EXTERNAL VALUE OF INDIAN RUPEE AND DETERMINANTS OF EXCHANGE RATE IN INDIA

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ABSTRACT
This paper analyzes the External value of Indian Rupee and the determinants of exchange rate in India during the period from 1970-71 to 2011-12. For this purpose, the secondary data have been utilized which are obtained from the various issues of database on Indian economy, published by RBI and Government of India. The main focus of the study is to analyze to what extent the External value of the Indian Rupee in terms of the US Dollar is declining over the period. It also makes an attempt to identify the important determinants of exchange rate by examining the relationship between the External value of Rupee and some selected macroeconomic variables during pre reform period (1970-71 to 1990-91) and post reform period (1991-92 to 2011-12). The overall results of trend analysis show that the External value of Rupee is declining. The obtained results of the study reveal that Imports, GDP and Internal value of Rupee have become the significant variables influencing the external value of Rupee in the pre reform period and the Internal value of rupee, Imports and Gross fiscal deficit are the significant variables influencing the external value of Rupee in the post reform period.

KEY WORDS: External value of Indian Rupee, exchange rate in India.