4

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FIPB's FDI approvals jump in last two years

Rajkumar Ray

New Delhi, May 5: Approvals for FDI by the Foreign Investment Promotion Board accelerated in the last two years as capital inflows became crucial for the country to finance the current account deficit (CAD).

The number of cases disposed of as percentage to the total number of proposals that came up before FIPB increased to 65% in 2013 from 62% in 2012 and 58% in 2011, a finance ministry report shows. The number of cases approved as a percentage of total number of proposals increased from about 41% in 2011 and 2012 to 51% in 2013. Among the cases disposed of, some were rejected as they did not meet the FDI rules.

Though the FIPB decisions accelerated in the last two years, it was still slower than the pre-Lehman era when the approval rates were 77-80% between 2004 and 2007 when the economy was growing at over 9% and foreign investors started increasing their exposure in India.

The amount of FDI approved through the FIPB route shot up to Rs 60,300 crore in 2013 from Rs 17,500 crore in 2012 following some high-profile investment flows such as IKEA's Rs 10,500 crore for retail foray into India, US pharma major Mylan's Rs 5,168 crore acquisition of a Strides Arcolab unit and Etihad's plan to buy out 24% stake in Jet Airways for Rs 2,058 crore.

The faster clearances of FDI proposals by the FIPB came amid widening of the CAD to 4.8% of GDP during 2012-13 from 4.2% in 2011-12. The CAD widened due to a spurt in imports of oil, gold and coal coupled with slowing of services exports during 2011-12 and 2012-13. The problem over external finances became all the more grave as capital inflows were choppy and could barely finance the CAD.

While the government liberalised FDI limits for more sectors, including multi-brand retail, the finance ministry understandably expedited FIPB clearances to garner more capital inflows.

The inflows could have been even higher if other policy issues ironed out such as the stiff sourcing norms for retailers and security concerns for defence FDI.

Of the total 390 cases that came up before FIPB during 2013, about 198 were approved while 33 were rejected and 24 were noted or advised taking the total number of cases disposed off to 255. As many as 23 cases were withdrawn and 122 cases were deferred last year.

Over the years, the number of cases going through the FIPB route has come down as FDI approvals in more sectors were allowed through the automatic route. Still, the amount of FDI flow through FIPB stood at 30.4% of gross FDI flows last year as compared to 9.6% in 2012.

The finance ministry attributes liberalisation of FDI policy for the rise in FDI inflows. "All these are reasons enough to allay fears that the FDI inflow would be reversed with the lifting of quantitative easing measures in US," it said in the FIPB report.

Picking pace

Year Jan-Dec	Total no. of proposals	No. of cases disposed of	Proportion of cases disposed of	FDI inflows (₹ cr)
2011	459	266	58%	40,587
2012	484	299	62%	17,457
2013	390	255	65%	60,326

Source: FIPB review 2011-13

837

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