GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1836
ANSWERED ON:01.08.2003
FOREIGN INVESTMENT
ALE NARENDRA

Will the Minister of FINANCE be pleased to state:

(a) the percentage of foreign investment and foreign borrowings in the national income during each of the last three years;

(b) the details of the main five countries that are making maximum foreign investment in our country during the last three years;

(c) the terms and conditions of the above investments;

(d) the impact of foreign investments and borrowings on our economy; and

(e) the steps taken by the Government during Ninth Five Year Plan to mobiliseindigenous source to reduce the role of foreign investments and borrowings in the national income and the steps proposed in this regard for the Tenth Five Year ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a) On the basis of Balance of Payments estimates by Reserve Bank of India; the percentage of :

(i) foreign investment in the national income (Gross Domestic Product (GDP) at current Market Prices for the year 2000-01, 2001-02 and 2002-03 (provisional) is 1.27, 1.39 and 0.90 respectively.

(ii) external assistance (Net) plus Commercial Borrowings (Net) in the national income during each of the above last three years is 0.90, (-)0.95 and (-) 0.82 respectively.

(b) The main five countries that are making maximum foreign investments in India are : Mauritius(38.7%), USA(17.1%), Japan(6.8%), U.K (5.2%) and Germany(5.0%) during the last three years.

(c) Investments and returns are freely repatriable except where approval is subject to specific conditions such as lock-in period in original investment, etc. as per the notified sectoral policy.

(d) Foreign Direct Investment (FDI) directly impacts on output growth in India by augmenting the available investible capitalHowever, a far more important impact of FDI is through externalities leading to higher efficiency and productivity. FDI typically serves to increase competition in markets, bring new technology, and foster skill acquisition amongst domestic labour. FDI by international corporations is also central to the process of India being utilised as a platform for global production chains, which would pave the way for strong export growth.

(e) During the Ninth Five Year Plan gross domestic savings was targeted to increase to 26% as percentage of GDP at market prices. In addition, foreign investments and borrowings were targeted at 2.1% of GDP at market prices so that the overall investment of 28.2% is achieved during the Ninth Plan period.

Similarly, during the Tenth Five Year Plan, Gross Domestic Savings are targeted to increase to 26.8% of GDP at market prices.The domestic savings are targeted to increase mainly as a result of increased public sector savings emerging from a reduction in dis-savings of the Government sector. Foreign investment and borrowing is expected to increase to 1.70% of GDP. The total investment as percentage of GDP is targeted to increase to 28.4% during the Tenth Plan.