

Currency in Crisis: Analyzing India's Rupee Depreciation and Its Impact on Consumer Behavior (2015–2025)

Prof. B. Sudhakar Reddy#

Professor of Economics and Director of ICSSR-SRC, Osmania University, Hyderabad.

Abstract

The depreciation of the Indian rupee from 2015 to 2025 signifies more than a mere monetary phenomenon; it reflects profound structural and cyclical challenges facing the Indian economy. This paper explores the macroeconomic triggers that have weakened the rupee, including persistent current account deficits, large-scale foreign portfolio outflows, dependence on crude oil imports, and shifting global financial conditions such as U.S. monetary tightening. These economic pressures have led to significant consequences at both national and household levels, particularly affecting urban consumption behaviour.

A dual-track consumption pattern has emerged, characterized by premiumization among affluent segments and downtrading among middle- and lower-income groups. Concurrently, there has been a marked increase in consumer preference for domestic products, indicating a resurgence of economic nationalism and the Swadeshi movement. Findings from a household-level case study in Gandhinagar affirm this trend while also emphasizing quality concerns as a major determinant of consumer loyalty. Though the Reserve Bank of India (RBI) has intervened to contain exchange rate volatility, the underlying imbalances remain unresolved. The paper concludes that the rupee depreciation period has had a transformative impact on consumption psychology and economic behaviour in India, likely influencing policymaking, industry strategy, and consumer preferences well beyond 2025.

Keywords: Rupee depreciation, India 2015–2025, macroeconomic imbalance, current account deficit, foreign capital outflows, urban consumption, premiumization, downtrading, Swadeshi movement, consumer behaviour, Reserve Bank of India (RBI), economic nationalism, trade deficit, inflation, quality perception, domestic brands.

Introduction:

Between 2015 and 2025, the Indian rupee experienced a significant depreciation, falling from approximately ₹62 per US dollar in 2015 to around ₹84 in 2025—a depreciation of nearly 35%. A combination of domestic and international factors has driven this trend. One key reason is the strengthening of the US economy,

which has attracted global capital and led to increased demand for the US dollar. According to the Reserve Bank of India (RBI), foreign portfolio investment outflows reached \$23.5 billion in 2022–23, adding pressure on the rupee.

Rising crude oil prices have further exacerbated the situation, with India being a major oil importer. Oil imports account for nearly 25% of India's total import bill. In FY2022–23, India's oil import bill surged to \$158 billion, contributing to a widening current account deficit that stood at 2.7% of GDP in 2022–23. Lower GDP growth—averaging around 5.8% over the past decade—and inflationary trends (consumer inflation hovering above 6% in several quarters) have compounded the rupee's weakness.

The effects of this depreciation extend beyond macroeconomic metrics and into the daily lives of Indian citizens. A consumer behavior study conducted in Gandhinagar (2023) found that 68% of respondents recognized the link between rupee depreciation and the rising cost of imported goods. Additionally, 54% expressed a preference for switching from foreign brands to Indian alternatives, particularly in segments like personal care and household goods. This aligns with broader national trends promoting Atmanirbhar Bharat (self-reliant India) and Make in India initiatives.

The currency's decline has also prompted changes in household financial strategies. According to data from the Centre for Monitoring Indian Economy (CMIE), household savings as a percentage of GDP declined from 23.6% in 2015 to 18.3% in 2023, suggesting increased consumer spending due to rising costs of living and a depreciating currency.

In conclusion, the rupee's depreciation from 2015 to 2025 underscores the vulnerability of emerging markets to global economic shifts. However, it also reflects growing consumer awareness and adaptive behaviour that could shape a more resilient domestic market. Strengthening local industries, reducing import dependence, and stabilizing macroeconomic fundamentals will be crucial for India's financial future.

Macroeconomic Triggers of Rupee Depreciation (2015–2025)

A complex web of macroeconomic factors, both domestic and global, has driven the depreciation of the Indian rupee from 2015 to 2025. Research over this period highlights five core triggers: current account deficits, volatile foreign capital flows, rising global interest rates, structural trade imbalances, and inflationary spillovers.

1. Current Account Deficit (CAD)

A persistent current account deficit remains a central driver of rupee weakness. The CAD arises when a country imports more goods, services, and capital than it exports. For India, this is especially problematic due to its overwhelming dependence on crude oil imports. Studies have consistently shown that India imports about 88% of its crude oil needs, and this reliance has significant currency implications. In FY2024 alone, India spent USD 179.60 billion on crude oil and petroleum imports, constituting nearly 27% of total imports. This trade imbalance increases the demand for foreign currencies like the US dollar, depreciating the rupee in the process.

