GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:1062
ANSWERED ON:13.07.2009
INCREASE IN FDI
Kalmadi Shri Suresh

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government proposes to increase Foreign Direct Investment (FDI) share percentage in all areas including telecom, insurance and banking sector;

(b) if so, the details thereof;

(c) whether the Government has accepted the recommendations of Indo-US CEO Forum which recommended to increase FDI in retail trade and in the real estate, and introduce full capital account convertibility; and

(d) if so, the details thereof along with the reason therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY(SHRI JYOTIRADITYA M. SCINDIA)

(a) & (b): Government has put in place a liberal and investor-friendly policy on FDI under which FDI up to 100% is permitted on the automatic route in most sectors/ activities.The FDI policy is reviewed through an inter-Ministerial consultation process with due consideration of relevant issues raised by various stakeholders. Currently, Foreign Direct Investment (FDI) in the Sectors of Telecom, Insurance and Banking, is permitted as below:

Telecom Sector:

SI. No.	Sector/activity	FDI cap/equity	Entry route	Other conditions
a.	Basic and cellular, Unified Access Services, National/ International Long Distance, V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal Communications Services (GMPCS) and other value added telecom services	74%(Including FDI, FII, NRI, FCCBs, ADRs, GDRs, convertible preference shares, and proportionate Foreign equity in Indian promoters/ Investing Company)	Automatic up to 49% FIPB beyond 49%.	Subject to guidelines notified in the Press Note 3(2007)
b.	ISP with gateways,radio-paging, end-to-end bandwidth.	74%	Automatic up to 49%. FIPB beyond 49%.	Subject to licensing and security requirements notified by the Dept. of Telecommunications.
c.	(a) ISP without gateway, (b) infrastructure provider providing dark fibre, right of way, duct space, tower (Category I);	100%	Automatic up to 49%. FIPB beyond 49%.	Subject to the condition that such companies shall divest 26% of their equity in favour of Indian public in 5 years, if these companies are listed in other parts of the world.Also subject

(c) electronic mail and voice mail			to licensing and security requirements,where required.
d. Manufacture of telecom equipments	100%	Automatic	Subject to sectoral requirements.

Insurance Sector: As per the extant policy, FDI up to 26% under the automatic route is allowed in the Insurance Sector, subject to licensing by the Insurance Regulatory and Development Authority (IRDA).

Banking Sector: FDI up to 74% (including FDI and FII investment) under the automatic route, is allowed in the Banking Private sector, subject to guidelines for setting up Branch/ Subsidiaries of foreign banks issued by RBI.

(c) & (d): Currently, FDI policy in retail and construction development sectors is as follows:

(i) Retail Sector: No FDI is permitted in the Retail trading except for Single Brand product retailing where FDI up to 51% is permitted with prior Government approval subject to the following conditions:
i. Products should be sold should be of a single brand only;
ii. Products should be sold under the same brand internationally;
iii. Single brand product retailing would cover only products which are branded during manufacturing.

(ii) Construction Development projects, including housing, commercial premises, resorts, educational institutions, recreational facilities, city and regional level infrastructure, Townships:

FDI up to 100% under the automatic route is allowed for the sector subject to conditions notified vide Press Note 2 (2005 Series), including interalia:

a. minimum capitalization of US$ 10 million for wholly owned subsidiaries and US$ 5 million for joint venture. The funds would have to be brought within six months of commencement of business of the Company.
b. minimum area to be developed under each project- 10 hectares in case of development of serviced housing plots; and built-up area of 50,000 sq. mts. in case of construction development projects; and any of the above in case of a combination project.
c. Original investment cannot be repatriated before a period of three years from completion of minimum capitalization. However, the investor may be permitted to exit earlier with prior approval of the Government through the FIPB.

For investment by NRIs, the conditions mentioned in Press Note 2/2005 are not applicable.

For investment in SEZs, Hotels & Hospitals, conditions mentioned in Press Note 2(2005) are not applicable.

FDI is not allowed in Real Estate Business.

Retail is a labour intensive sector and is the second largest employer after agriculture. Government is fully committed to securing the legitimate interests of all stakeholders engaged in the retail business. Government also fully recognises the need to ensure that small retailers are not adversely affected by the growing organised retail and that there is no adverse effect on employment. There is no proposal to change the current policy on FDI in Retail Trade.

There is also no proposal for full capital account convertibility.