

MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO. 2889

TO BE ANSWERED ON FRIDAY, DECEMBER 28, 2018/ PAUSHA 7/1940 (SAKA)

Foreign Investors

2889: PROF. SAUGATA ROY, MP:

Will the Minister of FINANCE be pleased to state:

- a) Whether foreign investors have pulled out about 400 crores from the Indian Stock Market in the last five trading sessions due to the arrest of high –profile Chinese Executive;
- b) If so, the details thereof;
- c) Whether these types of pull outs will affect India's foreign currency reserves; and
- d) If so, the details thereof and steps taken to check such withdrawals in future?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI. PON.RADHAKRISHNAN)

a) & b) Foreign Portfolio Investors (FPIs) have pulled out Rs 4093 Cr from the Indian stock market during December 12-18, 2018. However, this outflow cannot be attributed to any single factor. Some common factors that influence FPI investments include investment objective and mandate of the concerned FPI, prevailing financial market conditions of the concerned jurisdiction and its competitors, anticipated future returns out of the proposed investment, global macroeconomic and geopolitical factors etc.

(c) Foreign exchange reserves change to the extent of the net impact of all current account and capital account flows during a period. Therefore, the effect of pull-out by foreign investors depends on the extent of other flows in India's balance of payments.

(d) Over the years, Reserve Bank of India and Securities and Exchange Board of India, in consultation with the Government of India, have put in place several measures to check sudden withdrawals and promote stable and sustained FPI investment. The measures include limits on investment, preferential treatment for long term investors, restrictions on short term investment in debt etc.