GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 548
TO BE ANSWERED ON 06.02.2023

Decline in Foreign Exchange Reserve

548. SHRI SRIDHAR KOTAGIRI:
SHRI V.K. SREEKANDAN:

Will the Minister of FINANCE be pleased to state:

(a) whether the country's foreign exchange reserves have in recent months witnessed a steep decline, if so the details thereof:
(b) whether the Government is taking/intends to take measures in order to stabilise the Gold and Forex reserves available with the country, if so, the details thereof and if not, the reasons thereof;
(c) whether the forex reserves of the country has declined by 691 million US dollars to approximately 562 billion US dollars as of December 23, 2022 making it the second consecutive week of decline in the forex kitty and if so, the details thereof; and
(d) whether the forex reserve had been declining to defend the rupee amid pressure caused by global development and if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) to (c): The Foreign Exchange Reserves of India stood at US$ 607.3 billion as end-March 2022 followed by a declining trend largely, till October 2022, when it stood at US$ 524.52 billion as on 21st October, 2022. Thereafter, it has been on an increasing trend. The forex reserves were at comfortable level of US$ 562.72 billion as of end-December 2022, covering 9.3 months of imports. Further, as on 27th January 2023, the Reserves stand at US$ 576.76 billion.

Accretion to or depletion of forex reserves depends on the amount of net capital inflows through the capital account and the absorption of such inflows by the economy as measured by the balance on the current account of the balance of payments. If the capital inflows are more than the absorptive capacity represented by the current account deficit (CAD), the excess capital inflows would add to the forex reserves.

The Government has taken various measures to encourage foreign direct investment and foreign portfolio investments and also enhance exports. The Government has taken, inter-alia, the following measures to boost exports and reduce trade deficit:

- Foreign Trade Policy (2015-20) extended upto 31-03-2023.
- Interest Equalization Scheme on pre and post shipment rupee export credit has also been extended upto 31-03-2024.
- Assistance provided through several schemes to promote exports, namely, Trade Infrastructure for Export Scheme (TIES) and Market Access Initiatives (MAI) Scheme.
- Remission of Duties and Taxes on Exported Products (RoDTEP) scheme.
- Districts as Export Hubs has been launched by identifying products with export potential in each district, addressing bottlenecks for exporting these products and supporting local exporters/manufacturers to generate employment in the district.

To promote Foreign Direct Investment (FDI), the Government has put in place an investor-friendly policy, wherein except for a few sectors, most sectors are open for 100% FDI under the Automatic route. Further, the policy on FDI is reviewed on an ongoing basis, and its provisions have been progressively liberalized and simplified across various sectors in the recent past to make India an attractive investment destination.

(d) The value of the Indian Rupee (INR) is market-determined. The RBI intervenes only to maintain orderly market conditions by containing excessive volatility in the exchange rate, without reference to any pre-determined target level or band.

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