RBI Sees Rupee Undervalued; FCNR(B) Inflows Cross $32 Billion

RBI Governor stated that the Indian rupee is undervalued and FCNR(B) deposit inflows exceeded $32 billion.

FCNR(B) is a term deposit facility allowing Non-Resident Indians to maintain foreign currency accounts in Indian banks.

KEY EXAM POINTS

- **RBI** Governor **Sanjay Malhotra** stated that inflation control remains the foremost priority for the central bank.
- Foreign Currency Non-Resident (Bank) or **FCNR(B)** deposits mobilized by banks crossed **$32 billion** following capital attraction measures.
- **Government securities** attracted more than **$7 billion** in foreign inflows since policy measures introduced in June.
- The **Reserve Bank of India** considers the **Indian Rupee** to be fundamentally undervalued against major foreign currencies.
- **Foreign portfolio investments** into Indian government bonds increased significantly following regulatory relaxations.

STATICS & SYLLABUS FOCUS

Reserve Bank of India (RBI) was established on **April 1, 1935** under the **Reserve Bank of India Act, 1934**.

RBI was nationalized on **January 1, 1949**, changing its status from a private shareholders' bank to a government-owned central bank.

Hilton Young Commission (Royal Commission on Indian Currency and Finance) recommended the setup of RBI in **1926**.

Monetary Policy Committee (MPC) was constituted under **Section 45ZB** of the RBI Act, 1934 to target inflation.

Foreign Exchange Management Act (**FEMA**) was enacted in **1999** to replace the Foreign Exchange Regulation Act (FERA) **1973**.

FCNR(B) deposits allow **NRIs** to maintain foreign currency accounts in designated currencies without foreign exchange risk borne by banks.

REVISION FLASHCARD

FCNR(B) deposit inflows crossed $32 billion as RBI Governor identified inflation control as top priority.

Syllabus Relevance: High relevance for Group 1, 2, 2A, 4 exams covering RBI establishment, FEMA, and monetary policies.