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E: ISSN NO.: 2455-0817 Remarking An Analisation

A Study of Impact of Fluctuations in United States Dollar on Indian Rupee Since 1990-1991

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Abstract

The purpose of present study is to examine the impact of fluctuations in the United States Dollar on Indian Rupee since 1990-1991. The reason behind the study is that at the time of independence in 1947, Indian Rupee was at par with the American Dollar. Till now, it has been depreciated 64 times against the American Dollar. In 1991, Indian Prime Minister Man Mohan Singh adopted the Liberalisation, Privatisation and Globalisation policy. So, Indian Rupee was depreciated against the U.S Dollar at more pace before the 1991.In 1991 Indian Rupee was 22.3 Rupee as against the U.S Dollar, which was only 12.38 in 1985.These differences came in front due to different Interest Rates , Deficit Balance of Payment, Fiscal Deficit, high Rate of Inflation, Wars ,Instability in Price, internal and external problems and political and economic crisis .The study will see the impact of different Interest Rates , Deficit Balance of Payment, Fiscal Deficit, high Rate of Inflation on the exchange rate fluctuations ,Gross Domestic product, Imports and exports of India. The secondary Data is used to see the fluctuations in Indian rupee against the US Dollar via different macroeconomic variables. The study aims at exploring the dynamics of exchange rate mechanism, the Rupee's journey against dollar since 1991, factors influencing the fluctuations of Indian Rupee and finally modelling the exchange rate through multivariable Regression Analysis Ordinary Least Squares (OLS) ($Y=a+b_1X_1+b_2X_2+b_3X_3$) and Correlation . Suggestions will be given to control the fluctuations in the Indian Rupee. Reserve Bank of India will have a great role to remove the Fluctuations and make the Indian currency stable.

Keywords: United States Dollar, Indian Rupee, Interest Rates, Deficit Balance of Payment, Fiscal Deficit, High Rate of Inflation.

Introduction

The purpose of present study is to examine the impact of fluctuations in the United States Dollar on Indian Rupee since 1990-1991. The reason behind the study is that at the time of independence in 1947, Indian Rupee was at par with the American Dollar. Till now, it has been depreciated 64 times against the American Dollar. In 1991, Indian Prime Minister Man Mohan Singh adopted the Liberalisation, Privatisation and Globalisation policy. So, Indian Rupee was depreciated against the U.S Dollar at more pace before the 1991.In 1991 Indian Rupee was 22.3 Rupee as against the U.S Dollar, which was only 12.38 in 1985.These differences came in front due to different Interest Rates , Deficit Balance of Payment, Fiscal Deficit, high Rate of Inflation, Wars ,Instability in Price, internal and external problems and political and economic crisis .The study will see the impact of different Interest Rates , Deficit Balance of Payment, Fiscal Deficit, high Rate of Inflation on the exchange rate fluctuations ,Gross Domestic product, Imports and exports of India. The secondary Data is used to see the fluctuations in Indian rupee against the US Dollar via different macroeconomic variables. The study aims at exploring the dynamics of exchange rate mechanism, the Rupee's journey against dollar since 1991, factors influencing the fluctuations of Indian Rupee and finally modelling the exchange rate through multivariable Regression Analysis Ordinary Least Squares (OLS) ($Y=a+b_1X_1+b_2X_2+b_3X_3$) and Correlation. Suggestions will be given to control the fluctuations in the Indian Rupee. Reserve Bank of India will have a great role to remove the Fluctuations and make the Indian currency stable.

Exchange rate

Ranjan (2014) The price of one country currency in relation to another country currency.

Fixed Exchange Rate

Fixed exchange rate is a rate in which the exchange rate is fixed in gold .The example is Gold standard system. These economies peg the value of their currency with some other prominent currency like US dollar. This system is helpful in bringing stability in the economy.

Floating Exchange Rate

Floating means freely without having any control and floating exchange rate is determined by the demand and supply in the foreign exchange market

This type of exchange rate system has found in developed in countries like US, Japan.

Hybrid System

Combination of Fixed exchange rate and floating exchange rate is known as hybrid system. Most midsized economy like India practices a mix of both these regimes. It allows for the exchange rate to float in arrange which it deems comfortable. Once the market determined rate tries to breach this range, central bank (government) intervenes in the currency market and controls the exchange rate.

