(a) whether the Government has under-utilised the Foreign Exchange Reserves (FERs) in an unproductive manner resulting in huge losses to the exporters;

(b) if so, the details thereof along with reasons therefor; and

(c) the corrective steps taken by the Government in this regard?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a) & (b) India's foreign exchange reserves (FER) comprise foreign currency assets, gold, Special Drawing Rights (SDRs) and Reserve Tranche Position (RTP) with the IMF. The level of foreign exchange reserves is largely the outcome of Reserve Bank of India's intervention in the foreign exchange market to stabilise the rupee value. The main objective of intervention by the RBI is to maintain stable exchange rate in the wake of fragile global economic environment to minimize exchange rate risks, among others, for exporters. FERs act as a cushion against anticipated external shocks. In line with the principles of preserving the long-term value of the reserves in terms of purchasing power, minimizing risk and volatility in returns and maintaining liquidity, the Reserve Bank of India invests foreign currency assets in multi-currency, multi-asset portfolios as per the guidelines prescribed for this purpose which are similar to the international best practices.

(c) The broad rising trend in FERs continues in 2015-16 so far as well. The Government and the RBI are closely monitoring the emerging external position and on an ongoing basis calibrating policies or regulations to support robust macroeconomic outcome including strong export performance.

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