

Effect of Rupee Depreciation on Common Man

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Abstract- This paper presents the effect of rupee depreciation on common man. The main focus of the research was on change in pattern of spending and savings of people who are getting affected by rupee depreciation. Currency depreciation is severely affecting the economy of our country and eventually its residents are getting affected due to drastic change in their monthly budget. For stock market investors, things have turned worse. The fall in the value of Indian currency has several consequences which could have mixed effects on Indian economy and its residents. The study showed that after currency depreciation people are grappling with inflated prices of the commodities which they use in their day to day life and the change in their spending and savings trends, a falling rupee will pinch students who are planning to go abroad or are presently studying outside India. This paper studies the real implications of the depreciation of the rupee on the Indian Nationals and the steps taken by government to stem its fall.

Index Terms- Effect of Rupee Depreciation, Steps to stem fall of rupee, Causes of rupee depreciation.

I. INTRODUCTION

A decrease in the value of a currency with respect to other currencies. This means that the depreciated currency is worth fewer units of some other currency. While depreciation means a reduction in value, it can be advantageous as it makes exports in the depreciated currency less expensive. To put it differently, if one US dollar can buy 45 INRs today, and can buy 60 INRs tomorrow; INR would have depreciated by 33 per cent. The opposite logic holds true for a currency appreciation. But what exactly determines the value of a currency? It is the demand and supply. If more people demand say, US dollar, the value of it goes up relative to the INR, and vice-versa.

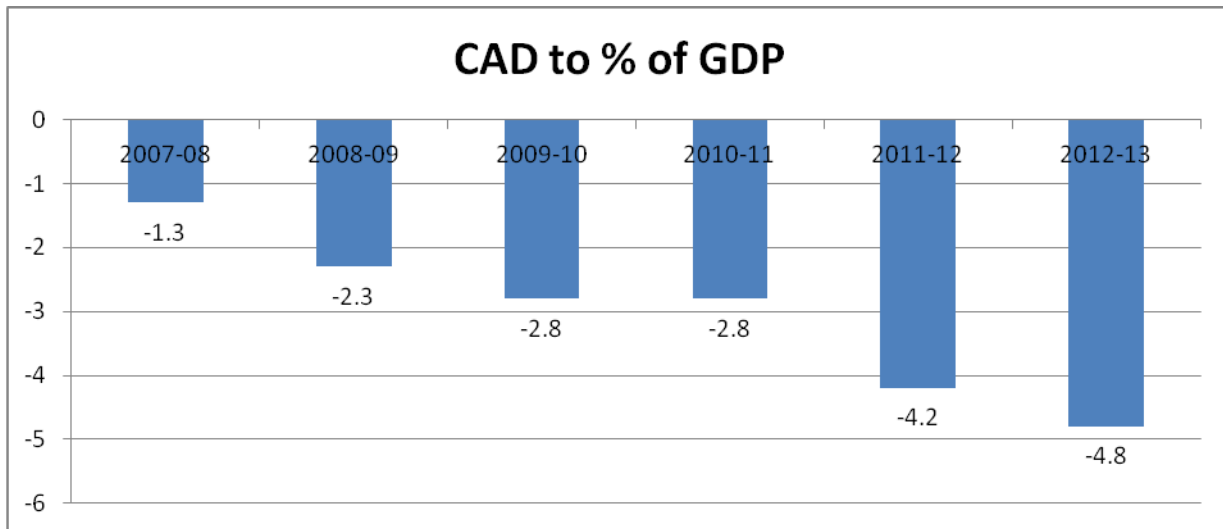
As the S&P BSE Sensex is plunging every other day coupled with the free fall of rupee, there is little any one can do. If the depreciation in rupee continues, it will further increase inflation, because of this extreme fear people across all age groups have started saving more which is good news for banks as banks are grappling with the tight liquidity. The volatility in the stock market, the continuing decline of the rupee, and rising yields in government bonds reveal investors' lack of faith that the Indian government is in control of the situation due to which investment cycle is in its bottom stage which is putting pressure on Indian currency.

II. CAUSES OF RUPEE FALL

High Current Account Deficit:

CAD occurs when a country's total imports of goods, services and transfers is greater than the country's total export of goods, services and transfers. This situation makes a country a net debtor to the rest of the world. The High current account deficit is putting a lot of pressure on rupee. The CAD reached to 4.8% of GDP which has breached the comfort level of 2.5% of GDP as mentioned by RBI in 2012-13. The Primary reason for ballooning CAD is high imports as compared with Exports.

India is Importing crude oil as our country can only produce 20% of the demand, rest 80% is being imported from different oil Producing countries first being Saudi Arabia followed by Iraq. The steadily worsening balance of payments (BoP) outlook has been a central point of concern to not only RBI, but to the finance ministry as well. According to the minister of commerce Mr. Anand Sharma Total import of crude oil is \$150 Billion and the import of Gold is \$60 billion. The total current account deficit is \$150 in 2012-13. The facts show that fertilizer imports surged by 30% in the last two years and coal imports have doubled. Therefore, the problem of CAD continues to persist.



Source: www.rbi.org.in

With the reduction in exports and an increase in imports, on one hand the current account deficit has swelled while on the other, the fiscal deficit is also expected to be above the comfort levels due to increased subsidy by government. A slowdown in the global economy has drastically reduced the demand for Indian goods and services.

The fall in commodity prices on the other hand have increased imports which resulted in an imbalance between payments and receipts. S R Rao, India's trade secretary said that India is unlikely to achieve the export target of \$ 350bn which could result in higher current account deficit due to which there will be fall in rupee value.

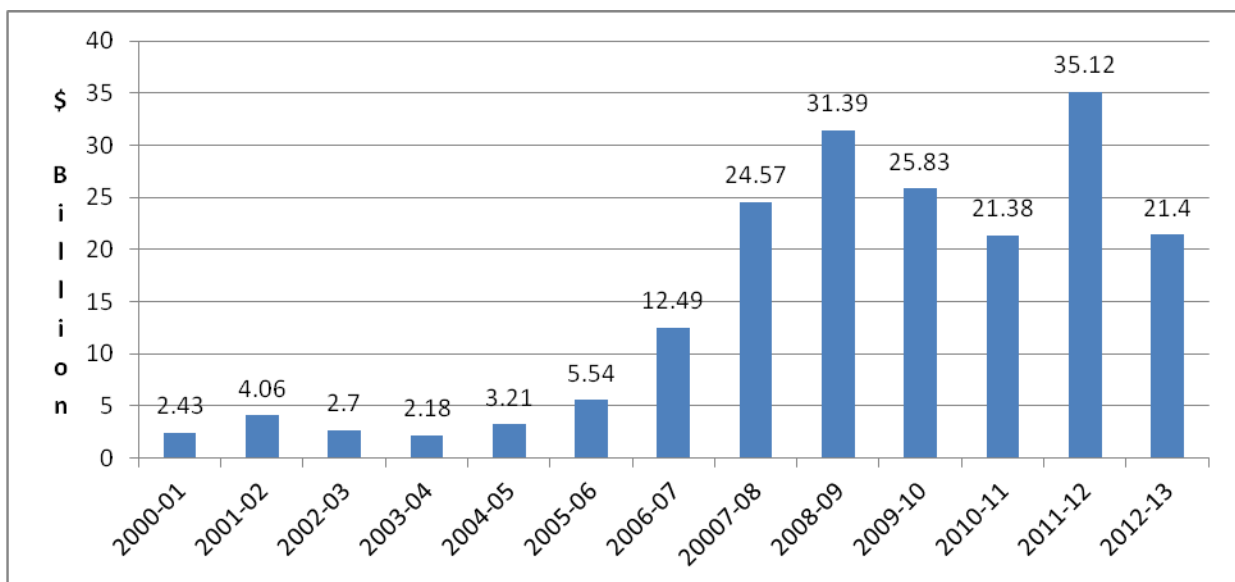
A large fiscal deficit forces central bank (RBI) to print more money and encourage inflation. This further hurts the rupee value.

