

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2446
ANSWERED ON:23.08.2013
INVESTOR CONFIDENCE
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to pep up investor confidence; and
- (b) if so, the details thereof indicating the manner in which it is likely to be done?

Answer

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

(a) and (b): The Government takes appropriate policy measures on an ongoing basis, to ensure that India remains an attractive & investor friendly destination. The sentiment of investors is affected, of late, inter-alia, by the apprehension of early tapering of monetary stimulus by the USA, increase in the yield rates in USA and consequent reversal of flows from emerging markets, including India. The RBI has taken a number of measures to increase the interest rate at the short end and this has contained the depreciation of the rupee and inflation to some extent. Based on inter-ministerial consultations, Government has decided on certain measures that would ensure that the Current Account Deficit (CAD) will be fully and safely financed in the current year. Such measures, including those for enhancing the capital inflows and for building investor confidence have been indicated through the press release of the Ministry of Finance dated August 12, 2013. Some measures taken by the Government and Reserve Bank of India (RBI) in the recent past are as follows:

1. hiking the Marginal Standing Facility rate to 10.25%
2. restricting the funding window under Repo facility
3. mandating 99% of the Cash Reserve Ratio (CRR) requirement to be maintained on daily basis
4. Issuing Cash Management Bills on weekly basis.
5. restricting import of gold and silver – raising the import duty to 10%,
6. mandating earmarking of 20% of import of gold for export purposes,
7. raising Foreign Direct Investment (FDI) caps on various sectors and changing the route of FDI from approval route to automatic route in many sectors,
8. liberalizing the norms for External Commercial Borrowings (ECB),
9. making Non-resident accounts (NRE and FCNR(B)) more attractive,
10. increasing the interest rate subvention to 3% for exports (to which interest rate subvention scheme is applicable),
11. allowing some of the public sector financial institutions to issue semi-sovereign bonds in foreign markets and
12. reduction in the limit of outflow through remittances and shifting some outflows from automatic route to approval route.

Further, Government plays an active role in the promotion of investment in all sectors, through dissemination of information on the investment climate and by advising prospective investors about investment policies, procedures and opportunities. The Government has taken several steps to revive growth in the economy that, inter alia, include measures to speed up project implementation via the creation of the Cabinet Committee on Investment (CCI), boost to infrastructure financing by encouraging Infrastructure Debt Funds, enhancement of credit to infrastructure companies, provision of greater support to Micro, Small and Medium Enterprises, strengthening of financial and banking sectors, deregulation of the sugar sector; decision to launch inflation indexed bonds to incentivize households to save in financial instruments, fiscal consolidation through fiscal reforms viz. reduction in the subsidy of diesel, cap on the number of subsidised LPG cylinders, new gas pricing guidelines, etc.