

Utilisation of foreign exchange reserves

*89. SHRI AMAR ROY PRADHAN: Will the Minister of FINANCE be pleased to state:

(a) whether Government have so far taken any firm decision on the strategy of effective utilisation of foreign exchange reserves;

(b) if so, the details thereof; and

(c) if not, when a decision is likely to be taken?

THE MINISTER OF FINANCE (SHRI H. M. PATEL): (a) to (c). India has to maintain a reasonable level of foreign exchange reserves as a cushion against unforeseen import demand, keeping in view particularly the possibilities of a sudden increase in demand which may arise from fluctuations in agricultural output. However, taking into account the present size of foreign exchange reserves, Government have decided to take necessary steps to utilise a part of the reserves in a productive and non-inflationary manner. The important steps taken in this connection are:—

(i) making available the full requirements of the economy for imported raw materials, components, spares and equipment, consistent with utilisation of indigenous productive capacity,

(ii) arranging imports of critical items of mass consumption in short-supply in the interest of domestic price stability, and

(iii) stimulating the growth process of the economy by accelerating investment in identified projects and programmes in priority areas requiring large foreign exchange.

Utilisation of foreign exchange for development of rural economy

*90. SHRI NIHAR LASKAR: Will the Minister of FINANCE be pleased to state:

(a) the amount of foreign exchange accumulated as on date;

(b) whether Government intend to utilise the same in a big way to boost the domestic production, so as to develop the rural economy; and

(c) the steps taken by Government in this direction?

THE MINISTER OF FINANCE (SHRI H. M. PATEL): (a) India's foreign exchange reserves (excluding gold and SDRs) on 11th November, 1977 amounted to Rs. 3856.1 crores.

(b) The Government intends to utilise the foreign exchange reserves to fully meet the import requirements of the economy, consistent with utilisation of indigenous productive capacity, with a view to providing the necessary stimulus to domestic production. While the programmes for the development of rural economy have generally a low import content, the use of reserves to import mass consumption goods and agricultural inputs in short supply can help sustain accelerated development of the rural economy in a non-inflationary manner.

(c) Besides arranging large scale imports of mass consumption items such as edible oils, raw cotton etc., the Government has also liberalised import policy so as to meet the full requirements of the economy for imported raw materials, components, spares and equipment, consistent with utilisation of indigenous productive capacity.