Less FDI coming to India:

The United Nations Conference on Trade and Development (UNCTAD) June 2013 pointed out that the foreign direct investment in India gone down by 29% to \$26 billion in 2012. When dollars come into India through the foreign direct investment (FDI) route they need to be exchanged for INR. Hence, dollars are being sold and rupees are bought. This pushes up the demand for INR, when we increase the supply of dollars, it helps rupee gain value against the dollar or at least hold stable.

In 2012, the FDI coming into India has fallen dramatically. The situation is likely to continue in the near short term.

The corruption scandals revealed in the 2G and the coal-gate scam hasn't improved India's image abroad. In fact in the 2G scam telecom licenses have been cancelled and the message that was sent to the foreign investors was that India as a country can go back on policy decisions. This is something that no big investor who is willing to put a lot of money at stake, likes to hear.



Source: www.dipp.nic.in

Opening up multi-brand retail sector was government's other big plan for getting FDI into the country. In September 2012, the government had allowed foreign investors to invest upto 51% in multi-brand retail sector. But between then and now not even a single global retail company has filed an application with the Foreign Investment Promotion Board (FIPB), which scrutinizes FDI proposals.

This scenario doesn't look like it is changing as still foreign investors struggle to make sense of the regulations as they stand today. Dollars that come in through the FDI route come in for the long run as they are used to set up new industries and factories or to have joint venture in existing companies. This money cannot be withdrawn overnight like the money invested in the stock market and the bond market by FIIs.

Unreasonably High Imports:

Love for gold by Indians has been prime reason behind significant demand for the dollar. Gold is bought and sold internationally in dollars. India extracts very little gold on its own and hence has to import almost all the gold that is required in the country. When gold is imported into the country, the payment has to be done in dollars, thus pushing up the demand for dollars. As many have argued in the past that there is some logic for the love that Indians have had for gold. A major reason behind Indians buy gold is high inflation. Consumer price inflation is still very high. Also, with the marriage season around the corner for the next few months, the demand for gold is likely to go increase. India imported record 162 Tonnes of Gold in May'13, what can also add to the demand is the recent fall in price of gold, which will get those buyers who preferred to stay

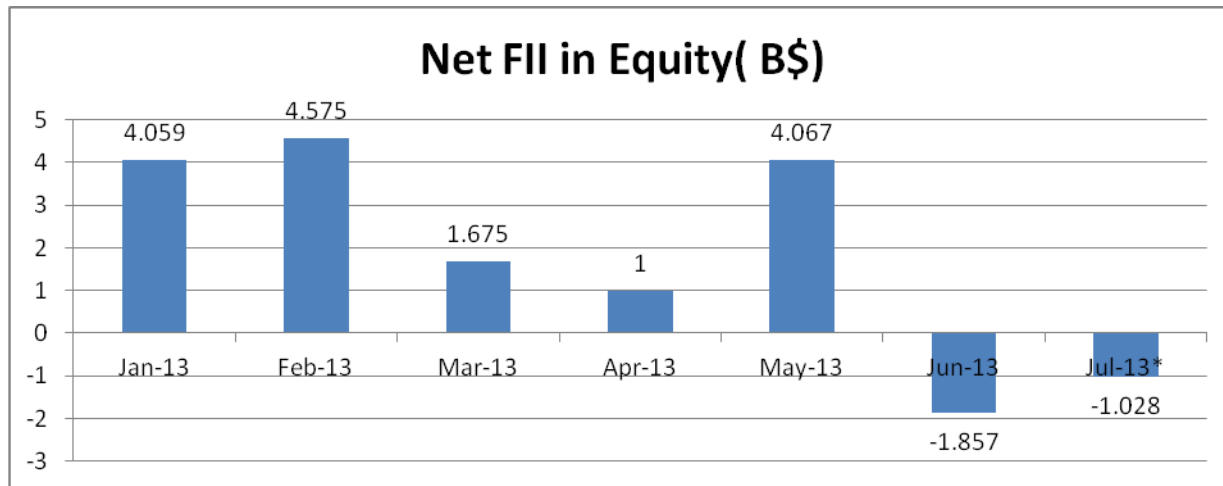
away from gold because of the rising price, back to the market. All this means a higher demand for dollars. Gold is the 2nd largest commodity after crude being imported by the Govt. Also India has been importing a huge amount of coal lately to run its thermal power plants. India's coal imports drastically grew by 43% to 16.77 MT in May'13, as compared to the same period in 2012. Importing coal again shows increased demand for dollars.

The irony is that India got huge coal reserves which are still not being extracted. The common logic here is to blame Coal India Ltd, which more or less has had a monopoly to produce coal in country. The government has tried to bring private sector investment in the coal sector but that has been done in a haphazard manner which resulted in the Coalgate scam. This has delayed the process of bigger role that the private sector could have played in the mining of coal and thus led to lower coal imports. The situation cannot be improved overnight.

The major reason for this is that the expertise to get a coal mine up and running in India has been limited to Coal India till now. To develop the similar expertise in the private sector will take time and till then India should continue to import coal, which will need dollars.

Rupee Sinks due to huge FII outflows:

FIIs had resulted sellers in June due to the sharp decline seen in the rupee. With US economy showing signs of improvement, the dollar strengthened, causing currencies across the emerging markets to decline in June-July. The rupee fell by a little more than 10% since June 11.

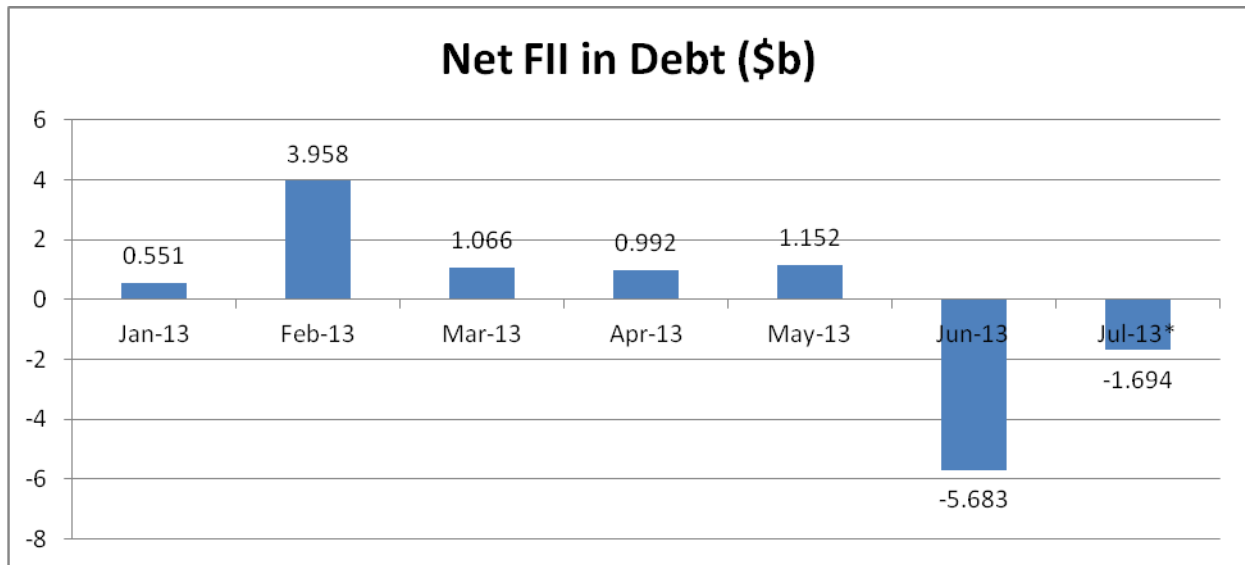


* Till 21-07-2013

Source: <http://www.indiaonline.com/MarketStatistics/FII-Activity>

Improving employment data and lower inflation in the USA were conceived as indicators of a recovering economy, leading investors believed that the Quantitative Easing-3 (stimulus) would be phased out sooner than expected; causing funds to flow

away from emerging markets like India, back into developed markets. Emerging economies had been the biggest beneficiary of the QE3 bond-buying programme, worth \$85 billion per month.



