appreiation or depreciation of dolloar implementation practices of US dollar against indian rupee and its related problems on indian rupree and following are specific objectives of the study:

• To find whether appreiation or depreciation of US dolloar implementation practices against indian rupee are known by indian society and however, sufficient knowledge about the forex rules and regulations or not;

• To identify the major problems of the the appreiation or depreciation of indian rupee foreign exchange rate against US dolloar implementation practices, on indian industry, and

To know the impact of the the appreiation or depreciation of US dolloar implementation practices against indian rupee on indian government well as on the whole economy.

## Significance of the Study

This study will be of great importance the appreiation or depreciation of US dolloar implementation practices and its impact against indian rupee and its related problems implementation practices Further it helps in shaping and providing a better understanding of foreignexchange impact on business firms and implidly on indian citizensas other sectors of the indian economy.

## Scope of the Study

Infact, the scope of the study is having a wide area compare with other topics or areas of finance, eventhough it is limited to the appreiation or depreciation of indian currency i.e. indian rupee compare with US dolloar,which is a universal currency and its implementation practices and its related problems are having a wide importance against indian industry. It did not consider other kinds of issues such as perception of people, government and impact on other services sectors. In addition, it is observed only a limited period of 5 to 19 years only.

## Limitations of the study

The limitation of the study is limited to the appreiation or depreciation of US dollar implementation practices against indian rupee and its related problems only towards on business firms/industry. Because foreing exchange markets are very wide and dynanmic markets compared with other markets. Researcher considers only Indian rupee appreciation or depreciation aginist us dollar only and other foreign country currencies are not taken into account. In addition, it is observed only a limited period of 5 to 19 years only. Generally, shortages of time span, and lack of adequate secondary data resource also on this area are other limitations in conducting of this study.

## Organization of the paper

This research work attempts to identify and ascertain the appreciation or depreciation of US dollar implementation practices against Indian rupee and its related problems, the paper is organized in a four topics/chapters. Chapter one deals with the general introduction of the study as well as statement of the problem, the relevant review of literatures in the field are discussed in the second chapter, and in chapter three data analysis and interpretation. Chapter four deals with what are the factors and reasons of appreciation or depreciation of Indian rupee against US dollar parts of the study. Finally, chapter five presents conclusion and recommendations of the study.

1. **Review of Literature**

The introduction of the full convertibility of the rupee on current account transactions in 1993 meant that the exchange rate of the rupee is determined by the market forces of supply and demand. Based on this data, in what way exchange rate systems and their increase or decrease of Indian rupee reflected on changes of US dollar has been observed in this review of literature part at global.

Edwards (2000) investigated the dynamic association between exchange rate regimes, capital flows and currency crises in emerging economies. This study draws on lessons learned during the 1990s, and deals with some of the most important policy controversies that emerged after the Mexican, East Asian, Russian and Brazilian crises. He concluded that under the appropriate conditions and policies, floating exchange rates can be effective and efficient.

Taylor (2001) discusses the failure of liberalised policies in Argentina. He says that Argentina has failed in maintaining the liberalised policies about capital flows and a firm currency. Argentina had anti-inflation program based on freezing the exchange rate in the early 1990s. This means that the money supply within the country and the supply of credit to firms are tied directly to international reserves. So if the country gets capital inflows, the supply of money and credit increases, leading to a substantial increase in domestic prices.

The exchange rate in a given economy often plays a prominent role than the interest rate in the transmission mechanism of monetary policy (Vitale, 2003). Especially for developing countries, it has been assumed that depreciation is an appropriate macroeconomic fundamental to support the export sector.

Harberger (2003) studied the impact of economic growth on real exchange rate. He found that there is no systematic connection between economic growth and real exchange rate.

Husain et al. (2004) found in their study that little access to international capital is available for the weaker and less developed countries, so low rate of inflation and higher level of durability is associated with fixed exchange rate regime in those countries. However, they found no robust relationship between economic performance and exchange rate regime in the developing economies. They also found that advanced economies may experience durable and slightly higher level of growth rate without higher level of inflation in flexible exchange rate regime.

