**GOVERNMENT OF INDIA**
**MINISTRY OF COMMERCE & INDUSTRY**
**DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION**

**LOK SABHA**

**UNSTARRED QUESTION NO. 1324.**
**TO BE ANSWERED ON MONDAY, THE 24TH JULY, 2017.**

# FOREIGN DIRECT INVESTMENT

**1324. SHRI UDAY PRATAP SINGH:**
**DR. SATYAPAL SINGH:**
**SHRI RAHUL SHEWALE:**
**SHRI SANJAY DHOTRE:**
**SHRI DILIP PATEL:**
**SHRI INNOCENT:**
**SHRI RAJESH PANDEY:**
**SHRI P.K. BIJU:**

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

**वाणिज्य एवं उद्योग मंत्री**

(a) the details of the Foreign Direct Investment proposals received and sanctioned for establishment of industrial units in India under the new economic reforms and 'Make in India' programme by foreign companies during each of the last three years and the current year, sector-wise, country/company-wise;

(b) whether the Government has entered into any agreement with the said companies under the 'Make in India' programme and if so, the details thereof along with the steps taken by the Government to attract more FDI to accelerate the 'Make in India' programme in the country;

(c) whether the Foreign Direct Investment (FDI) have increased in the country during each of the last three years and the current year;

(d) if so, the details thereof and if not, the reasons therefor along with the number of cases of violation of FDI norms forwarded to the Directorate of Enforcement (DoE) for investigation during the said period, country/company/case-wise; and

(e) the existing mechanism to monitor the compliance of the prescribed norms by the companies for FDI in India along with the other steps taken/being taken by the Government to ease the process of FDI in India and to ensure compliance of FDI norms by the companies?

## ANSWER

**वाणिज्य एवं उद्योग राज्यमंत्री (स्वतंत्र प्रभार)(श्रीमती निर्मला सीतारमण)**

**THE MINISTER OF STATE (INDEPENDENT CHARGE)**
**OF THE MINISTRY OF COMMERCE & INDUSTRY**
**(SHRIMATI NIRMALA SITHARAMAN)**

**(a) & (b):** Make in India is not a specific programme but a major national initiative, designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best-in-class manufacturing infrastructure.

No programme/initiative based data of Foreign Investment proposals is centrally maintained.

To promote Foreign Direct Investment (FDI), the Government has put in place an investor-friendly policy, wherein except for a small negative list, most sectors are open for 100% FDI under the Automatic route. Further, the policy on FDI is reviewed on an ongoing basis, to ensure that India remains attractive & investor friendly destination. The Government has taken a number of FDI Policy reforms, which are not only bold but also historic. The measures taken by the Government were directed to open new sectors FDI, increase the sectoral limit of existing sectors and simplifying other conditions of the FDI policy. These policy reforms are meant to provide ease of doing business and accelerate the pace of foreign investment in the country. Details of policy reforms taken by the Government in this regard since August, 2014 is given at *Annexure –I.*

**(c) & (d):** Yes, Madam. A statement of FDI Inflow during the last three years and the current year is at *Annexure -II*. No data with regard to number of cases of violation of FDI norms forwarded to the Directorate of Enforcement for investigation is centrally maintained.

**(e):** After abolition of Foreign Investment Promotion Board (FIPB) from 24th May, 2017, the work of monitoring of the compliance of conditions under the FDI approvals, including the past cases approved by erstwhile FIPB, has been assigned to the concerned Administrative Ministries/Departments. Further, violation of FDI regulations is covered by the penal provisions of Foreign Exchange Management Act (FEMA). Reserve Bank of India (RBI) administers the FEMA and Directorate of Enforcement under the Ministry of Finance is the authority for the enforcement of FEMA. The Directorate takes up investigation in any contravention of FEMA.

