

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4417
ANSWERED ON:08.08.2014
REDUCING CAD
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Will the Minister of FINANCE be pleased to state:

(a)whether the Reserve Bank of India proposes to ask the banks to buy the idle household gold and divert into precious metal so as to cut the Current Account Deficit (CAD);

(b)if so, the details thereof; and

(c)the other steps taken or proposed to be taken to reduce the CAD?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRIMATI NIRMALA SITHARAMAN)

(a)and (b) There is no such proposal under the consideration of the Reserve Bank of India.

(c)Government had taken a number of measures to contain CAD during 2013-14. These, inter alia, included compression in import of gold and silver and non-essential items including through hike in custom tariffs and other limits. As a step towards restricting the gold imports, Government linked gold imports with the gold exports, whereby 20 per cent of the imported gold has to be channelized for gold exporters. Inflation Indexed Bonds were introduced on June 04, 2013 to wean investors from gold to other savings instruments and help in moderating gold demand. Apart from these measures, oil marketing companies were permitted to raise diesel prices in small measures periodically. This would help in curtailing the demand for diesel and hence its imports. 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, broadening the scope of Focus Market Scheme, Focus Product Scheme and Incremental Export Incentivisation Scheme etc. Further, to boost exports, the Budget for 2014-15 proposes an Export Promotion Mission to bring all stakeholders under one umbrella to facilitate exports through improved infrastructure and coordinated efforts.