

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:34
ANSWERED ON:16.11.2007
FOREIGN DIRECT INVESTMENT
Chinta Mohan Dr.

Will the Minister of FINANCE be pleased to state:

- (a) whether large scale Foreign Direct Investment (FDI) has adversely affected the rate of inflation, value of Indian rupee and economy at large;
- (b) if so, the reaction of the Government thereto;
- (c) whether the Government proposes to take steps to restrict the flow of FDI in the country in order to offset this adverse effect on rising inflation and value of Indian rupee; and
- (d) if so, the details thereof?

Answer

Finance Minister (SHRI P.CHIDAMBARAM)

- (a) &(b): There is no direct one-to-one relationship between the levels of FDI and the rate of inflation. The rise in FDI inflows into India has been to a great extent offset by rise in outward investment. The value of rupee, as indicated by the exchange rate, is determined in the foreign exchange market on the basis of demand and supply of foreign currency. The recent appreciation of the rupee is attributable to excess net capital inflows of which FDI is a component.
- (c)&(d): There is no proposal for restricting FDI inflow.FDI policy is reviewed on a continuing basis for progressive liberalization