



## Government of India Ministry of Finance

### STEPS TAKEN TO INCREASE PRIVATE INVESTMENTS THROUGH FDI INFLOWS

#### (1) Steps taken by the Government in Policy regime to improve the FDIs:

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. Following major policy reforms have been undertaken by the Government:

- *Food products manufactured and produced in India:* 100% FDI is allowed on approval route including through E-commerce.
- *Defence Sector:* FDI limit is enhanced to 100%; Up to 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 up to 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 instruments 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 (FIPB):* 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.



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**(2) Steps taken for improving business environment to attract FDIs**

Indicator	Reforms implemented
Starting Business <sup>a</sup>	<ul style="list-style-type: none"> <li>• Simplified Pro-forma for Incorporating Company Electronically (SPICe) - to make incorporation of companies possible within one working day by encapsulating 5 services viz. Name reservation, DIN, Incorporation, PAN and TAN</li> <li>• Value Added Tax (VAT) Registration is processed online.</li> <li>• In Mumbai, registration under Shops and Establishments -made online.</li> <li>• Registration with ESIC and EPFO -made fully online by eliminating all physical touch-points</li> </ul>
Dealing with Construction Permit	<ul style="list-style-type: none"> <li>• Time taken in giving various approvals during the construction cycle of a building has been brought down to 60 days</li> <li>• Risk based classification has been introduced for fast-pacing building plan approval, inspection and grant of occupancy-cum-completion certificate</li> </ul>
Getting Electricity	<ul style="list-style-type: none"> <li>• Number of procedures for obtaining an electricity connection reduced from 5 to 3.</li> <li>• Time taken for obtaining an electricity connection has been reduced to 15 days</li> <li>• Application for connections above 100 kVA has been made mandatorily online in Mumbai and Delhi.</li> </ul>
Enforcing Contracts	<ul style="list-style-type: none"> <li>• The Arbitration and Conciliation Act, 2015 has been amended to reduce the time taken in arbitration proceedings.</li> <li>• National Judicial Data Grid (NJDG) was opened to general public on 19th September, 2015. NJDG is a national data warehouse for case data including case registration, cause list, case status and orders/judgments of courts across the country till District Level Courts.</li> </ul>
Paying Taxes	<ul style="list-style-type: none"> <li>• Mandatory online payments of contribution payment for ESIC and EPFO</li> <li>• Administrative charges for Provident Fund reduced from 1.10% to 0.65%</li> <li>• E-Assessment, e-proceeding and mandated e-filing of appeal has been introduced.</li> <li>• Reduction in corporate tax rate from 30% to 25% for domestic companies having turnover of below INR 500 Million in FY 2015-16</li> <li>• Goods and Service Tax (GST) has been rolled out on 1 July 2017, thereby subsuming all the indirect taxes</li> <li>• Time limit of completing the scrutiny reduced to from 2 years to 1 year</li> </ul>
Getting Credit	<ul style="list-style-type: none"> <li>• The Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016 amended SARFAESI Act, 2002 to expand the scope of security interest and extend the coverage to all types of creditors.</li> </ul>



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Indicator	Reforms implemented
	<ul style="list-style-type: none"> <li>Introduced provision whereby secured creditors are given priority over all other debts and revenues, taxes, cesses and other rates payable to the Central Government or State Government or local authority</li> <li>Secured creditors' rights are protected by providing clear grounds of relief and moratorium period of maximum 180 days to the secured creditors once the restructuring application has been admitted by NCLT</li> <li>Two way integration of Ministry of Corporate Affairs (MCA21) database and CERSAI database</li> </ul>
Protecting Minority Investors	<ul style="list-style-type: none"> <li>Amended threshold for approving transactions with interested parties. Now, for transactions representing 10% or more of a company's assets approval of shareholders would be required</li> <li>With constitution of NCLT, several amendments as provided below have been brought in for Protecting Minority Investors.</li> </ul>
Trading Across Borders	<ul style="list-style-type: none"> <li>Filing of import and export declarations and manifests has been made online with mandatory digital signature</li> <li>Infrastructure development at the JNPT port by creation of parking plaza at all 4 Terminals. In addition to this improvement in the inter-terminal process has reduced pollution, fuel saving, TAT of trucks and cost of handling</li> <li>24x7 Customs clearance facility is available at 19 seaports and 17 Air Cargo Complexes. Since January, 2017, the officials are working at the port 24x7 in shifts.</li> <li>Mate Receipt for containerized cargo as been abolished.</li> </ul>

**Trend in Foreign Direct Investment Inflows:**

(Amount US \$ Billion)

S. No.	Financial Year (April-March)	FOREIGN DIRECT INVESTMENT INFLOWS				
		Equity Inflows		Reinvested Earnings	Other capital	Total FDI
		FIPB	unincorp. bodies			
1	2013-14	24.30	0.97	8.98	1.79	36.05
2	2014-15	30.93	0.98	9.99	3.25	45.15
3	2015-16	40.01	1.11	10.41	4.03	55.56
4	2016-17	43.48	1.23	12.33	3.17	60.22
5	2017-18	44.86	0.82	12.37	3.92	61.96
<b>Cumulative FDI inflows in India since 2000</b>		<b>378.54</b>	<b>14.94</b>	<b>126.27</b>	<b>26.72</b>	<b>546.45</b>

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