

INDIA FOREIGN INVESTMENT: INDIA TO PROPOSE EASING FOREIGN INVESTMENT RULES FURTHER

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Foreign Capital, Foreign Trade & BOP

By Abhijit Roy Chowdhury and Vrishti Beniwal

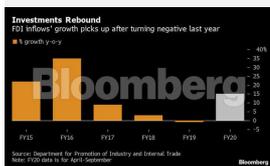
[India](#) is considering further opening up its insurance and aviation sectors to foreign investors to help spur the economy, according to people familiar with the matter.

The Finance Ministry has suggested increasing the limit on [foreign direct investment](#) in insurance and pension companies to 74% from the present 49% and allowing foreign airlines to own Indian carriers, the people said, asking not to be identified as the plan is not public.

It also wants to allow 100% foreign investment in railway operations, education, and rental housing management companies, the people said. FDI is currently prohibited in railway operations.

The government wants to increase the amount of FDI to as much as 6% of [gross domestic product](#), the people said, compared with less than 2% now.

A spokesman for the Finance Ministry wasn't immediately available to comment.



Prime Minister [Narendra Modi](#) wants to double the size of the economy to \$5 trillion by 2025. With government revenue under pressure amid an economic slowdown, authorities are banking on private investment to drive growth.

Relaxation of FDI restrictions in the aviation sector may help attract bidders for national carrier [Air India](#), which the government is trying to sell after a failed attempt previously. The government also plans to dispose of [Bharat Petroleum](#) Corp., the country's second-largest state refiner, and Shipping Corp. of India Ltd., the biggest shipping company.

Last year, authorities eased foreign investment rules in retail, manufacturing and coal mining to attract investments from companies such as [Apple Inc.](#) and BHP Group.

While FDI equity inflows into Asia's third-largest economy have risen 15% to \$26 billion in the six months to September, the ratio to GDP has declined over the years to 1.5% in 2018, according to [World Bank](#) data.

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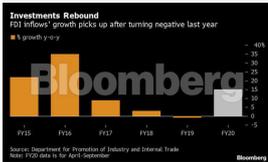
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