

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1511
ANSWERED ON:04.03.2011
EXTERNAL CAPITAL FLOW
Bajirao Shri Patil Padamsinha

Will the Minister of FINANCE be pleased to state:

- (a) whether the capital inflow from the overseas investors has made it difficult to manage the difficult price situation in the country; and
- (b) if so, the steps taken by the Government to monitor for external capital flow and meet the situation arising out of it?

Answer

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

(a) & (b) The link between overseas capital inflows and inflation is primarily a function of the extent of central bank intervention, the liquidity conditions prevailing in the market and measures taken, if any, to sterilize excess liquidity. In India, the central bank intervention in the foreign exchange market has been minimal lately. The high capital flows have been largely financing the current account deficit of the country.