United States Dollar

The abbreviation of USD is United States Dollar. Official currency of U.S is United States Dollar the U.S. dollar is commodity money of silver as enacted by the Coinage Act of 1792 .It is the currency of the United States. This currency is used in International transactions and U.S. dollar is the world's primary reserve currency. The United States Dollar is the most widely traded currency. In addition the widespread trading of the United States Dollar reflects its United States as a “vehicle” currency. It is known as the vehicle currency as it is used to by every nation to trade with other nations.

Indian Rupee

Indian Rupee is the International Organization for Standardization currency code for the Indian Rupee. It is the currency of India. The rupee is made up of 100 paise and its currency symbol is R .The rupee derives its name from the rupiya , first silver coin issued by Sultan Sher Shah Suri in the 16th century. .It was derived from the combination of the Devanagari consonant "र" (*ra*) and the Latin capital letter "R" without its vertical bar .Rupees are issued as coins in denominations of 50 paise and 10. Paper rupees are issued in denominations of 1, 2, 5, 10, 20, 50, 100, 500 and 2000. Since 2011 25 paise was considered as the legal tender money,but from 2011, 25 paise is no more a legal tender. The issuance of the currency to the public is controlled by the Reserve Bank of India. On the reverse side of paper rupees, denominations are printed in 15 languages, while denominations are printed in Hindi and English on the front side. The parallel lines at the top are said to make an allusion to the tricolour Indian flag, and also depict an equality sign that symbolises the nation's desire to reduce economic disparity. The first series of coins with the new rupee symbol started in circulation on 8 July 2011.

Foreign Exchange

Singh (2013)With time ,countries felt that trading across borders is essential as everything cannot produced in each country, due to high cost of production and less availability of sources.The growth in International trade resulted in evolution of foreign exchange (FX) i.e., value of currency of one country versus value of currency of other country. Each country has its own “brand” alongside its flag. When money is branded it is called “currency”. Whenever there is a cross-border trade, there is need to exchange one brand of money for another, and this exchange of two currencies is called “foreign exchange” or simply “forex” (FX). Soni (2011) The smooth functioning of international trade required a universally accepted foreign currency to settle the internal trade and a way to balance the trade imbalances amongst countries. Different systems were tried in past to arrive at relative value of two currencies.

Review of Literature

Sen (2006) examines the relationship between the real exchange rate, level of capital flows, volatility of the flows, fiscal and monetary policy indicators and the current account surplus United States for the Indian economy for the period 1998 to 2004. The estimations indicate that the variables are co integrated and each granger causes the real exchange rate. The generalized variance decompositions show that determinants of the real exchange rate, in descending order of importance include net capital inflows and their volatility (jointly), government expenditure, current account surplus United States and the money supply. A preliminary analysis suggests that a similar analysis can be performed for the foreign exchange reserves held by the Reserve Bank of India.

Simon (2007) found that both exchange rate and current account balance have direct and positive relationship with inflation. Due, P., Sen, P examined the interactions between the real exchange rate, level of capital flows, volatility of flows, fiscal and monetary policy indicators and the current account surplus United States for the Indian economy for the period 1993 to 2004. The estimations indicate that the variables are co-integrated.

Narasimhan (2008) in his study found that the exchange rate of the United States Dollar against the Indian Rupee had been roughly steady at around 45.00 for a long period, until the subprime crisis of 2008. But post the crisis, some effects of the crisis, as well as some effects of the responses by regulatory authorities all over the world to the crisis led to a fluctuation in the currency exchange rates, United States go to almost as high as 70 over the past year. This has had serious United States ramifications for the Indian economy, as the United States Dollar is one of the most widely United States global currencies. This article tries to delve deep into the global economic environment after the crisis and analyze the various United States factors responsible for this significant fluctuation and depreciation in the

value of the Indian Rupee against the United States Dollar.

Wieland (2009) reviews the rationale for quantitative easing when central bank policy rates reach near zero levels in light of recent announcements regarding direct asset purchases by the Bank of England, the Bank of Japan, the U.S. Federal Reserve and the European Central Bank. Empirical evidence from the previous United States period of quantitative easing in Japan between 2001 and 2006 is presented. During this earlier period the Bank of Japan was able to expand the monetary base very quickly and significantly. Quantitative easing translated into a greater and more lasting expansion of M1 relative to nominal Gross Domestic Product. Deflation subsided by 2005. As soon as inflation appeared to stabilize near a rate of zero, the Bank of Japan rapidly reduced the monetary base as a share of nominal income as it had announced in 2001. The Bank was able to exit from extensive quantitative easing within less than a year.

