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Indian Streams Research Journal



INDIA'S FOREIGN EXCHANGE RESERVES: AN OVERVIEW



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ABSTRACT

This paper is an attempt to find out the Foreign Exchange Reserves held by India in different years (i.e. from 2004 to 2013). In addition this paper also highlights the amount of SDRs reserve, gold reserve, foreign currency assets and reserve tranche position in IMF held by India from 2004 to 2013.

KEYWORDS :India, Foreign Exchange Reserve, Special Drawing Rights (SDRs), Gold, Foreign Currency Assets, Reserve Tranche Position in IMF.

INTRODUCTION:

Foreign Exchange Reserve is also known as Forex Reserve. In simple words foreign exchange reserves is the sum total of foreign currencies, foreign banknotes, gold reserves, IMF reserves held by central bank of a country. Generally, all countries around the globe hold a significant amount of foreign exchange reserves and a large portion of foreign exchange reserves are held in U.S. dollars. A good amount of foreign exchange reserves is beneficial for a country as it helps a country in various aspects such as:

- Ample foreign exchange reserves help a country to pay foreign debts in time and thereby increases goodwill of the country and vice-versa.
- Sufficient foreign exchange reserves provide a favourable economic environment for development of country by stabilising the foreign exchange rates.
- A country having adequate foreign exchange reserve increases the confidence of government in framing sound monetary policies.

Aim of this paper is to find out total foreign exchange reserves held by India from 2004 to 2013.

OBJECTIVES OF THE STUDY

- To discover total foreign exchange reserves held by India and percentage increase in it from 2004 to

2013.

- To find out SDRs, gold, foreign currency assets and reserve tranche position in IMF held by India from 2004 to 2013.
- To find out percentage increase in SDRs, gold, foreign currency assets and reserve tranche position in IMF by India from 2004 to 2013.

RESEARCH METHODOLOGY

The current study is based on secondary data and the appropriate information's in this regard has been assembled from government publications, websites, journals, annual reports of reserve Bank of India (RBI) etc.

ANALYSIS AND INTREPRETATION

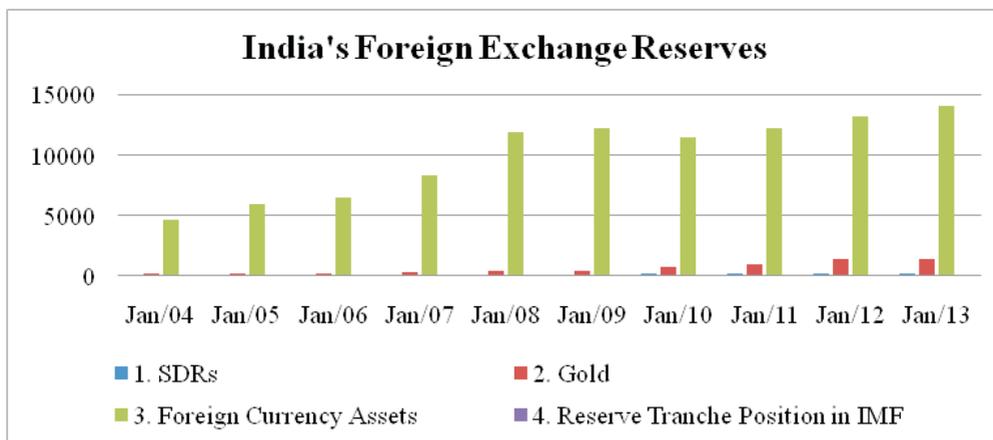
India's Foreign Exchange Reserves has been demonstrated with the help of following tables and figures:

Table 1: India's Foreign Exchange Reserves

Years	1. SDRs	2. Gold	3. Foreign Currency Assets	4. Reserve Tranche Position in IMF	Total (1+2+3+4)
Mar-04	0.1	182	4662	57	4901.1
Mar-05	0.2	197	5931	63	6191.2
Mar-06	0.12	257	6473	34	6764.12
Mar-07	0.08	296	8366	20	8682.08
Mar-08	0.74	401	11960	17	12378.74
Mar-09	0.06	488	12301	50	12839.06
Mar-10	226	812	11497	62	12597
Mar-11	204	1026	12249	132	13611
Mar-12	229	1383	13305	145	15062
Mar-13	235	1397	14126	125	15883
Average	89.53	643.9	10087	70.5	10890.93

