

(c) The main reasons for rupee depreciation are the supply-demand imbalance in the domestic foreign exchange market, mainly due to widening of CAD, slowdown in FII inflows, and heightened risk aversion due to the euro area sovereign debt crisis.

(d) and (e) The current account deficit (CAD) increased to 4.0 per cent of GDP in 2011-12 (upto December 2011) as compared to 3.3 per cent during the same period of 2010-11 due to widening of trade deficit on account of higher imports of POL and gold & silver.

To lower the impact of gold imports on CAD under balance of payment (BoP), Government in the Union Budget 2012-13 has proposed to increase basic custom duty on standard gold bars; gold coins of purity exceeding 99.5 per cent and platinum from 2 per cent to 4 per cent and on non-standard gold from 5 per cent to 10 per cent.

Further, the Reserve Bank of India has taken certain prudential measures in respect of Non-Banking Financing Companies (NBFCs) predominantly engaged in lending against collateral of gold jewellery, to restrict the loans against gold.

Sovereign rating of the country

4246. SHRI Y.S. CHOWDARY : Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that global agency Standard and Poor has warned that India's sovereign rating may come under pressure if the Government fails to arrest rising inflation, widening fiscal deficit and slowdown;

(b) if so, the details thereof; and

(c) the steps/measures taken/being taken by Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA) : (a) and (b) Standard and Poor's (S&P) released its latest research update on India's sovereign credit ratings on 25th April 2012. In this report, S&P has affirmed its BBB (-) long term and A-3 short term sovereign rating on India.

However, S&P has revised the outlook on the long-term ratings on India from Stable to negative. In its report, S&P mentions that the outlook has been revised "to reflect at least a one-in-three likelihood of a downgrade if the external position continues to deteriorate, growth prospects diminish, or progress on fiscal reforms remains slow."

(c) Government is taking a number of measures with a view to reducing the current account deficit, improving growth prospects of the economy, and reducing the fiscal deficit. Government's budget proposal for the fiscal year 2012-13 that has been presented before the Parliament describes many such measures.

In particular, these measures include Government's endeavour to restrict the expenditure on central subsidies to under 2% of GDP in 2012-13 and to further bring it down to 1.75% of GDP in the next three years. In addition, Government has made a determined attempt to come back to the path of fiscal consolidation by reducing the budgeted fiscal deficit to 5.1% of GDP in BE 2012-13 from 5.9% of GDP in RE 2011-12.

Proposal to close-down loss making branches of banks

4247. SHRI D. RAJA :

SHRI M.P. ACHUTHAN :

Will the Minister of FINANCE be pleased to state:

(a) whether Government is considering a proposal to close-down the loss-making branches of public sector banks;

(b) if so, whether Government has made any study of such banks including the reasons for making losses etc.; and

(c) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA) : (a) to (c) The Public Sector Banks (PSBs) are governed by their Board driven policies. Expansion or closure of branches of banks is decided by their Board in accordance with the guidelines laid down by the regulator. Recently, the Government has advised Public Sector Banks to firm up strategy for turn-around of their loss-making branches.

Impact of rising interest rate on MSMEs sectors

4248. SHRI PIYUSH GOYAL : Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that interest rates have been rising the country;

(b) if so, the reasons therefor;

(c) whether Government has conducted any assessment of the impact of rising interest rates on Micro, Small and Medium Enterprises (MSMEs);

(d) if so, the details thereof; and

(e) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA) : (a) and (b) The Reserve Bank of India (RBI) had raised the repo rate by 375 basis points between mid March 2010 and October 2011 as part of the