



'Foreign Direct Investment Inflows-A Success Story'

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The Government in last three years has undertaken a number of reforms in different areas of economy. In this regard FDI policy reforms carried out by Government are nothing less than historic. The scale of reforms can be gauged from the fact that during this period, 21 sectors covering 87 areas of FDI policy have undergone reforms. This has resulted in increased FDI inflows which year after year is setting up new records. If the FDI inflows of US Dollar 55.6 billion for the year ending March, 2016 were an all-time high, the record was not meant to last long. The country registered FDI inflow of US Dollar 60.08 billion in the next financial year (2016-17), thereby scaling an even higher peak.

Increased FDI inflows in the country are largely attributed to intense and bold policy reforms the Government undertook to bring pragmatism in the FDI regime. The country has now become the top most attractive destination for foreign investment. A new direction was given to FDI policy reforms in 2014 itself when conservative sectors like Rail Infrastructure and Defence were liberalized. This was accompanied by reforms in other sectors such as Medical Devices and Construction Development. The momentum of positive business climate was further ignited with launch of Make in India initiative in September 2014. The country in the year ending March 2015 received FDI of US Dollar 45.15 billion as against US Dollar 36.05 billion in the preceding fiscal.

Reform measures gained further momentum the following year. FDI policy on a number of sectors was liberalized. With a view to provide ease of doing business, licensed and non-sensitive activities were placed under automatic route and investment caps were raised. FDI policy provisions were radically overhauled across sectors such as Construction Development, Broadcasting, Retail Trading, Air Transport, Insurance and Pension among others. In addition, initiatives such as introduction of composite caps in the FDI policy and raising the FIPB approval limit were also undertaken to promote ease of doing business in the country. These initiatives resulted in the country receiving the then highest ever FDI inflow of US Dollar 55.6 billion.

The measures towards FDI policy liberalization and reforms continued in the last year financial year. A paradigm shift was made in the FDI policy on retail and other financial services sector. For retail trading of food products, the Government permitted 100% FDI with unqualified condition that such food products have to be manufactured and/or produced in India. The measure promotes domestic industry, restricts imports, creates local jobs and results in conserving valuable foreign exchange. In the Financial services sector, Government promulgated that any financial sector activity which is regulated by any financial sector regulator will be eligible for 100% FDI under automatic route, and approval would be needed only for unregulated financial sector activities. During the last financial year, FDI policy reforms were also undertaken in other sectors such as Defence, Airport Infrastructure, Broadcasting, Animal Husbandry and Retail Trading. The path breaking reform measures undertaken during the last financial year have resulted in India surpassing the FDI received in 2015-16 and registering an inflow of US Dollar 60.08 billion during 2016-17, a new all time high.

It has been the endeavor of the Government to put in place an enabling and investor friendly FDI policy. The intent all this while has been to make the FDI policy more investor friendly and remove the policy bottlenecks that have been hindering the investment inflows into the country. The steps taken in this direction during the last three years have borne fruit as is evident from the ever increasing volumes of FDI inflows being received into the country.

Annexure

FDI trends during the last three years, and after the launch of Make in India initiative are presented below:

A. Trends for the period of last 3 years (2014-15 to 2016-17)

- The FDI equity inflow received during the last three financial years is US\$ 114.41 billion. It shows an increase of 40% compared to previous period of three financial years (2011-12 to 2013-14) (US \$ 81.84 billion).
- The FDI equity inflow received through approval route amounts to US\$ 11.69 billion, which is 64% higher than the previous three years (US \$ 7.15 billion).
- The overall manufacturing sectors have witnessed a growth of 4% in comparison to previous three financial years (i.e. from US\$ 48.03 billion to US\$ 50.09 billion).
- The total FDI inflow during last three years grew by 38%.

B. Trends after Make in India initiative (October, 2014 to March, 2017)

- The FDI equity inflow received after the launch of Make in India initiative i.e. October, 2014 to March, 2017 of 30 months is US\$ 99.72 billion. It shows an increase of 62% compared to previous 30 months before the launch of MII initiative i.e. April 2012 to Sept. 2014 (US \$ 61.41 billion).
- The overall manufacturing sectors have witnessed a growth of 14% in comparison to previous 30 months before launch of Make in India initiative (i.e. from US\$ 35.52 billion to US\$ 40.47 billion).
- The total FDI inflow grew by 51%, i.e. US \$ 137.44 billion in comparison to US \$ 90.98 billion of the previous 30 months before the launch of Make in India initiative i.e. April 2012 to Sept. 2014.

C. Trends in the Financial Year 2016-17

- The FDI equity inflow received during the F.Y. 2016-17 is US\$ 43.48 billion. It shows an increase of 9% compared to previous F.Y. 2015-16 (US \$ 40.00 billion). It is the highest ever for a particular financial year.
- The FDI equity inflow received through approval route during F.Y. 2016-17 amounts to US\$ 5.90 billion, which is 65% higher than the previous year (US \$ 3.57 billion).
- The overall manufacturing sectors have witnessed a tremendous growth of 52% in comparison to previous F.Y. 2015-16 (i.e. from US\$ 13.35 billion to US\$ 20.26 billion).
- The total FDI inflow grew by 8%, i.e. US \$ 60.08 billion in 2016-17 in comparison to US \$ 55.56 billion of the previous year. It is the highest ever for a particular financial year. Prior to this, the highest FDI inflow was reported in the F.Y. (2015-16).

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