Rs. in Billion

Figure 1: India's Foreign Exchange Reserves



Y Axis: Rs. in Billion

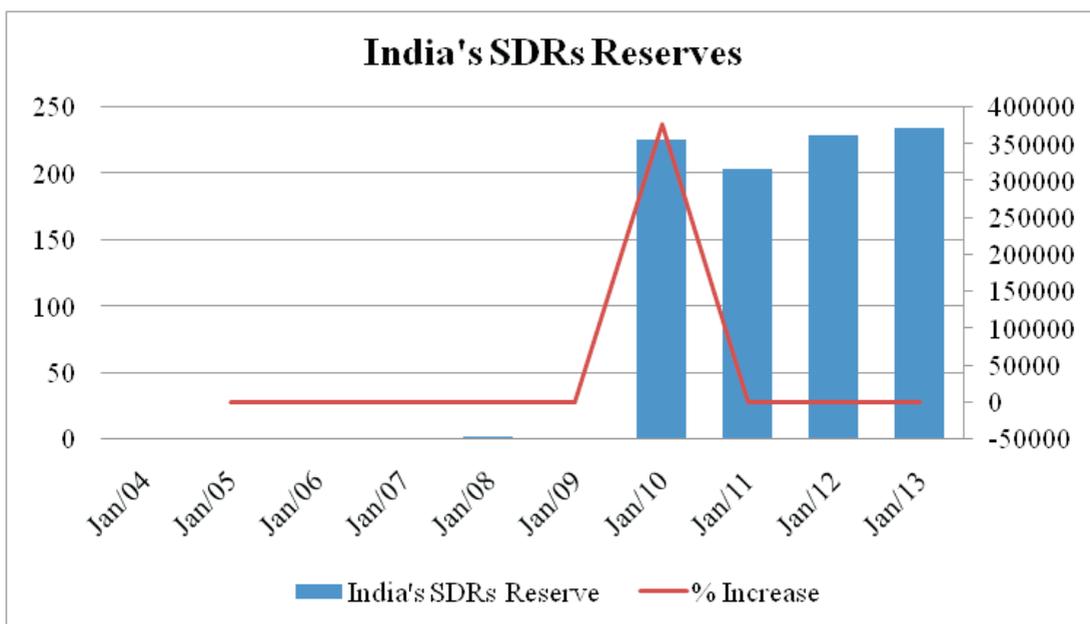
Table 1 and figure 1 exhibit total foreign exchange reserves held by India from 2004 to 2013. Moreover, above table and figure also exhibits the amount of foreign exchange reserves held by India in the form of SDRs, gold, foreign currency assets and reserve tranche position in IMF separately during the study period. It is clear from the above table and graph that maximum foreign exchange reserve held by India is in the form of foreign currency assets and minimum foreign exchange reserve is held in the form of SDRs (Special Drawing Rights).

Table 2: India's SDRs Reserves

Years	India's SDRs Reserves	% Increase
Mar-04	0.1	---
Mar-05	0.2	100.00
Mar-06	0.12	-40.00
Mar-07	0.08	-33.33
Mar-08	0.74	825.00
Mar-09	0.06	-91.89
Mar-10	226	376566.67
Mar-11	204	-9.73
Mar-12	229	12.25
Mar-13	235	2.62
Average	89.53	41925.73

