

Foreign Direct Investment & Foreign Institutional Investment IN INDIA

Presented By

Ashish Tiwari



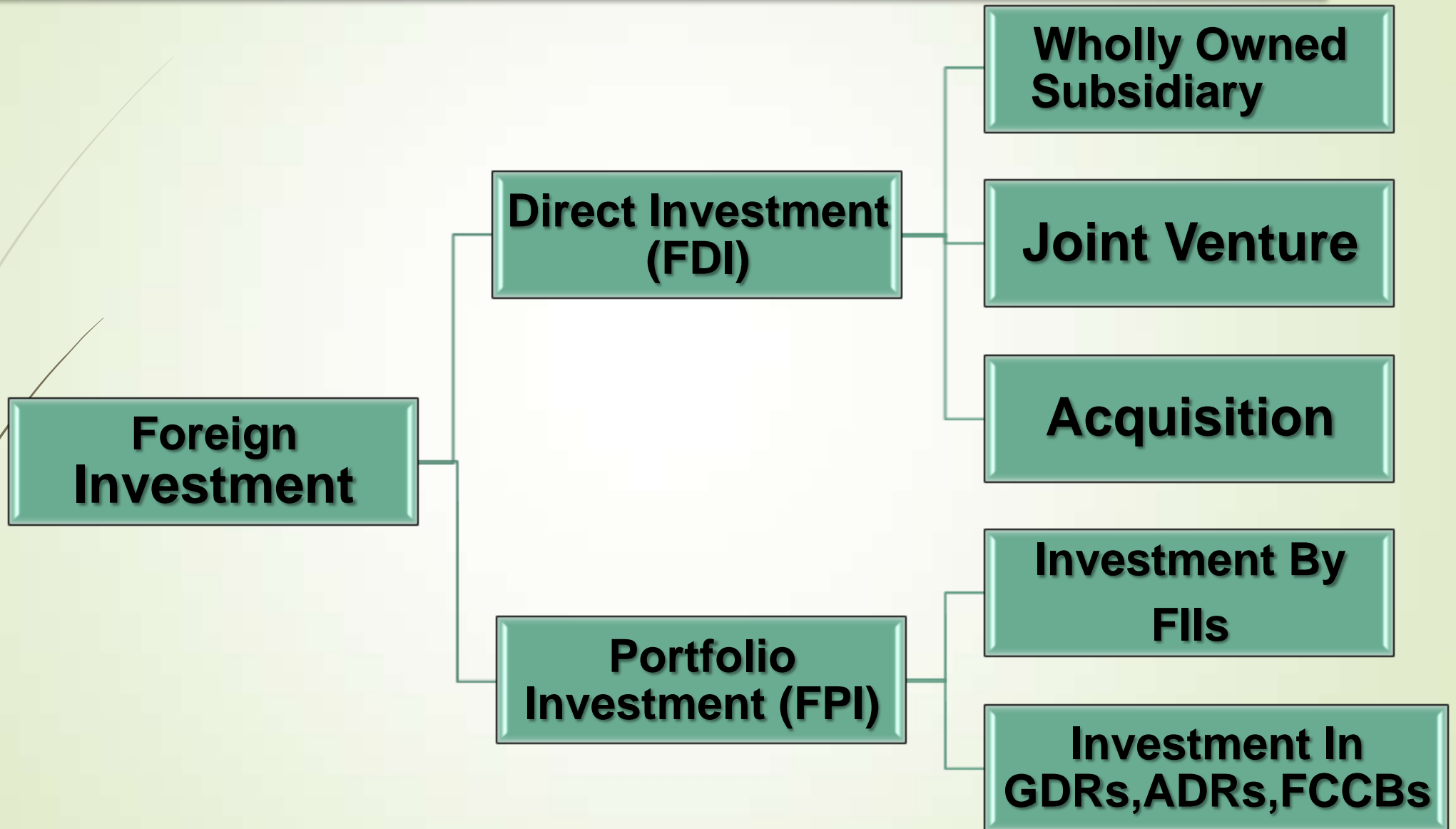
AGENDA

- **Foreign Investment**
- **Types Of Foreign Investment**
- **Significances Of Foreign Investment**
- **Limitations Of Foreign Investment**
- **Factors Affecting Foreign Investment**
- **Growth Of Foreign Investment**

Foreign Investment



Types Of Foreign Investment





Significances Of Foreign Investment

- Expansion In Employment
- Consumer Benefit
- Technological Improvement
- Cultural Improvement
- Import Export
- Growth In Economy
- Government Benefits
- Competition
- Managerial Revolution
- Global Exposer
- Global Relationship



Limitations Of Foreign Investment

- **Work On The High Profit Areas Rather Than Priority Sector**
- **Technological Advancement**
- **Evading Nature**
- **Unfavourable Effect Towards Balance Of Payment**



Limitations Of Foreign Investment

- **Interferes In The National Politics**
 - **Unfair & Unethical Trade Practices**
 - **Bulldogging Nature Towards Nation Market**
 - **Unfavourable For Countries Economy**
- 



Factors Affecting Foreign Investment

- **Rate Of Interest**
 - **Speculation**
 - **Profitability**
 - **Costs Of Production**
 - **Economic Condition**
 - **Government Policies**
 - **Political Policies**
- 

Growth Of Foreign Investment

	1996	1997	1998	1999	2000	2001	2007	2008	2009
World	386140	478082	694457	1088263	1491934	735146	2099973	1770873	1114189
Developed Economies	219908	267947	484239	837761	1227476	503144	1444075	1018273	565892
Developing Economics	152685	191022	187611	225140	237894	204801	564930	630013	478349
Asia	93331	105828	96109	102779	133707	102066	336922	372739	301367
South, East And South-East Asia	87843	96338	86252	999901	31123	94365	258830	282440	233050
China 1st	40180	44237	43751	40319	40772	46846	83521	108312	95000
India 2nd	2525	3619	2633	2168	2319	3403	25001	40418	34613
Indonesia 4th	6194	4677	356	2745	4550	3277	6928	9318	4877
Korea 6th	2325	2844	5412	9333	9283	3198	2628	8409	5844
Malaysia 7th	7296	6324	2714	3895	3788	554	8538	7318	1381
Philippines 8th	1520	1249	1752	578	1241	1792	2916	1544	1948
Singapore 3rd	8608	10746	6389	11803	5407	8609	35778	10912	16809
Thailand 5th	2254	2222	5442	2724	2242	2752	11255	2544	5242



Foreign Direct Investment In INDIA

- **What is it ?**
 - **Meaning of FDI**
 - **History Of FDI In INDIA**
 - **Types Of FDI**
 - **Significance of FDI**
 - **Factors Affecting FDI To Come In INDIA**
 - **Regulation For FDI Formation**
- 



