



Why Should We Care About Development Finance? ...because it's our money!

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## To Stabilise the Rupee, Fix the Economy First

The sharp fall of the rupee is being blamed on recent tensions in West Asia, but the problem runs much deeper. While the government has urged people to reduce gold purchases to save foreign exchange, this treats only the symptom, not the disease. The rupee's weakness reflects growing concerns about India's domestic economy, where sluggish wage growth, weak consumption, and declining investor confidence have created a fragile economic environment.

Over the past few years, real wages have grown slowly, reducing the purchasing power of ordinary households. At the same time, consumption growth has weakened and the share of household spending in the economy has fallen. When people earn less and spend less, businesses face lower demand for their products. As a result, companies become reluctant to invest in expanding production, creating a cycle of slow growth and limited job creation.

Faced with uncertainty, households are increasingly putting their savings into gold and cash rather than productive investments. This shift reflects a lack of confidence in future economic prospects. Weak domestic demand discourages private investment, while capital flows out in search of better returns elsewhere. The resulting pressure on the rupee cannot be solved simply by accumulating foreign exchange reserves or introducing new schemes to attract foreign currency deposits.

What India needs is a stronger domestic economy driven by rising incomes, higher employment, and increased public investment. Government spending on housing, infrastructure, renewable energy, and job creation can boost demand and encourage private investment. Instead of discouraging gold ownership, policymakers should create secure financial instruments that channel household savings into productive sectors. A stable rupee will ultimately depend not on emergency measures, but on building an economy that generates confidence, investment, and sustainable growth.

- Team CFA

We refuse to give up trying to demystify finance. We will continue to hold the government and financial institutions accountable for their economic policies and investments. [Support us.](#)



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The latest BSR data points to a significant shift in the nature of bank deposits. Between March 2022 and March 2023, the share of low-cost deposits fell from 54.5% to 38.7%, while the share of higher-cost term deposits rose from 32.2% to 41.6%. This trend is concerning because savings accounts have traditionally provided banks with a stable and inexpensive source of funds while allowing depositors easy access to their money. But as banks kept expanding the interest rate of deposits after deregulation, lending is down to an low to 1.5% today. Depositors have eventually started shifting more and more towards term deposits which are more expensive for banks to service or to mutual funds which is taking a bite on the savings deposit available in banks. The shift also comes against the backdrop of a persistent gap between credit growth and deposit growth that forces RBI Governor Shaktikanta Das to tread carefully. With loans growing faster than deposits, banks are already facing funding pressures. This continues a detrimental effect on the health of the banking system.

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