

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:770
ANSWERED ON:24.02.2006
SOURCES OF FOREIGN EXCHANGE RESERVES
Deora Shri Milind Murl

Will the Minister of FINANCE be pleased to state:

- (a) the sources of Foreign Exchange Reserves;
- (b) whether these reserves have been invested in low yielding US and EU Government securities;
- (c) if so, the reasons therefor and the losses incurred as a result thereof;
- (d) whether this reserve is being utilized to fund the deficit; and
- (e) if so, the details in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

- (a) The major sources of accretion to foreign exchange reserves include exports of goods and services, foreign direct investment, portfolio investment, non-resident deposits, external debt, external aid, external commercial borrowings, private remittances etc.
- (b) & (c) India`s foreign currency reserves are invested in multi-currency multi-asset portfolios keeping in view considerations of safety, liquidity and return. The Reserve bank of India (RBI) invests a part of the reserves in US treasury bills and notes and securities issued by the governments of other major developed countries, including the EU, mainly on account of safety and liquidity considerations.
- (d) No, Sir.
- (e) Does not arise.