Foreign Direct Investment In INDIA

- **Diversification Of FDI in INDIA**
- **Culture OF FDI In INDIA**
- **Growth Of FDI In INDIA**
- **Advantages Of FDI In INDIA**
- **Limitation Of FDI In INDIA**
- **Impact Of FDI In INDIA**
- **Experts Views On FDI In INDIA**

Meaning of FDI

- 1. FDI stands for Foreign Direct Investment, a component of a country's national financial accounts.**
- 2. Foreign direct investment is investment of foreign assets into domestic structures, equipment, and organizations.**
- 3. It does not include foreign investment into the stock markets.**
- 4. FDI is thought to be more useful to a country than investments in the equity of its companies because equity investments are potentially "hot money" which can leave at the first sign of trouble, whereas FDI is durable and generally useful whether things go well or badly.**
- 5. FDI' Means Investment By Non-resident Entity/Person Resident Outside India In The Capital Of An Indian Company Under Schedule 1 Of Foreign Exchange Management (Transfer Or Issue Of Security By A Person Resident Outside India)**

History of FDI In India

**FDI Up To 100%
Allowed Under The
Automatic Route In
Cash & Carry
(Wholesale)**

1997

**Government Mulling Over The
Idea Of Allowing 100% FDI In
Single-brand Retail And 50% In
Multi Brand Retail**

2008

**FDI Up To 51% Allowed
With Prior Government
Approval In
'Single Brand Retail'**

2006

**Government Allowed 51%
FDI In Multi Brand Retail
And 100% FDI In Single
Brand Retail**

2011

Types Of FDI

- **Investment In Indian Companies Can Be Made Both By Non-resident As Well As Resident Indian Entities.**
- **Any Non-resident Investment In An Indian Company Is Direct Foreign Investment.**
- **Investment By Resident Indian Entities Could Again Comprise Of Both Resident And Non-resident Investment. Thus, Such An Indian Company Would Have Indirect Foreign Investment If The Indian Investing Company Has Foreign Investment In It. The Indirect Investment Can Also Be A Cascading Investment I.E. Through Multi-layered Structure.**

Significance Of FDI

- **Financial Transfer In Foreign Exchange**
- **Production Technology**
- **Management Skills**
- **Physical Resources Like Machinery Tools Equipment Etc.**
- **Institutional System**
- **Information & Database**
- **Worldwide Contacts**
- **Research & Development**
- **Training Resources**
- **Trade Channels**

Background: *India Transformed !!*

...Yesterday

- Slow rate of growth
- Bureaucratic
- Protected and slow
- Small consumer markets
- Weak infrastructure



...Today

- Strong Macro Economic Fundamentals
- Encouraging Foreign Investment
- Outsourcing Destination
- Growing Consumerism
- Impetus On Infrastructure Development

Factors Affecting FDI To Come In INDIA

- Stable democratic environment over 60 years of independence
- Large size of the economy, particularly the large and growing middle class
- Open door policy towards FDI
- Abundance of natural resources
- Diversified industrial sectors
- Large and growing market
- Cost-effective and skilled labour



Factors Affecting FDI To Come In INDIA

- **World class scientific, technical and managerial manpower**
- **Cheap and abundant availability of technical manpower at various level of skills**
- **Large English speaking population**
- **Stable political system**
- **Well-established legal system with independent judiciary**

Factors Affecting FDI To Come In INDIA

- ▶ Well Developed Accountancy, Legal, Actuarial And Consultancy Profession
- ▶ Emerging trends towards deregulation/privatisation and globalisation
- ▶ large network of banking institutions
- ▶ Liberal policy towards technology and capital goods imports
- ▶ Gradual reduction in barriers to trade
- ▶ High level of compliance towards the policies of multilateral economic institution like WTO, IMF & world Bank

Factors Affecting FDI To Come In INDIA

- Comfortable size of foreign exchange reserves & current account convertibility
- Price stability
- Declining structure of interest rates in-tune with global trends
- Good international economical & political relations
- Strong advertising media
- Large base of existing MNC's in number of industrial segment

