India raises foreign equity in insurance industry, pension

NEW DELHI, Oct. 4 (Xinhua) -- The Indian government on Thursday showed its determination to carry out what it called "bite bullet" reform measures by announcing a partial opening of insurance and pension markets to foreign funds.

"The Indian Cabinet raised the FDI cap in insurance sector from 26 percent to 49 percent and allowed up to 26 percent in the pension funds. Now, Indian Parliament will have to give its approval for the final shape," the sources said.

This came weeks after Prime Minister Manmohan Singh announced the opening of the country's multi-brand retail sector to foreign direct investment by 51 percent and aviation and media market to foreign funds, despite stiff opposition from both rightwing and leftwing opposition parties, as well as the ruling Congress-led United Progressive Alliance's former eastern ally, the Trinamul Congress, which pulled out from the coalition in protest.

On Sept. 13, the government approved the allowance of 51 percent foreign investment in multi-brand retail, besides relaxing FDI norms for civil aviation and broadcasting sectors.

The government also raised diesel price and capped supply of government subsidized gas cylinders to households last month, triggering widespread protests and a nationwide strike.

Calling them Reform II measures, Prime Minister Singh made the decision at a cabinet session which also agreed to amend Companies Act of the country.

The prime minister has justified his measures, saying it is time for India to make hard decisions due to economic slowdown and global recession.

India's GDP growth rate is expected to drop to around 5.5 percent in the current fiscal.