Rs. in Billion

Figure 2: India's SDRs Reserves



Y Axis (Primary): Rs. in Billion

Y Axis (Secondary): % Increase in India's SDRs Reserve

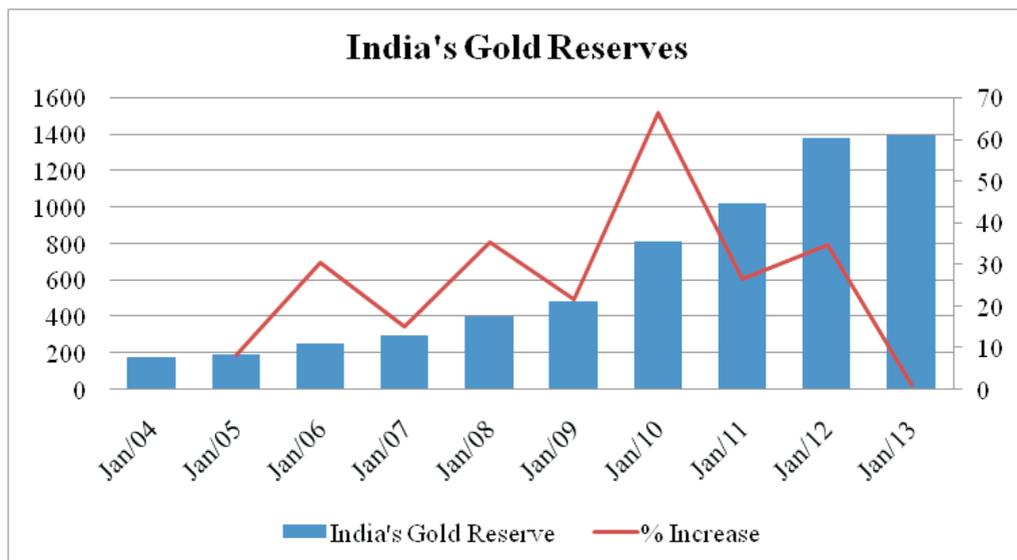
Table 2 and figure 2 reveals the amount of foreign exchange reserve held by India in form of special drawing rights (SDRs) and percentage increase in SDRs figures from 2004 to 2013. As per above table and figure the share of SDRs in foreign exchange reserves was negligible from 2004 to 2009 and has shown a drastic increase from 2010 onwards. SDRs stood at an average of Rs. 89.53 billion during the study period.

Table 3: India's Gold Reserves

Years	India's Gold Reserves	% Increase
Mar-04	182	----
Mar-05	197	8.24
Mar-06	257	30.46
Mar-07	296	15.18
Mar-08	401	35.47
Mar-09	488	21.70
Mar-10	812	66.39
Mar-11	1026	26.35
Mar-12	1383	34.80
Mar-13	1397	1.01
Average	643.9	26.62

Rs. in Billion

Figure 3: India's Gold Reserves



Y Axis (Primary): Rs. in Billion

Y Axis (Secondary): % Increase in India's Gold Reserve

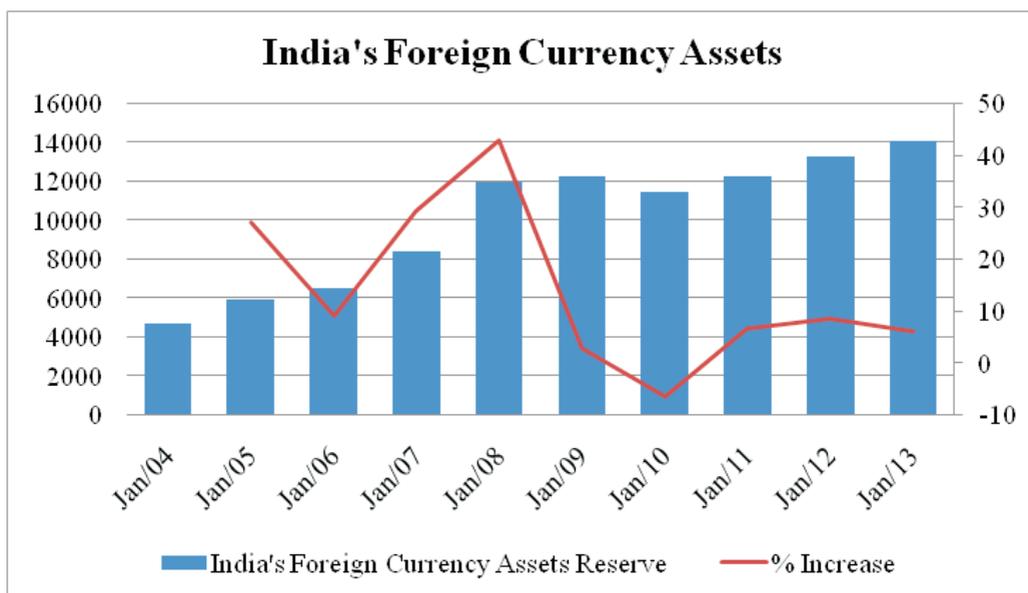
Table 3 and figure 3 shows the amount of foreign exchange reserves held by India in the form of gold from 2004 to 2013 and percentage increase in gold reserve figures. Gold reserve figures has registered continuous increase during the study period and stood at an average of Rs. 643.9 billion. Maximum increase in gold reserves was witnessed in the year 2010 where it increased to 66.39 % from its previous year's balance of Rs. 488 billion. The average increase in gold reserves stood at an average of 26.62 % during the study period.

Table 4: India's Foreign Currency Assets

Years	India's Foreign Currency Assets Reserves	% Increase
Mar-04	4662	---
Mar-05	5931	27.22
Mar-06	6473	9.14
Mar-07	8366	29.24
Mar-08	11960	42.96
Mar-09	12301	2.85
Mar-10	11497	-6.54
Mar-11	12249	6.54
Mar-12	13305	8.62
Mar-13	14126	6.17
Average	10087	14.02

Rs. in Billion

Figure 4: India's Foreign Currency Assets



Y Axis (Primary): Rs. in Billion

Y Axis (Secondary): % Increase in India's Foreign Currency Assets Reserve

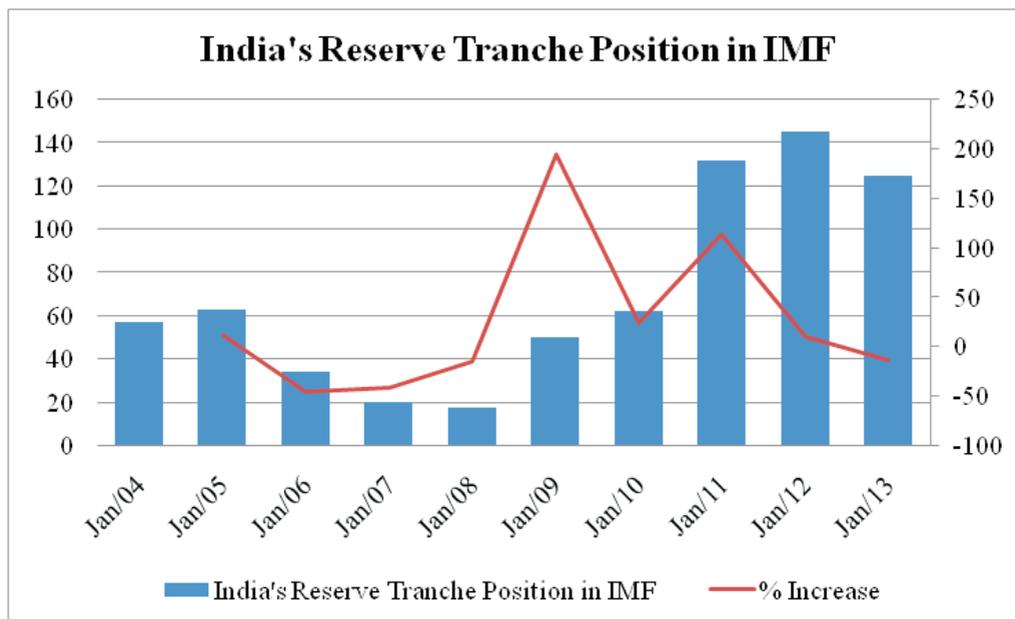
Table 4 and figure 4 reveals India's foreign exchange reserves held in the form of foreign currencies. The maximum amount of foreign exchanges are held in the form of foreign currencies and stood at an average of Rs. 10087 billion during the study period. Foreign currency reserve has shown continuous increase during the study period, except in 2010 where it decreased to Rs. 11497 billion from Rs. 12301 billion. The percentage increase in foreign currency reserves stood at an average of 14.02 % during the study period.

