

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5270

ANSWERED ON:26.04.2013

INCREASE IN CAPITAL INVESTMENT

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Will the Minister of FINANCE be pleased to state:

(a) the factors governing the economic growth of the country;

(b) the steps taken/proposed to be taken by the Government to boost economic growth in the country during the last three years and the current year;

(c) whether any estimate of the foreign capital investment required by the country has been made by the Government;

(d) if so, the details thereof for the current year and the entire period of the 12th Five Year Plan along with the reaction of the Government thereto; and

(e) the measures taken or proposed to be taken by the Government to increase the foreign and domestic capital investment in the country?

Answer

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

(a) Various factors including the rates of savings and investment, productivity of resources, adoption of technology, availability of human capital and infrastructure, cost of finance, foreign trade and demand for the domestic product, capital flows, governance, nature of economic and regulatory institutions, etc. influence the growth rate of an economy.

(b) Reducing impediments such as delays in obtaining project clearances, clarifying processes for land-acquisition and increasing access to infrastructure are crucial to boost investment and revive growth in the economy. Several steps including the setting up of the Cabinet Committee on Investment (CCI) to fast track large investment projects; strengthening of financial and banking sector; permitting FDI in areas including multi-brand retail, power exchanges and aviation, etc. have been undertaken over the last few years to boost investment and growth. The Reserve Bank of India (RBI) has reduced policy rates in recent months to support a turnaround in GDP growth.

(c) & (d) The foreign investment requirement for the Indian economy (as ratio to Gross Domestic Product), given by the difference between the domestic investment requirement and what can be financed from domestic savings, as estimated by the Planning Commission, for the 12th Five Year Plan period is given in the following Table.

Year (% of GDP)	Foreign investment requirement
2012-13	4.8
2013-14	3.8
2014-15	3.0
2015-16	2.8
2016-17	2.5

(e) The measures to increase domestic and foreign investment, inter alia, include setting up of the Cabinet Committee on Investment (CCI) to fast track large investment projects; strengthening of financial and banking sector; permitting FDI in areas including multi-brand retail, power exchanges and aviation, etc. The Union Budget 2013-14 has outlined several initiatives to boost investment in infrastructure and industry, that inter alia include encouraging Infrastructure Debt Funds, credit enhancement to infrastructure companies, raising the corpus of Rural Infrastructure Development Fund, introduction of investment allowance for new high value investments, etc. The RBI and the Government has undertaken measures including enhancing all-in-cost ceiling for external commercial borrowings between 3-5 year maturity, higher interest rate ceiling for foreign currency Non-resident deposits, deregulation of interest rates on rupee denominated NRI deposits, administrative steps to curb currency speculation, etc. that would facilitate capital inflow.