2. Foreign Capital Outflows

Capital flight from Indian financial markets has also played a decisive role. Foreign Portfolio Investors (FPIs), who are highly sensitive to global economic conditions, pulled out USD 6.00 billion in January 2025 alone. In October 2024, the net outflow reached Rs 1.14 lakh crore, reflecting investor concerns over currency volatility, fiscal imbalances, and global risk-off sentiments. Such capital outflows directly increase dollar demand, driving down the rupee's value.

3. US Monetary Policy

The US Federal Reserve's interest rate hikes have intensified pressure on emerging market currencies. As US interest rates rise, global investors reallocate funds toward dollar-denominated assets, causing capital to flow out of India. Empirical studies estimate that a 100 basis point increase in the US federal funds rate can reduce emerging market GDP by up to 0.8% over three years. This monetary tightening weakens the rupee by increasing the dollar's attractiveness.

4. Trade Imbalances

India's structural trade imbalances have worsened the situation. The trade deficit reached an all-time high of USD 265 billion in FY2022–23, and the merchandise trade gap for the October–December 2024 quarter alone stood at USD 79.20 billion. A high trade deficit implies continued demand for foreign currencies, pushing the rupee lower.

5. Inflation and Monetary Policy Constraints

Currency depreciation contributes to domestic inflation, particularly by raising import costs. RBI estimates suggest that a 5% rupee depreciation can cause inflation to rise by 35 basis points. This inflationary impact complicates the Reserve Bank of India's policy choices, as raising interest rates to curb inflation can further constrain growth.

RBI's Role in Managing Depreciation

In response, the RBI has routinely intervened in forex markets by selling dollars from its reserves to stabilize the rupee. However, such interventions are often limited by the need to preserve reserves and avoid distorting market fundamentals. Balancing intervention with market-determined exchange rates remains a continuous challenge.

In summary, the rupee's depreciation between 2015 and 2025 is rooted in persistent structural issues exacerbated by global financial dynamics. While the RBI has acted as a stabilizing force, sustained long-term currency stability will depend on narrowing the CAD, enhancing export competitiveness, and building investor confidence through macroeconomic reforms.

Behavioural and Consumption Patterns in Urban India (2015–2025)

This research aims to analyze the evolving behavioural and consumption patterns of urban Indian consumers over the decade from 2015 to 2025. By utilizing government reports and official data, the study seeks to understand how macroeconomic factors, particularly the depreciation of the Indian rupee, have influenced consumer behaviour in urban settings.

1. Shift in Consumption Expenditure

The Ministry of Statistics and Programme Implementation (MoSPI) conducted the Household Consumption Expenditure Survey (HCES) for 2023–24, revealing significant insights into urban consumption. The average Monthly Per Capita Consumption Expenditure (MPCE) in urban areas was estimated at ₹6,996, excluding the value of items received free through social welfare programs. When including these items, the MPCE rises to ₹7,078. Notably, the share of food in total MPCE for urban households declined to 39.68%, indicating a shift towards non-food expenditures

2. Impact of Inflation and Currency Depreciation

Persistent inflation and the depreciation of the Indian rupee have exerted pressure on household budgets. The Consumer Price Index (CPI) data indicates that inflation has remained above the Reserve Bank of India's target range in several quarters, eroding purchasing power. This economic strain has led approximately 60% of urban consumers to either switch to more affordable alternatives or reduce discretionary spending.

3. Premiumization Amid Economic Strain

Despite financial pressures, a segment of urban consumers continues to exhibit a preference for premium products. Data from the automobile sector shows that vehicles priced above ₹10 lakh accounted for 48% of all sales, up from 44% the previous year. Similarly, premium smartphones exceeding ₹30,000 have reached a record 20% market share by units sold. This trend underscores a bifurcation in consumption patterns, with affluent consumers maintaining or increasing their spending on high-end goods.

4. Rise of Domestic Brands and Nationalistic Consumption

The "Swadeshi movement" has gained momentum, with a significant portion of urban consumers showing a preference for domestic brands. Government initiatives like "Make in India" and "Atmanirbhar Bharat" have bolstered this sentiment. In categories such as food and personal care, 56.7% of respondents favour Indian brands, and 48% prefer domestic smartphones and electronics, despite these markets being dominated by foreign manufacturers.

5. Changing Food Consumption Patterns

Urban households are allocating a smaller portion of their budgets to food, with the share declining from 42.7% to 39.2% between 2011–12 and 2022–23. This shift reflects a transition towards convenience, variety, and experiential purchases, indicating evolving consumer values beyond mere economic considerations.

