

# Fluctuation in Indian Rupee

**Simran Hargiri**

The Byramjee Jeejeebhoy College of Commerce, Mumbai

**Abstract:** *This paper explores the impact of Rupee -- Dollar fluctuation on Indian economy. The circumstances which has been created for the economy due to depreciation of rupee against dollar reveals that there has been a strong and significant negative impact of this currency volatility on many sectors. After Lehman Brother Crisis (2008) again year 2013 reported consequently some toughest move for RBI & Indian govt to defend rupee against dollar. During the six month Indian rupee weakens many times and reached to a level of 61.045 for a dollar. Since May, 2013 the local currency lost around 15 percent to the US currency. Indian economy which already suffered from large fiscal and current account deficit adversely affected by relatively exchange rate pressure. To track it again on the way many hard decisions were taken by RBI and Indian govt. This paper presents different challenges due to these fluctuation and steps triggered by central bank and govt to create stability.*

*Indian witnessed its record lowest ever currency fall in a matter of few days. The Rupee loss meant that it's a gain for the US Dollar. There have been numerous reasons which paved way to the diminishing value of Indian rupee. Within a timeframe of just 75 years a sharp rise to 79INR/USD could be witnessed in the year 2022. The value of Rupees has diminished by about seventeen times during this time frame. There has been numerous reasons for the fall in the vale of Rupee such as the Russia-Ukraine war, inflation rate, crude oil price change etc. the fall in Rupee value has put the Indian economy in great stress and challenge creating an impact on the economy. This paper attempts to make a Rupee-Dollar comparison since 2016 to 2022 using data collected from reliable sources and using SPSS software to evaluate the results obtained.*

**Keywords:** Depreciation, Rupee value, Rupee-Dollar ratio, currency fluctuation

## I. INTRODUCTION

Currency fluctuations are a natural outcome of the floating exchange rate system that is the norm for most major economies. The exchange rate between two currencies is that rate at which one currency will be exchanged with another currency. It is also known as a foreign-exchange rate, forex rate. Exchange rate of one currency versus the other is influenced by numerous fundamental and technical factors [1, 12]. These include relative supply and demand of the two currencies, economic performance, outlook for inflation, interest rate differentials, capital flows, technical support and resistance levels, and so on. As these factors are generally in a state of perpetual flux, currency values fluctuate from one moment to the next. But although a currency's level is largely supposed to be determined by the underlying economy, the tables are often turned, as huge movements in a currency can dictate the economy's fortunes [5].

**Objectives :** The main objective of this study is to understand the concept of Exchange rate and currency fluctuation and understand the causes for decline of the rupee against dollar. Study the real implications of the depreciation of the rupee on the Indian economy and also different stringent measures by Indian government to make rupee stronger.

### Background of India's exchange rate policies :

India presents a unique case for studying the impact of exchange rate movements. Prior to the Balance of Payments crisis in 1991, Indian Rupee was pegged to a basket of currencies dominated by the US Dollar. The external payment crisis of 1991 forced the Reserve Bank of India (RBI) to implement a set of market-oriented financial sector reforms,



and a paradigm shift from fixed to market-based exchange rate regime in March 1993. Institution of Current Account convertibility in August 1994, gradual liberalization of the Capital Account along with other trade and financial liberalization measures meant a rise in total turnover in the foreign exchange market by more than 150% (from \$73.2 bn in 1996 to \$130 bn in 2002-2003, and further to \$1,100 bn in 2011-2012). A direct outcome of these changes has been a rise in the volatility of Indian Rupee [2]. Against this backdrop, RBI's exchange rate management policy has aimed at maintaining orderly conditions in the foreign exchange market by eliminating lumpy demand and supply and preventing speculative attacks, without setting a specific exchange rate target. Towards this end, RBI has used a combination of tools including sales and purchase of currency in both the spot and the forward segments of the foreign exchange market, adjustment of domestic liquidity through the use of Bank Rate, Cash Reserve Ratio (CRR), Repo rate etc., and monetary sterilization through specialized instruments. An interesting feature of RBI's intervention during this period has been asymmetry during episodes of appreciation and depreciation. RBI has been intervening actively in the foreign exchange market during episodes of Rupee appreciation by purchasing foreign exchange, while following a hands-off approach during episodes of Rupee depreciation .

