



## Revised FDI Norms

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Recently, the Union Cabinet has approved the proposal for the review of Foreign Direct Investment in various sectors.

This will result in making India a **more attractive FDI destination**, leading to benefits of increased investments, employment and growth.

As of now (March 2019), **Singapore remains India's top FDI source**, twice that from Mauritius.

## Revised Norms

- **100% FDI under automatic route** is permitted for **sale of coal, for coal mining activities including associated processing infrastructure.**
- The government has allowed **100% FDI through the automatic route for contract manufacturing.**
- It will **augment the Make in India initiative** and will attract global companies in India looking to establish alternative manufacturing hubs

### Contract manufacturing

- The business model in which a firm hires a contract manufacturer to produce components or final products based on the hiring firm's design. **Companies outsource their production to other companies.**

- Contract manufacturing offers a number of benefits:
  - **Cost Savings:** Companies save on their capital costs and labour costs because they do not have to pay for a facility and the equipment needed for production. Some companies may look to contract manufacture in low-cost countries, such as India, to benefit from the low cost of labour.
  - **Advanced Skills:** Companies can take advantage of skills that they may not possess, but the contract manufacturer does.
  - **Focus:** Companies can focus on their core competencies better if they can hand off base production to an outside company.
  - **Economies of Scale:** Contract Manufacturers have multiple customers that they produce, it may lead to reduced costs in acquiring raw materials by benefiting from economies of scale.
  
- **Easing norms for FDI in Single Brand Retail Trading (SBRT):** Retail trading through **online trade** by SBRT, can also be undertaken **prior to the opening of brick and mortar stores** (it should be opened within 2 years from the date of start of online retail).
  - Online sales will lead to the creation of jobs in logistics, digital payments, customer care, training and product skilling.
- It has been decided to **permit 26% FDI under government route for uploading/ streaming of News & Current Affairs through Digital Media**, on the lines of print media.
- In India, FDI policy provisions have been progressively liberalized across various sectors in recent years to make India an attractive investment destination.
  - Some of the sectors include Defence, Construction Development, Trading, Pharmaceuticals, Power Exchanges, Insurance, Pension, Other Financial Services, Asset reconstruction Companies, Broadcasting and Civil Aviation.
  - **Due to these measures, a total FDI into India from 2014-15 to 2018-19 has been \$ 286 billion.**
  - Despite the dim global picture (**UNCTAD's World Investment Report 2019**), India continues to remain a preferred and attractive destination for global FDI flows.
    - India seeks to use this potential to attract far more foreign investment which can be achieved inter-alia by further liberalizing and simplifying the FDI policy regime.

## Foreign direct investment (FDI)

- It is an **investment from a party in one country into a business or corporation in another country with the intention of establishing a lasting interest.**

- Lasting interest **differentiates FDI from foreign portfolio investments**, where investors passively hold securities from a foreign country.
- Foreign direct investment can be made by expanding one's business into a foreign country or by becoming the owner of a company in another country.

**Source: PIB**