

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:3929

ANSWERED ON:13.12.2002

FOREIGN EXCHANGE RESERVE

BRIJLAL KHABRI;RAGHURAJ SINGH SHAKYA;RATILAL KALIDAS VARMA;YEMPARALA VENKATESWARA RAO

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a): the position of foreign exchange reserve of the country during each of the last three years;

(b): whether the foreign exchange reserve has recently fallen considerably;

(c): if so, the facts alongwith reasons therefore;

(d): whether the Government propose to take any concrete steps to maintain its foreign exchange reserve during the current fiscal year; and

(e): if so, the details in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a): India's foreign exchange reserves (including gold and SDRs) held by the Reserve Bank of India increased from US \$38.0 billion as at end-March 2000 to US \$42.3 billion as at end-March 2001, and further to US \$54.1 billion as at end-March 2002.

(b) & (c): The foreign exchange reserves has not fallen considerably in the recent period. Instead, it has increased by US \$12.8 billion during the first eight months of 2002-03 so far, from US \$54.1 billion at the end of March 2002 to US \$66.9 billion, at the end of November 2002.

(d) & (e): India's sustained effort to build an adequate level of foreign exchange reserves in the last few years have also been fully vindicated by recent developments. The policy for reserve management is judiciously built upon a host of identifiable factors and other contingencies. Such factors, inter alia, include: the size of the current account deficit; the size of short-term liabilities; the possible variability in portfolio investment and other types of capital flows; the unanticipated pressures on the balance of payments arising out of external shocks and movements in the repatriable foreign currency deposits of Non-resident Indians. Taking these factors into account, India's foreign exchange reserves are at present comfortable and consistent with the rate of growth, the share of external sector in the economy and the size of the risk adjusted capital flows.