Control on flow of foreign funds by RBI

800. SHRIMATI SHOBHANA BHARTIA: Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) has decided to take steps to control the flow of foreign funds which has already pushed the rupee to a five month high against the US dollar;

(b) if so, the details thereof;

(c) whether the excess capital inflow is affecting the economy; and

(d) if so, the corrective steps Government proposes to take in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) to (d) The impact of larger capital flows depends upon the absorptive capacity of the economy. In the case of India, the current account deficit widened from 2.4 per cent of GDP in 2008-09 to 2.9 per cent in 2009-10. During the first quarter (QI - April-June) of 2010-11, current account deficit widened to US$ 13.7 billion *vis-a-vis* US$ 4.5 billion in QI of 2009-10. The capital account surplus was 4.1 per cent of GDP in 2009-10 *vis-a-vis* 0.6 per cent in 2008-09, Similarly, in the first quarter of 2010-11, the capital account surplus was to tune of US$ 18.4 billion *vis-a-vis* US$ 4.0 billion in QI of 2009-10. Capital flows therefore are largely financing the current account deficit. Relatively larger capital flows however, have contributed to appreciation of the rupee exchange rate *vis-a-vis* US dollar in recent months.

Debt burden

801. DR. JANARDHAN WAGHMARE: Will the Minister of FINANCE be pleased to state:

(a) whether Government is aware of the fact that country is under the heaviest burden of debts taken from different developed countries over the years; and

(b) if so, how much is the debt and how it would be repaid?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA) : (a) and (b) India's sovereign external debt from bilateral creditors stood at US$ 17.4 billion as at end March 2010, which was 6.6 per cent of India's total external debt stock, as compared to US$ 16.4 billion (7.3 per cent) at end-March 2008 and at US$ 16.1 billion (7.2 per cent) at end-March 2009.

India's total external debt has been within manageable limits as indicated by a low debt service ratio of 5.5 per cent and external debt to GDP ratio of 18.9 per cent during 2009-10.