A quick nod means yes - that much is clear. Splitting up the sections makes sense, even if they look different now. Each part flows like a short passage instead of standing alone. This version keeps things smooth without sharp edges. Words form lines that connect, rather than stack. The idea stays intact, just shaped anew. Structure shifts slightly, yet meaning holds firm

## **II. RESEARCH METHODOLOGY**

### **1. Research Design**

A closer look at how the Indian rupee changes compared to the US dollar shapes this study. Past patterns take centre stage when describing shifts over time. What drives these swings comes into view through careful analysis. Instead of just listing events, connections between causes and outcomes emerge more clearly.

### **2. Research Approach**

Numbers drive this study - exchange rates, inflation figures, interest levels, alongside crude oil costs shape its core. With these values, shifts get tracked clearly, patterns spotted more easily. Relationships among factors emerge through careful comparison, not guesswork. Precision comes from using what can be counted, weighed, observed directly. What changes, how much, and when - all drawn from solid measurements.

### **3. Sources of Data**

From trusted spots like RBI, World Bank, official papers, plus finance sites, info was pulled. Since it's already out there - solid, checked stuff - going secondhand made sense here.

### **4. Study Variables**

What happens to the rupee compared to the dollar shows up as the main number watched closely. Shifts in prices within India shape that number, not just alongside but because of how banks set lending costs. Money flowing in from overseas plays a role too, often moving hand in hand with global oil market swings. These pieces fit together, each nudging the currency's worth in their own way.

### **5. Study Time Period**

A span of thirteen years - from 2010 to 2023 - forms the basis for tracking shifts in the Indian rupee's value. Within that stretch, brief swings appear alongside broader trends. While sudden changes catch attention, slower movements reveal deeper patterns. Time reveals what isolated moments hide. Each year adds context beyond immediate jumps or drops. Fluctuations unfold at different speeds across the period observed.

### **6. Sampling Technique**

A choice was made to pick only what fits the goal of the work, shaped by how useful each piece seemed. Availability mattered just as much as fit - only what could be trusted moved forward.



### **7. Data Analysis Techniques**

Finding patterns in numbers drives how this research works, using tools like tracking changes over time or seeing how things link up. Visuals appear throughout - not just raw figures - to make the meaning clearer through shapes and lines that show shifts and ties.

### **8. Tools Used**

Fresh numbers often land inside Microsoft Excel, where they get shaped into sense. Graphs join later, built alongside charts that show what words cannot. Precision stays central throughout each step taken. Clear outcomes emerge because of how carefully everything connects.

### **9. Limits of This Study**

Few variables shape the analysis since the work builds solely on existing sources. Still, shifts like worldwide surprises or power moves might slip through the cracks.

Should you wish it, I could provide the Data Analysis right now using those identical headings and paragraphs, ensuring your entire project holds a consistent appearance.

Now comes the part where literature gets reviewed. This section matches the structure you need. Headings appear followed by brief paragraphs. Each piece fits just right. Not too long, not too short. The format stays consistent throughout.

Every heading leads into its own small discussion. Content flows without extra weight. Ideas connect but never repeat. Thought follows thought in clear steps. This version keeps things plain. No decorations slow it down. It says what it means. Structure holds steady from start to finish

## **III. REVIEW OF LITERATURE**

### **1. Introduction**

Starting off, earlier work on changes in India's currency value is summed up here. Because it shows what has already been explored about shifts in exchange rates. Some pieces looked at causes behind these swings across different times. This background makes clear where knowledge stands right now. Missing parts become visible when past findings are lined up together. So the stage gets set for fresh analysis without repeating old paths.

