

Expansion in coverage of FEMA

1218. SHRI RAJEEV SHUKLA:

DR. T. SUBBARAMI REDDY:

Will the Minister of FINANCE be pleased to state:

(a) whether his Ministry and the Reserve Bank of India (RBI) are planning to expand the reach of Foreign Exchange Management Act (FEMA) to encompass more instruments such as partly paid shares issued;

(b) if so, whether his Ministry has prepared a detailed note to Cabinet Committee on Economic Affairs (CCEA) for approval of these changes;

(c) if so, whether his Ministry has been able to get it approved; and

(d) if so, to what extent they have been implemented and to what extent it has helped in raising Foreign Direct Investment?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):

(a) Yes, Sir. Issuance of investment instruments on partly-paid basis, such as partly-paid shares, to foreign investors has not been specifically provided in extant FEMA Regulations. However, the issuance of these investment instruments on partly-paid basis to foreign investors is being considered by the Foreign Investment Promotion Board (FIPB) on a case-to-case basis and as per merits of the case.

(b) No, Sir. Department of Industrial Policy and Promotion (DIPP) is the nodal department for FDI Policy related matters.

(c) and (d) In view of (b) above, do not arise.

Interest rates on funds to State Governments

1219. SHRI BHARATSINH PRABHATSINH PARMAR:

SHRI PARSHOTTAM KHODABHAI RUPALA:

Will the Minister of FINANCE be pleased to state:

(a) what action has been taken by his Ministry to reduce interest rates to State Governments while allocating funds from small savings corpus; and

(b) whether the Central Government is aware that due to compulsory allocation of small savings corpus to State Governments, fiscal deficits of State Governments are increasing which adversely impact on various development projects of State Governments?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):

(a) The rate of interest on loans from National Small Savings Funds (NSSF) to State Governments was revised to 9.5 per cent per annum with effect from 1st April, 2003.

Further, the Government has accepted, in principle, the recommendation of the Thirteenth Finance Commission to reset the interest rate on NSSF loans to the States, contracted till the end of 2006-07 and outstanding as at the end of 2009-10, at 9 per cent per annum.

(b) Loans from National Small Savings Funds (NSSF) are one of the sources to finance the Annual Plans of the States. Based on the estimated net collection of NSSF, it is for the States to plan their borrowing programme with respect to other instruments prudently. Mere flow of NSSF loans will not increase the fiscal deficit of the States, as it is only a source for financing their Annual Plans and also fiscal deficit.

Shortage of supply of food items

†1220. SHRI RAVI SHANKAR PRASAD:

SHRI RAJ MOHINDER SINGH MAJITHA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that there has been a steep rise in the prices of food items in the country during 2008-09 and 2009-10;

(b) if so, whether it is also a fact that the reasons for this hike in prices can not be attributed to shortage of supply of food items;

(c) if so, what is Government's reaction thereto;

(d) whether it is also a fact that availability of rice, wheat, onion and sugar in the country was not less than their demand; and

(e) if so, what is Government's reaction thereto and whether Government has found out actual reasons behind this inflation?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA):

(a) The WPI inflation in food items with a weight of 25.43 per cent is indicated in the table below:—

Table: Year-on-year inflation in food items (weight 25.43 %) in WPI (%)

	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	March
2008-09	5.3	5.7	6.4	6.4	7.2	7.6	8.7	8.8	8.6	9.5	9.1	7.4
2009-10	9.0	9.5	10.8	12.7	13.3	14.7	14.3	19.3	19.8	19.1		

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(b) The hike in prices of food items could be attributed to expectations of supply-side constraints of food items, especially due to unfavourable south-west monsoon.

(c) The Government has taken several measures to check inflation in food items, which include:—

(i) Reducing import duties to zero- for rice, wheat, pulses, edible oils (crude) and sugar.

(ii) Reducing import duties on refined and hydrogenated oils and vegetable oils.

(iii) Allowed import of raw sugar at zero duty under open general licence (OGL).

†Original notice of the question was received in Hindi.