

Before independence on 1917 our Indian one rupee is equal to 11.50 USD. Surprising isn't it?

The fall of Rupee value is given below with the reasons.

Valuation history

Year	Exchange rate (rupees per US\$)g
1913	0.08692307692
1925	0.10
1947	1
1952	4.750
1966	7.55
1975	10.409
1980	7.887
1985	12.369
1990	17.504
1995	32.427
2000	45.000
2006	48.336
2007 (Oct)	38.48

2008 (June)	42.51
2008 (October)	48.88
2009 (October)	46.37
2010 (January 22)	46.21
2011 (April)	44.17
2011 (September 21)	48.24
2011 (November 17)	55.3950
2012 (May 23)	56.25 ^[9]
2012 (June 22)	57.15 ^[10]
2013 (May 15)	54.73 ^[11]
2013 (June 12)	58.500 ^[12]
2013 (June 27)	60.73 ^[13]
2013 (July 08)	61.21 ^[14] (All-time low)

Since its Independence in 1947, India has faced two major financial crises and two consequent devaluations of the rupee: In 1966 and 1991.

Decimalisation

A summary of the decimalisation of the Rupee

Dates	Currency system
From 1835	1 rupee = 16 annas = 64 pices (paise) = 192 pies

From 1 April 1957	1 rupee = 100 naya paise
From 1 June 1964	1 rupee = 100 paise

The demand for decimalisation existed for over a century. Sri Lanka decimalised its rupee in 1869. The *Indian Coinage Act* was amended in September 1955 for the adoption of a decimal system for coinage. The Act came into force with effect from 1 April 1957. The rupee remained unchanged in value and nomenclature. It, however, was now divided into 100 'Paisa' instead of 16 Annas or 64 Pice. For public recognition, the new decimal Paisa was termed 'Naya Paisa' until 1 June 1964 when the term 'Naya' was dropped. The coins of that period also mentioned their value in terms of the rupee to avoid confusion and cheating. For example, the one paisa coin carried the text "One hundredth of a Rupee" in Hindi.

1966 Economic crisis

From 1950, India ran continued trade deficits that increased in magnitude in the 1960s. Furthermore, the Government of India had a budget deficit problem and could not borrow money from abroad or from the private corporate sector, due to that sector's negative savings rate. As a result, the government issued bonds to the RBI, which increased the money supply, leading to inflation. In 1966, foreign aid, which had hitherto been a key factor in preventing devaluation of the rupee, was finally cut off and India was told it had to liberalise its restrictions on trade before foreign aid would again materialise. The response was the politically unpopular step of devaluation accompanied by liberalisation. Furthermore, The *Indo-Pakistani War of 1965* led the US and other countries friendly towards Pakistan to withdraw foreign aid to India, which necessitated more devaluation. Defence spending in 1965/1966 was 24.06% of total expenditure, the highest it has been in the period from 1965 to 1989 (Foundations, pp 195). Another factor leading to devaluation was the drought of 1965/1966 which resulted in a sharp rise in prices.

At the end of 1969, the Indian Rupee was trading at around 13 British pence^[clarification needed]. A decade later, by 1979, it was trading at around 6 British pence. Finally by the end of 1989, the Indian Rupee had plunged to an all-time low of 3 British pence. This triggered a wave of irreversible liberalisation reforms away from populist measures.

1991 Economic crisis

In 1991, India still had a fixed exchange system, where the rupee was pegged to the value of a basket of currencies of major trading partners. India started having balance of payments problems since 1985, and by the end of 1990, it found itself in serious economic trouble. The government was close to default and its foreign exchange reserves had dried up to the point that India could barely finance three weeks' worth of imports. As in 1966, India faced high inflation and large government budget deficits. This led the government to devalue the rupee.

At the end of 1999, the Indian Rupee was devalued considerably.

Revaluation

In the period 2000–2007, the Rupee stopped declining and stabilized ranging between 1 USD = INR 44–48. In late 2007, the Indian Rupee reached a record high of Rs.39 per USD, on account of sustained foreign investment flows into the country. This posed problems for major exporters, IT and BPO firms located in the country who were incurring losses in their earnings given the appreciation in rupee. The trend has reversed lately with the 2008 world financial crisis as Foreign investors transferred huge sums out to their own countries. Such appreciations were reflected in many currencies, e.g. the British Pound, which had gained value against the dollar and then has lost value again with the recession of 2008.

Source : http://en.wikipedia.org/wiki/History_of_the_rupee