

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3338

ANSWERED ON:12.05.2006

FOREIGN AND DOMESTIC INVESTMENT

Pathak Shri Brajesh;Rao Shri Kavuru Samba Siva;Reddy Shri Magunta Sreenivasulu

Will the Minister of FINANCE be pleased to state:

- (a) whether India has the potential to become a world economic power in the coming years;
- (b) if so, the details thereof;
- (c) the reasons/basic considerations of foreign institutional investors in India with confidence of getting reasonable returns,
- (d) whether the Government proposes to further liberalize the foreign investment norms and encourage domestic private sector to produce quality goods and services at competitive rates to effect larger exports; and
- (e) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) India's GDP which has grown during 2003-04 to 2005-06 at 8.5 percent, 7.5 percent and 8.1 percent respectively, has moved on to a high growth trajectory. With US\$ 160.07 billion of foreign exchange reserves (as on 28 April, 2006), India is the sixth largest reserve holding economy in the world. According to the latest World Investment Report (2005) brought out by the UNCTAD, India is the second most attractive destination for Foreign Direct Investment (FDI) in the world. After China and the US, it is also viewed as the most lucrative location for high value added R&D-intensive operations. All these indicators suggest that India is on the threshold of emerging as a leading global economy.

(c) The Indian Capital Market is not only buoyant, but is also endowed with a strong regulatory framework, which is conducive to greater longer term FII participation.

(d) & (e) The policy on Foreign Direct Investment (FDI) has been recently reviewed and several rationalization/liberalization measures have been notified vide Press Note No.4 (2006 series), issued by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry.