

**GOVERNMENT OF INDIA  
COMMERCE AND INDUSTRY  
LOK SABHA**

UNSTARRED QUESTION NO:2918

ANSWERED ON:10.02.2014

VIOLATION OF FDI NORMS

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

- (a) whether the Foreign Direct Investment (FDI) inflow has considerably declined during the last three years and the current year;
- (b) if so, the details thereof along with impact of such decline on the country's balance of payments and value of rupee;
- (c) whether certain cases of violation of FDI norms have been reported and forwarded to Directorate of Enforcement (DOE) for investigation;
- (d) if so, the details thereof along with the action taken by DOE in such cases, company-wise along with corrective steps taken by the Government in this regard;
- (e) whether the Government has requested the Ministry of Finance for allowing FDI from Pakistan; and
- (f) if so, whether the Ministry of Finance proposes to examine security concerns before allowing FDI from Pakistan and if so, the details thereof including the time by which the said proposal is likely to be implemented?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (DR.E.M. SUDARASANA NATCHIAPPAN)

(a)&(b): The Foreign Direct Investment (FDI) inflows from April, 2010 to November, 2013 are as under:

S.No.	Financial Year	Total FDI Inflow
	(US \$ billion)	
1.	2010-11	34.85
2.	2011-12	46.56
3.	2012-13	36.86
4.	2013-14	22.54
	(Upto Nov., 2013)	

FDI is one of the main components of capital account of balance of payments, which has direct implication on the financing of the current account deficit. The value of the rupee depends on the demand and supply conditions in the domestic foreign exchange market. The elevated levels of current account deficit and volatility in capital flows, particularly FII flows tend to have an impact on exchange rate of rupee.

(c)&(d): During the last three Financial Years and the current Financial Year, investigations have been initiated under Foreign Exchange Management Act, 1999 in 102 cases for alleged violation of FDI norms. Further details are not revealed, as the said cases are still at various stages of investigation. The onus of compliance with the FDI norms lies on the entity that is the recipient of FDI.

(e) & (f): The Government, vide Press Note No. 3(2012 Series) dated 1st August, 2012 permitted a citizen of Pakistan or an entity incorporated in Pakistan to invest, only under the Government route, in sectors/activities other than defence, space and atomic energy. The said Press Note was implemented with immediate effect. Security clearance is obtained, as required, before approval is granted for Foreign Direct Investment from countries in sectors on the Government approval route.