

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4319  
ANSWERED ON:08.08.2014  
INFLATION AND INVESTMENT  
Kodikunnil Shri Suresh

**Will the Minister of FINANCE be pleased to state:**

- (a) the extent by which inflation has hurt inflow of investment into the country during the last three years;
- (b) whether the Government has taken any steps to ensure that India emerges as a favourite destination for investment; and
- (c) if so, the details thereof?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRIMATI NIRMALA SITHARAMAN)

(a) The level of foreign investment inflows depends on a number of factors like the return on investment, prevailing interest rates, the rate of growth of the gross domestic product, the levels of inflation, global financial conditions, outlook on exchange rate, etc. Of the two components of foreign investment, foreign institutional investor (FII) investment relatively is more dependent on short-term outlook and the foreign direct investment (FDI) on the long-term outlook and policies of the Government in this regard. No direct relationship can be observed between the levels of inflation and the inflows into the country.

(b) and (c) The Government of India and Reserve Bank of India (RBI) have undertaken various measures to boost foreign investment inflows and make India as an attractive investment destination. The limit for foreign investment in Government dated securities was enhanced in June 2013 to US\$ 30 billion. FDI norms and routes were again modified for certain sectors in August 2013. For instance, FDI limit was raised from 74 per cent to 100 per cent (upto 49 per cent under automatic route and above 49 per cent under government route) in telecom sector and asset reconstruction companies. The extant FDI limits in sectors viz., petroleum and natural gas, courier services, commodity exchanges, infrastructure companies in the securities market and power exchanges were allowed under automatic route instead of approval route. Foreign investment limit in credit information companies was raised from 49 per cent under government route to 74 per cent under automatic route. In Union Budget (2014-15), the Government has raised the composite limit of foreign investment in defence manufacturing and insurance sector from 26 per cent to 49 per cent with full Indian management and control through the FIPB route. The RBI on July 24, 2014, enhanced the investment limit in government securities available to FIIs/qualified foreign investors/ foreign portfolio investors by US\$ 5 billion by correspondingly reducing the amount available to long term investor from US\$ 10 billion to US\$ 5 billion within the overall limit of US\$ 30 billion.