Table 5: India's Reserve Tranche Position in IMF

Years	India's Reserve Tranche Position in IMF	% Increase
Mar-04	57	---
Mar-05	63	10.53
Mar-06	34	-46.03
Mar-07	20	-41.18
Mar-08	17	-15.00
Mar-09	50	194.12
Mar-10	62	24.00
Mar-11	132	112.90
Mar-12	145	9.85
Mar-13	125	-13.79
Average	70.5	26.15

Rs. in Billion

Figure 5: India's Reserve Tranche Position in IMF



INDIA'S FOREIGN EXCHANGE RESERVES: AN OVERVIEW

Y Axis (Primary): Rs. in Billion

Y Axis (Secondary): % Increase in India's Reserve Tranche Position in IMF

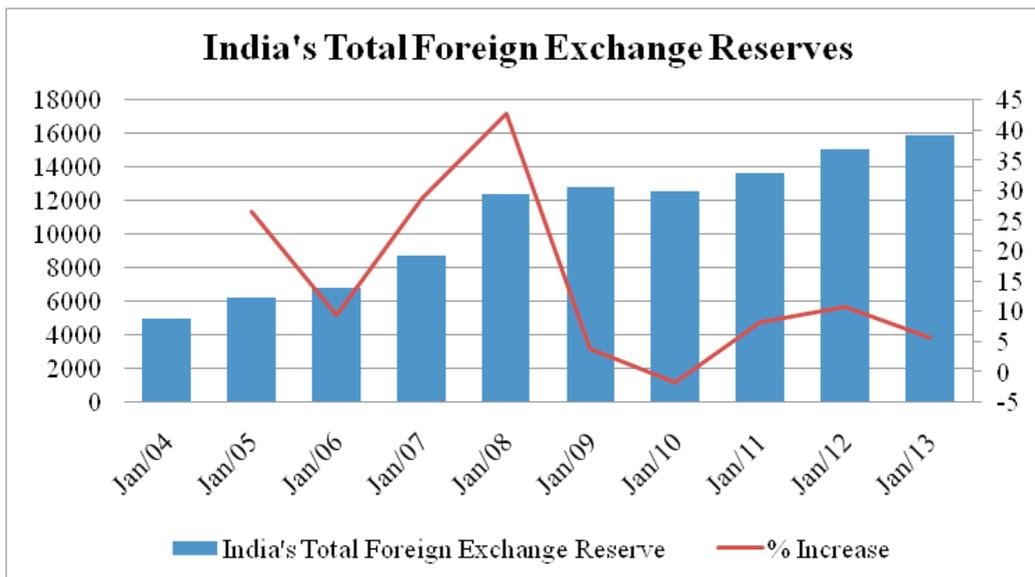
Table 5 and figure 5 exhibits India's reserve tranche position in IMF and its percentage increase. There was a mixed trend of increase and decrease in IMF reserve tranche position which stood at an average of Rs. 70.5 billion during the study period. The percentage increase in reserve tranche position in IMF stood at an average of 26.15 %.

Table 6: India's Total Foreign Exchange Reserves

Years	India's Total Foreign Exchange Reserves	% Increase
Mar-04	4901.1	---
Mar-05	6191.2	26.32
Mar-06	6764.12	9.25
Mar-07	8682.08	28.35
Mar-08	12378.74	42.58
Mar-09	12839.06	3.72
Mar-10	12597	-1.89
Mar-11	13611	8.05
Mar-12	15062	10.66
Mar-13	15883	5.45
Average	10890.93	14.72

Rs. in Billion

Figure 6: India's Total Foreign Exchange Reserves



Y Axis (Primary): Rs. in Billion

Y Axis (Secondary): % Increase in India's Total Foreign Exchange Reserve

Table 6 and figure 6 reveals the amount of foreign exchange reserves held by India from 2004 to 2013 and percentage increase in it. India's total foreign exchange reserves in different years have shown a continuous increase except 2010 when there was a slight decrease in foreign exchange reserves. India's total foreign exchange reserves stood at an average of Rs. 10890.93 billion and percentage increase stood at an average of 14.72 %.

CONCLUSION

From the above study it can be concluded that India is having a good credit standing in the world. The reason behind this is continuous increase in its foreign exchange reserves from 2004 to 2013.

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