## FDI policy further liberalized in key sectors

The Union Cabinet chaired by the Prime Minister Narendra Modi, has given its approval to a number of amendments in the FDI Policy. These are intended to liberalise and simplify the FDI policy so as to provide ease of doing business in the country. In turn, it will lead to larger FDI inflows contributing to growth of investment, income and employment.

Foreign Direct Investment (FDI) is a major driver of economic growth and a source of non-debt finance for the economic development of the country. Government has put in place an investor friendly policy on FDI, under which FDI up to 100%, is permitted on the automatic route in most sectors/activities. In the recent past, the Government has brought FDI policy reforms in a number of sectors viz. Defence, Construction Development, Insurance, Pension, Other Financial Services, Asset reconstruction Companies, Broadcasting, Civil Aviation, Pharmaceuticals, Trading etc.

Measures undertaken by the Government have resulted in increased FDI inflows into the country. During the year 2014-15, total FDI inflows received were US $ 45.15 billion as against US $ 36.05 billion in 2013-14. During 2015-16, country received total FDI of US $ 55.46 billion. In the financial year 2016-17, total FDI of US $ 60.08 billion has been received, which is an all-time high.

It has been felt that the country has potential to attract far more foreign investment which can be achieved by further liberalizing and simplifying the FDI regime. Accordingly, the Government has decided to introduce a number of amendments in the FDI Policy.

The main amendments are:

***Government approval no longer required for FDI in Single Brand Retail Trading (SBRT)***

***Civil Aviation***

As per the extant policy, foreign airlines are allowed to invest under Government approval route in the capital of Indian companies operating scheduled and non-scheduled air transport services, up to the limit of 49% of their paid-up capital.

However, this provision was presently not applicable to Air India, thereby implying that foreign airlines could not invest in Air India. It has now been decided to do away with this restriction and allow foreign airlines to invest up to 49% under approval route in Air India subject to conditions.

***Construction Development: Townships, Housing, Built-up Infrastructure and Real Estate Broking Services***

It has been decided to clarify that real-estate broking service does not amount to real estate business and is, therefore, eligible for 100% FDI under automatic route.

***Power Exchanges***

Extant policy provides for 49% FDI under automatic route in Power Exchanges registered under the Central Electricity Regulatory Commission (Power Market) Regulations, 2010. However, FII/FPI purchases were restricted to secondary market only. It has now been decided to do away with this provision, thereby allowing FIIs/FPIs to invest in Power Exchanges through primary market as well.

***Competent Authority for examining FDI proposals from countries of concern***

It has now been decided that for investments in automatic route sectors, requiring approval only on the matter of investment being from country of concern, FDI applications would be processed by Department of Industrial Policy & Promotion (DIPP) for Government approval. Cases under the government approval route, also requiring security clearance with respect to countries of concern, will continue to be processed by concerned Administrative Department/Ministry.

***Pharmaceuticals***

FDI policy on Pharmaceuticals sector inter-alia provides that definition of medical device as contained in the FDI Policy would be subject to amendment in the Drugs and Cosmetics Act. As the definition as contained in the policy is complete in itself, it has been decided to drop the reference to Drugs and Cosmetics Act from FDI policy. Further, it has also been decided to amend the definition of ‘medical devices’ as contained in the FDI Policy.

***Prohibition of restrictive conditions regarding audit firms***

The extant FDI policy does not have any provisions in respect of specification of auditors that can be appointed by the Indian investee companies receiving foreign investments. It has been decided to provide in the FDI policy that wherever the foreign investor wishes to specify a particular auditor/audit firm having international network for the Indian investee company, then audit of such investee companies should be carried out as joint audit wherein one of the auditors should not be part of the same network. *(Press Information Bureau: January 10, 2018)*