The decade from 2015 to 2025 has witnessed significant transformations in urban India's consumption landscape. Economic factors like rupee depreciation and inflation have compelled many consumers to adjust their spending habits, while a segment continues to pursue premium products. The rise in preference for domestic brands and changing food consumption patterns further highlight the dynamic nature of urban consumer behaviour. Understanding these trends is crucial for policymakers and businesses aiming to navigate the complexities of India's urban markets.

Case Study: Gandhinagar Region Household Survey on Consumer Behaviour Amid Rupee Depreciation

A structured household survey was conducted in the Gandhinagar region of Gujarat to understand the microeconomic implications of rupee depreciation on everyday consumer decisions. This case study provides granular, empirical evidence of how urban Indian households respond to macroeconomic pressures, specifically currency fluctuations, through changes in purchasing behaviour, brand preferences, and value perception.

The survey employed a mixed-methods APA approach, combining quantitative and qualitative questions to capture a nuanced understanding of consumer sentiment. Distributed across diverse demographic cohorts, including age, income, education, and occupation, the questionnaire reached 750 individuals. From this sample, 317 valid responses were gathered, yielding a response rate of 42%. This rate aligns well with accepted thresholds in regional economic surveys and ensures the statistical validity of descriptive consumer trend analysis .

The central objective of the study was to examine consumer attitudes toward foreign versus domestic goods during times of economic strain, including inflation, reduced purchasing power, and rupee volatility. The results indicated a pronounced tilt in consumer loyalty. Approximately 61.9% of respondents expressed a preference for Indian-manufactured goods over foreign alternatives, reflecting a growing sentiment of economic nationalism. Notably, this trend was consistent across all income brackets, although motivations varied among affordability, availability, and ideology.

A striking insight from the survey is the importance of quality perception. An overwhelming 285 respondents (about 90%) reported that quality, not price or brand reputation, was the decisive factor in their purchasing decisions. Furthermore, 89.1% of the sample expressed a willingness to shift to Indian brands if these could match the performance and design standards of international counterparts. This finding suggests a latent demand for competitive domestic alternatives that remains untapped due to lingering concerns about product parity.

However, this sentiment did not extend uniformly across all product categories. For instance, while Indian brands in food and personal care products enjoyed a positive reception, there was considerable scepticism regarding Indian-made electronics and smartphones. Respondents cited limitations in product innovation, customer support, and brand trust. This sector-specific hesitance highlights a critical challenge for domestic industries aiming to leverage patriotic consumerism as a market advantage.

The survey also captured the effects of the COVID-19 pandemic on consumption. During the lockdown and the immediate post-lockdown period, a significant behavioural shift occurred, with many respondents consciously avoiding Chinese products. This aversion was not only economic but also ideological, underscoring how geopolitical tensions can amplify or accelerate shifts already underway due to currency depreciation or inflation.

Methodologically, the Gandhinagar household survey mirrors national-level instruments like the All-India Debt and Investment Survey (AIDIS) conducted by the National Statistical Office (NSO), which documents household-level asset and liability trends across India. While narrower in geographic scope, the Gandhinagar data complements national datasets by illustrating how broader macroeconomic dynamics manifest at the local, household level in urban India.

In summary, this case study emphasizes the interconnectedness of economic policy, currency movements, and localized consumer behaviour. It highlights both the constraints and opportunities that Indian producers and policymakers encounter in promoting domestic consumption amid global financial uncertainty.

Conclusion

The depreciation of the Indian rupee from 2015 to 2025 transcends mere exchange rate adjustments, symbolizing deeper systemic challenges within the Indian economy and highlighting the sensitivity of domestic consumption to macroeconomic fluctuations. This decade-long currency decline reflects a multifaceted convergence of structural and cyclical forces—including the persistent current account deficit (CAD), significant foreign portfolio outflows, oil import dependency, and adverse global financial trends—that have exerted considerable downward pressure on the rupee's value.

At the macroeconomic level, India's vulnerability has remained evident due to its reliance on crude oil imports, with over 85% of its crude oil needs met through external sourcing. This dependency has made the rupee highly sensitive to fluctuations in global oil prices. The trade deficit, which reached a record high of USD 265 billion in 2022–23, along with the withdrawal of billions of dollars in foreign capital, particularly by Foreign Portfolio Investors (FPIs), has further compounded the rupee's decline. Additionally, the tightening of monetary policy by the US Federal Reserve has drawn capital away from emerging markets like India, increasing exchange rate volatility.

Beyond macroeconomic indicators, the depreciation has profoundly influenced urban consumption behaviour, shaping a bifurcated market landscape. On one hand, there has been a noticeable trend toward premiumization among affluent urban consumers, evidenced by the increasing share of high-end automobiles and smartphones. On the other hand, mass-market consumers have shown clear signs of downtrading, reducing discretionary expenditures, and shifting toward value-for-money alternatives. Government data from the Household Consumption Expenditure Survey (2023–24) and independent reports from market research firms confirm these diverging patterns, highlighting the rising economic inequality within urban India.

