

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2606
ANSWERED ON:08.08.2003
VALUE OF RUPEE
UMMAREDDY VENKATESWARLU

Will the Minister of FINANCE be pleased to state:

- (a) whether Reserve Bank of India has been intervening frequently in the foreign exchange market to ensure that the value of the rupee vis-à-vis remains low;
- (b) if so, how many times did the RBI intervene to buy dollars during the last financial year; (
- (c) whether any assessment has been made on what would be the impact of allowing the rupee to appreciate naturally;
- (d) if so, the findings in this regard; and
- (e) the steps proposed to allow the rupee to appreciate to a level higher than it is now?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a) & (b): The Reserve Bank of India (RBI) intervenes in the forex market for maintaining orderly conditions in the market by providing and absorbing foreign exchange as considered necessary from time to time, and preventing the emergence of destabilising and self-fulfilling speculative activities. The RBI makes sales and purchases of foreign currency in the forex market for smoothening lumpy demand or supply. It also conducts operations in the spot, forward and swap markets. In addition, the RBI uses monetary and other administrative measures as effective tools of intervention strategy. Intervention figures indicating sale/purchase of US Dollar are released by the RBI on a monthly basis. As per international norms, intra-day operations of the RBI in the forex market are not disclosed because of possible market repercussions.

(c), (d) & (e): The exchange rate of rupee is determined by underlying demand and supply conditions. RBI's exchange rate policy has focused on the management of volatility without a fixed rate target. It is imperative to ensure that the exchange rate of rupee is in consonance with the economic fundamentals.