

Falling FDI inflow growth

*273. DR. ABHISHEK MANU SINGHVI: Will the Minister of FINANCE be pleased to state:

- (a) the details of Foreign Direct Investments (FDI) in the last three years;
- (b) the reasons leading to FDI inflow growth falling at a five-year low of 3 per cent at USD 44.85 billion in 2017-18; and
- (c) the steps taken by the Government to enhance FDI in India?

THE MINISTER OF FINANCE (SHRI ARUN JAITLEY): (a) to (c) To promote Foreign Direct Investment (FDI), the Government has put in place an investor-friendly policy which is transparent, predictable and easily comprehensible. Except for a small negative list, most sectors have been made open for 100% FDI under the Automatic route. Under the Government approval route, applications for FDI proposals are considered and approved on the Foreign Investment Facilitation Portal (FIFP), the new online single point interface of the Government of India for investors to facilitate Foreign Direct Investment.

The details of total Foreign Direct Investments (FDIs) inflow in the last three years are given below:—

		(Amount US\$ Million)				
Sl. No.	Year	Foreign Direct Investment Inflow				
		Equity FIPB	Inflow un-incorp. bodies ¹	Reinvested Earnings ²	Other Capital ³	Total FDI
1.	2015-16	40,001	1,111	10,413	4,034	55,559
2.	2016-17 (Provisional)	43,478	1,223	12,343	3,176	60,220
3.	2017-18 (Provisional)	44,857	816	12,370	3,920	61,963

[Provisional: Pending reconciliation with RBI.]

1. Unincorporated entities: Mainly foreign bank branches in India and Indian bank branches operating abroad.

2. Reinvested earnings of FDI recipient companies.

3. Other direct capital: Inter-corporate debt transactions between related parties, *i.e.*, between direct investors and subsidiary branches and associates.

The Foreign Direct Investment inflows have been growing consistently in absolute terms. Considering the Base year 2014-15, wherein FDI inflows were at USD 45148 million, the FDIs have grown to USD 61963 million in FY 2017-18, thereby showing a Compound Annual Growth Rate (CAGR) of 11.13%. Slowdown in the growth rate, on YoY basis in FY 2017-18 may be seen in the backdrop of overall drop in Global FDI inflows. It may be mentioned that Global Foreign Direct Investment (FDI) flows fell by 23 per cent to \$1.43 trillion in calendar year 2017⁴, mainly caused by 22 per cent decrease in the value of cross border mergers and acquisitions (M&As) and other geo-political factors. FDI flows to developing economies remained stable at \$671 billion, seeing no recovery following the 10 per cent drop in 2016. As against this, FDIs into India have increased not only in the year 2015-16 but also in 2016-17. In fact, the FDI inflows, which were at the level of USD 36,046 million in the year 2013-14, have picked up substantially high over the last three years and have refuted the Global trends.

As per the Investment Trends Monitor, United Nations: UNCTAD (15th Oct., 2018) Global Foreign Direct Investment (FDI) fell by 41% in the first half of 2018, to an estimated US\$ 470 billion, from US \$794 billion in the same period in 2017- on account large repatriations by United States parent companies of accumulated foreign earnings from their affiliates abroad following tax reforms in USA. During the six months from January to June, 2018, the FDI inflows into India have grown from USD 26744 million to USD 30944 million, showing a YoY growth rate of 15.70%, as against a drop of 41% in Global FDI flows.

India's world rank in the Ease of Doing Business (EoDB) ranking has risen from 130 to 100 in 2017, from 100 to 77 in 2018 giving a strong message to investors about steady and relentless reform agenda, raising confidence. Simultaneously, India's ranking in the WEF World Competitiveness Index has improved from 71 in 2015 to 58 in 2018. The Ease of Doing Business reforms, Make in India Initiative, IBC and GST reforms etc. have resulted in consistently increasing inflows of FDI into India.