Soni (2011)Global economy is much more interlinked than it was earlier due to lot of trade taking place between different countries. It goes without saying that U.S. is major trading partner for many nations and biggest trading importer of goods and services from across the world. Change in any direction in U.S. economy is directly going to affect economy of all related countries. Democratic principle and human capital has given India unique position among world community. Indian economic policies are flexible enough to get adjusted to the other nations. India has always been major country when it comes to being trading partner of U.S. which has always given economic and strategic support to country like India occupying strategic importance among world community. This paper is conceptual study based on Indian Rupee Fluctuation VS Dollar and relationship in terms of Rupee appreciation that is dollar depreciation and rupee depreciation that is dollar appreciation. It provides valuable insights into impact of changes in currency relations on various sectors of economy keeping in focus economy in general and Indian economy in particular. Pros and Cons of currency appreciation and depreciation are studied as boon and bane for the economic growth.

Singh (2012) attempts to understand the dynamics of Indian rupee fluctuations against United States Dollar United States in yearly observation over the period of 12 years from 2001-2012. In this paper, evolution of exchange rate mechanism from fixed to hybrid exchange rate system in context of India along with the journey since independence has been explored. Further, an attempt has made to identify the key macroeconomic variables that influence the Indian Rupee fluctuations against United States Dollar .Finally Multi regression Analysis is done to know the Determinant the fluctuations against Dollar of United States.

Agarwal (2013) through this study, we attempt to understand the dynamics of Indian Rupee fluctuations against United States Dollar by using average quarterly observations over the period of 21 years spanning from January 1993 to December 2013. We also make an attempt to identify the key variables that influence the Indian rupee - United States Dollar exchange rate movements. After applying OLS and performing unit root and co integration tests, we observe that factors like differential interest rate, differential inflation rate, differential money supply in both the markets, differential output growth rate of both the countries, among others, are important factors that account for approximately 91% variance of the Dollar-Rupee exchange rates and explain the exchange rate dynamics to a large extent. We also observe that after checking for autocorrelation and applying FGLS, a few factors that were earlier considered to beImportant are not as significant as expected.

Grewal (2013) explores the impact of Rupee – Dollar fluctuation on Indian economy. The circumstances which has been created for the economy due to depreciation of rupee against dollar reveals that there has been a strong and significant negative impact of this currency volatility on many sectors. After Lehman Brother Crisis (2008) again year 2013 reported consequently some toughest move for Reserve Bank of India & Indian govt to defend rupee against dollar. During the six month Indian rupee weakens many times and reached to a level of 61.045 for a dollar. Since May, 2013 the local currency lost around 15 percent to the United States currency. Indian economy which already suffered from large fiscal and current account deficit adversely affected by relatively exchange rate pressure. To track it again on the way many hard decisions were taken by Reserve Bank of India and Indian govt. This paper presents different challenges due to these fluctuation and steps triggered by central bank and govt to create stability.

Yin-Wong & Sengupta (2013) explore the real effective exchange rate (REER) effects on the share of exports of Indian non-financial sector firms for the period 2000 to 2010. Our empirical analysis reveals that, on average, there has been a strong and significant negative impact of currency appreciation as well as currency volatility on Indian firms' export shares. The labour costs are found to intensify the exchange rate effects on trade. Further, there is evidence that these Indian firms respond asymmetrically to exchange rates. For instance, the REER change effect is likely to be driven by a negative appreciation effect but not so much a depreciation effect. Also, Indian firms that have smaller export shares tend to have a stronger response to both REER change and volatility. Compared with those exporting goods, the firms that export services are more affected by exchange rate fluctuations. The findings, especially those on asymmetric responses, have important policy implications.

Nair (2015) the inverse relationship between the value of United States dollar and that of gold is one of the most talked about relationships in currency markets. The present study is an attempt to understand the impact of recession of 2008 on relationship between exchange rate of United States dollar in Indian Rupee and gold prices in India. The

study uses Johansen Co- Integration test to check the long term association between exchange rate of United States Dollar in Indian Rupee and gold prices in India and it further uses the Granger Causality Test to check the lead lag relationship between the variables. A separate pre, during and post recession analysis of the variables is done to understand the impact of recession on this relationship. The study highlights how this relationship has changed since the global turmoil.

Mishra (2016) The rupee has direct relation with the Dollar due to International trade. India has need of the foreign reserves India gets the Dollar with three ways-Exports, Foreign Direct investment in India and NRI remittances into India. Depreciation means the decrease in the value of Indian currency. With depreciation of the value of currency .dollar value appreciates, This brings changes in the Indian economy for short period of time. The short term goal can be controlled by the Reserve Bank of India. Here, the RBI smoothen the short-term currency fluctuations by buying/selling dollars in the market. This paper refers the position of the Indian rupee against dollar; reasons for the weakening of Indian rupee, the impact of rupee-dollar fluctuation on Indian economy, The RBI and the Indian Govt. have to play their role to tackle this situation.

Singh (2016) explores the impact of Rupee-Dollar fluctuation on Indian economy. The depreciation of currency has strong negative impact on the various sectors of the economy. In 2016 Indian rupee weakens many times and reach to 68.51 for a dollar .The objective of the study is to understand the concept of exchange rate and currency fluctuation, to know the steps taken by reserve bank Of India to make the rupee stronger. Regression analysis has been used to check the fluctuations in Dollar and Rupee .The major limitation of the study is that only few independent variables are considered to check the fluctuations in Dollar and Rupee.

Santhiyavalli (2017) Refers that exchange rate has dominant role on international trade as it influences our balance of payment. Exchange rate is determined by the market forces of the economy. The fluctuations in the movement of exchange rate is affected by the several macro-economic variables. The study covers the period of seven years from 2008-09 to 2014-15. This paper focuses on the macroeconomic determinants affecting exchange rate of Indian rupee against US dollar. Multiple regression analysis has been used to study the impact of fluctuation in exchange rate on Balance of payment .The major limitation of the study is that is has been conducted for a short period of time. Overall study was an attempt to know the impact of fluctuations on Indian Rupee.

Purpose of the Study

The purpose behind to choose the present study is that there is huge depreciation of Indian rupee against the U.S Dollar. To see why the Indian rupee has been depreciated against the Dollar. Even there are various thesis and journals available on the same topic but even of that the reason behind to choose the topic is that most of the studies was after the period of 1995. And ignored the impact of the Liberalisation, Privatisation and Globalisation Policy, which came in 1991. In 1991 all the tariffs from imports were removed and secondly the previous studies are found till 2015 there is no study available for 2017 fluctuations in Indian Rupee .There is improvement in the Indian Rupee in 2017 as against US Dollar. So .To see the depreciation of rupee in 1991 due to Privatisation and Globalisation Policy, and finally improvement in exchange rate due to demonetisation the study for the time period of 1991 till 2017 has been considered.

Objectives of the Study

1. To be familiar with the Exchange rate movement.
2. To know the impact of macroeconomic variables on fluctuations in Indian Rupee.
3. To know the impact of fluctuations in Indian Rupee on the country Gross Domestic product.
4. To know the reasons about the increasing value of United States Dollar.
5. To recommend how the Indian Rupee can be appreciated in respect of United States Dollar via the monetary and fiscal policy.

Research Methodology

This will be all India study based on secondary sources of data to be collected from published and non - published sources.

Sources of Data

As mentioned above, the study will be based on the secondary sources of data. Data will be collected from Reserve Bank Of India Report's, Journals, Periodicals, books, weeklies, News papers and clippings.

Dependent Variables

Fluctuations in Indian Rupee, Indian Exports, Indian Imports, Gross Domestic Product of India.

Independent Variables

Trade Balance, Depreciation, Appreciation of Rupee vis- a- vis Dollar, Different Interest Rates, Inflation Rate, External Debt and Differential Gross Domestic Product, Foreign Direct Investment and Gross Fiscal Deficit ,Exports, imports and Current Account Deficit.

Tests

Regression, Correlation, and Trend Analysis are used to study the impact of United States Dollar on Indian Rupee and other statistical tools relevant for the study.

Tests Significance and Analysis

Tests are used to see the affects of Independent variables Such as interest rate , inflation rate, Current account deficit, trade balance on fluctuations in Indian Current and impact of fluctuations in Indian currency on India's Gross Domestic Product, Balance of Payment.

Table 4.1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.994[a]	.989	.985	.96790	.989	288.075	6	20	.000

The results of the OLS modelling are contained in the model Summary and it shows that there is 99.4%correlation between the dependent and independent variables .It also reveals that 98.9% of dependent variable is explained by the given independent variables. The model seems to be fit to check the fluctuations in Indian currency against the U.S

Table 4.4 shows the coefficients of variables in the OLS system.