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**ANNEXURE-I**

**ANNEXURE REFERRED TO IN REPLY TO PARTS (a) & (b) OF LOK SABHA UNSTARRED QUESTIOIN NO. 1324 FOR ANSWER ON 24TH JULY, 2017.**

**FDI Policy Reforms since August, 2014**

- Investment made by NRIs, PIOs and OCIs under Schedule 4 of FEMA (Transfer or Issue of Security by Persons Resident Outside India) Regulations on non-repatriation basis is now deemed to be domestic investment at par with the investment made by residents.
- The special dispensation of NRIs has also been extended to companies, trusts and partnership firms, which are incorporated outside India and are owned and controlled by NRIs.
- In order to provide simplicity to the FDI policy and bring clarity on application of conditionalities and approval requirements across various sectors, different kinds of foreign investments have been made fungible under one composite cap.
- FDI up to 100% through automatic route has been allowed in White Label ATM Operations.

- Reforms in FDI Policy on Construction Development sector include:
    - Removal of conditions of area restriction and minimum capitalization to be brought in within the period of six months of the commencement of business.
    - Exit and repatriation of foreign investment is now permitted after a lock-in-period of three years. Transfer of stake from one non-resident to another non-resident, without repatriation of investment is also neither to be subjected to any lock-in period nor to any government approval.
    - Exit is permitted at any time if project or trunk infrastructure is completed before the lock-in period.
    - 100% FDI under automatic route is permitted in completed projects for operation and management of townships, malls/ shopping complexes and business centres.

- Foreign investment up to 49% in defence sector has been permitted under automatic route along with specified conditions. Foreign investment beyond 49% has been permitted through government approval in cases resulting in access to modern technology in the country or for other reasons to be recorded. Further, FDI limit for defence sector has also been made applicable to Manufacturing of Small Arms and Ammunitions covered under Arms Act 1959.

- Sectoral cap on Broadcasting sector has been raised across various activities as follows:
    - 74% to 100% in Teleports, DTH, Cable Networks (Digital), Mobile TV, HITS
    - 26% to 49% for FM Radio, up-linking of news and current affairs
    - 49% to 100% for Cable Networks (not undertaking digitisation)

- FDI route for Teleports, DTH, Cable Networks (Digital), Mobile TV, HITS, Cable Networks (not undertaking digitisation), and Up-linking of Non- 'news and current affairs' and down-linking of channels has been changed to automatic route.
- Full fungibility of foreign investment has been introduced in Banking-Private sector. Accordingly, FIIs/FPIs/QFIs, following due procedure, can now invest up to sectoral limit of 74%.
- Certain plantation activities namely coffee, rubber, cardamom, palm oil tree and olive oil tree plantations have been opened for 100% foreign investment under automatic route.
- A manufacturer has been permitted to sell its product through wholesale and/or retail, including through e-commerce under automatic route.
- Government has reviewed single brand retail trading (SBRT) FDI policy to provide that sourcing of 30% of the value of goods purchased would be reckoned from the opening of first store. In case of entities undertaking Single Brand Retail Trading of products having 'state of art' and 'cutting edge' technology and where local sourcing is not possible, sourcing norms have been relaxed up to three years for entities undertaking Single Brand Retail. Further, an entity operating SBRT through brick and mortar stores has been permitted to undertake e-commerce activities as well.
- Indian brands are equally eligible for FDI to undertake SBRT. In this regard, it has been provided that certain conditions of the FDI policy on the sector namely- products to be sold under the same brand internationally and investment by non-resident entity/ entities as the brand owner or

under legally tenable agreement with the brand owner, will not be made applicable in case of FDI in Indian brands.