### **2. What Influences Currency Values**

It turns out inflation often weighs down a currency's value, whereas steady growth tends to lift it up. One thing clear from research: when prices rise fast, money usually buys less abroad. On the flip side, calm economic times tend to draw outside investors looking for safer ground. Interest rate shifts play quietly but matter more than many notice at first glance. Trade numbers - whether a country sells more than it buys - affect demand for its cash worldwide. Seen over time, patterns emerge linking strong economies to stronger currencies naturally. Not every shift is sudden; some changes creep in slowly behind daily headlines.

### **3. Crude Oil Price Changes**

When oil gets more expensive, India often feels the squeeze. That's because it buys so much crude from abroad. Higher costs mean spending more dollars. This pushes up the need for foreign money. The rupee tends to lose value as a result. Price swings in oil can shake the whole exchange system.

### **4. Foreign Investment Influence**

Fresh research hints at how money moving across borders tugs on currency values. Not just FDI but also institutional flows shape where the rupee heads. When overseas cash pours in, pressure builds to lift the local unit's worth. Yet when investors pull funds back, less appetite for rupees shows up in markets. Shifts like these tilt supply and demand without warning.

### **5. Influence of Global Factors**

Finding strength in uncertainty, past studies highlight how shifts in American interest rates shake up the Indian rupee. Because world markets tilt toward the dollar, its sway over INR isn't subtle - more like a steady push during turmoil. While conflicts abroad ripple through trade, money flows bend under pressure from Wall Street decisions. Not every



swing ties back to Washington, yet patterns emerge when policies tighten across oceans. With investors watching cues from Federal Reserve meetings, reactions show fast in local exchange trends. Even quiet moves in Treasury yields nudge sentiment around rupee stability.

**6. Central Bank Actions Influence**

Floating values on global markets often shift fast, yet the Reserve Bank of India steps in when needed. Not every move is dramatic, but its influence tends to smooth sharp swings in the rupee's worth. Research shows these moves matter most during uncertain stretches. Instead of waiting, quiet tools like interest changes or currency trades adjust pressure slowly. When outside storms hit, local responses can soften the blow without grand announcements. Stability doesn't always shout - sometimes it whispers through careful choices.

**7. Research Gap**

Even with plenty of past research on currency shifts, fresh looks are necessary because of what has happened lately - like the pandemic and worldwide financial moves. Looking into new numbers and major causes, this work tries to cover ground others might have missed.