1. **Data Analysis and Interpretation:**

According to Rahul Bajaj, the value of the rupee over the US dollar during March-December 2007 period and 7 per cent against basket of currencies including the yen and renminbi, is an increase that does not reflect economic fundamentals and is seriously hurting Indian industry’s competitiveness, margins and exports. This view, however, did not shared by some other experts.

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The introduction of the full convertibility of the rupee on current account transactions in 1993 meant that the exchange rate of the rupee is determined by the market forces of supply and demand. Since then, the value of the rupee passed through periods of stability and volatility. While the current account deficits (except for three years) increased the demand for foreign exchange, the increase in the FDI and portfolio investment increased its supply. The possibility of the appreciation of the rupee was stemmed by the occasional intervention of the RBI (i.e. by purchasing the dollar and thereby reducing its supply). Over the long term, however, the rupee depreciated significantly observed through Table 3.1. In the 14 years period during 1993-94 to 2006-07, the rupee generally depreciated against dollar except during 2003 to 2005 when it appreciated on account of the general weakness of dollar against major currencies. For the 1993-94 to 2006-07 periods as a whole, the rupee depreciated by about 44 percent.

**Table 3.1: Movements of India Rupee- US Dollar Exchange Rate, 1993-94 to 2005-06**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Range (Rs. Per US$) | Average Exchange Rate (Rs. Per US $) | Appreciation / Depreciation (%) | Coefficient of Variation (%) | Standard Deviation |
| 1 | 2 | 3 | 4 | 5 | 6 |
| 19 93-94 | 31.21-31.49 | 31.97 |  | 0.1 | --- |
| 1994-95 | 31.37-31.97 | 31.40 | -0.10 | 0.3 | --- |
| 1995-96 | 31.37-37.95 | 33.45 | -6.13 | 5.8 | 1.93 |
| 1996-97 | 34.14-35.96 | 35.50 | -5.77 | 1.3 | 0.48 |
| 1997-98 | 35.70-40.36 | 37.16 | -4.47 | 4.2 | 1.57 |
| 1998-99 | 39.48-43.42 | 42.07 | -11.67 | 2.1 | 0.90 |
| 1999-2000 | 42.44-43.64 | 43.33 | -2.91 | 0.7 | 0.29 |
| 2000-01 | 43.61-46.89 | 45.68 | -5.14 | 2.3 | 1.07 |
| 2001-02 | 56.56-48.85 | 47.69 | -4.21 | 1.4 | 0.67 |
| 2002-03 | 47.51-49.06 | 48.40 | -1.47 | 0.9 | 0.45 |
| 2003-04 | 43.45-47.46 | 45.95 | 5.40 | 1.6 | 0.72 |
| 2004-05 | 43.3646.46 | 44.93 | 2.16 | 2.3 | 1.03 |
| 2005-06 | 43.30-46.33 | 44.28 | 1.51 | 1.5 | 1.79 |
| 2006-07 | 43.14-46.97 | 45.28 | -2.45 | 2.0 | 0.89 |

Source: RBI Report.

While the average dollar – rupee exchange rate was 48.40 (the lowest) in 2003-04 and 45.28 in 2006-07, the last one year has seen an appreciation of the rupee by about 13 per cent. The nation was unprepared to face this significant currency appreciation over a short period. It is a shock to the national sentiment that has been too much attuned to export performance and the nation that an appreciation of the rupee will invariably reduce exports, even though the fall in the external value of the currency was nationally deplored. It should, however, be noted that the appreciation of the rupee is less than that of currencies of several other countries if consider the period since July 2005. (see Table 2).

**Table 3.2. Currency Rates to the US Dollar**

|  |  |  |  |
| --- | --- | --- | --- |
|  | July 2005 | Dec 2007 | % change 7/05-12/07 |
| India | 43.50 | 39.40 | 9.40 |
| China | 8.28 | 7.38 | 10.90 |
| Thailand | 42.10 | 33.60 | 20.20 |
| Indonesia | 9,853.00 | 9,301.00 | 5.60 |
| Malaysia | 3.80 | 3.32 | 12.60 |
| S. Korea | 1043.00 | 927.00 | 11.10 |
| Brazil | 2.36 | 1.76 | 25.40 |

Source: G.F.Report

From the above Table 2, the researcher observed that compare with other countries, during the period 2005 – 2007, Indian rupee exchange rate value was appreciated substantially compare with US dollar, except Indonesia. Of course, during that time American currency was in doldrums due to sub-prime impact. Later US Fed given a bail-out package two times in millions or billions of dollar to American industry, through this way the US economy slowly recovered and now it is in a position to dominate other currencies in the world.

