

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5407  
ANSWERED ON:22.12.2000  
FOREIGN CURRENCY ACCOUNT FACILITY SCHEME  
SURESH RAMRAO JADHAV (PATIL)

**Will the Minister of FINANCE be pleased to state:**

- (a) Whether the Reserve Bank of India propose to scrap the export earners foreign currency account facility scheme;
- (b) if so, the reasons therefor; and
- (c) the steps taken/proposed to be taken by the Government to prop up the dollar supply and tide over the demand-supply mismatches in the forex market?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (BALASAHEB VIKHE PATIL)

- (a): No Sir
- (b): Does not arise.
- (c): The steps taken by RBI to prop-up the dollar supply and tide over the demand-supply mismatches in the forex market are indicated in Annexure attached.

Annexure to Reply to Lok Sabha Unstarred Question No. 5407 to be answered on Friday, the 22nd December, 2000.

Some of the steps taken were as follows :-

1. To impose interest free rate surcharge of 50% of the lending rate on import finance.
2. RBI will continue to sell dollars through SBI in order to augment supply in the market to meet any temporary demand-supply imbalances.
3. Exporters were advised not to delay repatriation of export proceeds beyond the due date. In order to discourage any delay the bank has decided to charge interest at 25% per annum (minimum) from the date the bill falls due for payment.
4. Foreign Institutional Investors (FIIs) were free to approach RBI to procure foreign exchange at the prevailing market rate. Depending on market conditions RBI would either sell the foreign exchange directly or advise the concerned bank to buy it in the market.
5. Banks were advised to enter in to transactions in the forex market only on the basis of the genuine requirements.
6. Cash Reserve Ratio (CRR) was raised from 8.0 to 8.5 % in two stages by 0.25% point each with effect from 29th July and 12th August, 2000 respectively.
7. Bank rate was increased from 7.0% to 8.0% at the close of business on 21st July, 2000.
8. Limits of refinance facilities including collateralized lending facility available to the Banks were reduced by 50% of the eligible limits in two stages - 25% each w.e.f. 29th July and 12th August, 2000 respectively.
9. Now Export Earners' Foreign Currency (EEFC) balance would be non interest - bearing current account.
10. No credit facilities will be provided by Banks against EEFC account.
11. In order to raise foreign currency resources by way of deposits from Non-Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs), the SBI with the approval of GOI launched the scheme of India Millennium Deposits (IMDs) on October, 21, 2000. The amount received under the scheme was US\$ 5.51 billion.