Regulation For FDI Formation

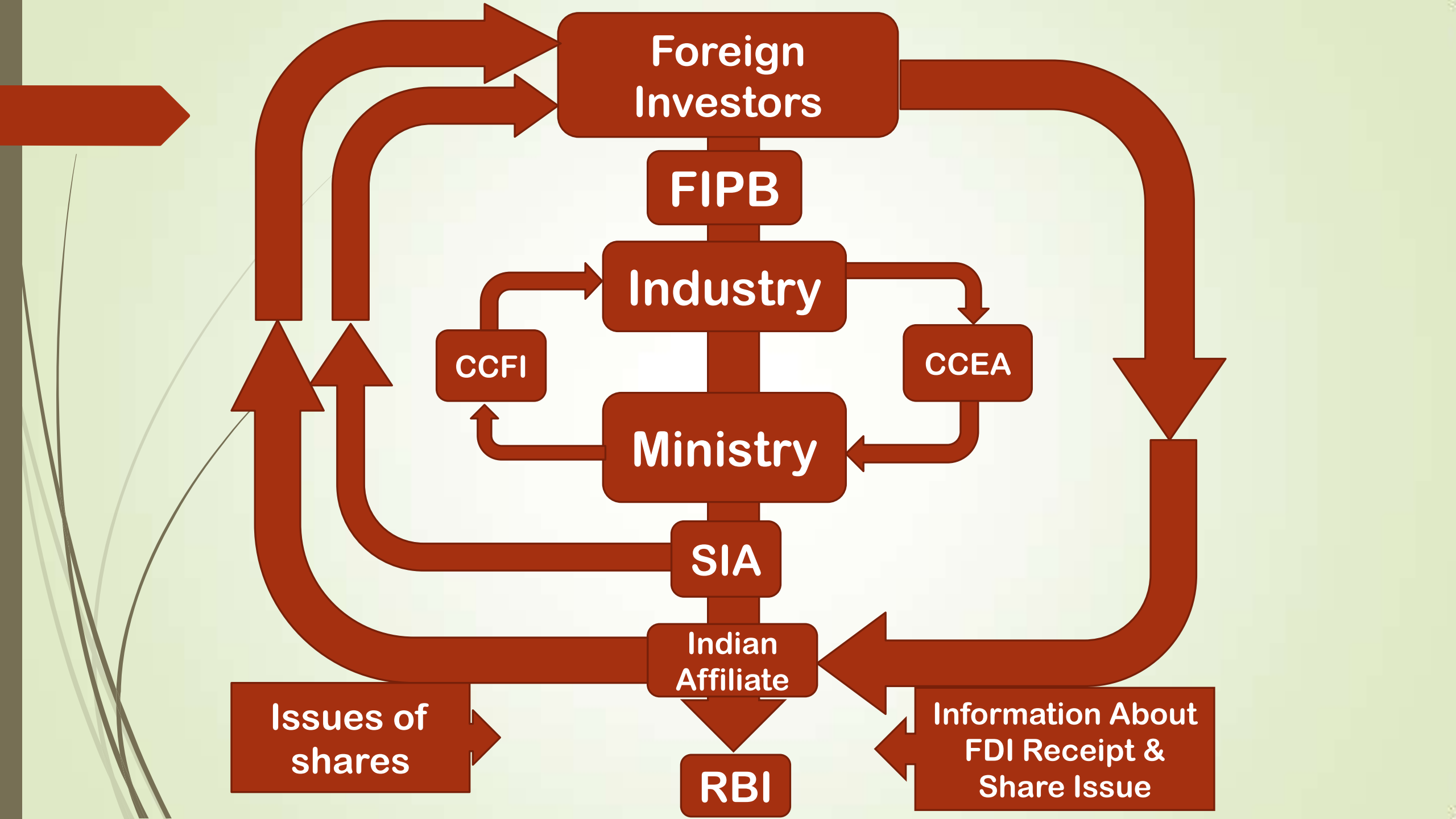
Automatic Approval By RBI –

- **The Reserve Bank Of India Accords Automatic Approval Within A Period Of Two Weeks (Subject To Compliance Of Norms) To All Proposals And Permits Foreign Equity Up To 24%; 50%; 51%; 74% And 100% Is Allowed Depending On The Category Of Industries And The Sectorial Caps Applicable.**
- **The Lists Are Comprehensive And Cover Most Industries Of Interest To Foreign Companies.**
- **Investments In High Priority Industries Or For Trading Companies Primarily Engaged In Exporting Are Given Almost Automatic Approval By The RBI.**

Regulation For FDI Formation

The FIPB Route – Processing Of Non-automatic Approval Cases

- ▶ FIPB Stands For Foreign Investment Promotion Board Which Approves All Other Cases Where The Parameters Of Automatic Approval Are Not Met.
- ▶ Normal Processing Time Is 4 To 6 Weeks.
- ▶ Its Approach Is Liberal For All Sectors And All Types Of Proposals, And Rejections Are Few.
- ▶ It Is Not Necessary For Foreign Investors To Have A Local Partner, Even When The Foreign Investor Wishes To Hold Less Than The Entire Equity Of The Company.
- ▶ The Portion Of The Equity Not Proposed To Be Held By The Foreign Investor Can Be Offered To The Public.



Foreign Investors

FIPB

Industry

CCFI

CCEA

Ministry

SIA

Indian Affiliate

Issues of shares

RBI

Information About FDI Receipt & Share Issue

India's Hottest FDI Destinations

1. Maharashtra

Maharashtra received the lion's share of the FDI US \$2.43 billion (□ 11,154 Cr), which is 35% of the total FDI inflows in to the country

2. National Capital Region

NCR received US \$1.85 billion (□ 8,476 Cr) in FDI during the period. The region accounted for 20% of the total FDI.

3. West Bengal, Sikkim, Andaman & Nicobar Islands

These states attracted the third highest FDI inflows worth US \$1.416 billion (□ 6,050 Cr)

4. Karnataka US \$936 million (□ 4,333 Cr)

5. Punjab, Haryana, Himachal Pradesh US \$904 million (□ 4,141 Cr)

Existing Foreign-Indian Partnership In India

Year	Foreign Retailer	Indian Partner	Type of presence	Outlet Name	Number of outlet
2003	Metro	_____	Wholly owned	Metro Cash & Carry	8
2007	Wal-Mart	Bharti	Joint venture	Easy Day	9
2008	Tesco	Tata	Joint venture	Star Bazaar	-
2010	Carrefour	_____	Wholly owned	Carrefour Wholesale Cash & Carry	1

F. SECTORS ATTRACTING HIGHEST FDI EQUITY INFLOWS:*Amount in Rs. crores (US\$ in million)*

<i>Ranks</i>	<i>Sector</i>	<i>2009-10 (April-March)</i>	<i>2010-11 (April-March)</i>	<i>2011-12 (April-March)</i>	<i>Cumulative Inflows (April '00 - March '12)</i>	<i>% age to total Inflows (In terms of US\$)</i>
1.	SERVICES SECTOR (financial & non-financial)	19,945 (4,176)	15,053 (3,296)	24,656 (5,216)	145,764 (32,351)	19 %
2.	TELECOMMUNICATIONS (radio paging, cellular mobile, basic telephone services)	12,270 (2,539)	7,542 (1,665)	9,012 (1,997)	57,078 (12,552)	7 %
3.	CONSTRUCTION ACTIVITIES (including roads & highways)	13,469 (2,852)	4,979 (1,103)	13,672 (2,796)	52,253 (11,433)	7 %
4.	COMPUTER SOFTWARE & HARDWARE	4,127 (872)	3,551 (780)	3,804 (796)	50,118 (11,205)	7 %
5.	HOUSING & REAL ESTATE	14,027 (2,935)	5,600 (1,227)	3,443 (731)	49,717 (11,113)	7 %
6.	CHEMICALS (OTHER THAN FERTILIZERS)	1,726 (366)	1,812 (398)	36,227 (7,252)	47,904 (9,844)	6 %
7.	DRUGS & PHARMACEUTICALS	1,006 (213)	961 (209)	14,605 (3,232)	42,868 (9,195)	5 %
8.	POWER	6,138 (1,272)	5,796 (1,272)	7,678 (1,652)	33,214 (7,299)	4 %
9.	AUTOMOBILE INDUSTRY	5,893 (1,236)	5,864 (1,299)	4,347 (923)	30,785 (6,758)	4 %
10.	METALLURGICAL INDUSTRIES	1,999 (420)	5,023 (1,098)	8,348 (1,786)	26,936 (6,041)	4 %

E.

