

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:385
ANSWERED ON:06.12.2013
FULL CAPITAL ACCOUNT CONVERTIBILITY
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Will the Minister of FINANCE be pleased to state:

- (a) the current status of implementation of recommendations of the Committee on full Capital Account Convertibility;
- (b) the benefits likely to accrue to the economy as a result of implementation of these recommendations, sector-wise;
- (c) whether the Government has resolved the differences on the implementation of the said recommendations;
- (d) if so, the details of each of such issue resolved; and
- (e) the time by which Rupee is likely to become fully convertible?

Answer

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

- (a) 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. The Committee on Full Capital Account Convertibility (2006) had made certain recommendations for implementation in a phased manner with certain enabling macro-economic outcomes. The implementation of the recommendations is an ongoing process calibrated to emerging economic contexts.
- (b) Implementations of the recommendations of the Committee on Fuller Capital Account Convertibility will enable better capital account management and contribute to effectively dealing with current account deficit and volatility in forex markets.
- (c) to (e) 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. Some liberalization has already been put in place in ECBs etc., Greater 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 and as such the approach to Fuller Capital Account Convertibility is gradual and sequenced to emerging economic context.