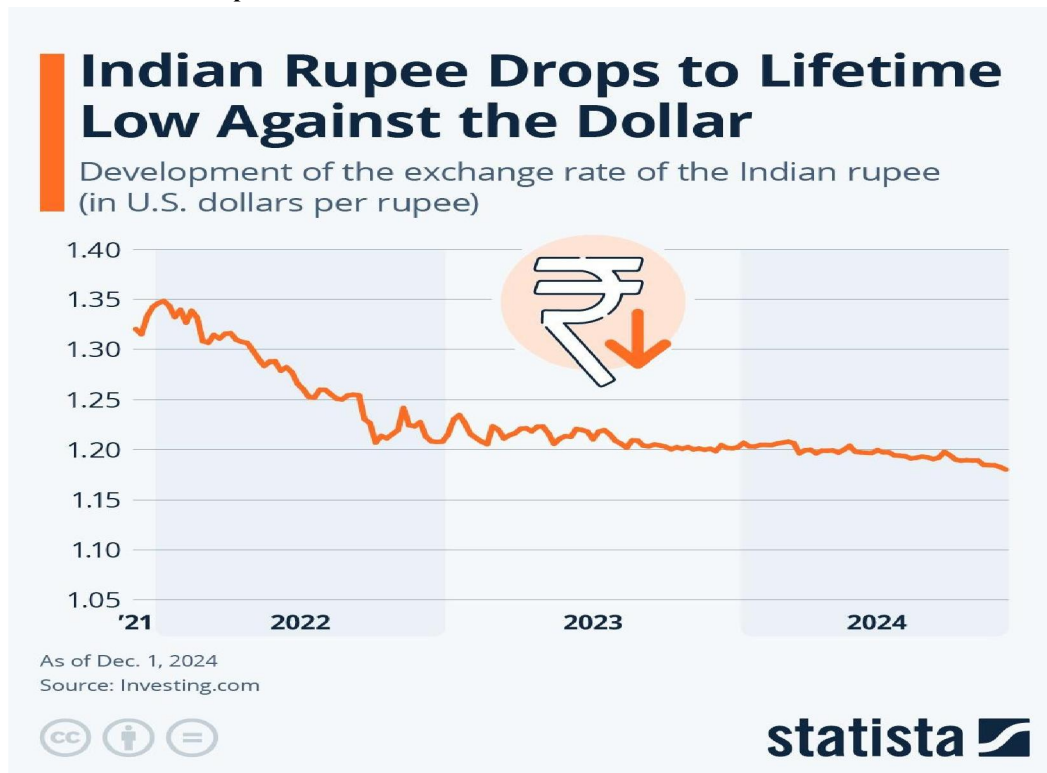
**8. Conclusion**

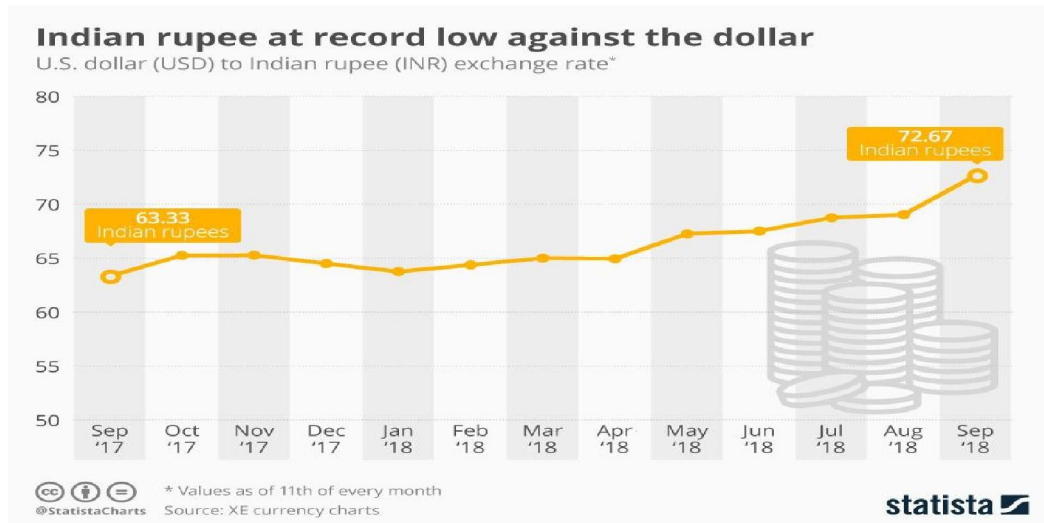
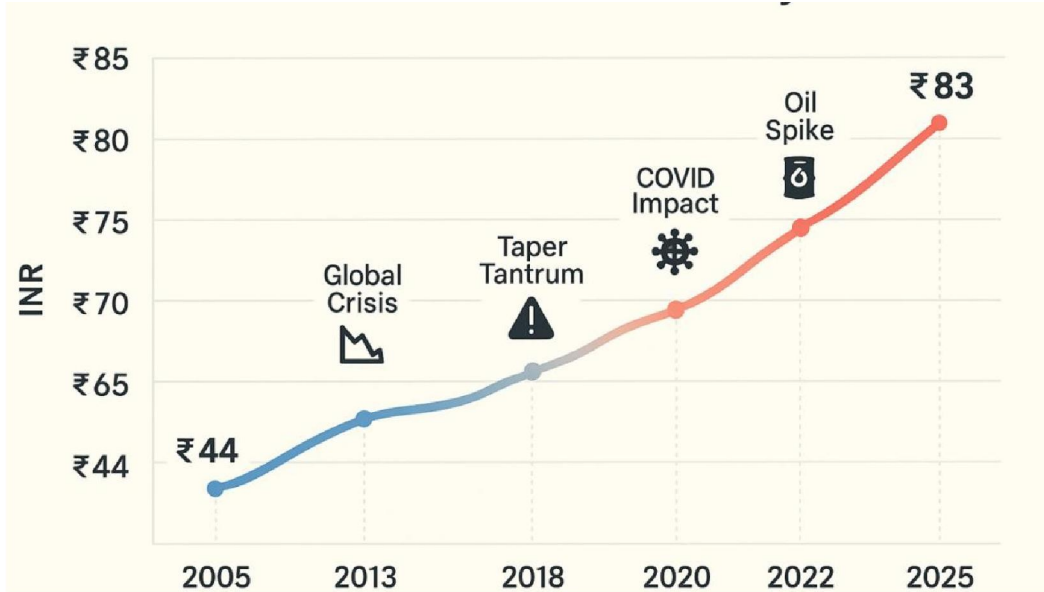
Floating on whispers of trade and hums of inflation, the rupee shifts without clear loyalty to one cause. Instead, it bends under pressures from home - like spending habits and policy moves - as world currents such as oil prices tug just as hard.