* Till 21-07-2013

Source: <http://www.indiaonline.com/MarketStatistics/FII-Activity>

Time to Repay ECB:

While the supply of dollars will remain a problem, the need for them will continue to remain high. A major demand for dollars will come from firms which have raised loans in dollars over the last few years and now have to repay them. In Beginning 2004, the RBI has approved nearly \$220 billion worth of external commercial borrowings and foreign currency convertible bonds (FCCB), at the rate of a slightly over \$2 billion a month. About two-thirds of this amount was approved in the past 5 years. Much of this ECB will have to be repaid this financial year, putting further pressure on the Indian currency.

A lot of companies have raised foreign loans over the last few years simply because the interest rates in India are very high

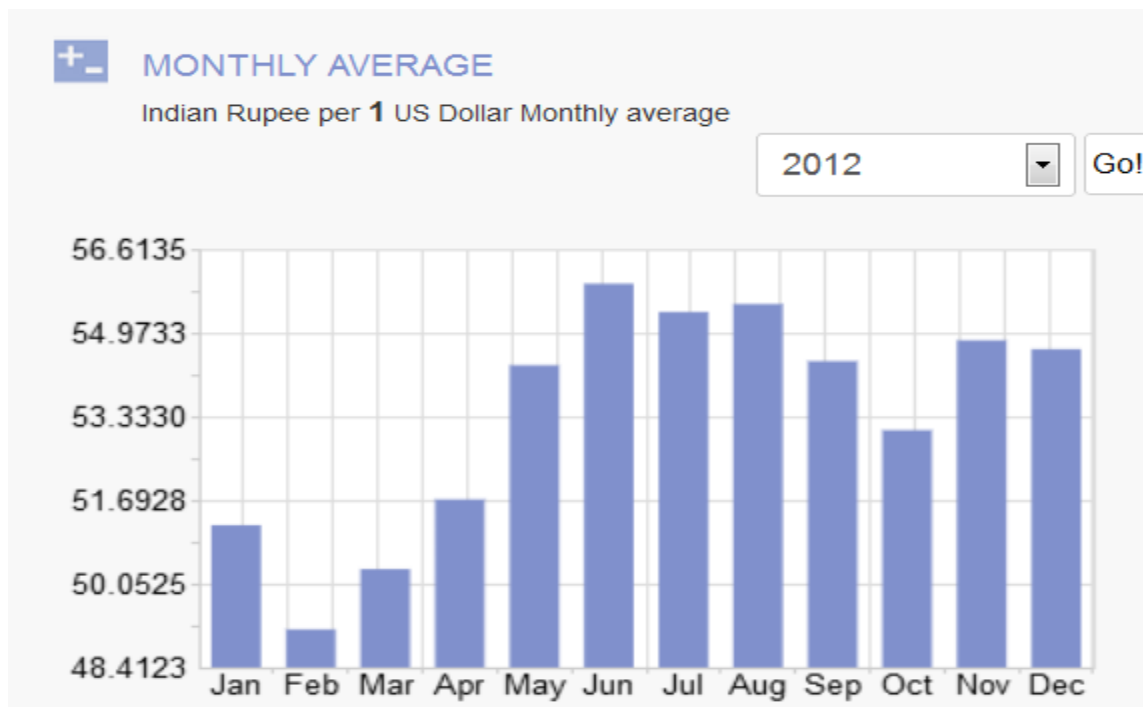
as compared to outside world. These firms will need dollars to repay their foreign loans as they are nearing maturity. The other thing that may happen is that firms which have cash, might look to repay their foreign loans earlier rather than later. This is simply because as the dollar is appreciating against rupee, it takes a greater amount of Indian currency to buy dollars. So if companies have idle cash lying around, it makes greater sense for them to pre-pay dollar loans. The trouble is that if a lot of companies decide to prepay loans then it will add to the rise in demand for the dollar and thus put further pressure on the INR.

Historical Value of Exchange Rate

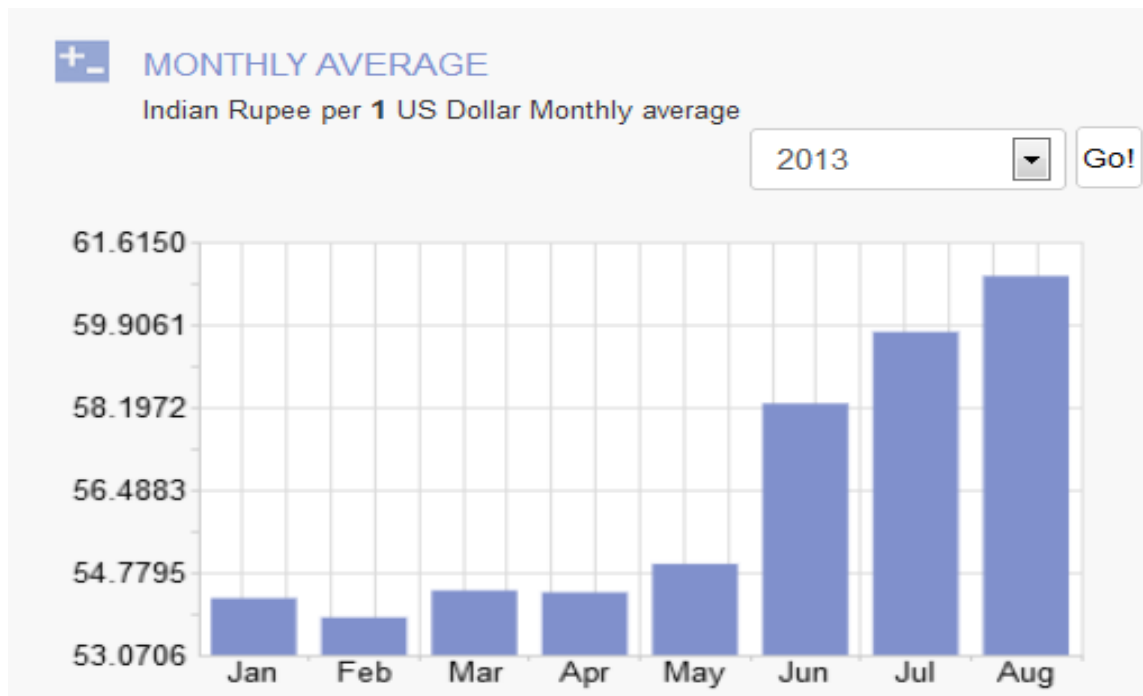
Historical Indian Rupee Rate (INR USD)							
Year	INR/USD	Year	INR/USD	Year	INR/USD	Year	INR/USD
1973	7.66	1984	11.36	1995	32.43	2006	45.17
1974	8.03	1985	12.34	1996	35.52	2007	41.20
1975	8.41	1986	12.60	1997	36.36	2008	43.41
1976	8.97	1987	12.95	1998	41.33	2009	48.32
1977	8.77	1988	13.91	1999	43.12	2010	45.65
1978	8.20	1989	16.21	2000	45.00	2011	46.61
1979	8.16	1990	17.50	2001	47.23	2012	53.34
1980	7.89	1991	22.72	2002	48.62		
1981	8.68	1992	28.14	2003	46.60		
1982	9.48	1993	31.26	2004	45.28		
1983	10.11	1994	31.39	2005	44.01		

Average annual currency exchange rate for the Indian Rupee (Rupees per U.S. Dollar) is shown in this table: 1973 to present.

Source: <http://rzdiv.blogspot.in/>



Source: <http://www.x-rates.com/average/?from=USD&to=INR&amount=1&year=2012>



Source: <http://www.x-rates.com/average/?from=USD&to=INR&amount=1&year=2012>

Indian currency i.e. rupee has been in news because of recent fall against the dollar. Rupee has fallen more than 15% in just 3 months' time against dollar. India rupee has been depreciating against dollar for long time now. Post liberalization, the fall in the rupee against dollar has been rather steep. It is important to note that rupee has started falling against dollar more frequently after partial convertibility of rupee was introduced. The partial convertibility gave it more elbow room to automatically adjust against the dollar.