Steps taken by the Government to enhance FDI in India:—

The Government has taken substantial efforts in relaxing the regulations as well as removing ambiguities in FDI policy approach during the last four years, such as:

- Food products manufactured and produced in India: 100% FDI is allowed on approval route including through E-commerce.

⁴ World Investment Report, 2018: UNCTAD

- Defence Sector: FDI limit is enhanced to 100%; Upto 49% on automatic route and beyond it on approval route for modern technology or for the other reasons to be recorded.
- Pharma Sector: Sectoral cap in brownfield Sector has been relaxed. Now, in Brownfield Pharma sector, 74% FDI is allowed on automatic route and beyond it to 100% on approval route.
- Civil Aviation Sector: 100% FDI is allowed under automatic route in Brownfield Airport projects.
- Single Brand Retail Trading: 100% FDI is allowed under automatic route now and local sourcing norms have been relaxed for upto 3 years from commencement of business for entities undertaking SBRT of products having 'state-of-art' and 'cutting edge' technology and where local sourcing is not possible.
- Other Financial Services Activity: Government has also allowed FDI under automatic route in regulated 'other financial services' *vide* Press Note 6 (2016) dated 25.10.2016 read with FEMA notification 375 issued on 09.09.2016 and also removed the ambiguity due to the earlier usage of the word 'NBFC' in the FDI policy.
- Convertible Note as an eligible instrument for Start-up: Government *vide* Notification No. 377/RB-2016 dated January 10, 2017 has included convertible note as an eligible financial instrument for start-up so that foreign investor could invest through convertible note in start-up.
- Abolition of Foreign Investment Promotion Board (FIPE): Union Finance Minister in the Budget Speech 2017-18 had announced for abolition of FIPB in 2017-18. Accordingly, with the approval of the Cabinet on 24.05.2017, FIPB has been abolished and FDI approval process has been assigned to 11 administrative Ministries/Department as per Standard Operating Procedure (SoP) issued by DIPP on 29.06.2017. This will provide ease of doing business and will help in promoting the principle of maximum Governance and minimum/ Government.
- Rationalization of FEMA Notification 20 dated 03.05.2000: With the objective to rationalize, liberalize and simplify the extant regulations, the revised FEMA Notification 20 (R) was notified in the Gazette on 07.11.2017.

- Foreign investment in investing companies: *Vide* Press Note 1 of 2018 dated 23.01.2018, 100% FDI under automatic route is now allowed in investing companies registered as NBFC with the RBI, being overall regulated.

Other Growth promoting measures undertaken by the Government:

Government has undertaken several steps to promote investment and business climate and thereby the growth of the economy is sustained. The confidence in the Indian economy has increased on account of policy measures taken up by the Government, as can be seen from improvement in World Bank's Ease of Doing Business 2018 Report, ranking, which improved by 30 positions to 100th rank in 2017 and 33 positions to 77 in 2018. Some of the major reform measures taken by the present Government are listed below.

- Subsuming a large number of Central and State indirect taxes, the landmark Goods and Service Tax (GST) has been implemented from 1st July 2017.
- The Government has launched a phased programme for bank recapitalization. This entails infusion of capital to the public sector banks.
- The Insolvency and Bankruptcy Code, 2016 was enacted as a unified framework for resolving insolvency and bankruptcy matters.
- Start-up India and Stand-up India Initiatives have evidently improved India's global ranking as a business destination.
- Special package including a slew of labour-friendly measures to promote employment generation in textile sector.
- Special thrust on key development sectors including rural roads, housing, railways, power, highways and digital infrastructure.
- Push to infrastructure development by Bharatmala Pariyojana.
- Increased railways capex, expansion of airport capacity to more than five times.
- Lower income tax for companies with annual turnover upto ₹ 250 crore.

Provision of Non-Practicing Allowance to BAMS degree holders

*274.DR. SANJAY SINH: Will the Minister of AYURVEDA, YOGA AND NATUROPATHY, UNANI, SIDDHA AND HOMOEOPATHY (AYUSH) be pleased to state: