

UNION BUDGET PROPOSES PERMITTING 100% FOREIGN DIRECT INVESTMENT (FDI) FOR INSURANCE INTERMEDIARIES

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

Ministry of Finance

Union Budget proposes permitting 100% Foreign Direct Investment (FDI) for insurance intermediaries

Easing of Local Sourcing Norms also proposed for FDI in Single Brand Retail sector

Rationalization of existing Know Your Customer (KYC) norms for FPIs contemplated to make it more investor friendly

NRI-Portfolio Investment Scheme Route proposed to be merged with Foreign Portfolio

Investment Route with a view to provide NRIs with seamless access to Indian equities

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It is being contemplated to permit 100% Foreign Direct Investment (FDI) for insurance intermediaries. This was announced by the Union Minister of Finance and Corporate Affairs, Smt. Nirmala Sitharaman while presenting the Union Budget 2019-20 in the Parliament today. She further proposed that Local sourcing norms will be eased for FDI in Single Brand Retail sector.

The Finance Minister also added that FDI inflows into India have remained robust despite global headwinds. Global Foreign Direct Investment (FDI) flows slid by 13% in 2018, to US\$ 1.3 trillion from US\$ 1.5 trillion the previous year – the third consecutive annual decline.

The Finance Minister further stated that according to UNCTAD's World Investment Report 2019. India's FDI inflows in 2018-19 remained strong at US\$ 64.375 billion marking a 6% growth over the previous year.

The Finance Minister proposed to further consolidate the gains in order to make India a more attractive FDI destination:

1. The Government will examine suggestions of further opening up of FDI in aviation, media (animation, AVGC) and insurance sectors in consultation with all stakeholders. 100% Foreign Direct Investment (FDI) will be permitted for insurance intermediaries. Local sourcing norms will be eased for FDI in Single Brand Retail sector. FPIs will be permitted to subscribe to listed debt securities issued by REITs and InvITs.

The Finance Minister further added that time has come that India not only gets integrated into global value chain of production of goods and services, but also become part of the global financial system to mobilise global savings, mostly institutionalized in pension, insurance and sovereign wealth funds. Towards this end, the Government is contemplating organizing an Annual Global Investors Meet in India, using National Infrastructure Investment Fund (NIIF) as the anchor, to get all three sets of global players- top industrialists/corporate honchos, top pension/insurance/sovereign wealth funds and top digital technology/venture funds.

The Finance Minister stated that an important determinant of attracting cross-border investments is availability of investible stock to the FPIs. This issue assumes greater significance in view of the gradual shift, from stock targeted investments, towards passive investment whereby funds track global indices composition of which depends upon available floating stock.

Union Budget 2019-20 propose to increase the statutory limit for FPI investment in a company from 24% to sectoral foreign investment limit with option given to the concerned corporates to limit it to a lower threshold, the Minister added.

The Finance Minister also stated that as a key source of capital to the Indian economy, it is important to ensure a harmonized and hassle free investment experience for Foreign Portfolio Investors. Hence, it is proposed to rationalize and streamline the existing Know Your Customer (KYC) norms for FPIs to make it more investor friendly without compromising the integrity of cross-border capital flows.

The Finance Minister further proposed to merge the NRI-Portfolio Investment Scheme Route with Foreign Portfolio Investment Route with a view to provide NRIs with seamless access to Indian equities.

DSM/RM/SVS/MKV/YK

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