III. RESEARCH OBJECTIVES

The research paper emphasizes on the effect of currency depreciation on common man and the main objectives is to find the change in pattern of spending and savings due to depreciation in the value of Rupee in spite of the steps taken by government and RBI to curb the fall of Indian rupee.

IV. RESEARCH METHODOLOGY

The present study is exploratory as well as descriptive in context of currency depreciation. The primary data for the study was collected from different background of people like students, working employees, housewives. These people were approached with a structured questionnaire and they requested to participate in the study. The secondary data was collected from reliable database of Reserve bank of India, SEBI and besides this data was also extracted from websites of different leading newspapers and magazines.

As the population covered was large, sample size of 126 individuals belonging to different fields, classes, age groups were taken. Though respondents name and contact details are recorded for research verification purpose, but each of them was assured of his/her anonymity.

V. STEPS TAKEN TO CURB THE RUPEE FALL

India's regulators toughen rules for derivatives trading in currency markets.

Regulators toughened rules for derivatives trading in the currency market in a order to check the steep decline of the Indian rupee, which fell to a record low against the dollar on 8th July.

The RBI, in a notification issued late on 8th July, restricted banks from proprietary trading in domestic currency futures and the exchange-traded options market.

In a separate order, SEBI doubled the margin requirement on the domestic dollar-rupee forward trade, which means investors will now have to pay two times as much in margins for a transaction at the time of the trade itself. SEBI said in a circular that it has reduced the exposure that brokers and their clients can take on currency derivatives and also doubled their margins on dollar-rupee contracts. The exposure to all currency contracts for a broker has been capped at 15% of their overall exposure or \$50 million, whichever is lower.

SEBI said that the new norms will come into force from July 11 and the changes have been decided in consultation with RBI because of recent turbulent phase of extreme volatility in USD-INR exchange rate. The current exposure limits for brokers and clients were the higher amounts of 15% of their overall exposure or \$50 million, and 6% or \$10 million, respectively.

The margin requirements vary across different categories and they are being revised upwards by 100% of the present rates for rupee-dollar derivative contracts.

RBI directs OMCs to buy dollars from single PSB.

With the rupee depreciating sharply against the US dollar, the RBI on 9th July 2013 ordered state-owned oil companies (OMCs) to purchase their dollar requirements from single public sector bank to curb volatility in the currency. State oil-refiners, who are biggest dollar guzzlers, agreed to implement the RBI order with immediate effect. The OMCs were even willing to accept RBI selling dollars directly to them through a single window.



The RBI issued orders to Indian Oil (IOC), Hindustan Petroleum (HPCL), Bharat Petroleum (BPCL) and Mangalore Refinery (MRPL) to stop seeking quotes from several banks for their USD 8-8.5 billion of monthly US dollar need. Oil firms seeking multiple quotes for their dollar requirement was felt to be one of the prime reasons adding to speculation on demand for the USD and volatility in the local unit.

IOC, the nation's largest refiner, will buy their monthly requirement of USD 3.8-4 billion dollars from its official banker State Bank of India. Similarly, BPCL, HPCL and MRPL will buy their dollar requirement from a single particular bank. The decision follows Monday's meeting between RBI and OMCs to discuss measures to control volatility and high fluctuations in the Forex rate.

RBI eases overseas borrowing norms for firms.

The Reserve Bank of India on Monday, 8 July 2013, eased norms for non-bank asset finance companies to raise debt from beyond the borders by allowing the lenders to raise such funds through the automatic route as against the approval route earlier, in a step aimed at improving dollar supply amid a weakening rupee.

NBFCs can borrow from outside India up to \$200 million in a financial year to finance import of infrastructure equipment, the RBI said. The RBI also allowed them to raise such debt from all recognised lenders with a minimum average maturity period of 5 years.

The rupee ended at 60.61/62 to the dollar, after suspected dollar sales by the central bank through state-run banks pulled the unit off from its lifetime low of 61.21 on 8th July.

The Reserve Bank of India (RBI) extended the time limit for telecom companies to refinance rupee loans through the external commercial borrowing (ECB) route till 31st March, 2014 for 3G spectrum won in telecom auction in 2010. Earlier, the RBI had said overseas loans should be raised within 12 months from the date of payment of final instalment to the government. The Reserve Bank of India has made it easier for property developers to access foreign money in an effort to improve the pace of low-cost housing projects, such as slum rehabilitation. The RBI has extended the limit of \$1 billion that can be borrowed through the external commercial borrowing (ECB) scheme to the FY15 from this year.

The RBI also reduced the minimum experience required by companies to have to undertake these projects from 5 years to 3 years.

VI. RBI TIGHTENS LIQUIDITY

The Reserve Bank of India (RBI) announced measures late on 15th July 2013 to curb the rupee's decline by tightening liquidity and making it costlier for banks to borrow funds from the RBI.

The RBI raised the marginal standing facility (MSF) rate and Bank Rate each by 200 basis points to 10.25%, capped the amount up to which banks can borrow or lend under its daily liquidity window and announced a sale of government securities through an open market operation. This could lead to some increased dollar inflows as overall interest rates in the economy will increase.

The RBI said total funds available under its repo window will be capped at 1% of banks' deposits – roughly 750 billion rupees – from Wednesday. It announced a 120 billion rupee sale of government bonds for Thursday.

The MSF is the rate at which banks can borrow from the RBI at an elevated rate against government securities during times of tight cash. The bank rate is linked to the MSF.

RBI has reduced the liquidity adjustment facility.

Liquidity adjustment facilities are used to aid banks in resolving any short-term cash shortages during periods of economic instability or from any other form of stress caused by forces beyond anybody's control.

On 23rd July 2013 RBI has reduced the liquidity adjustment facility (LAF) for each bank from 1 per cent of the total deposits to 0.5 per cent, thus limiting the access to borrowed funds from the RBI. The limit will come into force with immediate effect and continue till further notice.

In another measure to suck out liquidity from the system, RBI has asked banks to maintain higher average CRR (cash reserve ratio) of 99 per cent of the requirement on daily basis as against earlier 70 per cent. CRR is portion of deposits that banks are required to keep with RBI.

According to senior bankers, the measures could suck out Rs 4,000-Rs 5,000 crore from the system. The additional measures to check exchange rate volatility comes within 10 days of RBI taking harsh steps to suck out liquidity from the system.

