

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3991

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FOREIGN EXCHANGE

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Will the Minister of FINANCE be pleased to state:

- (a) the comparative figures of foreign exchange reserves as on date with the reserves accumulated during the same period in each of the last two years;
- (b) the reasons for increase / decrease in the reserves;
- (c) the comparative figure of such reserve with the neighbouring countries during the same period;
- (d) the details of guidelines governing the utilization of the foreign exchange reserves; and
- (e) the details of infrastructure projects financed / partly financed from the foreign exchange reserve during each of the last three years?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) : The foreign exchange reserves position of the country in the current year and during last two years is as follows:

Sl. Fiscal year Foreign exchange reserves
(US\$ billions)

1. 2009-10 265.1
(as at end June 2009)

2. 2008-09 312.1
(as at end June 2008)

3. 2007-08 213.4
(as at end June 2007)

(b) : Intervention by the Reserve Bank of India in the foreign exchange market to smoothen exchange rate volatility and valuation changes due to inter se movement of US dollar against other currencies have been major factors responsible for variation (increase/decrease) in foreign exchange reserves.

(c) : The foreign exchange reserves of some of the neighbouring countries in 2008-09 are indicated below:

Sl. Country Foreign exchange reserves
(US\$ billions)

1. Pakistan 8.9 (as at end May, 2009)

2. Sri Lanka 1.6 (as at end January 2009)

3. Nepal @ 3.6 (as at mid May 2009)

4. Bangladesh 6.5 (as at end May, 2009)

5. Maldives 0.2 (as at end May 2009)

Source : Bloomberg , @ Data for Nepal is taken from Nepal Rastra Bank website.

(d) & (e) : The main objectives of the Reserve Bank of India's reserve management policy are preserving the long-term value of the reserves in terms of purchasing power; minimising risk and volatility in returns; and maintaining liquidity. In line with the above objectives, India's foreign currency assets are held in instruments in major convertible currencies. The reserves are invested in deposits of other country central banks, the Bank for International Settlements (BIS), top-rated foreign commercial banks, and in debt instruments of sovereign / sovereign guaranteed and supranational institutions with residual maturity not exceeding 10 years, to provide a strong bias towards capital preservation and liquidity.

The Reserve Bank of India has invested US\$ 250 million in March 2009 in foreign currency denominated bonds issued by India Infrastructure Finance company Ltd (UK), a wholly owned subsidiary of India Infrastructure Finance company Ltd (India), to finance infrastructure projects.