

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2646
ANSWERED ON:09.12.2005
INTEREST ON FOREIGN LOANS
Rao Shri Kavuru Samba Siva

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is losing by way of paying more interest on the liabilities of foreign loans than receiving on investing the Foreign Exchange reserves;
- (b) if so, the details thereof;
- (c) whether there is any proposal to lend a part of Foreign reserves to Indian corporate sector or PSUs interested in undertaking projects in Gulf, Asian, African countries etc;
- (d) if so, the details thereof;
- (e) whether the foreign reserve can be doubled in less than three years through such investments;
- (f) if so, the details thereof; (g) whether it can provide employment to many of our skilled personnel and create market for Indian machinery and other products; and (h) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

- (a)& (b): India's foreign exchange reserves are invested as per the relevant provisions of the RBI Act, 1934, based on the considerations of safety, liquidity and return. Accordingly, they are invested in deposits of other countries central banks, the Bank for International Settlements (BIS), and top-rated foreign commercial banks, and in securities representing debt of sovereigns and supranational institutions with residual maturity not exceeding ten years. The investments have a strong bias towards capital preservation and liquidity. However, it may be stated that while the effective rate of interest on India's external debt during 2004-05 was estimated at 3.08 per cent, the rate of earnings on foreign currency assets for the same year was estimated at 3.1 per cent.
- (c): No such proposal is under consideration.
- (d), (e), (f), (g) and (h): Does not arise.