SHARE OF TOP INVESTING COUNTRIES FDI EQUITY INFLOWS (Financial years):*Amount Rupees in crores (US\$ in million)*

<i>Ranks</i>	<i>Country</i>	<i>2009-10 (April- March)</i>	<i>2010-11 (April- March)</i>	<i>2011-12 (April- March)</i>	<i>Cumulative Inflows (April '00 - March '12)</i>	<i>%age to total Inflows (in terms of US \$)</i>
1.	MAURITIUS	49,633 (10,376)	31,855 (6,987)	46,710 (9,942)	289,471 (64,169)	38 %
2.	SINGAPORE	11,295 (2,379)	7,730 (1,705)	24,712 (5,257)	77,588 (17,153)	10 %
3.	U.K.	3,094 (657)	3,434 (755)	45,229 (9,257)	74,661 (15,896)	9 %
4.	JAPAN	5,670 (1,183)	7,063 (1,562)	14,089 (2,972)	57,851 (12,313)	7 %
5.	U.S.A.	9,230 (1,943)	5,353 (1,170)	5,347 (1,115)	47,889 (10,564)	6 %
6.	NETHERLANDS	4,283 (899)	5,501 (1,213)	6,698 (1,409)	32,325 (7,109)	4 %
7.	CYPRUS	7,728 (1,627)	4,171 (913)	7,722 (1,587)	29,670 (6,400)	4 %
8.	GERMANY	2,980 (626)	908 (200)	7,452 (1,622)	20,828 (4,621)	3 %
9	FRANCE	1,437 (303)	3,349 (734)	3,110 (663)	13,378 (2,927)	2 %
10.	U.A.E.	3,017 (629)	1,569 (341)	1,728 (353)	10,320 (2,243)	1 %
TOTAL FDI INFLOWS *		123,120 (25,834)	88,520 (19,427)	173,946 (36,504)	775,006 (170,407)	-

G. STATEMENT ON RBI'S REGIONAL OFFICES (WITH STATE COVERED) RECEIVED FDI EQUITY INFLOWS¹ (from April, 2000 to March, 2012):

Amount Rupees in crores (US\$ in million)

S. No.	RBI's - Regional Office²	State covered	2009-10 (Apr.- Mar.)	2010-11 (Apr.- March)	2011-12 (April - March)	Cumulative Inflows (April '00 - March '12)	%age to total Inflows (in terms Of US\$)
1	MUMBAI	MAHARASHTRA, DADRA & NAGAR HAVELI, DAMAN & DIU	39,409 (8,249)	27,669 (6,097)	44,664 (9,553)	246,135 (54,620)	32
2	NEW DELHI	DELHI, PART OF UP AND HARYANA	46,197 (9,695)	12,184 (2,677)	37,403 (7,983)	151,092 (33,071)	19
3	BANGALORE	KARNATAKA	4,852 (1,029)	6,133 (1,332)	7,235 (1,533)	43,892 (9,761)	6
4	CHENNAI	TAMIL NADU, PONDICHERRY	3,653 (774)	6,115 (1,352)	6,711 (1,422)	37,559 (8,273)	5
5	AHMEDABAD	GUJARAT	3,876 (807)	3,294 (724)	4,730 (1,001)	36,423 (8,157)	5
6	HYDERABAD	ANDHRA PRADESH	5,710 (1,203)	5,753 (1,262)	4,039 (848)	30,601 (6,809)	4
7	KOLKATA	WEST BENGAL, SIKKIM, ANDAMAN & NICOBAR ISLANDS	531 (115)	426 (95)	1,817 (394)	8,185 (1,882)	1

8	CHANDIGARH ¹	CHANDIGARH, PUNJAB, HARYANA, HIMACHAL PRADESH	1,038 (224)	1,892 (416)	624 (130)	5,310 (1,154)	1
9.	KOCHI	KERALA, LAKSHADWEEP	606 (128)	167 (37)	2,274 (471)	3,931 (839)	1
10.	BHOPAL	MADHYA PRADESH, CHATTISGARH	255 (54)	2,093 (451)	569 (123)	3,579 (777)	1
11	PANAJI	GOA	808 (169)	1,376 (302)	181 (38)	3,506 (762)	1
12	JAIPUR	RAJASTHAN	149 (31)	230 (51)	161 (33)	2,611 (553)	0.3
13	KANPUR	UTTAR PRADESH, UTTRANCHAL	227 (48)	514 (112)	635 (140)	1,447 (317)	0.2
14	BHUBANESHWAR	ORISSA	702 (149)	68 (15)	125 (28)	1,332 (289)	0.2
15	GUWAHATI	ASSAM, ARUNACHAL PRADESH, MANIPUR, MEGHALAYA, MIZORAM, NAGALAND, TRIPURA	51 (11)	37 (8)	5 (1)	321 (73)	0.1
16	PATNA	BIHAR, JHARKHAND	-	25 (5)	123 (24)	149 (30)	0
17	REGION NOT INDICATED ²		15,056 (3,148)	20,543 (4,491)	62,652 (12,782)	198,400 (42,918)	25
SUB. TOTAL			123,120 (25,834)	88,520 (19,427)	173,946 (36,504)	774,473 (170,286)	100
18	RBI'S-NRI SCHEMES (from 2000 to 2002)		0	0	0	533 (121)	-
GRAND TOTAL			123,120 (25,834)	88,520 (19,427)	173,946 (36,504)	775,006 (170,407)	-

