

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:2789

ANSWERED ON:07.12.2009

FOREIGN DIRECT INVESTMENT GUIDELINES

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

- (a) the details of Foreign Direct Investment (FDI) percentage in each sector permitted through automatic route and Foreign Investment Promotion Board along with details of total FDI inflows till now;
- (b) whether the Government has proposed to increase the limit of FDI in Print Media, Telecom and Education;
- (c) if so, the details thereof alongwith the response of Reserve Bank of India and Ministry of Finance in this regard;
- (d) whether the separate guidelines/procedure are followed for FDI in case of Small and Medium Industries;
- (e) if so, the details thereof and action taken by the Government to make investor friendly environment for investment in India;
- (f) whether the Government proposes to treat private banks/financial institutions being classified as Foreign owned Institutions; and
- (g) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI JYOTIRADITYA M. SCINDIA)

(a): The Government's decisions on FDI policy are notified by way of Press Notes which are available at the website of the Department of Industrial Policy & Promotion: [http:// siadipp.nic.in/policy/changes.htm](http://siadipp.nic.in/policy/changes.htm). Cumulative FDI equity inflows of US\$ 124.184 billion have been received from August, 1991 until October, 2009.

(b) & (c): Government has put in place a simple and transparent policy for Foreign Direct Investment (FDI) wherein most of the sectors are open to FDI under the automatic route. Foreign Direct Investment (FDI) policy is reviewed on an ongoing basis through inter-Ministerial consultations with a view to attract FDI in more industries and sectors.

(d) & (e): As per Government's policy on FDI in Micro and Small Enterprises (MSE) sector as contained in Press Note 6 (2009) on 04.09.2009, FDI in MSE is allowed subject only to the sectoral equity caps, entry routes and other relevant sectoral regulations. Any industrial undertaking, with or without FDI, which is not a MSE, manufacturing items reserved for manufacture in the MSE sector (presently 21 items) as per the Industrial Policy, would require an Industrial License under the Industries (Development & Regulation) Act, 1951, for such manufacture. Such an industrial undertaking would also require prior approval of the Government (FIPB) where foreign investment is more than 24% in the equity capital. It is expected that these guidelines would boost FDI in MSE.

Government has also announced a number of measures to accelerate the demand in the economy which would enable India to continue as an attractive investment destination. Under the liberalized` economic environment, investment decisions of investors are based on the macro- economic policy framework, investment climate in the state, investment policies of the transnational corporations and other commercial considerations. The Government of India continues to make efforts to increase economic cooperation with the developing as well as developed countries through different fora such as Joint Commissions/Joint Committees, other bilateral channels like interaction with the delegations visiting the country and organizing visits abroad for discussions on issues of mutual interest and business/ investment meets between Indian and foreign entrepreneurs to stimulate foreign investment into India. The Department of Industrial Policy and Promotion also participates in discussions covering industrial cooperation organized by other Ministries and Departments of Government of India and the Joint Business Council meetings. The Government has announced the setting up of 'Invest India', a joint venture company between the Department of Industrial Policy & Promotion and FICCI, as a not-for-profit, single window facilitator, for prospective overseas investors and to act as a structured mechanism to attract investment

The Government of India also undertakes investment promotion activities by organising events such as 'Destination India' and 'Invest India' in various countries with FDI potential to create awareness about the investment climate and opportunities in India, as well as to provide support to potential investors.

The Government of India, in partnership with various State Government and Business Associations, is making concerted efforts to make regulations conducive for business. In addition, the Government has initiated to implement e-Biz Project, a Mission Mode

Project, a Mission Mode Project under the National e-Governance Project, to provide online registration, filing payment services to investors and business houses

(f) & (g): As per Press Note 2 (2009), calculation of direct and indirect foreign investment in Indian companies will be made as per the guidelines issued thereunder. These guidelines would be applicable for determining the total foreign investment in all sectors, excepting in sectors such as insurance, where such calculation is governed specifically under any statutes or rules thereunder.