

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):
(a) In November, 2011, Moody's Investor Service had changed its outlook for India's banking system to "negative" from "Stable" citing concerns of high inflation, monetary tightening, rapidly raising interest rates, etc.

(b) to (d) There is no cause of concern as:—

- (i) Almost all banks are having above 9% Tier-I capital and 11% total capital. RBI requirement is 6% and Basel-II requirement is 4% for Tier-I capital.
- (ii) Over and above Basel-II requirement, Indian banks are providing a counter-cyclical buffer upto 70% of the risk weighted assets.
- (iii) The NPAs of Indian banks are in the range of 3 - 3.5% and the net NPAs which include assets which have gone for recovery are less than 1%.

There has been no significant change in this in the last two quarters. The above indicates that the Indian banking sector is in sound financial health and Moody's ratings would not have a long lasting effect on the banking sector in India.

The Indian banking sector and Government of India are fully aware of the challenges and taking all steps to counter these challenges which are primarily coming from outside India. The Government of India is committed to keep the banking sector in good health. Therefore, interest of small investor would not be affected in the long run.

Loss in rupee value

820. SHRI SANJAY RAUT:
SHRI GOVINDRAO ADIK:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that in order to check high volatility in local currency value, Central banks world over intervene in markets through buying or selling of foreign currencies;
- (b) if so, the details thereof;
- (c) the extent of loss of rupee value *vis-a-vis* US dollar in the last three months and the reasons behind such depreciation of rupee; and
- (d) whether Government is thinking of intervening?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):
(a) In countries that follow a managed float exchange rate policy, Central Banks sometimes intervene in the foreign exchange market by buying and selling their own currency against one or more foreign currencies according to their respective exchange rate management policy.

(b) Some Central Banks like Swiss National Bank, Bank of Japan, Bank of Indonesia and Central Bank of Brazil are reported to have intervened in the recent past.

(c) The monthly exchange rate of rupee per US dollar during last three months (August to October, 2011) alongwith depreciation is given below:—

Months	₹ per US\$ *	Depreciation (-) over previous month
August, 2011	45.25	(-) 1.8
September, 2011	47.63	(-) 5.0
October, 2011	49.26	(-) 3.3

* Average of buying and selling rates reported by Foreign Exchange Dealers Association of India (FEDAI)

The fluctuation in rupee exchange rate has been due to changing supply-demand balance in the domestic foreign exchange market. The main reason for depreciation of rupee against US dollar is uncertain global economic environment, particularly unfolding of euro zone sovereign debt crisis.

(d) The exchange rate of rupee is basically determined by the demand and supply forces in the foreign exchange market. The Reserve Bank of India constantly monitors the developments in the foreign exchange markets and intervenes through purchase or sale operations only with a view to curbing excessive volatility and to restore orderliness in the foreign exchange market without targeting any specific rate or band.

Rising oil subsidy Bill

821. SHRI A. ELAVARASAN: Will the Minister of FINANCE be pleased to state:

(a) whether the Government is working on a three pronged strategy to tackle the rising oil subsidy Bill in the current financial year;

(b) if so, the details thereof;

(c) whether the plan includes utilisation of savings, reduction in expenditure on big schemes and roll over of a part of burden to the next financial year; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):
(a) Government is taking various measures to keep the subsidy expenditure under control and at the same time, insulate citizens from the effect of price rise.