

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1588

ANSWERED ON:13.12.2013

CURRENT ACCOUNT DEFICIT OF FOREIGN BANKS

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**Will the Minister of FINANCE be pleased to state:**

- (a) the policy followed by the Government and the Reserve Bank of India (RBI) to service the Current Account Deficit;
- (b) the estimated vis-a-vis actual current account deficit as percentage of GDP during the last three years, quarter-wise including foreign banks; and
- (c) the short-term and long-term measures taken/being undertaken by the Government to reduce the current account deficit?

**Answer**

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

(a)to(c) Government and Reserve Bank of India has taken a number of measures to contain the current account deficit (CAD) and boost capital flows. These, inter alia, include compression in import of gold and silver and non essential items including hike in custom tariffs and administrative measures, public sector financial institutions to raise quasi-sovereign bonds to finance long term infrastructure, liberalizing ECB guidelines, PSU oil companies to raise additional funds through ECBs and trade finance, and liberalizing non-resident deposit schemes, RBI's intervention in the foreign exchange market, and liberalizing FDI. Besides, a number of export promotion schemes are in place to promote exports and certain additional features have been made like widening of Interest Subvention Scheme and raising the rate of subvention from 2 per cent to 3 per cent, broadening the scope of Focus Market Scheme, Focus Product Scheme and Incremental Export Incentivisation Scheme etc.

Government and RBI do not estimate or target specific levels of CAD, but seek to monitor the balance of payments developments closely and calibrate policies/ measures to meet broad objectives to moderating CAD to sustainable levels. India's current account deficit during last three years, quarter-wise, is given below:

Year	Quarter	Current Account Deficit as per cent of GDP		Current Account Deficit
(US\$ billion)				
2010-11	Q1	13.4		3.5
	Q2	17.2	4.5	
	Q3	11.2	2.5	
	Q4	6.2	1.3	
2011-12	Q1	17.5		3.8
	Q2	18.9	4.2	
	Q3	20.0	4.3	
	Q4	21.8	4.4	
2012-13	Q1	17.1		4.0
	Q2	21.1	5.0	
	Q3	31.8	6.5	
	Q4	18.2	3.6	
2013-14	Q1	21.8		4.9
	Q2	5.2	1.2	

Source: Reserve Bank of India.