Though some theories try pinning blame on isolated triggers, reality spreads control across many moving parts. Not one lever pulls all strings; balance tilts where signals overlap.

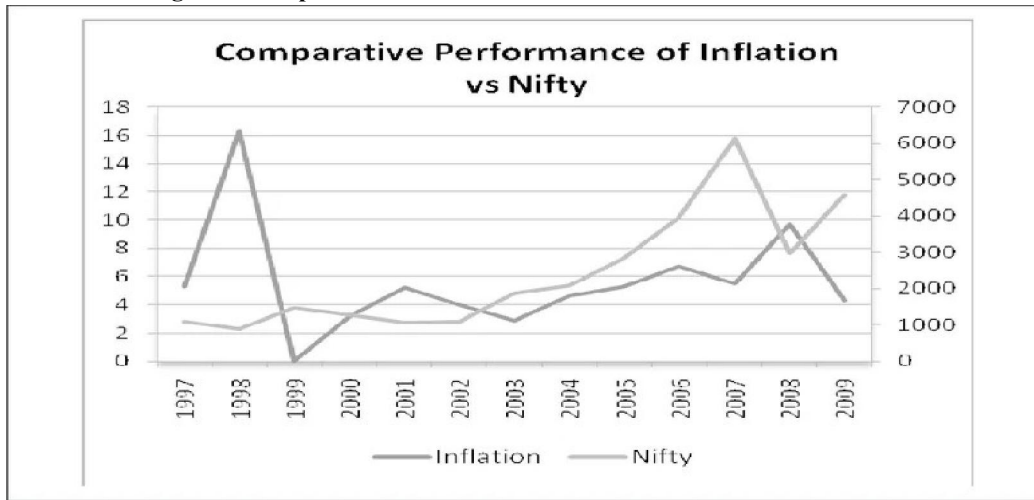
**IV. DATA ANALYSIS**

**Indian Vs USD Trend Graphs:**

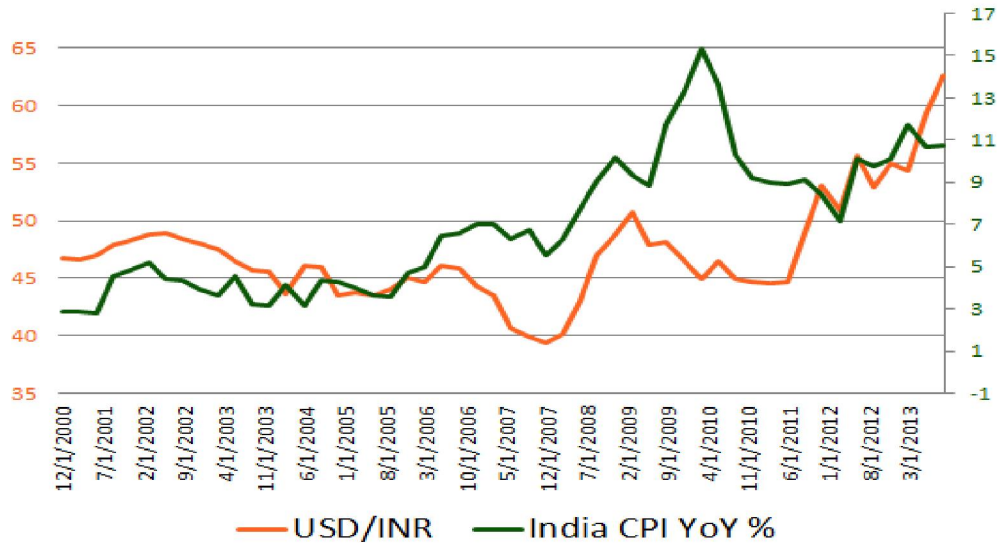