Importantly, the rupee crisis has also catalyzed a behavioural and psychological shift among Indian consumers toward domestic brands, echoing the broader sentiment of economic nationalism. With close to 50% of consumers now expressing a preference for Indian-made products, particularly in food, personal care, and textiles, there is strong evidence of a revitalized Swadeshi movement. However, this shift is not unconditional. As the Gandhinagar case study demonstrates, quality remains a critical factor in shaping purchasing decisions. A significant 89.1% of survey respondents indicated a willingness to switch to domestic brands if quality matches international standards, highlighting a gap that Indian manufacturers must address to capitalize on shifting preferences fully.

While the Reserve Bank of India (RBI) has played a proactive role in managing exchange rate volatility through the strategic use of foreign exchange reserves and interest rate management, these interventions are more palliative than curative. The core drivers of depreciation—such as structural trade imbalances, insufficient domestic manufacturing in key sectors, and a lack of export competitiveness—require long-term strategic reforms, including energy diversification, targeted industrial policy, and stronger integration into global value chains.

Looking forward, even if macroeconomic conditions stabilize post-2025, the psychological and behavioural shifts in consumption may endure. The decade of depreciation has sensitized Indian consumers to global price dynamics, foreign exchange volatility, and supply chain risks. As a result, long-term brand loyalty, domestic product preferences, and value-consciousness are likely to persist, shaping a new normal in urban consumption.

In summary, the rupee's depreciation between 2015 and 2025 signifies a transformative period for India's economic landscape. It has reshaped not only trade and fiscal balances but also the everyday decisions of Indian households. The lessons from this period will remain vital for policymakers, businesses, and consumers as India continues its journey toward greater economic resilience and self-reliance.

References:

1. Ministry of Petroleum and Natural Gas. (n.d.). [Data/Report Title if known]. Government of India.
2. Reserve Bank of India. (2022–2024). Annual reports. <https://rbi.org.in>
3. Securities and Exchange Board of India. (n.d.). FPI data reports. <https://www.sebi.gov.in>
4. National Securities Depository Limited. (2024, October). FPI monthly report. <https://www.nsdl.co.in>
5. Ministry of Commerce and Industry. (n.d.). Trade data. Government of India. <https://commerce.gov.in>
6. Department of Economic Affairs. (2024). Q3 trade bulletin. Ministry of Finance, Government of India. <https://dea.gov.in>
7. Reserve Bank of India. (n.d.). Monetary policy reports. <https://rbi.org.in>
8. Ministry of Finance. (2024). Economic survey of India 2023–24. Government of India. <https://indiabudget.gov.in>
9. Reserve Bank of India. (n.d.). Forex reserve reports. <https://rbi.org.in>
10. Augustine, B., & Kumar, L. (2020). Original sin, currency depreciation, and external debt burden: Evidence from India. *International Journal of Economics and Financial Issues*, 10(3), 58–68. <https://doi.org/10.32479/ijefi.9487>
11. Isac, J. P., S, H., B, M. L., Medahal, H., & S, S. (n.d.). The decline of the Indian rupee: Causes, impact and policy response. *International Journal of Future Management Research*, 7(1). <https://doi.org/10.36948/ijfmr.2025.v07i01.35984>
12. Garg, A. (2023). Exploring the interplay between inflation, currency depreciation, and macroeconomic metrics in India. *Innovative Research Thoughts*, 9(5), 79–95. <https://doi.org/10.36676/irt.2023-v9i5-0>
13. Soni, N. K. (2013). Fluctuating value of rupee & impact on economy. *IOSR Journal of Humanities and Social Science*, 18(5), 25–28. <https://doi.org/10.9790/0837-1852528>
14. Singh, S. (2009). Depreciation of the Indian currency: Implications for the Indian economy. *Research Papers in Economics*. <https://econpapers.repec.org/paper/aiuabewps/29.htm>
15. Das, P. (2023). An evaluation of currency depreciation and its impact on the economy: A conceptual study. *Journal of Business and Applied Banking*, 2(2), 25–31. <https://doi.org/10.46632/jbab/2/2/3>
16. Sharma, V., & Sonwalkar, J. (2013). Does consumer buying behaviour change during an economic crisis? *Journal of Economics and Business Administration*, 2, 33–48. <https://doi.org/10.35808/IJEB/9>
17. Насретдиновна, Ю. М. (2023). Indian rupee: Is it unpredictable? A regression model to predict the value of the Indian rupee (pp. 127–143). https://doi.org/10.1007/978-981-99-3366-2_16