FCNR and BOP Crisis

Prelims: *Current events of national and international importance*

Why in news?

India's balance of payments (BoP) received a significant boost in July 2026 as non-resident Indian (NRI) deposits under the FCNR(B) scheme.

- It surged to $33.5 billion, accounting for a substantial share of the country's capital account surplus.
- The capital account surplus widened to $27.7 billion in July 2026, nearly eight times the $3.5 billion recorded in July 2025.
- A capital account surplus happens when inbound foreign investments, loans, and payments exceed outbound capital flows, meaning more money flows into a country than leaves it.
- Dollar denominated bank deposits from NRIs contributed to most of this.
- Without the RBI's special scheme, NRI deposits would have remained at their usual monthly level of $1 billion.
- Combined with a $15 billion outflow in other bank capital, this would have pushed the capital account into a $4.8 billion deficit.
- When added to the $7 billion current account deficit, India's overall BoP would have faced an $11.8 billion deficit, which would have marked the third month of deficit had it not been for FCNR(B) deposits.
- RBI's special deposit scheme attracted $127 billion in NRI deposits, with more than 26% of the inflows recorded in July 2026.
- This helped keep the capital account in a $27.7 billion surplus and the overall BoP at a $20.8 billion surplus during the reporting month.
- FCNR(B) inflows and more of External Commercial Borrowings (ECB) inflows for a few more months kept the current month and the whole fiscal year comfortable for the balance of payment.
- Focussing on FDI is the crux and FII outflows should slow down and turn positive for the capital account to be in a self-sustaining surplus.

About Key terms

- The Balance of Payments (BOP) is a complete record of all money moving into and out of a country during a specific time, such as a year or a quarter.
- It tracks every economic deal made by people, businesses, and the government
- FCNR (B) scheme is a fixed deposit account for Non-Resident Indians (NRIs) and Overseas Citizens of India (OCIs) that allows them to save money in approved foreign

currencies rather than Indian Rupees

Reference

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