

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS**

**LOK SABHA
STARRED QUESTION NO. *47**

ANSWERED ON MONDAY, 24th JULY 2023/ 02 SHRAAVANA, 1945 (SAKA)

Foreign Institutional Investment

†*47. SHRI RAKESH SINGH:

Will the Minister of FINANCE be pleased to state:

- (a) whether there is an increase in foreign institutional investment in the country;
- (b) if so, the details thereof in the current quarter;
- (c) whether the inflation has reduced due to that in the country;
- (d) if so, the details thereof; and
- (e) the steps taken/being taken by the Government to further encourage foreign investment?

ANSWER

MINISTER OF FINANCE
(SHRIMATI NIRMALA SITHARAMAN)

(a) to (e) : A statement is laid on the Table of the House.

**STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. *47
RAISED BY SHRI RAKESH SINGH HON'BLE MEMBER OF PARLIAMENT TO BE ANSWERED
ON 24.07.2023 REGARDING " FOREIGN INSTITUTIONAL INVESTMENT "**

(a) & (b): Net Foreign Portfolio Investments (FPI) in India during the last 3 years and current financial year (quarter wise) are given below:

Financial Year/ Quarter	Investment by Foreign Portfolio Investors (FPI) (INR Crore)
2020-21	2,67,100
2021-22	(-) 1,22,241
2022-23	(-) 40,936
April-June 2023	1,18,133
July-Sep 2023*	35,406

*Data till July 19, 2023

Source: NSDL website

(c) & (d): Inflation is determined by various factors like supply and demand side dynamics, input prices, seasonal changes in prices and monetary variables like money supply and interest rates. Monetary variables, in turn, can be affected by many factors including foreign investment inflows.

Inflation, indicated by Consumer Price Index (New Series), averaged 4.6 per cent during the first quarter of 2023-24 (April-June 2023), which was lower than the inflation of 6.2 per cent recorded during the last quarter of the previous year (January-March 2023).

(e): The Government has taken several measures to encourage foreign investment. Some of the major steps taken in recent times are as under:

Major steps taken by SEBI with respect to FPI in recent times:

- 1. Common Application Form (CAF)** which is a single form for registration of FPIs with SEBI, allotment of PAN and carrying out of KYC for opening of bank and demat account was notified in 2020 to ease the on-boarding of FPIs.
- 2. Liberalized Investment Cap:** Aggregate foreign investment limit has been liberalized up-to the sectoral caps, and foreign government agencies and related entities have been exempted from clubbing of investment in case of treaty/agreement/order of GoI. This has led to an increase in the availability of

investible stock for FPI investment which has augmented the weightage of Indian securities in global indices and attracted greater FPI inflows.

3. **Resident Indian fund managers (other than individuals)** that are investment funds approved under the Income Tax Act, 1961, read with the Income Tax Rules, 1962 have been permitted to be constituents of FPIs vide notification dated August 03, 2021 amending the SEBI (Foreign Portfolio Investors) Regulations, 2019.
4. **Resident Indians (other than Individuals) that are registered as Alternative Investment Funds (AIFs) in International Financial Service Centres (IFSCs)** have been permitted to become constituents of FPIs
5. **Relocation of FPIs to IFSC:** The Finance Act, 2021 has provided tax incentives for relocating foreign funds to IFSC, in order to make the IFSC in GIFT City a global financial hub. To facilitate such relocation, SEBI vide circular dated June 01, 2021 allowed a one-time off-market transfer of securities by FPIs from the original fund to the resultant fund established in IFSC.
6. **Easing the exit process for FPIs:** FPIs were permitted to write-off all shares and debt securities which they are unable to sell for any reason.
7. **Facilitation of FPI registration through both Depositories** viz., National Securities Depositories Limited (NSDL) and Central Depository Services Limited (CDSL).
8. **Modifications in operational guidelines for FPIs operating under Multiple Investment Managers (MIM):** SEBI registered FPIs operating under the Multiple Investment Managers (MIM) structures have been accorded the flexibility to engage internal investment managers, in addition to external investment managers, vide SEBI circular dated Sep 26, 2022.
9. **Permitting FPIs to participate in Exchange Traded Commodity Derivatives in India** vide SEBI circular dated Sep 29, 2022.
10. **Streamlining the onboarding process of Foreign Portfolio Investors** vide circular dated March 27, 2023 such as:
 - Granting registration on the basis of scanned copies of application forms / supporting documents and activation of trading post verification of physical documents.

- Acceptance of use of digital signatures by FPIs, in accordance with the provisions of the Information Technology Act, 2000, for execution of registration related documents.
- Permitting use of SWIFT mechanism for certification, by authorized bank officials, of copies of original documents submitted by FPIs.
- Permitting verification of PAN through the Common Application Form (CAF) module available on the websites of the Depositories.
- Submission of unique investor group ID by FPI applicants in lieu of complete details of group constituents.

Major steps taken by RBI with respect to FPI in recent times:

1. Banks in India having an Authorised Dealer Category-1 licence under FEMA, 1999 have been allowed to lend to FPIs for the purpose of placing margins with Clearing Corporation of India Limited (CCIL) in respect of settlement of transactions involving Government Securities (including Treasury Bills and State Development Loans) by the FPIs.
2. FPIs/custodian banks have been provided with an additional time of three hours after the close of trading hours for the Government securities (G-Secs) market to report over-the-counter transactions by FPIs in G-Secs to the Negotiated Dealing System-Order Matching (NDS-OM) platform.
3. FPIs have been permitted to invest in debt securities issued by Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs).
4. The aggregate investment limit for FPIs under the Voluntary Retention Route (VRR) for investment in government and corporate debt securities was increased from ₹75,000 crore in March 2019 to ₹1,50,000 crore in Jan, 2020 to ₹2,50,000 crore from April 1, 2022. Since then, approximately Rs. 69,540 crore has been allotted for investment by FPIs, till June 30, 2023.
5. FPIs have been allowed to buy and sell Credit Default Swaps in the over-the-counter market with effect from May 09, 2022.
6. The Fully Accessible Route (FAR) which hitherto included only G-Secs with 5-year, 10-year and 30-year tenors was augmented with inclusion of all new issuances of G-Secs of 7-year and 14-year tenors.

7. All sovereign green bonds issued by the Government in the fiscal year 2022-23 have been notified as specified securities under FAR.

Major steps taken by the Government of India with respect to Foreign Direct Investment (FDI):

1. The Government has put in place an investor friendly Foreign Direct Investment (FDI) policy, wherein most sectors, except certain strategically important sectors, are open for 100% FDI under the automatic route.
2. Further, the policy on FDI is reviewed on an ongoing basis in consultations with stakeholders including apex industry chambers, associations, representatives of industries/groups and other organizations, to ensure that India remains an attractive and investor friendly destination.
3. FDI policy provisions have been progressively liberalized and simplified across various sectors such as Pension, Other Financial Services, Asset reconstruction Companies, Broadcasting, Pharmaceuticals, Single Brand Retail Trading, Construction & Development, Power Exchanges, e-commerce activities, Coal Mining, Contract Manufacturing, Civil Aviation etc.
4. In the recent past, reforms in the FDI Policy have been undertaken in sectors such as Defence, Insurance, Petroleum & Natural Gas and Telecom.
5. Further, all proposals seeking Government approval under FDI route are now filed on National Single Window System (NSWS) Portal.