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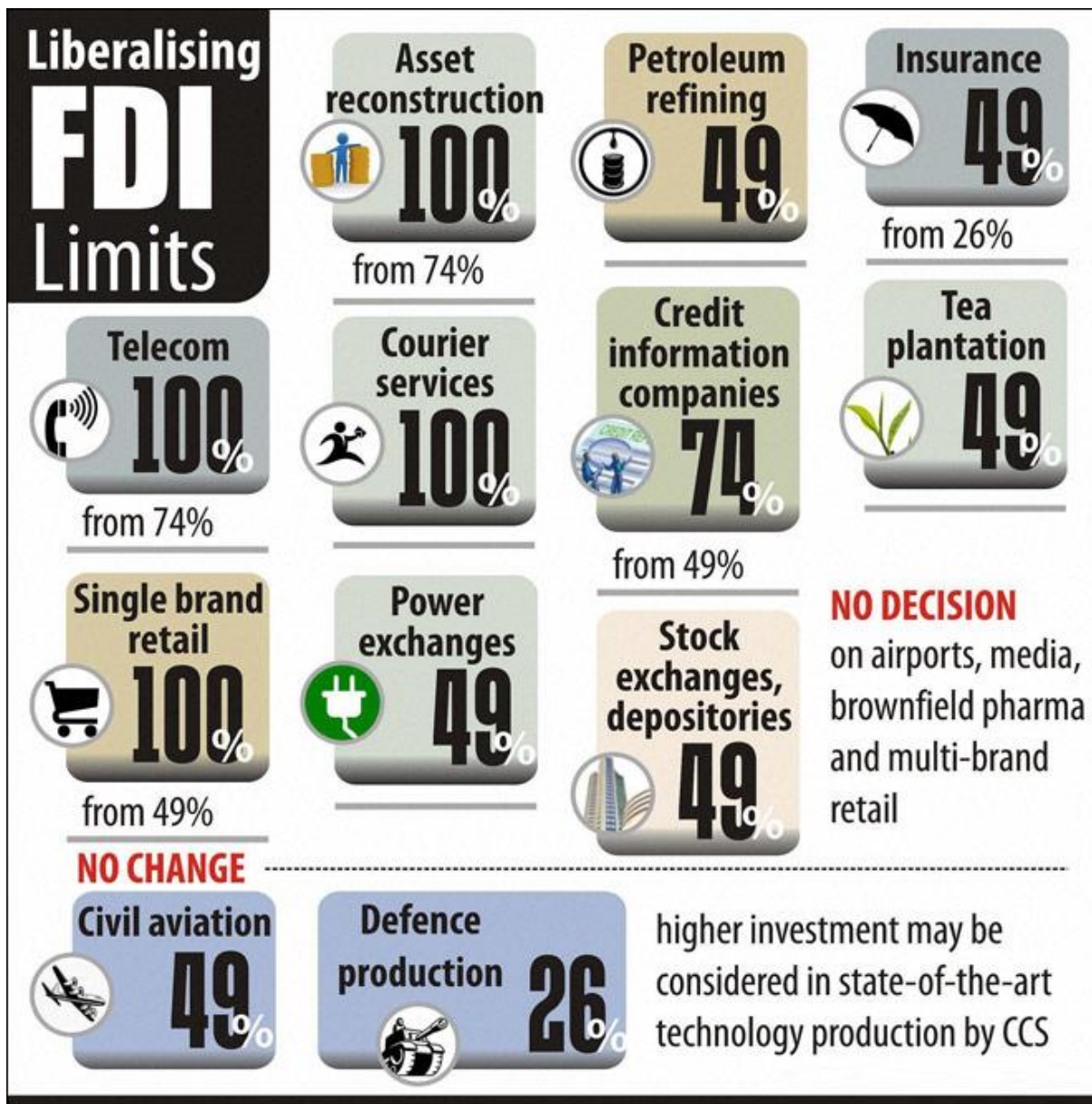
RBI said the July 16 instructions regarding the limit on overall allocation of funds at Rs 75,000 crore under LAF stands withdrawn. The changes in LAF will come into effect from 24th July 2013. The new norms on CRR will be effective from the first day of the next reporting fortnight, from July 27, 2013.

VII. RELAXING OF FDI

UPA government has set off another round of economic reforms with big bang reforms in foreign direct investment caps. Stepping into a political minefield, the government has changed FDI limits in as many as 12 sectors. The Government on 16th July 2013 liberalised FDI limits in twelve sectors, including telecom and defence.

Paving way for fresh investments in telecom companies, the government cleared 100 per cent FDI in telecom sector. To boost the sagging economy, the government also raised FDI in defence sector from 26 per cent to 100 per cent. But the hike comes with some conditions. 100% will only be allowed with state-of-the art technology transfer

FDI in 4 other sectors - gas refineries, commodity exchanges, power trading and stock exchanges have been allowed via the automatic route.



Source: <http://indiatoday.intoday.in/story/government-foreign-direct-investment-defence-telecom/1/291640.html>

In the contentious insurance sector, it was decided to raise the sectoral FDI cap from 26% to 49% under automatic route under which companies investing do not require prior government approval. A Bill to raise FDI cap in the sector is pending in the Rajya Sabha.

It was decided to allow 49% FDI in single brand retail under the automatic route and above that through the Foreign Investment Promotion Board (FIPB). In case of PSU oil refineries, commodity bourses, power exchanges, stock exchanges and clearing corporations, FDI will be allowed up to 49% under automatic route as against current routing of the investment through FIPB.

The decisions taken on 16th July 2013 were based on recommendations of Mayaram Committee which had suggested changes in investment caps in about 20 sectors, but the meeting approved only in 12.

In basic and cellular services, FDI was raised to 100 per cent from current 74 per cent. Of this, up to 49 per cent will be allowed under automatic route and the remaining through FIPB approval.

A similar dispensation would be allowed for asset reconstruction companies and tea plantations. FDI of up to 100 per cent was allowed in courier services under automatic route. Earlier, similar amount of investment was allowed through FIPB route. In credit information firms 74 per cent FDI under automatic route would be allowed.

RBI extends restriction on co-operative banks for loan against gold coins.

The Reserve Bank of India has extended the restriction on advance against gold on co-operative banks as well, a move to curb the demand for gold on 7th June 2013.

In a notification, the RBI said while granting advance against the security of specially minted gold coins sold by banks, state/central co-operative banks should ensure that the weight of the coin/coins does not exceed 50 grams/customer.

Also the amount of loan to any customer against gold ornaments, gold jewellery and gold coins (weighing up to 50 grams) should be within the Board approved limit. Earlier, similar restrictions were imposed on commercial banks.

The RBI's latest move comes after government raising import duty on gold to 8% from 6%.

The central bank has also advised banks not to sell gold coins, finance minister P Chidambaram said on 6th June 2013. RBI has also imposed restrictions on gold imports by banks.

Surge in gold imports has become a cause of concern for both the government as well as the RBI as it is putting pressure on the current account deficit, which is around 4.8% of the GDP in 2012-13.

In the first two months of the current fiscal there has been significant spurt in gold imports as the average foreign buy of the precious metal stood at 152 tonnes in April and May. The monthly average import in 2012-13 was 70 tonnes.

The increase in gold import is because of slowdown in its prices in the international market.

RBI moves to limited capital controls to save rupee

With the rupee drifting down to a lifetime low of 61.44 to the dollar on 14th Aug 2013, despite measures to tighten liquidity and push up interest rates, the Reserve Bank of India (RBI) on Wednesday changed track, choosing to defend the currency by moving towards capital controls. The central bank put restrictions on the amount of foreign exchange Indian companies and individuals can invest, remit or spend overseas in an attempt to curb dollar outflows from the country. Indian companies can now send out only 100% of their net worth as overseas direct investment (ODI), way below the current cap of 400%, under the automatic route. The restrictions however not imposed on the Navratna public sector entities ONGC and Oil India, the RBI said in a release.

The RBI also capped remittances abroad by resident individuals to \$75,000, down sharply from \$200,000 allowed earlier under the liberalised remittance scheme. Further, Indian residents cannot invest in real estate abroad. Individual remittances abroad totalled about \$3 billion during 2012-13.

To encourage banks to collect more dollars through non-resident rupee deposits and foreign currency non-resident deposits, the RBI exempted banks from maintaining the cash reserve ratio and the statutory liquidity ratio on incremental NRI deposits with a tenure of three years or more.

With the rupee has depreciated by 13% since April 2013 and having fallen despite measures initiated by the central bank since mid-July, economists believe that the RBI is readying long-term initiatives. "The policy is not aimed at tackling any immediate situation, but should be construed as a safeguard against a more difficult situation," observed Samiran Chakraborty, MD and head of research, Standard Chartered Bank.

ODI by Indian corporates was \$300 million in April-May FY14. In FY13, Indian firms invested \$7.1 billion overseas, according to the RBI's August monthly bulletin. The central bank

did soften the blow, saying genuine investment plans, beyond the limits imposed, could be considered under the approval route.

Import Duty on Gold increased to 10%

India, the world's biggest consumer of gold, raised import duties for the third time in 2013 to curtail the current account deficit and stem volatility in the rupee.

The government has increased the customs duty to 10% from 8% on the yellow metal, a move that helped the rupee edge up against the dollar but will make the commodity costlier by about Rs 600/10 gram.