Anova[a]

Model	Sum of Squares	D f	Mean Square	F	Sig.
Regression	1619.263	6	269.877	288.075	.000[a]
Residual	18.737	20	.937		
Total	1638.000	26			

a. Predictors: (Constant), Foreign, Inflation, Exchange rate, GDP, Interest rate, External debt

Table 4.2

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1985.121	4.281		463.654	.000
	Exchange rate	.303	.053	.470	5.655	.000
	Inflation	.036	.089	.015	.407	.688
	Interest rate	-.062	.202	-.024	-.305	.763
	External debt	-.050	.007	-.893	-6.723	.000
	GDP	.015	.001	1.353	10.292	.000
	Foreign	3.399E-5	.000	.080	2.426	.025

Thus, the equation becomes as follows-

1985.121+.303+.036-.062-0.50+.015+3.399E-5

Since the p-values for Inflation, Interest rate are not significant, they can drop out of the model, leading to the following equation.

1985.121+.303-0.50+.015+3.399E-5

Table 4.3

Correlations

	Exchange Rate	Inflation	Interest Rate	External Debt	GDP	Foreign Trade Deficit
Exchange Rate	1	-.438	-.920	.863	.858	.567
Inflation		1	.531**	-.116	-.143	-.181
Interest Rate			1	-.780**	-.819**	-.555**
External Debt				1	.976**	.665**
GDP					1	.664**
Foreign Trade Deficit						1

Correlation is significant at the 0.05 level (2 –Tailed)

Correlation is significant at the 0.01 level (2 –Tailed)

Table 4.6 shows the correlation between various macroeconomic variables and Exchange Rate. The table shows that there is negative relationship between Exchange Rate and Inflation ,Exchange Rate and Interest Rate where as Exchange Rate has positive relationship with External Debt, Gross Domestic Product and Foreign Trade Deficit. There is a positive relationship between Inflation and Interest Rate, Gross Domestic Product and Foreign Trade Deficit. There is a negative Relation between Interest Rate and External Debt, Gross Domestic Product and Foreign Trade Deficit .Correlation is significant at the 0.01 level.

Table 4.4

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.986[a]	.972	.963	1.48470	.972	109.374	6	19	.000

A Predictors (constant), Gross Fiscal Deficit, Exports, Imports, Current1, Current2, Current 3.

Table 4.4 shows the variance of predicting variables where the p value is 0.00 which is significant at 0.01 level of significance.

Empirical findings and Analysis

The results of the OLS modelling are contained in the model Summary and it shows that there is 98.6 %correlation between the dependent and independent variables .It also reveals that 97.2 % of dependent variable is explained by the given independent variables. The model seems to be fit to check the fluctuations in Indian currency against the U.S.

Table 4.5 shows the coefficients of variables in the OLS system

Anova[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1446.579	6	241.097	109.374	.000[a]
	Residual	41.882	19	2.204		
	Total	1488.462	25			

A Predictors (constant), Gross Fiscal Deficit, Exports, Imports, Current1, Current2, Current 3

Table 4.6

Correlation

	Export	Import	Trade Balance	Gross fiscal Deficit	Current1	Current2	Current3
Export	1	.798**	.793**	-.770**	.909**	.938**	.204
Import		1	.997**	-.974**	.832**	.854**	-.110
Trade Balance			1	-.989**	.833**	.859**	-.145
Gross fiscal Deficit				1	-.821**	-.853**	.204
Current1					1	.820**	-.044
Current2						1	.159
Current3							1

Correlation is significant at 0.01 level (2 Tailed)

Table 4.6 shows the correlation between different macroeconomic variables. Table shows that Exports has negative relation with Gross Fiscal Deficit. And with rest of the variables it has positive relationship. Trade Balance has negative relation with Gross Fiscal Deficit. The correlation is significant at 0.01 level.

Summary and Conclusion

Summary and conclusions are given as it will provide a brief summary of the complete thesis based on the data gathered via secondary sources Such as from Reserve Bank of India Publications , P.H.D Thesis os researchers. It ends with a limitations of the study and suggestions that how to be out of the depreciation of currency is also suggested.

There are main three objectives in the study

1. First, to know the reasons that causes fluctuations in Indian currency against U.S.Dollar.
2. Second, to see what are the effects of fluctuations in Indian currency on India's Gross Domestic product and Imports and Exports.
3. Third to study an impact of fluctuations in United States Dollar on Indian Rupee.

