

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3711
ANSWERED ON:16.12.2011
PARKING ECB FUNDS IN LOCAL BANKS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) had asked the corporate to park funds raised through external commercial borrowings for domestic expenditures with local banks;
- (b) if, so, the response of the corporate world in this regard;
- (c) whether any assessment of the likely impact of the same has been made; and
- (d) if so, the details thereof and steps taken or being taken thereon?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) & (b): Considering the volatility in the external environment and on a review of the macro economic conditions, Reserve Bank of India (RBI) has decided with effect from November 23, 2011, that the proceeds of the External Commercial Borrowings (ECB) raised abroad meant for Rupee expenditure in India, such as, local sourcing of capital goods, on-lending to Self-Help Groups or for micro credit, payment for spectrum allocation, etc. should be brought immediately by the borrowers for credit to their Rupee accounts with AD Category-I banks in India. In other words, ECB proceeds meant only for foreign currency expenditure can be retained abroad pending utilization. The rupee funds, however, will not be permitted to be used for investment in capital markets, real estate or for inter-corporate lending, as hitherto.

(c) & (d): As per provisional data available with the RBI, as on September 30, 2011, an amount of USD 12.7 billion was parked abroad, out of which USD 2.4 billion (approximately 19%) was meant for Rupee expenditure in India. It is expected that once the ECB proceeds earmarked for Rupee expenditure are brought into India, it would help improve the liquidity position.