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### Business

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#### Appreciating INR: Industry should charge the consumer less

Deepak Bansal  
07 October 2007, Sunday  
Views: 208 Comments: 1

Since an appreciating rupee has reduced the manufacturing cost of goods involving imported raw materials, Prof Agarwal of IIF wants the government to prevail upon the manufacturers to pass on the cost savings to the consumers. Will the industry agree?



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PROF. J.D. AGARWAL, Professor of Finance & Chairman of the Indian Institute of Finance has urged the government to ensure that the producers of goods and providers of various services with high content of imported raw materials or imported goods reduce prices and pass on the benefit arising from the appreciation of Indian Rupee (INR) vis-à-vis the U.S. dollar (USD) to the consumers. There has been a 20% plus appreciation of INR vis-à-vis the USD in the last two years. Trade and industry has pocketed the profit arising out of INR appreciation, instead of passing it on to the consumers. Importers and producers of goods, with a high content of imported raw materials, additionally benefit from lower customs and excise duty.

According to him, most of the white goods such as refrigerators, air conditioners, computers, laptops, televisions, luxury cars, mobile phones and branded software have a high content of imported raw materials, finished goods, etc. Freight and insurance charges are paid in USD (which is bought cheap with an appreciating INR) by MNCs operating in India. Such imports of finished products or raw materials have become cheaper as the INR has appreciated; 'but the cost savings have not been passed on to the consumers', regrets Dr. Agarwal. It has been seen in the past that whenever INR depreciated vis-à-vis the USD, most of the producers and service providers raised the prices of their products and services in the Indian market.

Dr. Agarwal feels that the industry pocketed all these benefits and did not pass on the benefit to the consumers. According to Dr. Agarwal, service providers, particularly, MNCs, banks, software companies, web hosting companies, insurance companies, etc, price their services in India, based upon their USD value determined abroad. Although the INR has appreciated by over 20% in the last two years, there has been no reduction in the INR prices of the said services.

Dr. Agarwal urged the government, as also the industry, to pass on the benefits accruing to them from the appreciation of the INR to consumers. According to him, this will in turn increase the demand for such goods and services, raise the standard of living of the people, generate employment and result in higher economic growth.

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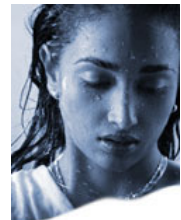
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