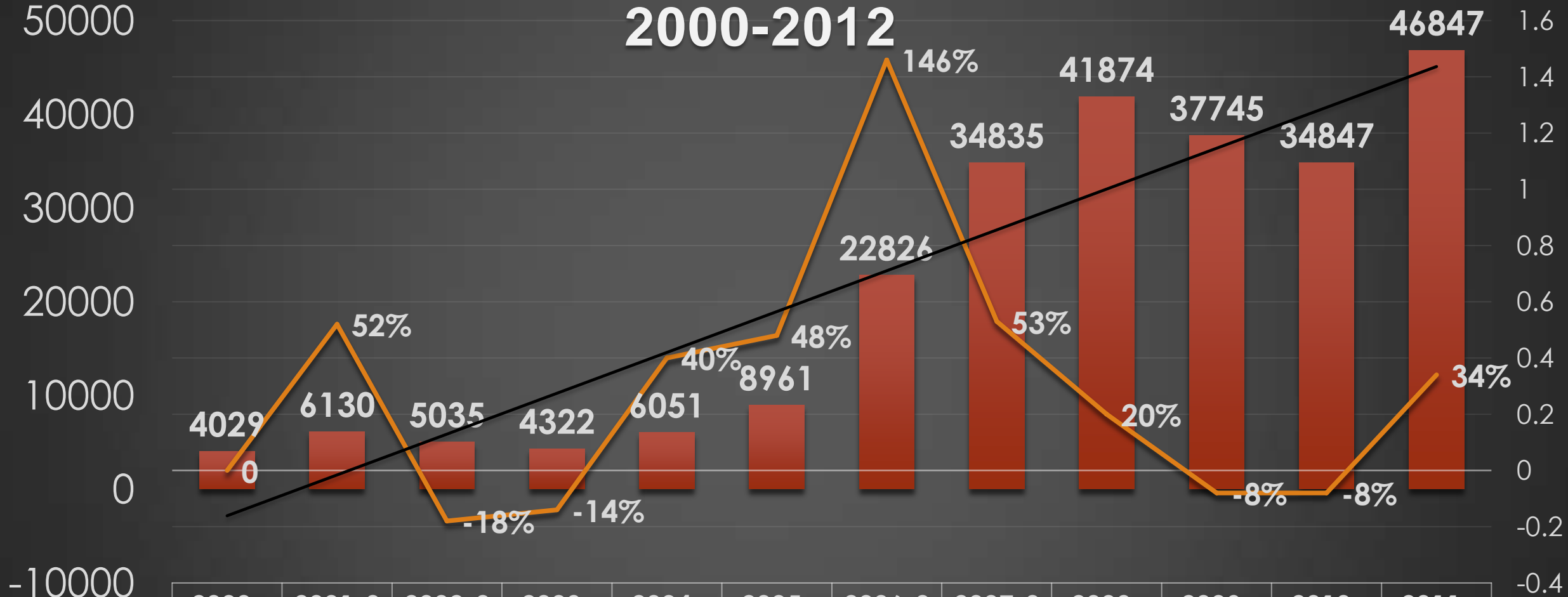
Culture OF FDI In INDIA

FDI culture

- ❖ 1991 foreign investment promotion board (FIPB)
- ❖ 1996 foreign investment promotion council (FIPC)
- ❖ 1999 foreign investment implementation authority (FIIA)
- ❖ 2004 investment commission
- ❖ Project approval board (PAB)
- ❖ Licensing committee (LC)
- ❖ Secretariat for industrial approval (SIA)
- ❖ Investment promotion & infrastructure development cell (IPIIDC)

Growth Of FDI In INDIA

Financial Year Wise FDI In Flow From 2000-2012



	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
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FDI In Flow	4029	6130	5035	4322	6051	8961	22826	34835	41874	37745	34847	46847
% INCREASE	0	52%	-18%	-14%	40%	48%	146%	53%	20%	-8%	-8%	34%

Advantages For FDI In India

- **30% Of Products Should Be Sourced From Small Industries With Infrastructure Investment Not Exceeding \$ 1 Million(□ 5.36 Cr)**
- **Retail Trading Through E Commerce Will Not Be Permissible For Companies Invest In Retail FDI**
- **Present Indian Retail Market Is Around \$435 Billion And Growing At A CAGR Of 10-12%**
- **Indian Retail Market Is Still Dominated By The Unorganised Sector**
- **FDI In Retail Is Supposed To Create Around 1crore New Jobs In Organised Sector But On The Flip Side Will Deplete Jobs From The Unorganized Sector**

Advantages For FDI In INDIA

FDI In Retail Sector

- ▶ **Indian Retail Sector Accounts For 22% Of The GDP**
- ▶ **Foreign Retailers Can Now Open Their Shops In Only Cities With Population More Than 1 Million (10 Lakh) Belonging To State And Union Territories That Have Acceded To The Multi Brand Retail In Their State**
- ▶ **Now Foreign Retailers Can Invest Up To 51% IN MULTI Brands Retail And 100% In Single Brand Retail**
- ▶ **Minimum Investment Should Be 100million Dollars Or ₹ 535crore (At Present Exchange Rate) And 50% Of The Amount Should Be Invested In Back-end Infrastructure Facilities Like Processing, Manufacturing Warehousing Logistics Etc.**

Advantages Of FDI In INDIA

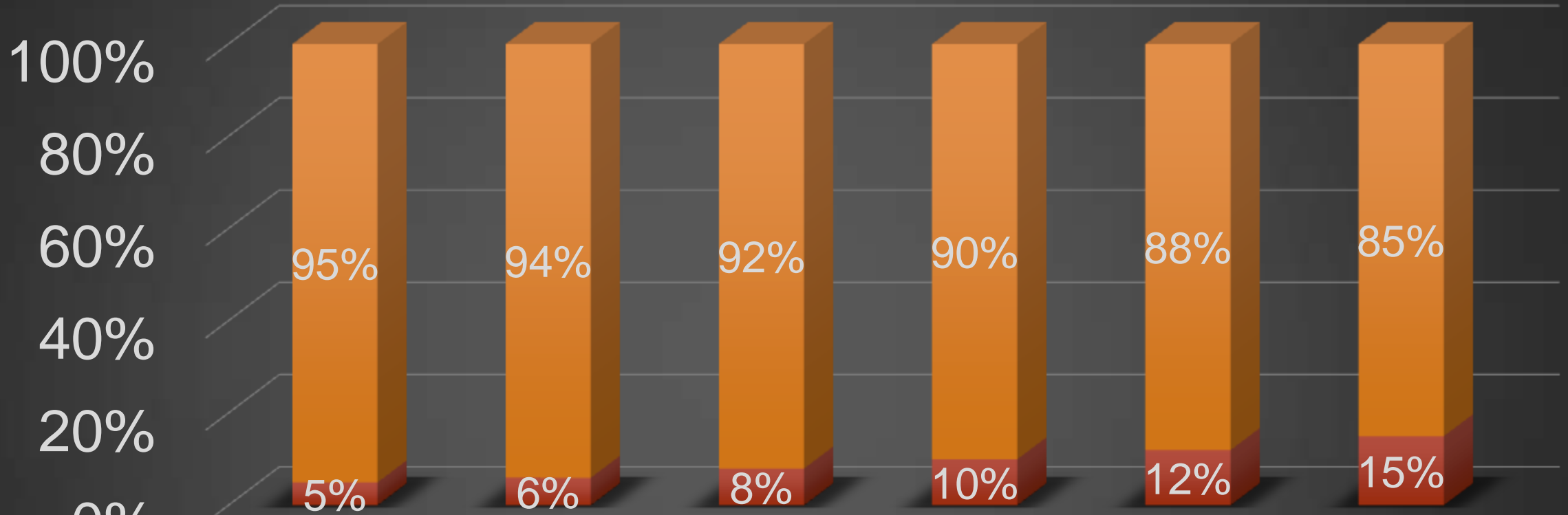
Retail Sector

- Capital Inflow From The Country Itself
- Increased Stress
- Unproductive Way Response To Banking Sector
- Neutral Towards Currency
- Quality Employment Is Not Existing

FDI Offering

- Capital Inflow From The Oversees
- Releasing Stress
- Productive Way Help To Banking Sector
- Help Towards Currency
- Quality Employment By Assuring To Give 10k Jobs In Coming Decade