Customs duty on platinum has been raised to 10% from 8%, and on silver to 10% from 6%. The government also raised the excise duty on gold and silver bars.

"The basic purpose of enhancing the duty was to curb the import of gold," Revenue Secretary Sumit Bose told reporters. The higher taxes on precious metals would fetch the exchequer an additional Rs 4,830 crore.

The increase in import duties on precious metals is part of a series of steps announced by Finance Minister P Chidambaram on Monday to restrict the current account deficit to 3.7% of GDP in FY14 and ensure its full and safe financing.

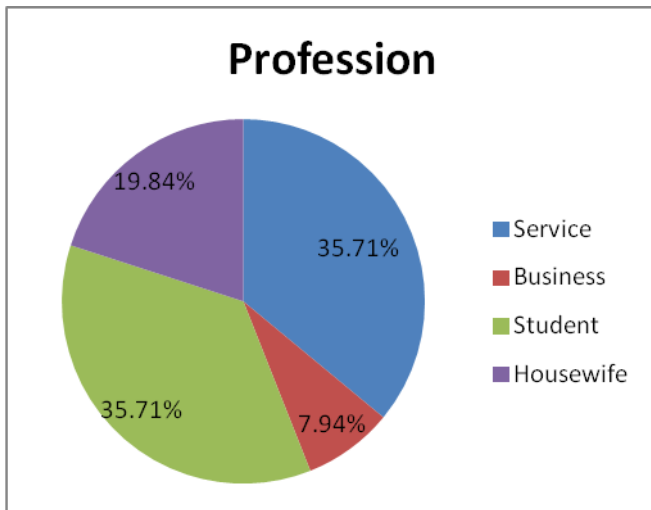


Source: Economic Times

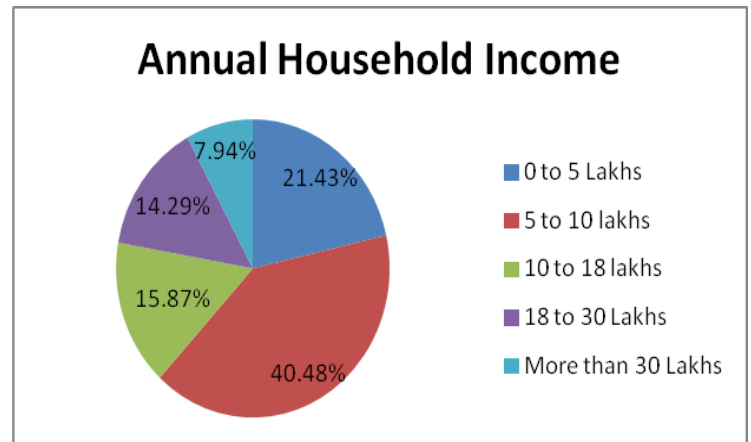
Chidambaram on 12th Aug 2013 said the government's plan is to restrict gold imports to 850 tonnes in the current financial year, compared with 950 tonnes in 2012-13. Gold imports stood at about 335 tonnes in the April-June quarter.

"This is as much a red line as the fiscal deficit. We will do all to ensure that it is not breached. The current account deficit will be contained and fully and safely financed," he had said, unveiling his plan to contain CAD.

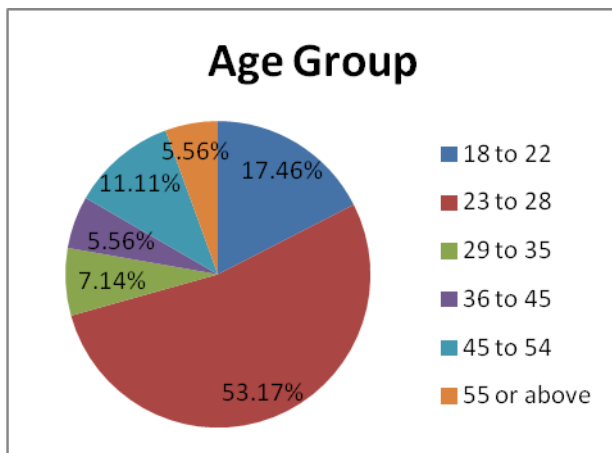
VIII. DATA FINDINGS AND ANALYSES



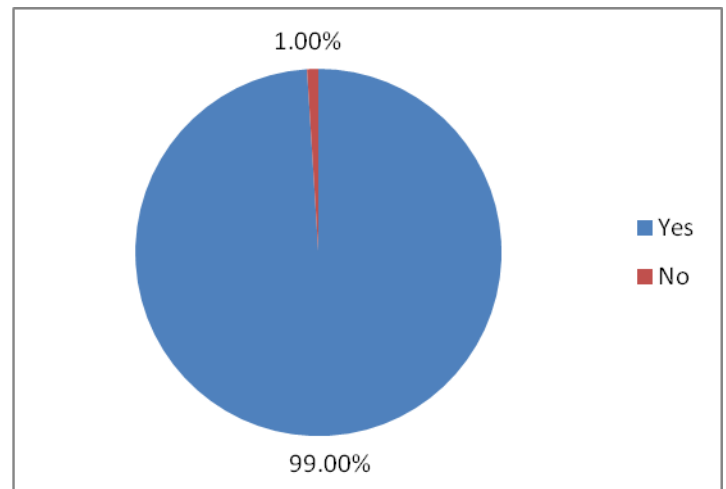
Respondents consist of around 35% of students with similar percentage of service class individuals, 19.84% consists of housewives and 7.94% consists of businessmen.



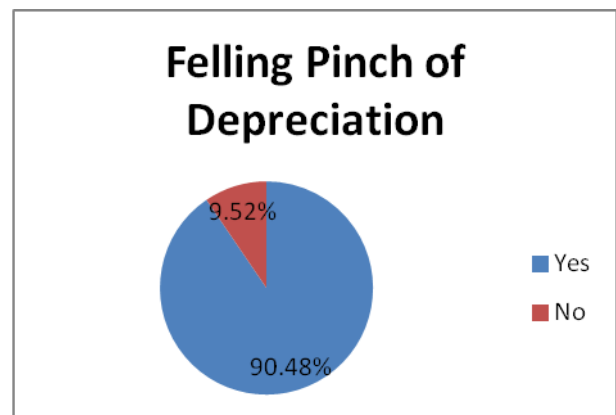
40.48% of people have annual household income of around 5 to 10 lakhs, 21.43% of people have 0 to 5 lakhs of annual household income, 14.29% has annual household income of 18 to 30 lakhs, and 15.87% of respondents have annual income of 10 to 18 lakhs while 7.94% of people have annual household income of more than 30 lakhs.



Respondents consists of maximum of people who lies between 23 to 28 years of age, 17.46% lies in between 18 to 22 years of age, 11.11% of people lies between 45 to 54 years of age, 7.14% of respondents were in between 29 to 35 years of age, 5.56% of people lies in between 36 to 45 years of age with similar percentage of people lies in the age group of 55 and above.

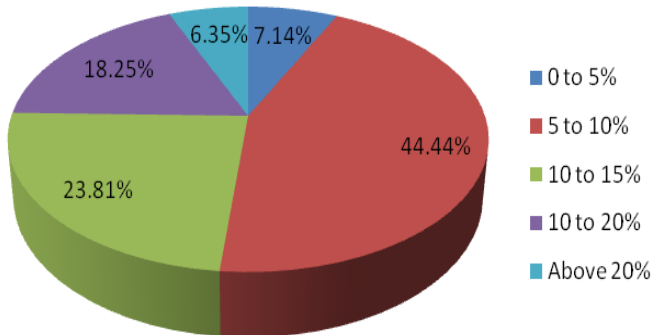


99% of respondents are aware of rupee depreciation.



