DO YOU KNOW?

WHAT IS FDI?

Q.1. What is the objective of FDI?

It is the intent and objective of the Government of India to attract and promote foreign direct investment in order to supplement domestic capital, technology and skills, for accelerated economic growth. Foreign Direct Investment, as distinguished from portfolio investment, has the connotation of establishing a 'lasting interest' in an enterprise that is resident in an economy other than that of the investor.

The Government has put in place a policy framework on Foreign Direct Investment, which is transparent, predictable and easily comprehensible. This framework is embodied in the Circular on Consolidated FDI Policy, which may be updated every year, to capture and keep pace with the regulatory changes, effected in the interregnum. The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce & Industry, Government of India makes policy pronouncements on FDI.

Q. 2. Who can invest in India?

A non-resident entity (other than a citizen of Pakistan or an entity incorporated in Pakistan) can invest in India, subject to the FDI Policy. A citizen of Bangladesh or an entity incorporated in Bangladesh can invest only under the Government route.

NRIs resident in Nepal and Bhutan as well as citizens of Nepal and Bhutan are permitted to invest in the capital of Indian companies on repatriation basis, subject to the condition that the amount of consideration for such investment shall be paid only by way of inward remittance in free foreign exchange through normal banking channels.

Q. 3. How will FDI in retain sector benefit?

- Entry of global retail giants is likely to see new investment,
- In the short run, it has the potential to add 3-4 million new jobs
- Another 4-6 million jobs could be created in logistics, contract labour, house-keeping and security
- Expected to help develop logistics, cold chains, warehouses
- Government revenues could get an additional \$ 24-30 billion through various taxes,
- Help reduce wastage of vegetables and other perishables and help in taming inflation,
- For Consumers it could mean savings of 5-10%
- May help farmers get 10-30% higher remuneration
- Add to economic growth

Q. 4. What do the new rules say? What is single Brand retail?

- Government has allowed 100% FDI in single-brand retail
- The foreign investor should be the owner of the brand
- Products to be sold should be of a 'single brand' only
- Products should be sold under the same brand name in one or more countries other than India
- Sourcing of 30 percent of the value of goods purchased will be done from India preferably from small and medium units, village and cottage industries, artisans and craftsmen
- Quantum of sourcing to be self certified, to be checked by statutory auditors.
- Retail trading, in any form, through e-commerce not allowed.

Q. 5. What is Multi-Brand retail?

- Government allows 51% FDI in multi-brand retail
- Minimum amount to be brought in as FDI by the foreign investor would be \$100 million
- At least 50% of total FDI to be invested in back-end infrastructure in three years
- At least 30% of the value of procurement of manufactured/ processed products shall be sourced from Indian small industries which have a total investment in plant and machinery not exceeding \$1 million
- Retail sales outlets may be set up only in cities with a population of more than 10 lakh as per 2011 census and may cover an area of 10 Km around the municipal/urban limits of such cities
- Retail trading in any forms, by means of e-commerce would not be allowed
- Fresh farm produce, including fruits, vegetables, flowers, grains, pulses, fresh poultry, fishery and meat products may be unbranded
- Government will have the first right to procure farm products

Q.6 Why foreign retailers want to enter India?

- Large market, rising disposable incomes and spending power
- The estimated size of the Indian retail market is about \$450 billion.

(Compiled by Irshad Ali, Editor, Employment News) ❑