Empirical Economics Letters, 25 (11): (November 2026), pp. 81-89 *ISSN 1681 8997*
https://doi.org/10.5281/zenodo.24279362

Analysing India's Rupee Depreciation: Determinants, Volatility and Implications for Remittance Inflows

Tazeem Akhter*
Department of Economics, Baba Ghulam Shah Badshah University
Rajouri, Jammu and Kashmir

Abstract: This paper examines the determinants and volatility of the Indian rupee's depreciation against the US dollar using quarterly data from 1996Q1 to 2025Q4. Unit-root tests, OLS regression and a GARCH model are applied. Changes in foreign exchange reserves are the only determinant significant at the 5% level, easing depreciation pressure; interest rates and the current account have weaker effects, and M3 growth is insignificant. Volatility clusters around the 2008 crisis and the 2011–13 episode. As remittances are a large, stable source of foreign exchange, the paper discusses how they connect reserves, the current account and the rupee.

Keywords: Rupee Depreciation, Exchange Rate, Foreign Exchange Reserves, GARCH, Remittances

JEL Classification Number: F31, F24, C22

* Corresponding author. Ph.D. Scholar. Email: tazeemakhter@bgsbu.ac.in