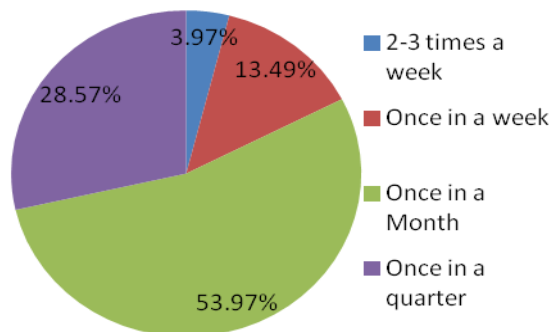
Whereas 90.48% of respondents have started feeling pinch of rupee depreciation.

Increase in Monthly Expense

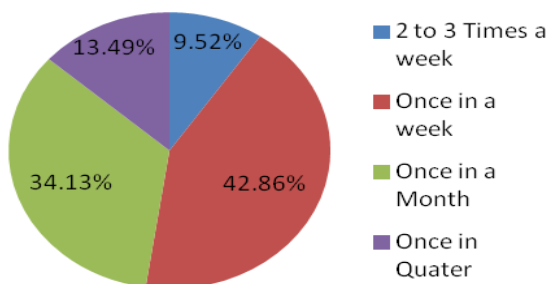


44.44% of respondents have said that their monthly expenditure has been increased by 5 to 10% , 23.81% people have said that there is an increase of around 10 to 15% in their monthly expense. 18.25% of respondents have said that monthly expense has been increased by 15 to 20%, while 6.35% of respondents said that their monthly expense has been increased by more than 20%.

Go for shopping after Depreciation

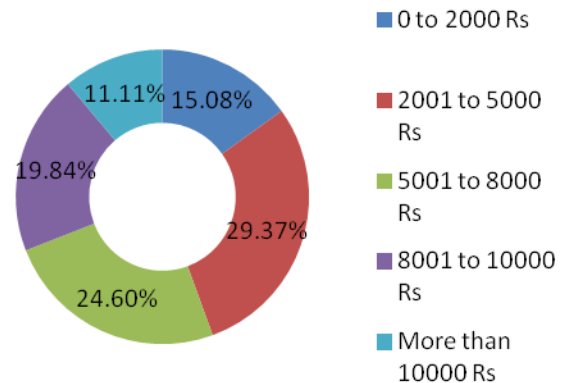


Go for Shopping Before Depreciation

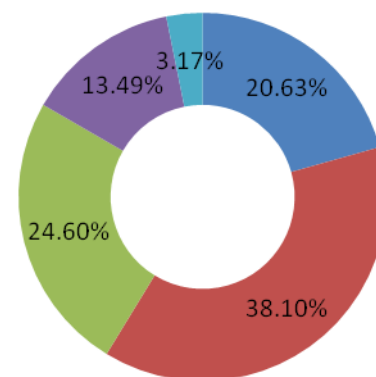


There were 9.52% of respondents which use to go for shopping 2-3 times in a week which has been reduced to 3.97% post rupee depreciation. There were 42.86% of respondents which use to go for shopping before depreciation which has been decreased to 13.49%. While there is an increase in respondents who go for shopping once in a month from 34.13% to 53.97%.

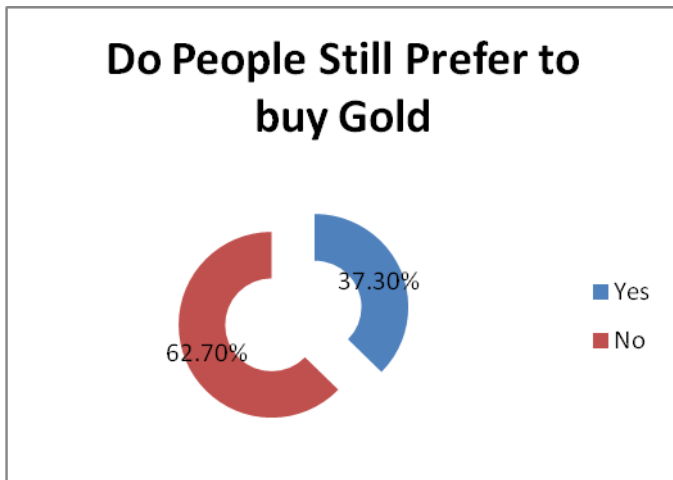
Amount Spent Prior to Rupee Depreciation



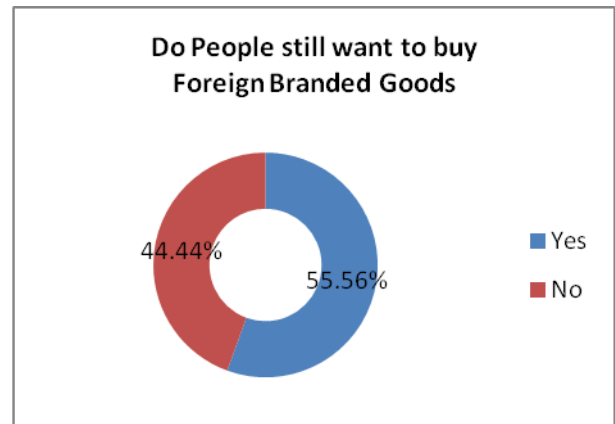
Amount Spent After rupee Depreciation



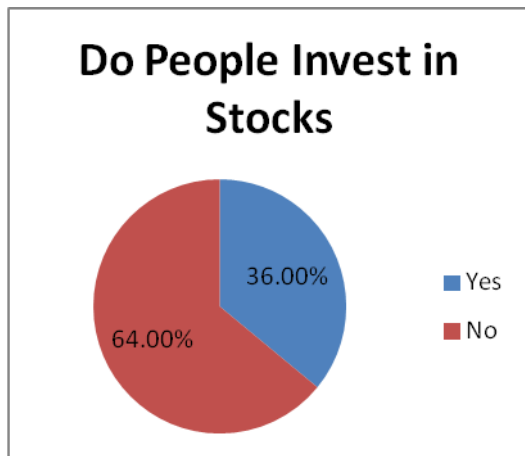
The amount spent on shopping of around 0 to 2000Rs was done by 15.08% of respondents which has been reduced to 3.17%. the amount spent of 2001 to 5000Rs were done by 29.37% which has been increased to 38.10%, respondents remained constant in number who spend 5001 to 8000Rs before and after rupee depreciation, while there is a decrease in relative percentage from 19.84% to 13.49% of those people who used to spent 8000 to 10000Rs .



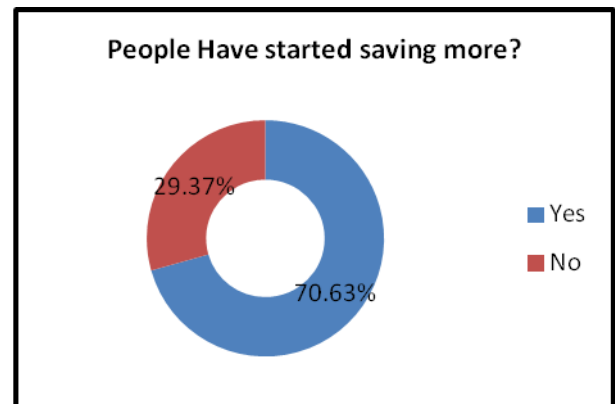
There are 37.30% of respondents who still want to buy gold even after rise in price and government restrictions.



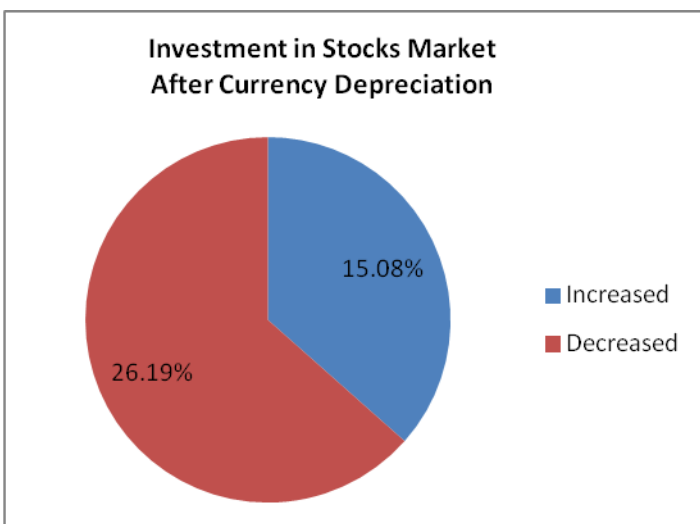
There are 55.56% of respondents who still want to buy foreign branded goods even after their prices have been increased.