- 100% FDI is now permitted under automatic route in Duty Free Shops located and operated in the Customs bonded areas.
- FDI policy on wholesale cash & carry activities has been reviewed to provide that a single entity will be permitted to undertake both the activities of SBRT and wholesale.
- 100% FDI is now permitted under the automatic route in Limited Liability Partnerships (LLP) operating in sectors/activities where 100% FDI is allowed, through the automatic route and there are no FDI-linked performance conditions. Further, the terms 'ownership and 'control' with reference to LLPs have also been defined.
- Regional Air Transport Service has been opened for foreign investment up to 100%, with 49% under automatic route, and beyond that through government approval route. Foreign equity cap of activities of Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline has been increased from 49% to 100%, with 49% under automatic route, and beyond that through government approval route. Further, foreign equity cap of activities of Non-Scheduled Air Transport Service, Ground Handling Services have been increased from 74% to 100% under the automatic route.
- With a view to aid in modernization of the existing airports to establish a high standard and help ease the pressure on the existing airports, 100% FDI under automatic route has been permitted in Brownfield Airport projects.
- Foreign investment cap on Satellites- establishment and operation has now been raised from 74% to 100% under the government route.
- Foreign investment cap on Credit Information Companies has now been increased from 74% to 100% under the automatic route.
- In order to achieve faster approvals on most of the proposals, the Government has raised the threshold limit for approval by FIPB to Rs. 5000 crore.
- FDI Policy on Insurance and Pension sector has been reviewed to permit foreign investment up to 49% under the automatic route.
- In order to provide clarity to the e-commerce sector, the Government has issued guidelines for foreign investment in the sector. 100% FDI under automatic route is permitted in the marketplace model of e-commerce.
- With an objective of increase investment in the country, 100% FDI in Asset Reconstruction Companies has been allowed under automatic route.
- 100% FDI under government approval route has been permitted for trading, including through e-commerce, in respect food products manufactured and/or produced in India.
- In Pharmaceutical sector, with the objective of making the sector more attractive to foreign investors, 74% FDI under automatic route has been permitted in brownfield pharmaceuticals. FDI beyond 74% will be allowed through government approval route.
- FDI limit for Private Security Agencies has been raised to 74%. FDI up to 49% is permitted under automatic route in this sector and FDI beyond 49% and up to 74% would be permitted with government approval.
- For establishment of branch office, liaison office or project office or any other place of business in India if the principal business of the applicant is Defence, Telecom, Private Security or Information and Broadcasting, it has been provided that approval of Reserve Bank of India would not be required in cases where FIPB approval or license/permission by the concerned Ministry/Regulator has already been granted.
- As per FDI Policy 2016, FDI in Animal Husbandry (including breeding of dogs), Pisciculture, Aquaculture and Apiculture was allowed 100% under Automatic Route under controlled conditions. This requirement of 'controlled conditions' for FDI in these activities has now been done away with.
- Government has reviewed FDI policy on Other Financial Services and NBFCs to provide that foreign investment in financial services activities regulated by financial sector regulators such as RBI, SEBI, IRDA etc. will be 100% under the automatic route. In financial services, which are not regulated by any financial sector regulator or where only part of the financial service activity is regulated or where there is doubt regarding regulatory oversight, foreign investment upto 100% will be allowed under the government approval route.
- Government has reviewed conditionalities for foreign investment by FPIs in Indian Stock Exchanges.

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**ANNEXURE-II**

**ANNEXURE REFERRED TO IN REPLY TO PARTS (c) & (d) OF LOK SABHA UNSTARRED QUESTIOIN NO. 1324 FOR ANSWER ON 24TH JULY, 2017.**

Details of Total FDI inflow for the last three Financial Year (2014-15, 2015-16, 2016-17) and current financial year 2017-18 (upto May, 2017) are as under:-

| Sl. No. | Financial Year | Total FDI inflow (in US$ billion) | Annual Growth |
|---|---|---|---|
| 1 | 2014-15 | 45.15 | 25% ^ |
| 2 | 2015-16 | 55.56 | 23% |
| 3 | 2016-17 | 60.08 | 8% |
| 4 | 2017-18 (upto May, 2017) | 10.02 | 23% * |

All figures are provisional subject to reconciliation with RBI.
^ Compared with figures of Financial Year 2013-14 i.e. US$ 36.05 billion.
* Compared with figures of upto May, 2016 i.e. US$ 8.12 billion.

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