

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:505

ANSWERED ON:30.04.2010

FOREIGN EXCHANGE RESERVES

Adhalrao Patil Shri Shivaji;Viswanathan Shri P.

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

- (a) whether the percentage growth of foreign exchange reserves during 2009-10 had shown a declining trend over the past three years;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the position has improved in the recent past;
- (d) if so, the details thereof; and
- (e) the steps being taken by the Government to improve the situation in this regard?

**Answer**

FINANCE MINISTER(SHRI PRANAB MUKHERJEE)

(a) to (e) : A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 505 BY SHRI P. VISWANATHAN AND SHRI ADHALRAO PATIL SHIVAJI REGARDING "FOREIGN EXCHANGE RESERVES" FOR ANSWER ON APRIL 30, 2010

(a) to (d) The foreign exchange reserves of the country declined from US\$ 309.7 billion at end-March 2008 to US\$ 252.0 billion at end-March 2009, before rising to US\$ 279.1 billion at end-March 2010. The level of foreign exchange reserves is largely the outcome of the Reserve Bank of India's intervention in the foreign exchange market and the valuation changes. As foreign exchange reserves are denominated in US dollar, the inter se movements of US dollar exchange rate vis-à-vis other currencies in which foreign exchange reserves are held, plays an important role in determining the level of reserves, especially in volatile situations. Appreciation of US dollar in the international market during 2008-09, as a result, accounts for 65.3 per cent of the decline in the foreign exchange reserves between end-March 2008 and end-March 2009.

(e) The foreign exchange reserves position remains at a comfortable level as indicated by the import cover of 12.4 months and the short-term debt to foreign exchange reserve ratio of 15.1 per cent as at end-September 2009.