Retail Market Share In India



	2010	2011	2012	2013	2014	2015
Column1						
Un-Oragnized	95%	94%	92%	90%	88%	85%
Oragnized	5%	6%	8%	10%	12%	15%

■ Column1 ■ Un-Oragnized

Experts Views On FDI In INDIA

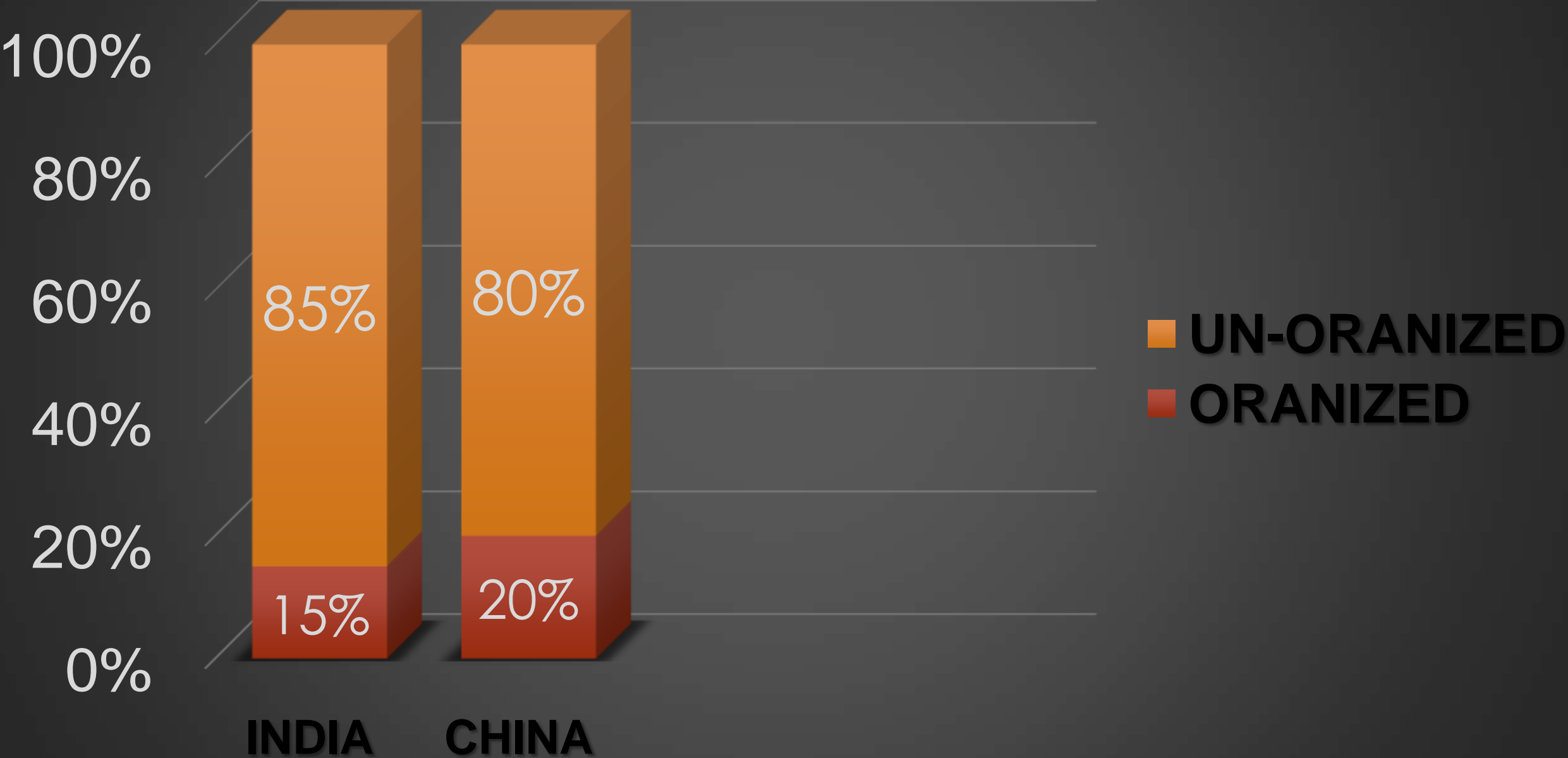
"The safest form of financing is through FDI, without any doubt because its long term... If you can make more financing through FDI, you are safer and so to the extent we can open up more to **FDI** ... There will be efficiency, because there will be more competition in local economy,"

"We Have To Be Careful That We Are Not Overtly Dependent On External Investors That This Is An Environment When The External Investor Is Quite Fickle...,"



