

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2291
ANSWERED ON:12.08.2011
CAPITAL ACCOUNT CONVERTIBILITY
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Will the Minister of FINANCE be pleased to state:

- (a) the likely problems individual Indians and the Indian economy would face in the case of full capital account convertibility; and
- (b) the details of the approach adopted by the Government towards full capital account convertibility to ensure that the macro-economic stability is not affected ?

Answer

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

(a) & (b) India is following a calibrated approach to capital account convertibility. The capital account is being liberalized in stages, in line with developmental requirements, keeping in view domestic and global economic situation. Premature introduction of full capital account convertibility could expose the economy to increased surge and reversal of capital flows that would have implications for exchange rates, stock and real estate markets and price stability. Beside, liberalization of external commercial borrowing policy could increase external debt burden that would strain balance of payments and could expose Indian corporate to balance sheet pressures during financial crisis. Hastening the process of capital account convertibility therefore would have macroeconomic and financial stability implications.