



100% FDI in Air India for NRIs

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Why in News

Recently, the **Ministry of Finance** has allowed **Non Resident Indians** (NRIs) to have **100% Foreign Direct Investment** (FDI) in Air India.

For the same, necessary amendments have been made in the Foreign Exchange Management Rules (Non-debt Instruments), 2019.

Key Points

- **Background:**
 - In March 2020, the **Cabinet approved a policy** to permit foreign investment up to 100% by those NRIs who are Indian Nationals in Air India through the automatic route.
 - Foreign investments in Air India Limited, including that of **foreign airlines shall not exceed 49%** either directly or indirectly except in case of those NRIs, who are Indian nationals.
- **New Rules:**
 - **Category of Citizens:** The amendment removes the exception which permitted **Overseas Citizens of India** (OCI) 100% FDI in air transport, but not Air India.

This **category of citizens has been replaced with NRIs**, now allowed to commit 100% FDI in air transport, including Air India, through automatic route.
 - **Role of RBI:** The **Reserve Bank of India** (RBI) has been vested with the sole **power to issue/interpret the rules** regarding **100% FDI of NRIs**. Previously, it was required to do so in consultation with the Central Government.

- **Significance:**

- **Disinvestment:** It would likely to **smoothen the divestment of Air India** and have an impact on the sale of the national carrier.
 - Substantial **ownership and effective control of Air India** will have to remain in the hands of **Indian nationals** after the divestment.
 - Further, it will lead to increased FDI inflows and thereby contribute to higher investment, income and employment.
- **Liberalisation of FDI:** The amendment is meant to liberalise and simplify the FDI policy to provide **ease of doing business** in the country.
- **Global Visibility of Air India:** The amendment would boost Brand India and provide **global visibility, alternate sources of capital** and **broaden the investor base** for Air india.
- **Need for Privatisation: Privatisation** is necessary as airlines have been under strain due to **Covid-19 pandemic**.

Further, the **government may not be in a position** to fulfill the demands being made by Air India in the current situation, like providing measures for relief to its employees.

Foreign Direct Investment

- FDI is an **investment made by a firm or individual** in one country into business interests located in another country.
- Generally, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets, including establishing ownership or controlling interest in a foreign company.
- It is different from **Foreign Portfolio Investment** where the foreign entity merely buys equity shares of a company. FPI does not provide the investor with control over the business.
- Routes through which India gets FDI:
 - **Automatic Route:** In this, the foreign entity does not require the prior approval of the government or the RBI.
 - **Government route:** In this, the foreign entity has to take the approval of the government.
 - The **Foreign Investment Facilitation Portal (FIFP)** facilitates the single window clearance of applications which are through approval route.
 - This portal is administered by the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry.

Source: TH