

# Rupee Depreciation and Impact on the Economy

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## Abstract

The Indian rupee, which was at par with the American currency at the time of independence in 1947, hit a record low of 66.64 against the dollar today. This means the Indian currency has depreciated by almost 62 times against the greenback in the past 66 years. The currency has witnessed a large volatility in the past two years. This volatility became acute in the past three months affecting major macro-economic data, including growth, inflation, trade and investment. Managing volatility in the currency markets has become a big challenge for the economic policy makers in the country. The central bank as well as the government has taken a series of measures to curb the volatility in the markets. Far from reassuring investors, however, a measure has created the impression that the Indian authorities are flailing around for stopgap solutions rather than devising any long-term strategies for economic recovery. But the rupee's decline affects everyone in the economy because it feeds directly and indirectly into general inflation, which is a continuing problem even as output growth decelerates, and therefore hits common people hard.