**Chief Economic Adviser
Raghu ram Rajan**

India & China Organized Retail Market Shares



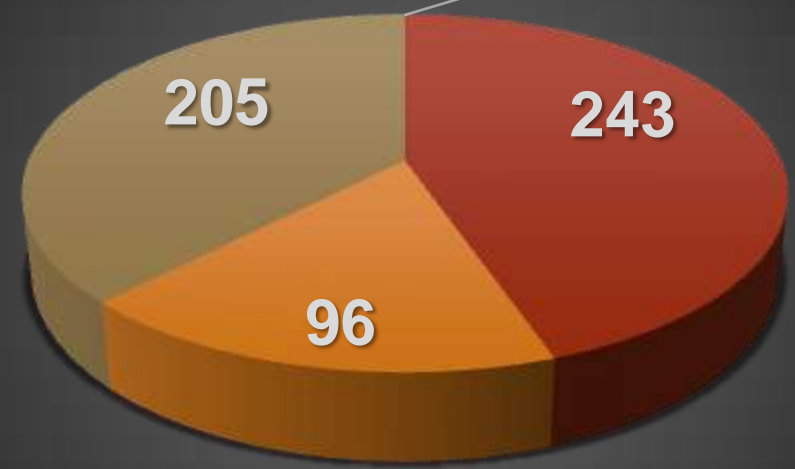
Politics Goes On The FDI

WHO STANDS WHERE

FOR

AGAINST

If All Parties Vote 0



■ For FDI ■ Game Changer ■ Anti FDI

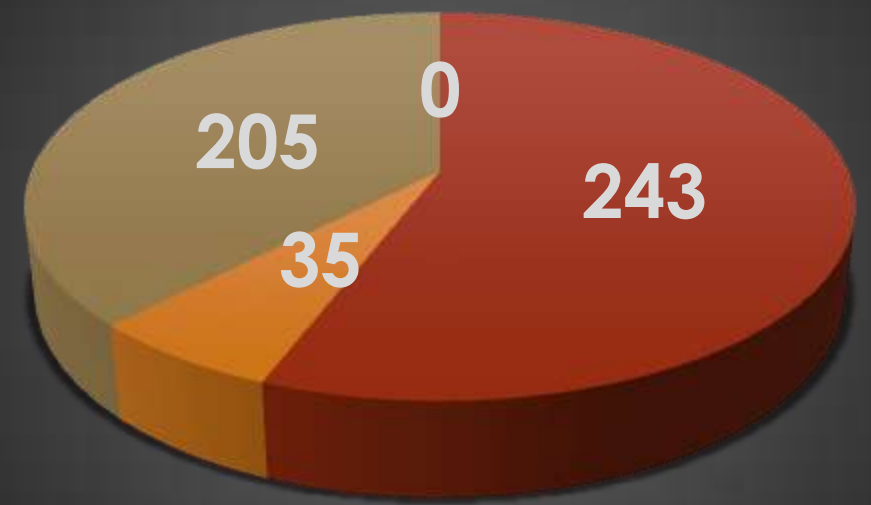


Janata Dal (United)



Samajwadi Party

If DMK, SP, BSP, ABSTAIN TO SAVE THE GOVT.



■ For FDI ■ Game Changer ■ Anti FDI

Limitation Of FDI In INDIA

FDI is prohibited in

- Retail Trading (except single brand product retailing)
- Lottery Business including Government /private lottery, online lotteries, etc.
- Gambling and Betting including casinos etc.
- Chit funds
- Nidhi company
- Trading in Transferable Development Rights (TDRs)
- Real Estate Business or Construction of Farm Houses
- Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
- Activities / sectors not open to private sector investment e.g. Atomic Energy and Railway Transport (other than Mass Rapid Transport Systems).

Impact Of FDI In INDIA

- **Creates employment opportunity for domestic country.**
- **Good relation between two countries.**
- **Inflow of foreign funds in Indian economy.**
- **It creates the competition among the domestic company and MNC in this way domestic co can increase their efficiency.**
- **Creating good capital market in India.**
- **Government earns in the form of licenses fees, registration fees, taxes which is spend for public expenditure.**



Foreign Institutional Investment In INDIA

- **Meaning Of FII**
 - **Significance Of FII**
 - **Factors Affecting FII To Come In INDIA**
 - **Diversification Of FII In INDIA**
- 



Foreign Institutional Investment In INDIA

- **Growth Of FII In INDIA**
- **Advantages Of FII In INDIA**
- **Limitation Of FII In INDIA**
- **Impact Of FII In INDIA**

Meaning Of FII

Foreign Institutional Investment (FII)

- ❖ FII denotes all those investors or investment companies that are not located within the territory of the country in which they are investing.
- ❖ “SEBI’s definition of FIIs presently includes foreign pension funds, mutual funds, charitable/endowment/university funds etc. as well as asset management companies and other money managers operating on their behalf.”
- ❖ Foreign Institutional Investor‘(FII) means an entity established or incorporated outside India which proposes to make investment in India and which is registered as a FII in accordance with the SEBI (FII) Regulations 1995.



What are Foreign Investors looking for?

- **Good projects**
 - **Demand Potential**
 - **Revenue Potential**
 - **Stable Policy Environment/Political Commitment**
 - **Optimal Risk Allocation Framework**
- 

Advantages for Foreign Institutional Investors

- FIIs Can Individually Purchase Up To 10% And Collectively Up To 24% Of The Paid-up Share Capital Of An Indian Company
- This Limit Of 24% Can Be Increased To Sectorial Cap/ Statutory Limit Applicable To The Indian Company By Passing A Board Resolution/Shareholder Resolution
- FII Can Purchase Shares Through Open Offers/Private Placement/Stock Exchange
- Shares Purchased By FII Through Stock Exchange Cannot Be Sold Through A Private Arrangement
- Proprietary Funds, Foreign Individuals And Foreign Corporates Can Register As A Sub- Account And Invest Through The FII. Separate Limits Of 10% / 5% Is Available For The Sub-accounts
- FIIs Can Raise Money Through Participatory Notes Or Offshore Derivative Instruments For Investment In The Underlying Indian Securities
- FIIs In Addition To Investment Under The FII Route Can Invest Under FDI Route

Advantages of FII

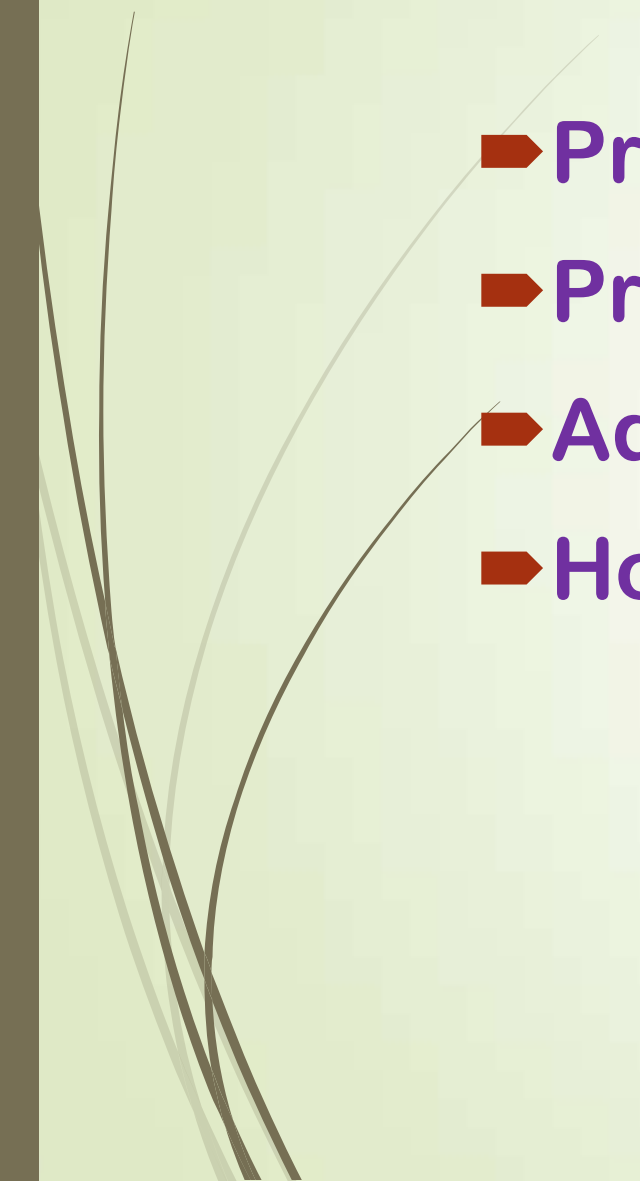
- Enhanced flows of equity capital
- FIIs have a greater appetite for equity than debt in their asset structure. It improve capital structures.
- Managing uncertainty and controlling risks.
- FII inflows help in financial innovation and development of hedging instruments.
- Improving capital markets.

