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## WHY DOES THE VALUE OF THE RUPEE FALL?

### IMPORTS EXCEEDING EXPORTS CAUSES CURRENCY DEPRECIATION

#### » Value of the Rupee

- The value of the Indian currency is not directly determined by the government or the Reserve Bank. Its value depends on the demand and supply of the rupee in international markets.
- For example, just as onion prices change depending on demand and supply, the value of the rupee also changes similarly.
- Primarily, the rupee's value is determined by comparing it with other currencies. For example : In May, 1 US dollar required Rs.96. During the same period last year, 1 US dollar was around Rs.85.
- Domestically, the value of the rupee also depends on inflation — that is, how much goods and services can be purchased with a certain amount of money.

#### » Exports and Imports

- When Indian goods are exported more, the value of the rupee increases. For example : When garment manufacturers in Tiruppur export clothes abroad, they receive payment in dollars or euros.
- To pay workers and suppliers in India, they convert those foreign currencies into rupees. This increases demand for rupees and strengthens its value. On the other hand, heavy imports of : Crude oil, Gold, Electronic products cause the rupee to weaken.
- This happens because India cannot directly buy crude oil or gold using rupees. These purchases are usually made using dollars.
- Similarly, when Indians travel abroad and exchange rupees for foreign currencies, demand for rupees decreases. If imports exceed exports, currency value declines.
- Since India depends on foreign countries for nearly 80% of its energy requirements, large imports continue.

#### » Ways India Offsets

- This Indian IT companies such as : TCS, Infosys, Wipro, HCL earn billions of dollars by providing software services globally. These dollars are converted into rupees to pay salaries and operating expenses in India.
- As foreign companies purchase rupees using dollars, demand for rupees rises. This strengthens foreign exchange reserves.
- Similarly, Indian workers employed in Gulf countries send money back home. These remittances increase foreign currency inflows and help offset import expenses.

» Foreign Direct Investment and Portfolio Investment

- Foreign Direct Investment (FDI) - FDI involves long-term investments in : Factories, Businesses, Infrastructure. These investments are generally stable.
- Foreign Portfolio Investment (FPI) - Portfolio investment includes money invested in : Stock markets, Bonds. This type of investment is volatile and often driven by speculation.
- When foreign investors enter India : Stock markets rise, Dollar inflows increase. When they exit : Markets fall sharply, Rupee weakens, Challenges from Global Conditions.
- Rising tensions in West Asia and increasing crude oil prices are major concerns. For example : When \$1 = Rs.85, buying \$100 worth of crude oil cost Rs.8,500. Now, when \$1 = Rs.96, the same oil costs Rs.9,600. This creates additional pressure on India's economy.
- Also, when interest rates rise in the United States, investors often move money away from emerging economies like India.

» Reserve Bank's Intervention

- To prevent sharp depreciation, the Reserve Bank intervenes. Measures include : Selling Dollars
- When investors sell rupee assets and buy dollars : The Reserve Bank sells dollars from reserves, This increases demand for rupees, It slows depreciation, Increasing Repo Rate
- The Reserve Bank may increase repo rates. This : Offers better returns to investors in India, Encourages foreign investment inflows, Encouraging NRI Deposits
- Special schemes encourage overseas Indians to deposit : Dollars, Other foreign currencies into Indian banks. Long-Term Solution, Short-term measures may protect the rupee temporarily.
- However, long-term solutions require : Reducing crude oil dependence, Increasing exports, Expanding manufacturing, Strengthening domestic production, Increasing renewable energy use. Reducing import dependence is essential for maintaining rupee stability.

**BRICS DISASTER RISK REDUCTION  
MEETING IN PURI, ODISHA**

- The state of Odisha was selected to host this meeting because of its globally recognized achievements in : Disaster preparedness, Cyclone management, Early warning systems
- The event in Puri includes representatives from : Brazil, Russia, India, China, South Africa, Saudi Arabia, Egypt, United Arab Emirates, Ethiopia, Iran, Indonesia.
- India chaired this initiative to improve common disaster-management strategies among member nations.
- This is the second in-person meeting involving representatives from member countries.
- Participants include : Policymakers, Disaster management experts, Representatives from BRICS and partner nations.
- Key discussion topics include : Disaster risk reduction financing, Post-disaster recovery infrastructure, Anticipatory action systems, Integrating traditional knowledge into disaster resilience strategies.
- The meeting aims to strengthen international cooperation in disaster management and resilience building.