The impacts of rupee appreciation are different for different categories of firms, some tremendously benefiting and some others getting hit adversely. For example, considering the impact of appreciation of the rupee, we may classify firms into three categories, viz, export-dependent (low to 100 per cent), import-dependent (low to 100 per cent) and neutral (no exports or imports and, therefore, should not be directly affected by the exchange rate fluctuations).

The export-dependent firms suffer heavily and if the fall in their realization, say from Rs 45 to Rs 39 a dollar, is more than their profit margin, they can continue their business only at a loss. Although may IT firms would be able to withstand this fall in the realization because of their fairly high margins or their ability to renegotiate the price at least to certain extend. Sectors / firms operating on thin margins will find the going very tough. It was pointed out that 2007-08 would end up with an export turnover of $140 .145 billion, as against the target of $160 billion, because of the adverse impact of the rupee appreciation. Although in October 2007 registered a handsome 34 percent export growth thanks to the increase in the shipment of the petroleum products, mainly and categories like gems, jewellery and engineering products, exports of several items hike handicrafts, textiles, marine products and leather have fallen.

Rupee appreciation made Indian goods costly in the foreign markets because at the Rs45/dollar a product which costs Rs.1000 in India costs $22.2; but when the exchange rate was Rs 39 the dollar price of the product which costs Rs1000 was $25.6. Besides the loss of exports as Indian goods become dearer in the foreign markets, the loss due to the fall in the rupee realization is very heavy..

Swaminathan S Ankleasaria Aiyar(2007), in an article published in The Economic Times in December 2007 has strongly refuted the argument that the rupee appreciation is causing millions of job losses in the export sector. He observed that if a moderate rise in the rupee can kill millions of jobs, a corresponding fall in the rupee should create a similar number of jobs. Alas that did not happen when India had big currency declines, further, it happen if rupee declines now by 13 percent. He contended that the job losses would amount to thousands, not millions as has been exaggerated. So that, due to appreciation of Indian rupee reduced the employment opportunities little bit, but it was good for importing of goods and services from abroad.

Firms which are heavily dependent on exports, like several IT firms and other hundred percent export oriented firms, face a tough time. Exports with high import intensity would not be hit as adversely as those export 100 percent indigenous products, Ceteris paribus.

The rupee appreciation is a blessing for import-dependent firms. As India imports much more than what they exports, the nation as a whole saves much more than it loses on account of the rupee appreciation because of the cheapness of the imports. The critical issue here is how this savings is distributed in the economy. Does it cause a reduction in price or is it appropriated by a small section? , at that period when our Indian rupee was in appreciated condition, oil firms who are large importers have benefited substantially. For example, Indian Oil Corporation has added profit Rs 726 crore in the first quarter of 2007. In fact, coming as it is at a time when the crude oil price has gone up, one barrel cost was $.132 USD, through the roof provides a little relief as far as the imported crude oil price is concerned.

It is also important to note that experience of India shows that the rupee value and exports do not always move in sync. In fact, despite the depreciating rupee we could not gain the one percent share of the global exports until last year although it had been targeted to be reached many years ago. In several of the years when the rupee appreciated, exports registered a handsome growth and the export growth was disappointing in several years of rupee depreciation, quite contrary to the theory of exchange rate-export link. For example, during three years period 2003-04 to 2005-06, when there was an appreciation of the rupee, exports grew very impressively, between 21.1 and 30.8 per cent annually. On the other hand, during 1998-99 to 2001-02 when there was significant depreciation of the rupee the export performance was disappointing, in two of the years the growth was even negative.