Advantages of FII

- FIIs as professional bodies of asset managers and financial analysts enhance competition and efficiency of financial markets.
- Equity market development aids economic development.
- By increasing the availability of riskier long term capital for projects, and increasing firms' incentives to provide more information about their operations, FIIs can help in the process of economic development.
- Improved corporate governance.
- FIIs constitute professional bodies, improve corporate governance.



Disadvantages of FII

- Problems of Inflation
 - Problems for small investor
 - Adverse impact on Exports
 - Hot Money
- 

Investment limits on Equity by FII

- FII, on its own behalf, shall not invest in equity more than 10% of total issued capital of an Indian company.
- Investment on behalf of each sub-account shall not exceed 10% of total issued capital of an India company.
- For the sub-account registered under Foreign Companies/Individual category, the investment limit is fixed at 5% of issued capital.
- These limits are within overall limit of 24% / 49 % / or the sectorial caps as prescribed by Government of India / Reserve Bank of India.



Investment Limits On Debt Investments By FII

- ▶ For FII Investments In Government Debt, Currently Following Limits Are Applicable:
 - ▶ 100 % Debt Route US \$ 1.55 Billion
 - ▶ 70 : 30 Route US \$ 200 Million
 - ▶ Total Limit US \$ 1.75 Billion
- ▶ For Corporate Debt The Investment Limit Is Fixed At US \$ 500 Million.



Prohibitions On Investments

- Business of chit fund
- Nidhi Company
- Agricultural or plantation activities
- Real estate business or construction of farm houses (real estate business does not include development of townships, construction of residential/commercial premises, roads or bridges.
- Trading in Transferable Development Rights (TDRs).

Growth Of FII In INDIA

Financial year	equity	Debt. equity	Total
2000-01	10206.7	-273.3	9933.4
2001-02	8072.2	690.4	8762.6
2002-03	2527.2	162.1	2689.3
2003-04	39959.7	5805.0	45674.7
2004-05	44122.7	1758.6	45881.3
2005-06	48800.5	-7333.8	41466.7
2006-07	25235.7	5604.7	30840.4
2007-08	53403.8	12775.3	66179.1
2008-09	-47706.2	1895.2	-45811.0
2009-10	110220.6	32437.7	142658.3
2010-11	110120.8	36317.3	146438.1
2011-12 (till today)	2367.6	8186.2	10553.8

FII: How To Impact Indian Economy

FII leads to appreciation of the currency: FII need to maintain an account with RBI fro all transaction. to understand the implication of FII on the exchange rate we have to understand how the value of one currency appreciate or depreciate against the other currency

FII and exports: if our Indian currency appreciates just because of FII (net inflow in India) there is adverse effect on our export. Our export industry will become uncompetitive due to appreciation of rupees.

FII and stock market: when cap on FII is high then they can bring in lot of funds in country' stock market.

FII and inflation: the huge amount of FII fund flow creates the huge demand for Indian rupees. In that situation RBI print more money in the market. This situation could lead to excess liquidity thereby leading to inflation.

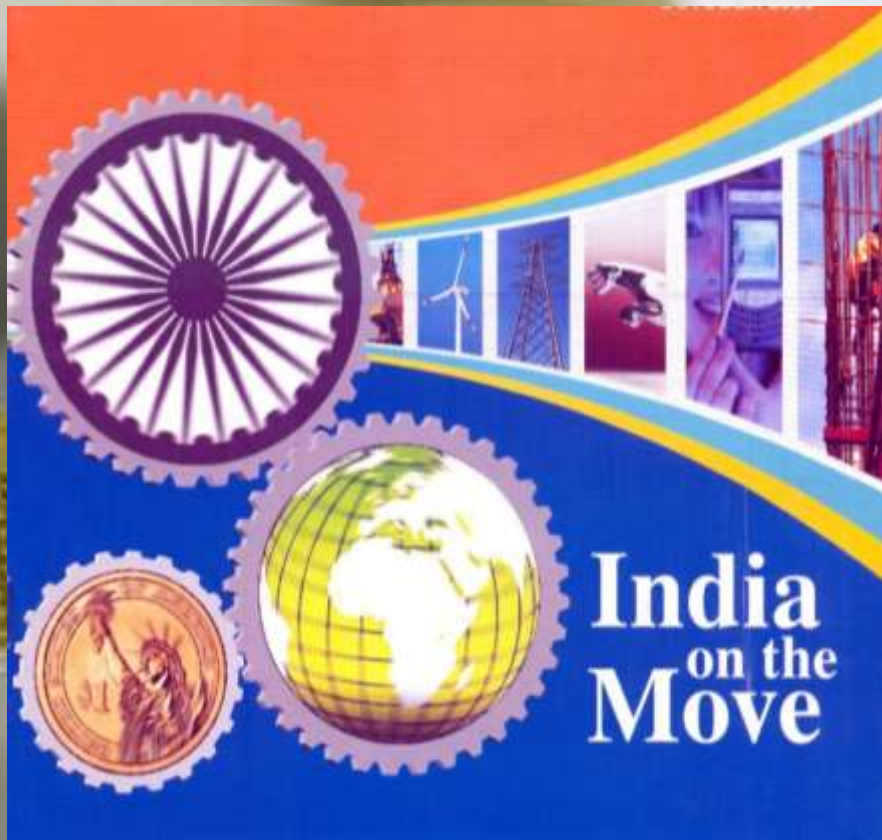
Differentiation Between FDI & FII

FDI

1. It is long-term investment
2. Investment in physical assets
3. Aim is to increase enterprise capacity or productivity or change management control
4. Leads to technology transfer, access to markets and management inputs
5. FDI flows into the primary market
6. Entry and exit is relatively difficult
7. FDI is eligible for profits of the company
8. Does not tend to be speculative
9. Direct impact on employment of labour and wages
10. Abiding interest in mgt.

FII

1. It is generally short-term investment
2. Investment in financial assets
3. Aim is to increase capital availability
4. FII results in only capital inflows
5. FII flows into the secondary market
6. Entry and exit is relatively easy
7. FII is eligible for capital gain
8. Tends to be speculative
9. No direct impact on employment of labour and wages
10. Fleeting interest in mgt.



"If there is one place on the face of this earth where all the dreams of living men have found a home when man began the dream of existence, it is India".

*Romaine Rolland,
French philosopher*