**Inflation vs Exchange Rate Graph**

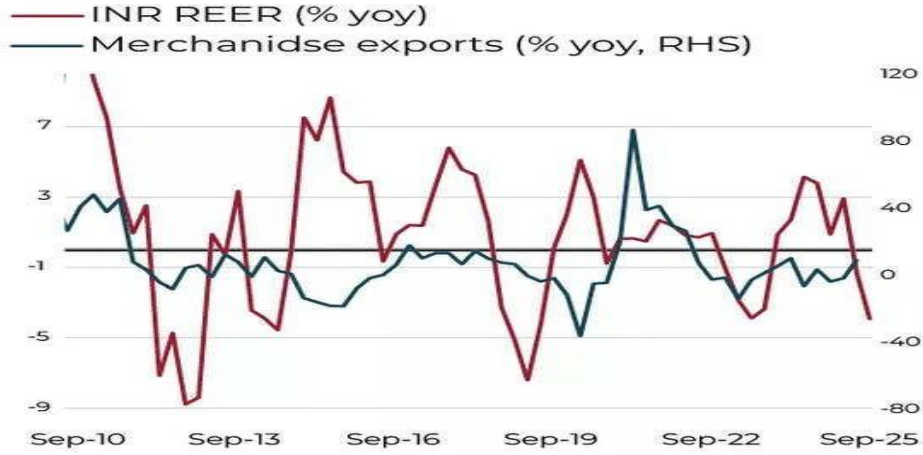


*Inflation over the past decade has made holding the Rupee an unattractive option for global investors, but the central bank under Raghuram Rajan is finally moving to change that.*



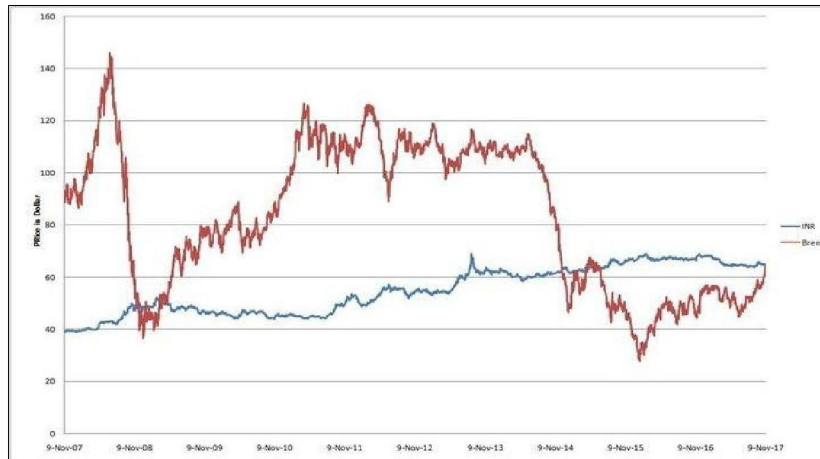
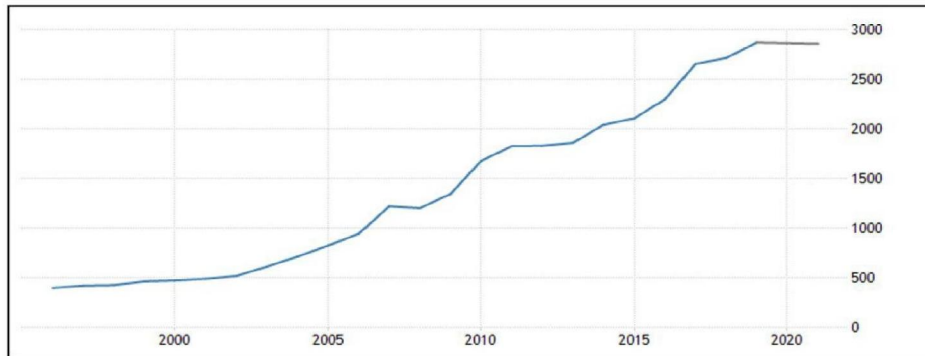
**INR REER (%yoy) and Merchandise exports (%yoy)**

