

Budget proposes to simplify FDI norms

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The Union Budget tabled Tuesday in Parliament proposed to simplify the norms surrounding foreign direct investment (FDI) and overseas investments in a bid to boost capital inflows from foreign shores.

“The rules and regulations for foreign direct investment and overseas investments will be simplified to facilitate foreign direct investments, nudge prioritisation, and promote opportunities for using Indian Rupee as a currency for overseas investments,” Union Finance Minister Nirmala Sitharaman said in her Budget speech.

“Since 2014, we are trying to bring in ease of doing business in India and in every sector where there was only 26 per cent FDI allowed, we raised it to 49 per cent and then where it is possible, we have raised it to 74 per cent and so on. So, there has been a consistent continuing effort to



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relax our policies towards FDI. First, it went sector by sector. Then, there was this approach taken so that most of it can go through the automatic route. So in that process, if necessary, we are willing to do further simplification,” Sitharaman said in the post-Budget press conference.

The announcement comes at a time

when FDI equity inflows into India have fallen to a five-year low in FY24 to \$44.42 billion. This also comes against the backdrop of the Economic Survey arguing in favour of promotion of FDIs from China to benefit the manufacturing sector and tap the export market.

“The Economic Survey gave its view on the investments from China. As things stand today, investments do go through the Press Note-3 process when (investment) comes from China or any of our neighbouring countries. So, that process is still on. But that doesn’t mean I am disowning the suggestion,” the Finance Minister said in the press conference.

As a part of Next-Gen reforms, which is one of the nine priorities outlined in the Budget speech, Sitharaman said the government is working on Jan Vishwas Bill 2.0 to enhance ‘Ease of Doing Business’ (EoDB).

“Further, states will be incentivised for implementation of their Business Reforms Action Plans and digitalisation,” she noted.