The rupee appreciation makes acquisition of Indian firms by foreigners’ costly and foreign acquisitions by Indian firms will become cheaper. This could encourage overseas acquisitions by India firms. The Assocham has estimated that India Inc. would have saved to the tume of Rs. 6,500 crore ($ 1.66 billion) in 70 deals done overseas in the first six months of the current fiscal year 2006-07 (having total value of $ 14 billion).

Rupee appreciation should also help Indian firms to modernize expand capacity by import of capital goods and technology. Companies which have foreign currency loans would also got benefit. For example, it was estimated that IOC would save close to Rs. 150 crore on interest payment on foreign currency loans during the first quarter of the currency fiscal 2006-07.

The possibility of continued appreciation of the rupee implies that government sops will have only limited impact on propping up the export sector. The problems caused by the dollar – rupee exchange rate should prompt export cut costs. Currency appreciation can also lead to the shifting of production basis to other countries, that’s why most of Indian export oriented units opened path to export goods to Euro-Asian, African countries during the time of appreciation of Indian rupee.

There is need to take necessary steps by Central and State Governments and the RBI shall endeavor to control inflation, due to high rate of inflation and appreciation of US dollar, Indian rupee became weaken too much during the time of 2011-2012. Corporate India and economy as a whole have to learn to live successfully with a strong national currency rather than over-exaggerating the negative impacts and clamoring for sops and props for ever.

**Table 4.3. Change of Indian rupee against USD during 1998 to 2017**

|  |  |  |  |
| --- | --- | --- | --- |
| Year  (upto March) | Indian Rupee  Vs $ US dollar | Increase/Decrease  In Inr.(+/-) | % of Change  (+6/-14 times) |
| 1998 | 40.36 | ----- | ----- |
| 1999 | 43.36 | - 3.00 | - 7.4 |
| 2000 | 44.68 | - 1.32 | - 3.04 |
| 2001 | 47.04 | - 2.36 | - 5.28 |
| 2002 | 48.87 | - 1.83 | - 3.89 |
| 2003 | 46.47 | + 2.40 | + 4.91 |
| 2004 | 45.98 | + 0.99 | + 2.13 |
| 2005 | 43.51 | + 2.47 | + 5.37 |
| 2006 | 46.08 | - 2.57 | - 5.90 |
| 2007 | 40.75 | + 5.33 | + 11.56 |
| 2008 | 42.95 | - 2.20 | - 5.4 |
| 2009 | 48.20 | - 5.25 | - 12.23 |
| 2010 | 46.60 | + 1.60 | + 3.32 |
| 2011 | 44.72 | + 1.88 | + 4.03 |
| 2012 | 56.30 | - 11.58 | - 25.89 |
| 2013 | 59.69 | - 3.39 | - 6.02 |
| 2014 | 60.09 | - 0.40 | - 0.07 |
| 2015 | 63.75 | - 3.66 | - 6.09 |
| 2016 | 67.05 | - 3.30 | - 5.18 |
| 2017 | 67.20 | - 0.15 | - 0.22 |

Source: RBI Report

From the above Table 3, it is depicted that during 1998-2017, only limited times Indian rupee exchange rate against dollar was appreciated only 5 times out of 20 years empirical study. Most of the times Indian rupee exchange rate is depreciated more than 7% over the previous year against US dollar, particularly in 2012 (25.89%) it was collapsed too much. However, out of overall 20 years period in first 10 years the rate of depreciation fall down to around 7% whereas in the next 10 years period the rate of depreciation fall down to around 60%. By observing the above situation most of Indian industries had taken lot of foreign funding in the name of Pay Orders, Lower rate interest Bonds in US dollars, Non-convertible dollar loans from Latin American country organizations, Particularly Infrastructure companies like IVRCL, Gammon India, GMR, Lanco, GVK and other sectors of the Indian economy. The foreign money lenders charged low rate of interest on lending loan amounts, but the condition is recovery should be in form of dollar repayment. Due to this, though these companies were getting very good profits through their business, finally unable to get good returns due to repayment made in US dollars. While these companies loans taken US dollar was around Rs.38, but at the time of repayment of loans Indian rupee around Rs.67 against the US dollar.

