

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
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Moody's Rating of 'Make in India' Initiative

2177: SHRI SUMEDHANAND SARSWATI:

Will the **Minister of FINANCE** be please to state:

- a) whether many international credit rating agencies including Moody's have called Government's 'Make in India' initiative a success;
- b) if so, the facts thereof and the reaction of the Government thereto;
- c) whether FDI inflows hit more than financing the Current Account Deficit (CAD) for the first time since 2004;
- d) if so, the details thereof; and
- e) the details of the foreign reserves during each of the last three years?

ANSWER

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

(a) & (b) Moody's Investors Service in its Report titled "Government of India: Rising Foreign Direct Investment Provides Stable Financing of Current Account Deficit, a Credit Positive" which was released on 7th April, 2016 has made following observations:-

"The rise in FDI points to stronger investor interest in India on the back of robust economic growth. Higher inflows also suggest that recent government policies, such as efforts to liberalize foreign investment limits in several sectors and the 'Make in India' initiative, are bearing fruit."

This report is a reflection of growing international recognition of the Government's policy of giving a boost to the manufacturing sector through the 'Make in India' initiative.

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(c) & (d) The level of Foreign Direct Investment (FDI) and Current account Deficit (CAD) since 2004-05 are given in the table 1 below.

Table: 1 Foreign Direct investment and Current Account Deficit on Balance of Payments basis (US\$ million)

Year	Foreign Direct Investment			Current Account Deficit
	Inflows	Outflows	Net	Net
2004-05	6087	2374	3713	-2470
2005-06	9178	6144	3034	-9902
2006-07	23590	15897	7693	-9565
2007-08	37322	21429	15893	-15738
2008-09	43006	20634	22372	-27914
2009-10	38484	20518	17966	-38181
2010-11	38609	26775	11834	-48053
2011-12	49007	26947	22061	-78155
2012-13	39786	19967	19819	-88163
2013-14	43582	22018	21564	-32397
2014-15	51796	20544	31251	-26800
2015-16 (Apr.-Dec.)	43906	16469	27437	-21975

Source: Balance of Payments, Reserve Bank of India

It may be seen that the FDI Net inflows have managed to cover up the Current Account Deficit (CAD) in the FY 2007-08 and thereafter since the year 2014-15.

(e) India's foreign exchange reserves comprise of foreign currency assets (FCAs) of RBI, Gold, SDRs and reserve tranche position (RTP) with 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 level of foreign exchange reserves during the last three years are given in the table 2 below.

Table: 2 India's Foreign Exchange Reserves (US\$ million)

End of Financial Year	Foreign Currency Assets	Gold	RTP	SDRs	Total
1	2	3	4	5	6=2+3+4+5
2013-14	276359	21567	1834	4464	304223
2014-15	317324	19038	1292	3985	341638
2015-16	336104	20115	2456	1502	360176
As on 22 April 2016	337537	20115	1498	2451	361601

Source: Reserve Bank of India
