

Non-resident Indian (NRI) deposits

6.62 Cumulative outstanding balances in various NR deposit schemes during the current year indicate a steady decline in balances under the NR(NR)RD scheme (Table 6.13-Panel A). The decline is mainly due to the outcome of the decision to discontinue NR deposit schemes that are not fully convertible, as announced in the Union Budget 2002-03. The non-repatriable NR(NR)RD scheme has been discontinued from April 1, 2002. Balances under the scheme are permitted to be credited on maturity to the convertible NR (E) Rupee Account. The latter, and the FCNR (B) scheme, are fully convertible. Higher net inflows under NR (E) RA in the current year

(Table 6.13-Panel B) are attributable to the decision to switch to full convertibility, which has redirected more inflows towards NR(E)RA, both as fresh deposits, as well as through accretion on maturity from NR(NR)RD.

6.63 Between the two existing fully convertible deposit schemes, net inflows during the current year have been much higher for the Rupee Account (NR(E)RA) compared to the foreign currency account (FCNR(B)). The difference in trends is noteworthy in view of the much larger difference in volume of inflows between the two accounts in the previous year (Table 6.13-Panel B). While transfer of balances from NR(NR)RD on

Table 6.13 –Panel A : NRI deposits - outstanding								
<i>(in US \$ million)</i>								
2002-03 (P) end month								
Scheme	April	May	June	July	August	September	October	
1.FCNR(B)	9799	9889	9991	10162	10136	10201	10219	
2.NR(E)RA	9005	9371	9868	10516	10907	11390	12108	
3.NR(NR)RD	6831	6462	6147	5781	5549	5137	4726	
Total	25635	25722	26006	26459	26592	26728	27053	
Table 6.13 –Panel B : Inflows(+)/outflows(-) under various NRI deposit schemes								
<i>(in US \$ million)</i>								
2002-03 (P) end month								
	April	May	June	July	August	Sept.	Oct.	Apr.-Oct.
1. FCNR(B)	126 [63]	90 [18]	102 [29]	171 [80]	-42 [125]	81 [29]	18 [146]	546 [490]
2. NR(E)RA	592 [115]	377 [48]	466 [100]	607 [174]	484 [96]	337 [157]	696 [297]	3559 [987]
3. NR(NR)RD	-191 [136]	-361 [-28]	-336 [110]	-390 [12]	-402 [1]	-269 [98]	-421 [80]	-2370 [409]
Total	527 [314]	106 [38]	232 [239]	388 [266]	40 [222]	149 [284]	293 [523]	1735 [1886]
Note: a. All figures are inclusive of interest.								
b. FCNR (B): Foreign currency non-resident (banks). NR (E) RA: Non-resident (external) rupee account. NR (NR) RD: Non-resident (non-repatriable) rupee deposits.								
c. Figures in parentheses represent inflows (+)/outflows(-) during the corresponding month/period of the previous year.								
P: Provisional								

maturity to NR(E)RA mostly explains the difference, the interest rate differential between Indian and international markets might have also partly contributed to the trend.

6.64 High volumes of non-resident deposits in the Indian economy are in sharp contrast to low FDI inflows attributable to expatriate origin (Table 6.10). In this regard, it is mentionable that the various NRI schemes for FDI that were in vogue during the Foreign Exchange

Regulation Act (FERA, 1973) regime, have since been subsumed under the Foreign Exchange Management Act (FEMA, 1999). At present, there are no separate NRI schemes for FDI. Nevertheless, the pre-FEMA disaggregated FDI trends do point to relatively insignificant FDI from NRI sources and the trend is believed to persist even now. The low volume of expatriate FDI in India is in sharp contrast to China, where the bulk of FDI is from expatriate sources.