1. **Factors that influence exchange rates in common on every country:**

Following are the important influential factors which are showing their influence on depreciation or appreciation of domestic currency against foreign currency

**1. Rate of Inflation**

The rate of inflation in the India or any country in the global markets, is relatively lower than elsewhere, then exports will become more competitive and there will be an increase in demand for Indian rupee to buy Indian goods. Moreover, if foreign goods will be less competitive and so Indian citizens will buy less imported goods. Therefore, countries with **lower inflation rates** tend to see an **appreciation** in the value of their domestic currency than foreign currency value.

**2. Influence of Interest Rates**

In India interest rates rise relative to elsewhere, it will become more attractive to deposit money in the either by Indian nationals or expatriates of india. Then depositor will get a better rate of return from saving in India banks, than deposits in US dollar. Therefore, demand for INR will rise.  This is known as “[hot money flows](https://www.economicshelp.org/dictionary/h/hot-money-flows.html)” and is an important short run factor in determining the value of a currency. So that, Higher interest rates cause an appreciation of domestic currency than foreign currency.

**3. Change in competitiveness**

If Indian goods become more attractive and competitive, for example Software products and services, ITES this will also cause the value of the exchange rate to rise. Through foreign exchange in the form of US dollars flow will be more, so than relatively Indian rupee value would increase. This is important for determining the long run value of the Indian rupee (INR) against US dollar eighter to increase or decrease. Further, it leads to deflation of goods and services in Indian markets.

**4. Other currencies relative strength**

During the period 2010 and 2011, the value of the Japanese Yen and Swiss Franc rose because markets were worried about all the other major economies – US and EU(particularly Greece and Cyprus countries and recently this Brexit impact). Therefore, despite low interest rates and low growth in Japan, the Yen kept appreciating; simultaneously US dollar decreased at that period. as one of the universal currencies, when US dollar value has been increasing relatively Indian rupee value will be decreased in recent times.

**5. Balance of payments (BOP)**

A deficit on the current account means that the value of imports (of goods and services) is greater than the value of exports. If this is financed by a surplus on the financial / capital account then this it is good. But a country who struggles to attract enough capital inflows to finance a current account deficit, will see a depreciation in the currency. (For example current account deficit in US of 7% of GDP was one reason for depreciation of dollar in 2006-07 and most of our Indian annual budgets always showing deficit budgets). Current balance of payments are too much compare with previous decade, for example, India’s current account deficit (CAD) at US$ 14.3 billion (2.4 per cent of GDP) in Q1 of 2017-18 increased sharply from US$ 0.4 billion (0.1 per cent of GDP) in Q1 of 2016 -17 and US$ 3.4 billion (0.6 per cent of GDP) in Q4 of 2016-17(RBI 2017-18 report).

**6. Debt burden of the Government**

Sometimes the value or amount of government debt can also influence the exchange rates. If the markets are in fear towards government on its debt to domestic and foreign agencies like IMF, World Bank, then investors will sell their bonds causing a fall in the value of the exchange rate. For example, Iceland debt problems in 2008, caused a rapid fall in the value of the Icelandic currency as well as Cyprus economy. For example, if markets feared the US would default on its debt, foreign investors would sell their holdings of US bonds. This would cause a fall in the value of the dollar.

**7. Government Intervention**

Some governments attempt to influence the value of their currency. For example, China has sought to keep its currency undervalued to make Chinese exports more competitive. They can do this by buying US dollar assets which increases the value of the US dollar to Chinese Yuan.

* 1. ***Impact of Demonetization of currency:*** Sometimes governments are attempting temporarily decrease of currency value comparatively foreign currency due to non-availability of domestic currency in the hands of general public. Of course, purpose of the government may be different, but for the time being society would suffer like anything, we cannot imagine.
  2. ***Impact of introduction and application of GST(Goods and Services Tax),2017:***

Recently, central government has introduced GST, due to this, impact on Indian currency exchange value will be high temporarily, but it the long-run it may not shows much effect, over dollar exchange rate. It leads to lot of confusion in the beginning while implementing by the central government and following by the industry, business and commerce, as well as by the public.

