

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3807

ANSWERED ON:16.12.2011

FOREIGN INVESTORS IN STOCK MARKET

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Will the Minister of FINANCE be pleased to state:

- (a) the institution/entity-wise amount of investment made in the Indian share market from abroad during the current Financial Year;
- (b) whether the country's share market had crashed due to influence of these foreign capital investors;
- (c) if so, the details thereof;
- (d) whether the Government has formulated any scheme to keep share market free from the influence of Foreign Institutional Investors;
- (e) whether the Government has constituted any Committee for direct flow of foreign capital and if so, the details thereof;
- (f) whether the Committee has submitted its report to the Government; and
- (g) if so, the details thereof and response of the Government/Securities and Exchange Board of India thereon?

Answer

MINISTER OF STATE FOR FINANCE (SHRI NAMO NARAIN MEENA)

(a) As per the report furnished by Securities and Exchange Board of India (SEBI), the month-wise net investment made by the Foreign Institutional Investors (FIIs) during the current financial year is as follows:

Net Investments by FIIs during 2011-12 (in Rs. crore)

	Equity	Debt	Total
April	7,213.3	-17.2	7,196.1
May	-6,614.4	2,338.4	-4,276.0
June	4,572.2	311.1	4,883.3
July	8,030.1	2,622.8	10,652.9
August	-10,833.6	2,931.1	-7,902.5
September	-158.3	-1,707.4	-1,865.7
October	1,677.4	1,401.4	3,078.8
November	-4,197.9	934.7	-3,263.2

Total FII Investment -311.2 8,814.9 8,503.7
in 2011-12 (till Nov
30, 2011)

Assets Under Custody (AUC) as per the Category of FITs and Sub accounts, as on October 31, 2011, is as under:

Category Of The Flls/Sub-accounts (in Rs. crore)

	Equity	Debt	Total
Mutual Fund	440,334	4,998	445,333
Broad Based Fund	138,772	14,893	153,665
Others	101,329	15,888	117,216
Investment Manager / Advisor	53,279	25,650	78,929
Investment Trust	54,759	932	55,691
Bank	15,971	32,094	48,065
Sovereign Wealth Fund	44,162	6	44,167
Pension Fund	39,808	1	39,809
Asset Management Company	5,457	6,410	11,867
Foreign Corporate	10,944	737	11,682
Institutional Portfolio Manager	95	4,830	4,925
Insurance/ Reinsurance Company	3,805	361	4,165
Foreign Governmental Agency	2,786	532	3,318
Central Bank	157	2,950	3,107
Trustee of a Trust	1,593	0	1,593
Charitable Trust	1,155	0	1,155
Endowment	591	0	591

Foundation 163 0 163

Charitable Society 55 0 55

University Fund 33 0 33

Foreign Individual 0 0 0

International/ Multilateral Organization 0 0 0

Total 915,247 110,282 1,025,529

(b) & (c) Investment in stock markets is dependent on the perceptions of the investors, both domestic and foreign, of the economy, various sectors and companies. Perceptions are generally influenced by many factors including the macro-economic environment, growth potential of the economy, policies of the government, corporate performance, domestic and international events that have a bearing on the markets and sentiments.

(d) The Government and SEBI have put in place systems and practices to promote safe, transparent and efficient market to withstand volatility and protect market integrity. The systems instituted include advanced risk management mechanisms comprising on-line monitoring and surveillance, various limits on positions, margin requirements, circuit filters, etc. In addition, mechanisms are in place to monitor and assess FII inflows. The possible effects of investments made by FIIs on Indian economy are assessed on a continuous basis. Suitable remedial steps are taken when it is concluded that the inflows can have a negative impact on the Indian economy.

(e) to (g): The Government had set up a working group on Foreign Investment in India on 19 November, 2009 to look at various types of foreign flows. The report was presented to the Government on 30th July, 2010. The Committee, has inter-alia, recommended a single window for registration and administration of portfolio investment regulations and termed it the Qualified Foreign Investors ('QFI') framework.

The report has been put on the website of the Finance Ministry at www.finmin.nic.in. The Government has implemented several schemes to encourage foreign participation in the Indian Capital Market.