

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1535
ANSWERED ON:03.03.2006
FOREIGN EXCHANGE RESERVES
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Will the Minister of FINANCE be pleased to state:

- (a) whether NRIs deposits are the major factor for increasing country's Foreign Exchange Reserve;
- (b) if so, whether all the deposits of NRIs in the country are repatriateable;
- (c) whether all the investments of NRIs in Insurance and Bonds are repatriateable; and
- (d) the measures Government has adopted to correct the imbalances in the external debt payment systems in view of huge Foreign Exchange Reserve?

Answer

Minister of State in Ministry of Finance (SHRI PAWAN KUMAR BANSAL)

(a) According to the latest information available, India's foreign exchange reserves rose by US\$137.3 billion from US\$5.8 billion at end-March 1991 to US\$143.1 billion as at the end of September 2005. NRI deposits accounted for US\$22.6 billion or 16.5 percent of the rise in foreign exchange reserves during this period.

(b) NRI deposits can be held under

(i) Foreign Currency Non-Resident Account (Banks) Scheme {FCNR(B)},

(ii) Non-Resident (External) Rupee Account {NR(E)RA}, and

(iii) Non-Resident Ordinary (NRO) Rupee Account Scheme. While FCNR(B) is designated in select foreign currencies, NR(E)RA and NRO are denominated in Indian Rupees. Interest on deposits held under all the three schemes is fully repatriable. Principal amounts under FCNR(B) and NR(E)RA are freely repatriable, while remittances are allowed up to US\$ 1 million per calendar year for bonafide purposes from balances in NRO accounts subject to payment of applicable taxes.

(c) NRI investments in the insurance sector, which is allowed under Foreign Direct Investment on the automatic route up to 26%, are repatriable. Foreign currency denominated Indian Life Insurance policies held by NRIs are repatriable provided premia are paid in foreign currency. NRI investments in Government dated securities/Treasury bills, units of domestic mutual funds, bonds issued by a public sector undertaking, convertible debentures of Indian companies under FDI scheme as well as those through stock exchange under portfolio investment scheme, are repatriable.

(d) Taking advantage of relatively higher level of foreign exchange reserves, Government of India had pre-paid certain high-cost external loans in order to reduce the interest burden on its external debt. Besides, Government is focusing on concessional loans, longer maturity profiles, close monitoring of short-term debt and laying emphasis on non-debt creating capital flows in order to maintain external debt within manageable limits.