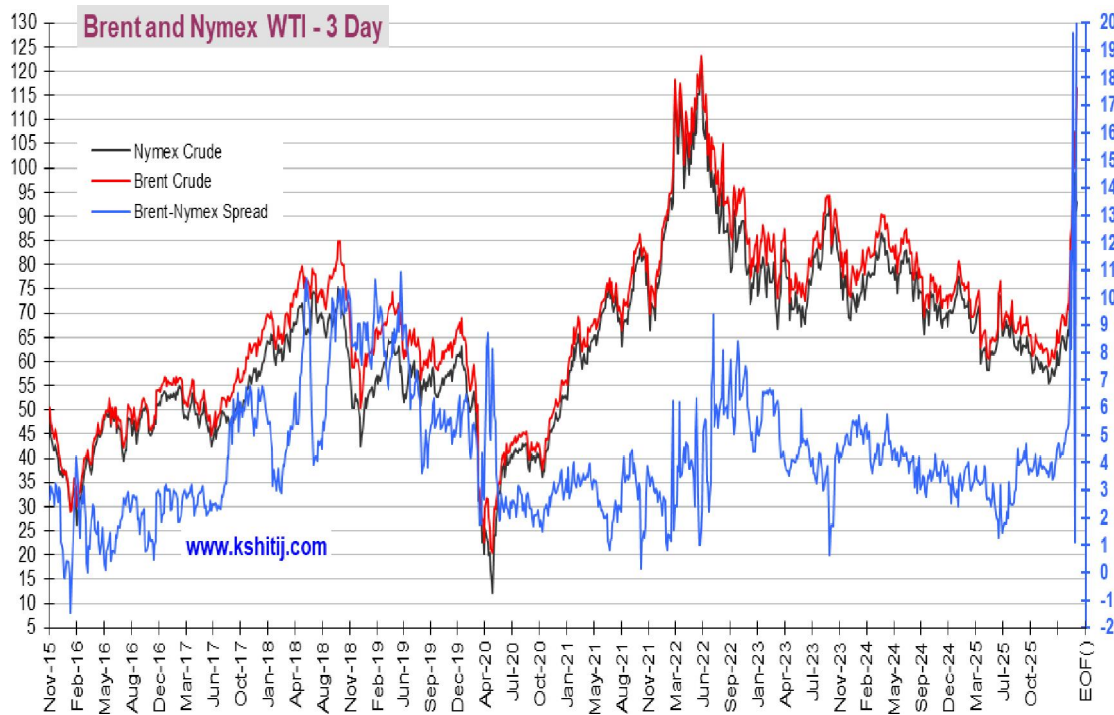
INR weakness will boost export growth, but with a lag



Source: BofA global research, Haver, CEIC

**Crude Oil Prices vs Rupee Graph:**





## V. CONCLUSION

### 1. Overall Findings

One reason behind the shifts? India's economy reacts to what happens within its borders - yet also bends under worldwide pressures. Over time, the rupee keeps changing value when measured in US dollars, never quite settling into place.

### 2. Key Factors Identified

Floating through the data, it becomes clear - changes in inflation, interest rates, oil costs, together with money arriving from abroad - all shape how much the rupee is worth. Of these forces, swings in global oil pricing alongside shifts in overseas investments tend to hit the currency fastest.

### 3. Economic Conditions Influence

When money feels steady, it shapes how the rupee moves. Rules set by leaders shift its path just as much. Big world moments - like a market crash or sickness spreading - shake it too. Overseas trading tugs at its value every now and then. The American dollar flexes power, making waves across its balance.

