

(c) and (d) The exchange rate value of rupee against US dollar is determined by supply-demand conditions in the domestic foreign exchange market and volatility in US dollar exchange rate in the international market. The Government of India and the Reserve Bank of India have taken a number of steps to facilitate capital inflows to augment supply of foreign exchange to stem the decline in rupee exchange rate. The measures, *inter alia*, include hike in FII investment in debt securities (both corporate and Government), enhancing all-in-cost ceiling for external commercial borrowings (ECBs) between 3-5 year maturity, higher interest rate ceiling for foreign currency Non-resident deposits, deregulation of interest rates on rupee denominated NRI deposits and administrative steps to curb currency speculation. The Government has further liberalized FDI policy that *inter alia*, includes allowing foreign direct investment in multi-brand retail. The RBI also intervened in the foreign exchange market through net sale of US dollar amounting to US \$ 20.1 billion in 2011-12 (September, 2011 to February, 2012) and US \$ 2.1 billion during April, 2012 to September, 2012.

#### **Proposal to ease external commercial borrowings**

2981. SHRI BAISHNAB PARIDA: Will the Minister of FINANCE be pleased to state:

- (a) whether Government proposes to ease External Commercial Borrowings (ECB);
- (b) if so, the details thereof;
- (c) how far does it help rural/urban housing sectors;
- (d) whether low cost houses have also been allowed access the above source;
- (e) if so, the details thereof; and
- (f) which are the other sectors that would be benefited out of the above policy?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) and (b) The External Commercial Borrowings (ECB) policy is reviewed and modified periodically by the Government in consultation with RBI in tune with the evolving macro-economic situation, domestic investment demand and external sector developments to facilitate the flow of funds to key sectors like manufacturing and infrastructure, to augment the growth potential of the economy.

Accordingly, there has been progressive liberalization and rationalization of the key components of ECB regulations such as amount and maturity, all-in-cost, and permissible end uses etc. to facilitate availability of funds with special thrust on infrastructure development. The key liberalisation and rationalization measures taken in ECB policy include: (a) Permitting ECB for refinancing of the Rupee loans for infrastructure sector to the extent of 25% of fresh ECBs; (b) Allowing ECBs for low cost/affordable housing projects; (c) Reduction in the rate of withholding tax on interest payment on money borrowed in foreign currency; (d) Permitting SIDBI as an eligible borrower for accessing ECB for on-lending to MSME sector; (e) Allowing ECB for capital expenditure on the maintenance and operations of toll systems for roads and highways; (f) Permitting ECB for working capital requirements of the airline industry and (g) Introduction of a new window of ECB for companies in the manufacturing and infrastructure sector.

(c) to (e) The Budget 2012-13 announced the provision of ECB for low cost affordable housing projects. Accordingly, ECB has been allowed for low cost affordable housing projects under the approval route. ECB can be availed of by developers/builders for low cost affordable housing projects. Housing Finance Companies (HFCs)/National Housing Bank (NHB) can also avail of ECB for financing prospective owners of low cost affordable housing units.

The details of the ECB provision for low cost affordable housing projects are given in RBI A.P. (DIR Series) Circular No. 61 dated December 17, 2012 which is available at following link: <http://rbidocs.rbi.org.in/rdocs/notification/PDFs/APE61EC171212.pdf>

(f) As per extant ECB guidelines issued by RBI, ECB can be raised under automatic route for investment such as import of capital goods (as classified by DGFT in the Foreign Trade Policy), new projects, modernization/expansion of existing production units in the industrial sector, including Small and Medium Enterprises (SME), infrastructure sector and specified service sectors, namely, hotel, hospital, software in India.

The ECBs which are not covered under the automatic route are considered by RBI under the approval route on case to case basis.

#### **Employees working in RRBs**

†2982. SHRI BHAGAT SINGH KOSHYARI: Will the Minister of FINANCE be pleased to state:

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†Original notice of the question was received in Hindi.