Currency is very important for the development of a nation .Indian Currency was at par at the time of Independent. At that time India comes under the developed country. In 1951 planning commission came in to existence. India had to spend on defence, family planning. In the mean while India had fight with the Pakistan and China, So, India has to borrow from the International market. Thus there was fluctuations in the Indian currency and India's exchange rate was 4.76 as against the US Dollar.

Fall in the value of currency brings down not only the economy but also effects the indicators of growth. So, Prime Minister Indira Gandhi followed the devaluation to reduce the imports from the International market. .Devaluation means to reduce the value of the currency.

Devaluation has both the negative and positive impacts on the Indian currency as they are like the two sides of the same coin .But negative impacts of devaluation of Indian currency was more as compared to the positive impacts. Devaluation reduces the level of imports and makes the export cheaper. It was the main positive impact on the Indian currency. Devaluation was the major cause of inflation in the domestic country and makes the price level high and thus, was the cause for the devaluation of the Indian Currency.

There are various factors responsible for the depreciation of Indian Rupee against the U.S Dollar such as-

Import of oil, Dollar was the major currency Low forex reserves, Growth slowdown, Dependence on foreign money, Recovery in the US , Huge trade Lower capital inflows, High current account deficit, Devaluation pressure , Low growth and high inflation, 1993 liberalization, 1997 Asian financial crisis, Pokhran-II 1998, Financial crisis of 2007–08, Condition of import bill.

In India the flexible exchange rate system with the intervention of RBI is followed. So, to stop the depreciation, to reduce the imports RBI has responded with intervention the purchase and sale of the Dollar. But even of that there was no improvement in the value of the Indian currency. But in 2017 there is a lot of improvement in the exchange Rate of India As the Prime Minister Narendra Modi has adopted the demonetisation of Indian Rupee and banned the old series of 500 and 1000 Rupee notes and issued the new notes of 500 and 2000. The system help in the reduction of little inflation from India So, There is a improvement in the Indian currency.

To see, which factors are responsible for having fluctuations in Indian Rupee secondary data on various macroeconomic variables were collected from the site of Reserve Bank of India, Economic Intelligence reports, Journals and abstracts? To know the impact Trend analysis, Multi regression and multi correlation are applied and find out that Inflation rate. Interest rate, Gross Fiscal Deficit, Trade balance. Current Account Deficit and External Debt are some of the variables that have impact on the fluctuations in Indian currency .fluctuation in Indian currency is also have an impact on the gross Domestic Product and Balance of Payment.

Higher the Inflation, Current Account Deficit , negative Trade Balance High External debt ,lower the Interest have negative impact on the Indian currency .These factors are responsible for the depreciation of Indian Currency as compared to the U.S. Dollar.

The tests have shown that 97.6% impact on Indian currency is of the above mentioned macroeconomic variables.

Hence it is concluded that Currency plays an important role in the development of a Nation. Fluctuations in Currency bring fluctuations in the related economy also. There are various factors that are responsible for having fluctuation in Currency. As the study has given us the information that Indian rupee was depreciated against US Dollar due to having higher inflation in India. Depreciation of Indian currency has negative impact on the Balance of payment and Gross Domestic Product of India. Reserve Bank Of India and Government of India has followed demonetisation and bank policy , so little improvement is there in the value of Indian Currency.So, In the concluding lines, it can be said that depreciation of Indian currency is an evil for Indian Economy and appreciates the value of US Dollar. On the other hand, appreciation of Indian Currency is a boon for Indian Economy.

Suggestions

The effective participation of Reserve Bank Of India via effective monetary policies and Government via effective fiscal policies is essential to tackle the problem of fluctuations in Indian Rupee against the U.S. Dollar. Government should adopt programmes that can create awareness among people not to keep the higher liquidity. Moreover. Reserve bank of India should have Open Capital accounts to manipulate the interest rate. As higher interest rate reduces the inflation and appreciates the value of Indian currency. The Government of India should adopt effective fiscal Policy and find out the productive areas or industries where it can invest and provide benefit and reduces the amount of inflation in the domestic Nation. Balanced investment in the public and private sector should be done by the Government of India.

Limitations of the Study

The findings of the study depend purely on data given by the Reserve Bank of India's publications and Economic statistical Reports. So, the entire study is based on the Secondary sources of data. It can be sometime questionable. The other limitation is that only few macroeconomic variables have been taken to see the impact of fluctuations in Indian currency against the U.S Dollar. Other variables can also be used to see the fluctuations in Indian Rupee against the U.S Dollar. So, It is very difficult to get the entire information of fluctuation in exchange rate.

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