

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:5045
ANSWERED ON:25.04.2003
FULL CONVERTIBILITY OF RUPEES
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Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) Whether the limited convertibility of rupee on capital and current account introduced since 1992 has achieved the desired result;
- (b) if so, the details thereof;
- (c) whether the government propose to proceed towards full convertibility of rupee in the near future;
- (d) if so, the details thereof; and ;
- (e) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL)

(a) & (b) : India introduced full convertibility of the Rupee in the current account of the balance of payments in August 1994. However, restrictions on transactions in the capital account are being removed selectively. Prudent management of the capital account has led to continuous strengthening of India's balance of payments during recent years.

(c), (d) & (e) : Several measures were announced on January 10, 2003 for further liberalising capital controls and introducing greater flexibility in capital account transactions. These include permission to mutual funds to invest abroad in companies listed on overseas stock exchanges, which have at least 10 percent shareholding in a company listed on a recognised stock exchange in India on January 1 of the year of investment. The overall cap for investment by mutual funds has been raised to US \$1 billion. Individuals have also been permitted to invest abroad in companies that are listed on overseas stock exchanges, and which have at least 10 percent shareholding in a company listed on a recognised stock exchange in India on January 1 of the year of investment, with no fixed investment limits. These measures have come into force with effect from January 10, 2003, and will remain in practice, to start with, for a period of six months from their date of announcement. Further, in the latest Union Budget (2003-04), corporates with proven track records have been permitted to invest overseas under the automatic route even in non-core activities. The current ceiling of US \$ 100 million on prepayment of ECBs under the automatic route has been withdrawn.