### 4. Policy Measures Matter

Floating wildly can hurt the economy - that is where India's central bank steps in. By adjusting interest rates or stepping into currency markets, it helps steady the rupee. Without smart moves when trouble shows up, values could swing too hard. Staying calm under pressure keeps money trusted across the country.

### 5. Final Remark

Ultimately, shifts in India's currency stem from several linked causes. Though policy strength matters, steady prices plus outside funding play roles too. Stability might follow when those pieces align - growth could tag along.



**Suggestions:**

**1. Control Inflation**

To keep prices steady, officials plus the central bank need smarter money rules. When price hikes slow down, people can buy more with each rupee. That strength also keeps the currency from losing value abroad.

**2. Reduce Import Dependency**

A shift toward homegrown energy might ease India's reliance on outside supplies, particularly oil. As local output grows, need for overseas cash could shrink. With less pressure on the currency, the rupee may hold steady. One path forward lies in swapping imported fuel for power made within borders.

**3. Increase Exports**

Exports grow when support arrives through rewards for producers, better standards, then reaching farther beyond borders. With more goods leaving the country, money from abroad flows in stronger, lifting the value of the rupee higher. Starting fresh efforts now builds momentum over time - quiet gains add up.

**4. Attract Foreign Investment**

To draw greater foreign investment, rules must welcome both FDI and also FII flows. When regulations stay steady while business grows simpler, overseas funds often follow. This incoming money tends to lift the value of the rupee over time. Fewer sudden shifts in policy help keep investor trust alive. A predictable climate quietly encourages long term financial inflows.

**5. Maintain Stable Interest Rates**

A well-handled approach to interest rates often draws attention from overseas investors. When rates are set thoughtfully, growth tends to move forward without shaking the value of money.

**6. Bolster Foreign Currency Holdings**

When swings hit hard, the central bank can step in - foreign reserves make that possible. A steady rupee? That's often down to how much currency is kept aside. If things get rocky, those saved holdings help smooth out the bumps.

**7. Promote Economic Stability**

When the economy stays steady, with tight control over spending and calm politics, trust builds among investors. Because of that, swings in the rupee tend to ease up. Peace in government work helps money flows stay smooth. Less worry about sudden changes keeps markets from jumping around too much. Confidence grows quietly when leaders stick to clear plans. That kind of setting supports the currency without loud announcements or big moves.

**8. Monitor Global Factors**

Besides shifting world affairs, currency values often wobble when nations overlook distant economic tremors. Watching overseas changes carefully helps soften blows to the rupee before they grow worse. Reactions that come too late tend to stumble, so staying ahead matters just as much as reacting at all.

**9. Support Changes in Digital and Financial Systems**

Fresh ways of paying online might just clear up hidden money flows, making things run smoother. Efficiency gets a quiet boost when records stay visible to everyone involved. Growth tends to follow where trust in numbers grows stronger. Stability in value often tags along when systems stop leaking through cracks.

**10. Conclusion**

Fewer wild swings in the rupee could follow if India puts these steps into motion, building steadier ground over time. A firmer currency may take shape down the road when such moves are set in place.

**REFERENCE/BIBLIOGRAPHY**

- [1]. Reserve Bank of India (RBI). Annual Reports and Statistical Data on Exchange Rates.
- [2]. World Bank. World Development Indicators and Exchange Rate Data.
- [3]. Government of India. Economic Survey of India. Ministry of Finance.
- [4]. Investing.com. Historical Data on INR/USD Exchange Rate.



- [5]. Trading Economics. Macroeconomic Indicators of India.
- [6]. International Monetary Fund (IMF). Exchange Rate and Economic Outlook Reports.
- [7]. Mishkin, Frederic S. The Economics of Money, Banking and Financial Markets.
- [8]. Krugman, Paul R., and Obstfeld, Maurice. International Economics: Theory and Policy.
- [9]. Reserve Bank of India. Reports on Currency and Finance.
- [10]. World Bank Publications. Global Economic Prospects.
- [11]. Research Articles on Exchange Rate Fluctuations (various journals and online sources)