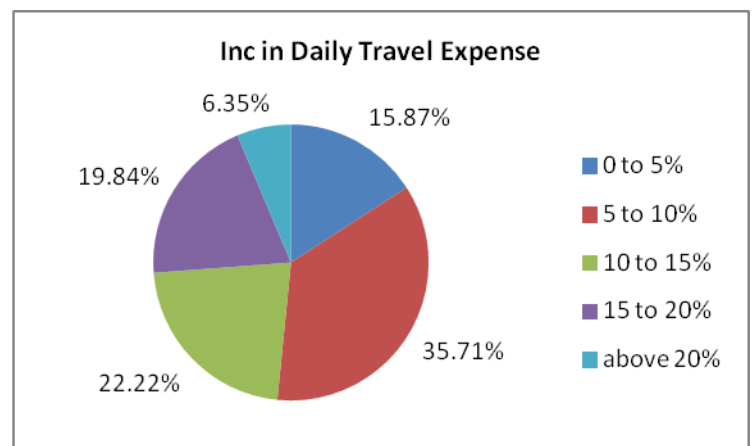
There were 36% of respondents who invest in stock market.



There are 70.63% of people who have started to save more after rupee depreciation.



Out of the people who invest in stock market there are 26.19% of people whose exposure towards stock market has been decreased while 15.08% people said that it has been increased.



IX. ANALYSIS AND FINDINGS

- Out of total number of people surveyed 40.48% of people have annual income between 5-10 lakhs, 21.43% have annual income between 0-5 lakhs, 15.87% of people have 10-18 lakhs of annual income and rest has more than 18 lakhs per annum of income.
- While 99% of people surveyed are aware of rupee depreciation and out of these more than 90% of people have started feeling the pinch of currency depreciation. The monthly expenditure of around 44% of people has increased by 5-10%, while the expense of around 10-15% has been increased for more than 23% of people surveyed, while about 18% of people have said that their daily expense has been increased by 10-20%.
- Out of above 44% of people whose daily expense has been increased by 5-10% have been severely affected by currency depreciation which is visible by the change in their shopping pattern. Around 44% said that they used to go shopping once in a week before currency got depreciated but now they go once in a month to shop and 16% of people said that they use to go for shopping once in a month and now they go once in a quarter this might be because of increased prices of goods.
- Those who use to shop once in week almost 76% amongst them now go to market for shopping only once in month, Also those who used to shop once in a month 41% amongst them now goes only once in a quarter to shop in market, this shows that because of increased prices of goods due to currency depreciation in the market.
- Out of people who go once in week for shopping, 35.71% used to spend 5000-8000 Rs. And out of these 90% have reduced their shopping expense to 0-5000Rs. 33.33% used to spend 2000-5000 Rs. And 16.6% of people used to spend between 0-2000Rs.
- While Total of 62% of people surveyed have said that they now do not want to buy gold because of higher import duty imposed on it, because of several duties imposed on it by government, government increased import duty to check the high current account deficit.
- 36% of respondents have said that they invest in stock markets, out of these 55.5% have said that their exposure towards stock market has been reduced, while around 44% of them have said that their exposure towards stock market has been increased, while those who said their exposure towards stock market has been increased it might be possible that they are investing in defensive sectors like IT, Pharmaceutical, FMCG, or since stock market is going down, so few stocks are turning more attractive.
- For those whose exposure towards stock market has increased after currency depreciation 55% out of them have said that they have more disposable income with them now as show by their shopping pattern as earlier they used to spend 2000-5000 Rs and now they spend 5000-8000 Rs. Also 43.75% out of people who said that their exposure to stock market has increase now prefer to buy gold because of their increased income from stock market.
- Out of total people surveyed 55.56% people have said that they still prefer to buy foreign branded goods and 44.44% have said that they don't want to buy foreign branded goods after currency depreciation which led to the increase in price of these goods. Out of total people who said that they still want to buy foreign branded goods 55.71% of them go for shopping only once in month and 41.4% of people lies in the bracket of 2000-5000 Rs of expenditure on their every shopping visit.
- 70.63% of respondents have said that they have started to save more as compared to spending, Out of which 31.4% are service class people, 5.61% are businessman, 37.07% are students and 24.71% are housewives. Also out of total respondents who have started to save more 45% has 5-10 lakhs on annual household income, 20.22% has 0-5 lakhs of income annually, while only 9% of respondents has annual house hold income of more than 30 lakhs rupees.
- 35.71% of people have said that their daily travel expense have increased by 5-10% out of which 33.3% are service class people who need to travel to their office and 55% of them are students who need to go to their college, 22.22% of the respondents have said that their bill has increased by 10-15% while around 19% of people have said that their daily travel expense has been increased by 15-20%.
- 57% of the respondents have agreed to the fact that high inflation is kicking in because of currency depreciation and around 39% has strongly agreed to this fact, since due to currency depreciation prices of raw material to make goods are increasing due to which manufacturers are transferring their cost to end consumers.
- 34.13% of respondents have agreed to the fact that they now have to pay higher EMIs, while around 18% of people have strongly agreed to this fact, while 44% of respondents are neutral about it, increased EMIs are because of increased lending rates by commercial banks due to liquidity tightening measures taken by RBI.
- Because of increased value of dollar crude oil import is getting costlier day by day for oil marketing companies due to which petroleum price is increasing here and this fact is agreed by 27% of people while 53% of respondents have strongly supported this fact.
- 26% of people agreed that they have been affected by costlier foreign travel while 55.56% have strongly agreed that their foreign travelling experience is getting costlier, this is because airlines are increasing prices of the flight services due to high crude and Brent prices.
- Around 31% of respondents have agreed that their stock market investment is giving them poor return while 21.43% of people are strongly affected by poor stock market returns due to bearish run of stock market.
- Around 23% of respondents have agreed that they have to pay more amount for their foreign education while around 57% of people are strongly affected by higher foreign education cost, dis is simply because of

depreciation of rupee now they have to pay more to foreign universities.

- Because of rupee depreciation economic growth of our country will be affected and will take a downturn, this fact has been agreed by 49% of respondents while 38% have strongly agreed to this, this is because of costlier imports and slow consumption story in the country industrial production has been decreased.
- Because of currency depreciation there would be an upturn in unemployment rate; this fact has been agreed by 20% while 39% have strongly supported this statement, since earnings of companies have been reduced so the employment rate has also been decreased.

X. LITERATURE REVIEW

A research by Fitch rating agency showed the Impact of Rupee Depreciation on Indian Investment-Grade Corporates.

Another set of research by Luis-Felipe Zanna in 2006 told Fighting against currency depreciation, macroeconomic instability and sudden stops also In this paper they showed that, in the aftermath of a currency crisis, a government that adjusts the nominal interest rate in response to domestic currency depreciation can induce aggregate instability in the economy by generating self-fulfilling endogenous cycles.

Sumanjeet Singh in his research in April 2009 showed Depreciation of the Indian Currency: Implications for the Indian Economy, This paper studies the real implications of the depreciation of the rupee on the Indian economy and shows that in the long run, the Indian economy has more to lose and less to gain with weaker rupee.

Amol Agarwal in 2011 studied Rupee Depreciation: Probable Causes and Outlook This paper reviews the probable reasons for this depreciation of the rupee and the outlook for the

same. It also reflects on the policy options to help prevent the depreciation of the Rupee; STCI primary dealers Ltd.

Susannakurian1, August 2013 Dollar after being stable for a long time now is climbing back up against the rupee. Recession is less in India, then why dollar is moving up when rupee must be strong.

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