

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5905

ANSWERED ON:30.04.2010

MONITORING OF INFLOW OF FUNDS

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Will the Minister of FINANCE be pleased to state:

- (a) the channel-wise break up of foreign investment including the Foreign Institutional Investments inflow into the country alongwith the proportion of this money withdrawn during the year 2009;
- (b) the amount of investment made by the indigenous companies in the share market during the same period;
- (c) the details of FDI proposals deferred during the same period alongwith reasons therefor;
- (d) whether the Government has set up a working group to rationalise the present arrangement on all the inflows of funds;
- (e) if so, the detailed terms of reference of the working group;
- (f) the circumstances which necessitated formation of working group; and
- (g) the time by which the report of the group is likely to be submitted?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): As per information provided by RBI, the channel wise break up of foreign investment including the Foreign Institutional investments inflow into the country along with the proportion of this money withdrawn during the year 2009 is as follows:

(Amount in USD mn)

Item	2008-09 PR	2009-10 (Apr-Feb)
A. Direct Investment (I+II+III)	35,180	33,053
I. Equity	27,995	25,650
a. Government (SIA/FIPB)	4,699	3,355
b. RBI	17,998	18,046
c. Acquisition of shares	4,632	3,094
d. Equity capital of unincorporated bodies #	666	1,155
II. Reinvested earnings +	6,428	5,958
III. Other capital ++	757	1,445
B. Portfolio Investment (a+b+c)	-13,855	27,069
a. GDRs/ADR##	1,162	3,228
b. FIIs	-15,017	23,841
c. Offshore funds and others -	-	-
Total (A+B)	21,325	60,122

PR - Provisional

Relates to acquisition of shares of Indian companies by non-residents under Section 6 of FE 1999. Data on such acquisitions have been included as part of FDI since January 1996.

Represents inflow of funds (net) by Foreign Institutional Investors (FIIs).

Figures for equity capital of unincorporated bodies for 2007-08 and 2008-09 are estimates.

Represents the amount raised by Indian Corporates through Global Depository Receipts (GDRs) and American Depository Receipts (ADRs).

+ Data for 2007-08 and 2008-09 are estimated as average of previous two years.

++ Data pertain to inter-company debt transactions of FDI entities

FII Inflow/Outflow/Net flows

(Amount in USD mn)

Period	Inflow	Outflow	Net inflow
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2008-09	1,27,349.57	1,42,365.10	-15,015.53
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2009-10 (April-March)	1,56,569.38	1,27,520.94	29,048.44
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(b): SEBI has informed that during the calendar year 2009, Indian body corporates were net sellers to the tune of Rs. 16,640 crore on NSE and net buyers to the tune of Rs. 1,992 crore on BSE as per the client category details uploaded by trading members on the respective stock exchanges.

(c): 170 proposals for FDI were deferred during the year 2009 for want of clarification from the company/comments from the Administrative Ministries concerned. At the end of 2009, only seven proposals remain deferred.

(d) : With a view to rationalising the present arrangements relating to foreign portfolio investments by Foreign Institutional Investors (FIIs)/ Non Resident Indians (NRIs) and other foreign investments like Foreign Venture Capital Investor (FVCI) and Private Equity entities etc. The Government has decided to set up a working group to look at various types of foreign flows, which are taking advantage of arbitrage across the respective stand-alone regulations and generate recommendations to Government.

(e): The terms of reference of the Working Group are as under:

i. To review the existing policy on foreign inflows, other than Foreign Direct Investment (FDI), such as foreign portfolio investments by Foreign Institutional Investors (FIIs)/ Non Resident Indians (NRIs) and other foreign investments like Foreign Venture Capital Investor (FVCI) and Private equity entities and suggesting rationalisation of the same with a view to encourage foreign investment and reducing policy hurdles in this regard while maintaining the Know Your Customer (KYC) requirements.

ii. To identify challenges in meeting the financing needs of the Indian economy through the foreign investment. Foreign investment for this purpose to be understood broadly and can include investment in listed and unlisted equity, derivatives and debt including the markets for government bonds, corporate bonds and external commercial borrowings.

iii. To study the arrangements relating to the use of Participatory Notes and suggest any change in the policy if required from KYC and other point of view.

iv. To re-examine the rationale of taxation of transactions through the STT and stamp duty.

v. To review the legal and regulatory framework of foreign investment in order to identify specific bottlenecks impeding the servicing of these financing needs.

vi. To suggest specific short, medium and long term legal, regulatory and other policy change; in respect to foreign investment keeping in view of the suggestions expert committee reports such as the Committee on Fuller Capital Account Convertibility, the Committee on Financial Sector Reforms and the High Powered Expert Committee on Making Mumbai an International Financial Centre.

vii. Any other matter the working group may consider relevant.

(f): Same as (d) above.

(g):The Group is likely to submit its report by the end of May 2010.