

Rupee value



**ASSIGN
BUSTER**

The Indian rupee's ranking slipped to 20th in 2013 from 15th in 2010 in the global foreign exchange market turnover even though currencies of other emerging economies, such as China, Brazil, South Africa and Turkey, improved, according to a survey on central banks conducted by the Bank for International Settlement (IBIS). The global triennial survey on foreign exchange turnover showed trading in foreign exchange markets averaged \$5.3 trillion per day in April 2013, up from \$4.0 trillion in April 2010 and \$3.3 trillion in April 2007.

The relatively more flexible Indian rupee's (INR) share in the overall daily turnover in the currency markets was just 1%, while China's inflexible renminbi's (RMB) share was 2.2%, reflecting China's growing clout in international economic arena, especially trade and foreign investment flows. The Indian rupee slipped from 15th to 20th position in three years, coinciding with a sharp slowdown in economic growth from 9.3% in 2010-11 to a decadal low of 5% in 2012-13 and a widening of the current account deficit (CAD) from 2% of GDP to 4.8%. The Indian rupee was among the worst-performing Asian currency, appreciating by almost a fifth since end May when US Fed announced its intention to taper the quantitative easing programme. While the Chinese economy has also slowed from 10%-plus to less than 8% within three years, its currency for the first time became one of the top 10 – it climbed to 9th in 2013 from 17th in 2010. The Brazilian real moved up from 21st to 19th between 2010 and 2013, while South African Rand improved to 18th from 20th.

While announcing a raft of measures to arrest the rupee fall on the first day of his office on September 4, new RBI governor D. Subramanian highlighted

<https://assignbuster.com/rupee-value/>

the need to liberalise rules further to make the Indian rupee more acceptable in the global arena. " This might be a strange time to talk about rupee internationalization, but we have to think beyond the next few months. As our trade expands, we will push for more settlement in rupees. This will also mean that we will have to open up our financial markets more for those who receive rupees to invest it back in. We intend to continue the path of steady liberalisation's," he had said.

India has just concluded a new currency swap arrangement with Japan y raising the limit to \$50 billion from \$15 billion. The government is considering more such currency swap deals with countries with which India has a trade deficit. Globally, FX swaps were the most actively traded instruments in April 2013, at \$2.2 trillion per day, followed by spot trading at \$2.0 trillion, IBIS said. The survey also shows that safe-haven appeal has increased the market share of US dollar to 87% in 2013 from 84.9% in 2010. The US dollar remained the dominant vehicle currency; it was on one side of 87% of all trades in April 2013.

The Euro was the second most rated currency, but its share fell to 33% in April 2013 from 39% in April 2010," IBIS said, adding the turnover of the Japanese yen increased significantly from 19% to 23% between the 2010 and 2013 surveys. 2013 Depreciation[edit source | editable] Due to stagnant reforms, and declining foreign investment, rupee started depreciating in the early 2013. [10] As a result, the Indian Rupee dropped to 68.80 per collar. Various measures were announced Day ten Government prior to tons roof to prevent it from dropping further. But, none managed to slow down the depreciation. 1] After continued depreciation, and high inflation, the Prime

Minister of India, Shari Mammon Sings, made a statement in the Parliament of India on the issue. He was of the view that, the present depreciation is partly led by global factors as well domestic factors. He also asked the political parties to help his Government tide over the crisis that the country was facing with rupee losing its value. [12] History of the rupee The history of the rupee traces back to Ancient India in circa 6th century BC, ancient India was one of the earliest issuers of coins in the along with the Chinese went and Lydia starter.

The Hindi word rjpay is derived form Sanskrit word rjpay, which meaner " wrought silver, a coin of in origin an adjective meaning " shapely", with a more specific meaning of " stamped, impressed", whence " coin". It is derived from the noun rjpa " shape, likeness, image". The word rjpa is being further identified as having sprung from the Dravidian ". [3] Arthritis, written by Chancy, prime minister to the first Marry emperor Contractual Marry(c. 340-290 BCC), mentions silver coins as rapture, other types of coins including gold coins (Supernova), copper coins (Tempura) and lead coins (Aquarius) are also mentioned.

ARPA meaner form or shape, example, Rapture, Rupee - wrought silver, ARPA - form. [4] Afghan King Sheer Shah Sure, during his five year rule from 1540 to 1 545, set up a new civic and military administration and issued a coin of silver, weighing 178 grains, which was termed therapist. [2][5] The silver coin remained in use during the McHugh period, Martha era as well as in British India. [6] Among the earliest issues of paper rupees include; the Bank of Hindustan (1770-1832), the General Bank of Bengal and Briar (1773-75, established by Warren Hastings), and the Bengal Bank (1784-91).

The Indian rupee was a silver based currency during much of the 19th century; which had severe consequences on the standard value of the currency, as stronger economies at that time were on the gold standard. During British rule, and the first decade of independence, the rupee was subdivided into 16 annas. Each Anna was subdivided into either 4 paise, or 12 pies. So One rupee was equal to 16 Annas, 64 Paises or 192 Pies. In 1957, decimalisation occurred and the rupee was divided into 100 Name Paise (Hindi/Urdu for new paise). After a few years, the initial " Name" was dropped.

For many years in the early and mid-20th century, the Indian rupee was the official currency in several areas that were controlled by the British and governed from India; areas such as East Africa, Southern Arabia and the Persian Gulf. Rupee nears 69/dollar; posts biggest day fall in 18 years (Reuters) - The rupee slumped to a record low near 69 to the dollar on Wednesday on growing worries that foreign investors will continue to sell out of a country facing stiff economic challenges and volatile global markets. The funneling in markets sent the rupee reeling 3.7 percent to an all-time low of 68.5 with the unit closing just a touch off that, at 68.80/81 per dollar, its biggest single-day fall since October 1995. It closed on Tuesday at 66.24/25. In absolute terms too, the 256-basis-point fall in the rupee was the biggest ever. An assault on ten cosmologically Key /u level now appears imminent, as intervention from the central bank seen mid-morning only gave the rupee a brief respite. In the stock market, state-run Life Insurance Corp., which was spotted buying shares, allowed the domestic benchmark index to erase steep early losses and end the day stronger. If steps are not taken to

implement the reforms necessary to tackle the tutorial issues, the government will be left with the so-called 'ID options': debt default, devaluation, deflation," said Angelo Corbett, head of Asia equity for Pioneer Investments in London. " In India, devaluation is happening now and deflation could be about to start. The good news is that the debt default is highly unlikely. " Foreign investors have sold almost \$1 billion of Indian shares in the eight sessions through Tuesday - a worrisome prospect given stocks had been Indian's one sturdy source of capital inflows in the first half of 2013.

If more foreign investors throw in the towel, readers fear it will put the country in a vicious cycle in which the hit to confidence in turn slams shares and the currency even harder. Policymakers have consistently struggled to come up with steps that can convince markets they can stabilize the rupee and attract funds into the country despite extraordinary measures last month by the central bank to drain liquidity and action to curb gold imports and cut Indian's huge oil import bill. For graphic on Asia money ; markets: click link. Reuters. Com/ varlet For India rupee, RIB intervention: click link. Reuters. Mom/vacant For graphic on epee, bonds, FIX Yields: click link. Reuters. Cottages RISING OIL PRICES, FED FEARS AMPLIFY PRESSURE India badly needs foreign capital as it struggles with a record high current account deficit, growing fiscal pressures and an economy growing at the slowest in a decade. The failure to address Indian's economic challenges is becoming an increasing source of tension at a time when fears of a possible U. S. -led military strike against Syria are knocking down Asian markets, with the

prospect that the Federal Reserve will soon end its prolonged period of cheap money further raising concerns.

At the same time, rising domestic bond yields threaten to raise borrowing costs across the already slowing economy, while global prices of oil and gold - the country's two biggest imports - have surged this week. "The end game for the current decline would be the day the rupee stops falling, alongside government measures like a substantial diesel price hike," said Samara Roar, a fund manager at Hellos Capital in Singapore. BAN Pariahs on Wednesday slashed its economic growth forecast for India for the fiscal year to March 2014 to 3.7 percent from its previous 5 percent - the weakest growth since 1991-92 when India buckled under a balance of payments crisis that required a loan from the International Monetary Fund. "Indian's parliament remains tactically dysfunctional with little, if any, business conducted," BAN said. "And, with next year's general election looming ever nearer, the government's willingness to instigate a politically unpopular fiscal tightening is close to nil." India is due to post April-June gross domestic product data on Friday, with analysts estimating the economy grew at an annual rate of 4.7 percent, roughly in line with the previous quarter.

It will also cost July federal fiscal deficit figures. The rupee has plunged more than 20 percent this year, by far the biggest decliner among the Asian currencies tracked by Reuters. Indian's main National Stock Exchange index fell as much as 3.2 percent, although suspected buying by LICE led the index to recover in ten minutes. Foreign investors are paring equally positions, netting a net \$3.6 billion in stocks since the start of June, but

still their net purchases so far this year total nearly \$12 billion. Among the blue chips that fell the most on Wednesday were Axis Bank Ltd (SABA.

INS) and ICC Bank Ltd (CUBIC. INS), a concern given foreign investors had so far largely held on to their investments in lenders, owning more than 40 percent of each. In bond markets, foreign investors have sold more heavily, with outflows reaching nearly \$4.6 billion so far this year. Yet the government has so far failed to provide a coherent response, analysts said. Its approval of infrastructure projects on Tuesday was trumped by concerns about the fiscal deficit after India's lower house of parliament this week approved a 1.35 trillion rupees plan to provide cheap gain to the poor.

In its latest initiative, the government late on Tuesday proposed setting up a task force to look into currency swap agreements, a measure analysts said could bring some relief if carried out in time by reducing market demand for dollars or other major currencies. "Let's see what the authorities do, but if the government can come out with some really big currency swap arrangement with some countries, that can be a strong positive," said Day Bath, a fore dealer with CO Bank in Lambi. (Writing by Rafael Name.