India seeks to speed up foreign deals with 'one-stop shop'

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NEW DELHI: India's finance ministry, seeking to speed up deals with outside investors, is set to take full control of the oversight of more than $40 billion a year in foreign direct investments and share purchases, two government sources said.

Hitherto, both the government and the Reserve Bank of India (RBI) had shared oversight of direct investment and indirect purchases through proxy instruments.

Earlier this month parliament approved the annual finance bill containing the amendments to the Foreign Exchange Management Act (FEMA).

While restrictions on foreign investment are unchanged, the sources said, the "new one-stop shop" will simplify and accelerate approvals for deals that are not debt financed.

A provision in the FEMA that allowed the RBI to restrict or regulate cross-border transactions and acquisition or transfer of immovable property to foreigners has been deleted. The RBI had no immediate comment on the change.

"We will soon notify rules to implement the new mechanism after consultation with the RBI," a senior finance ministry official, with direct knowledge of the matter, told Reuters.

The official said the central bank — which will still be consulted before a decision is made — would continue to regulate debt instruments.

Red tape and bureaucracy stand at the top of investor complaints about India, which was ranked 142 out of 189 in the World Bank's latest report on the ease of doing business.

But the government of Prime Minister Narendra Modi, elected on a business-friendly ticket, has vowed to tackle the issue and aims to get within the top 50 countries. It has promised, for example, to speed up regulatory clearances across the board.

"It is definitely a positive step for ease of doing business in India as the investors would have to deal with only one authority," said Pratibha Jain, a tax expert at Nishith Desai Associates, a tax consultancy, said of the change.

Foreigners require approval not only to invest in India but also to sell out, a process that has often been slow under the dual scrutiny of the government and RBI.

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