GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2973
ANSWERED ON:24.07.2009
INFLOW OF FOREIGN FUNDS
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Will the Minister of FINANCE be pleased to state:

(a) Whether the Union Government has taken any decision to limit the level of external debt, restrict its end-use and also to monitor short-term loans keeping in view the rising trend of external debt:

(b) if so, the details thereof:

(c) the present flow of external debt in India;

(d) whether the foreign fund inflow has been effecting the economy;

(e) if so, the details thereof during the last three years; and

(f) the steps being taken by the Government to check such rising trend of inflow of foreign funds?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (Shri Namo Narain Meena)

(a) & (b) The Union Government has been following prudent external debt management policies to manage external debt flows, consistent with overall macroeconomic requirements and to keep the external debt level within manageable limits. These policies include raising loans with longer maturities, regulating the levels of commercial borrowings and their end-use, rationalising interest rates on NRI deposits, monitoring long and short-term debt and encouraging non-debt creating capital flows.

(c) to (f) Net foreign debt flows during the last three years are as under:

Table: Net Foreign debt flows (US $ million)

2006-07	26,341
2007-08	53,566
2008-09	1,503

Note: Net foreign debt flows include net receipts on account of External Assistance, External Commercial borrowings, NRI Deposits, short-term trade credits and Rupee debt service.

Source: Press Release of Reserve Bank of India dated 30th June 2009.

The foreign debt flows meet domestic investment and import demand and finance infrastructure projects. The Government and Reserve Bank of India monitor external commercial borrowings and short-term loans regularly in the context of prevailing financial market situation and financing requirement of the corporate sector.