1. **Leads to Devaluation of currency**

Due to depreciation of currency continuously, sometimes it leads to devaluation of currency. Hence, devaluation is occurred it leads to lot of pains quickly. A big currency depreciation instantly hits consumer purchasing power slow down and impliedly it leads to reduce wages. Purchases of foreign goods quickly fall because prices of foreign goods quickly soar. The pace of adjustment will depend on how quickly domestic industries pivot toward import replacement and exporting more.

1. **Speculation**

If speculators believe the Indian rupee will rise in the future, they will demand more now to be able to make a profit. This increase in demand will cause the value to rise. Therefore, movements in the exchange rate do not always reflect economic fundamentals, but are often driven by the sentiments of the financial markets in the name or form of speculation. For example, if markets see news which makes an interest rate increase more likely, the value of the INR will probably rise in anticipation.

1. **Economic growth / recession**

Sometimes recession may be one of the causes for happening of depreciation of domestic currency against foreign exchange rate. In recession period interest rates usually will fall down than in the normal situation. However, there is no hard and fast rule. It depends on several other factors also.

* 1. **Potential reasons for exchange rate depreciation**

1. **Internal causes**

* The central bank (reserve bank) may depreciate exchange rate purposefully to increase international market competitiveness and in turn reducing Balance of Payments deficits;
* Practicing expansionary monetary policy (increase domestic money supply) by central banks in order to finance stretched government plans. This will decrease the value of domestic currency vis-à-vis other hard currencies.
* Reduction in country’s real interest rate which force many investors to with draw their capital and in turn reduces the supply of foreign currency. This leads to chasing a dollar with large amount of domestic currency (depreciation).
* Low export by domestic country, only exports are in increasing specific industries like IT and ITES areas only and in rest of the sectors that much of aggressive exports we could not find over a long period of time.
* Exports contracted for 13th month in a row in December 2015 as outward shipments shrank 14.75 per cent to $22.2 billion amid a global demand slowdown. Imports too plunged 3.88 per cent to $33.9 billion in December over the same month previous year. Trade deficit during the month under review widened to $11.6 billion as against $9.17 billion in December 2014(RBI Reports).
* FIIs have been in the sell off mode in equity segment for last 3 months. From Jan 1 to Jan 20, foreign institutional investors (FIIs) sold shares worth Rs 7,146 crore in the domestic equity markets. On the other hand, domestic institutional investors, or DII’s net buying stood at Rs 9,249 crore during 2015(RBI Reports) .

1. **External causes**

* Increase in relative strength of other country’s currency which used to trade with us. After sub-prime impact, US federal government declared two times bail-out packages to strengthen the American finance industry. This will be lead to improved economic growth in USA and strengthen of US dollar.
* Frequent pressure from International Monetary Fund (IMF) and World Bank (WB) or IBRD to recovery of their debt given on several projects to Indian government.
* USA is the biggest importer of crude oil. So when the crude prices go down, it means US will be saving more dollars to buy it, as a result US dollar as a currency strengthens, leading to fall of Indian rupee and other currencies at the forex market.
* This is another major factor which is contributing to both the stock markets and Indian currency fall. China’s Yuan devaluation has also been hurting the sentiments globally. China has been witnessing a slowdown, with the International Monetary Fund (IMF) has reiterated and while slashing the global growth forecasts for the third time in less than a year. IMF has cited a sharp slowdown in China trade and weak commodity prices that are hammering Brazil and other emerging markets.
* Finally, it leads to depreciate domestic currency, for many reasons, particularly previous loans taken from them, now US dollar has stronger than Indian rupee, over a period of time particularly in last 6 years.

1. **Conclusion and Recommendation**

From the observation the above study researcher comes to conclude that during this 20 years span of time Indian rupee had passed on so many up and downs in the form of forex rate against the US dollar . so that our Indian government should take necessary steps to control Indian rupee depreciation against US dollar by controlling rate of inflation, balance of payments, exporting of goods and services should be more than imports , raising of purchasing power of Indians, controlling of block money, encouragement of SMEs for providing employment and output, in time prompt repayment of global loans along with interest. Then only our Indian rupee exchange value against US dollar will be in good position and at the same time our Indian industry will be in good position.

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