

Our Views

There are Different Ways to Manage the Rupee While Protecting Growth

At this stage of India's economic journey, growth must remain the central priority. Sustained growth is what will move millions more Indians into the middle class and ultimately help India achieve its ambition of becoming a developed nation. This is therefore not the time to compromise on growth through aggressive interest rate increases.

There is currently strong market chatter around increasing interest rates to manage three emerging concerns: depreciation of the rupee, possible inflationary pressures and pressure on the fiscal deficit. While these concerns are real, in my view increasing interest rates is not the most appropriate response at this stage of the economy. India still requires investment, capacity creation and consumption expansion. A sharp increase in interest rates risks slowing private investment and reducing economic momentum at a time when growth is critical.

There are alternative ways to address these concerns without sacrificing growth.

First, on the rupee, one of the most effective ways to stabilise the currency is to improve the flow of foreign exchange into the country. While India has made significant progress on the export side, there is still substantial work required in attracting larger and more consistent foreign portfolio investment and foreign direct investment.

In over three decades in the capital markets profession, I have consistently heard two expectations from foreign investors. The first is the need for a clearer, more consistent and globally acceptable taxation framework. Investors are not seeking preferential treatment. They simply want certainty, consistency and efficient dispute resolution mechanisms. Unfortunately, India continues to face credibility challenges on this front. Tax uncertainty and prolonged litigation continue to discourage long term capital flows.

The second concern, particularly for strategic and FDI investors, is the time required to complete transactions and obtain approvals. Despite repeated reform announcements, large transactions in India still often take more than twelve months to close. This delay weakens commercial viability, reduces synergies and often results in investors reallocating capital elsewhere.

I discussed this extensively in my March 26, 2026 paper, "[Attracting FDI: The Reform Imperative](#)", where I argued that India has the potential to attract at least USD 100 billion of additional investment capital every year if we simplify implementation, improve approval timelines and create a predictable regulatory environment. The issue today is not lack of global capital available for India. The issue is execution efficiency.

Another major opportunity lies within the country itself. India possesses one of the world's largest privately held stocks of gold. A significant portion of this gold remains economically unproductive. The objective is not for the government to assume price risk or future supply obligations. Rather, through well designed financial structures and market linked schemes, India can gradually channel idle household gold into productive economic use.

I addressed this in my December 6, 2025 paper, "[Gold is the New FDI: A Blueprint to Convert India's Idle Wealth into Productive Capital](#)". The paper proposed mechanisms through which dormant gold reserves can reduce dependence on imported gold, improve domestic liquidity and reduce pressure on the current account deficit. Lower gold imports would directly support the rupee by reducing structural foreign exchange outflows.

Our Views

There are Different Ways to Manage the Rupee While Protecting Growth

Similarly, the current inflationary pressures appear to be driven more by supply side constraints than by excessive demand. In such a scenario, monetary tightening may not be the most effective solution. India witnessed a significant tax reduction exercise last year without triggering any meaningful demand side inflation. This suggests that the present inflationary risks are not rooted in overheating consumption.

In my view, inflation caused by supply disruptions should primarily be addressed through supply side interventions. Improving logistics, accelerating infrastructure execution, ensuring commodity availability and reducing bottlenecks will likely produce more sustainable outcomes than raising borrowing costs across the economy. Moreover, some of the current inflationary pressures may themselves prove temporary. A long term strategy to reduce dependence on oil and also create more supply options will also help.

The same principle applies to concerns regarding the fiscal deficit. There is no doubt that the global oil environment and ongoing geopolitical conflicts will place pressure on government finances. However, protecting the fiscal deficit does not necessarily require sacrificing growth through higher interest rates.

There are several creative and practical approaches available. One major opportunity lies in accelerating the government's privatisation and asset monetisation programmes. India possesses substantial public sector assets whose value can be unlocked through efficient execution.

In my November 28, 2025 article, "[The Missing Pillar of Atmanirbhar Bharat: Financial Services](#)", I highlighted how reforms in financial services, privatisation and capital market participation could significantly improve fiscal strength without placing additional stress on economic growth. Importantly, many of these policy frameworks have already been announced by the Government of India. The challenge once again lies in implementation.

This perhaps is the larger issue India must now address. As we aspire to become a developed nation, policy announcements alone are no longer sufficient. The next phase of India's economic transformation will depend on execution quality, administrative simplification and time bound implementation.

On a lighter note, I recently discovered that in Mumbai, if a company wishes to offer a glass of wine to a foreign collaborator visiting for dinner at an office cafeteria, a licence is required and the board of directors must formally authorise the application. These are legacy restrictions from another era. While they may appear small individually, collectively they reflect the broader need to modernise administrative processes and improve ease of doing business at every level.

India today does not suffer from lack of ideas, lack of capital or lack of opportunity. What we need is sharper implementation, faster decision making and greater policy consistency. If we can achieve this, we can manage the rupee, contain inflation and protect the fiscal deficit without compromising the growth momentum that remains essential for India's long term future.

Sunil Sanghai
Founder & CEO
NovaaOne Capital Pvt. Ltd