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Foreign Corporate Funding vis-ã -vis FDI in India During Pandemic Period

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ABSTRACT

In the epoch of Covid-19, it is evident that the world economy is passing through the global catastrophic. India's economy is also affected by this tenure, which might result in an economic set-back. Even India's economy could take a hit of up to half percentage in upcoming Financial Years and weakened companies in other sectors, and made them easy targets for creditors and opportunistic buyers. To overcome this situation and make to economy speedy and curb opportunistic takeover/acquisitions of Indian Companies due to India's current COVID-19 pandemic government made a significant move as it has reviewed the Indian Foreign Direct Investment Policy. So, this inspired the author to write this paper which will throw light on the concept of foreign corporate funding. This paper consists of the meaning, nature, institutions, instruments of corporate funding through foreign investment. The paper also deals with the current FDI Policy2020. The objective of this Research paper is to understand the conceptual background of the means of foreign investment in the corporate structure in India, its necessity and its impact on the Indian economy relevant to the current scenario.

***Keywords** – Foreign Direct Investment, Corporate Funding, Financial Market, Automatic and Government Route.*

I. INTRODUCTION

Financial institutions play a significant role in any economy as all the financial dealings and matters are handled and monitored by such institutions. The major components of financial Institutions are banks, companies, investment companies, consumer finance companies, insurance and other specialised financial institutes. These institutions provide a wide variety of financial products and services to fulfil the commercial sector's varied needs. Besides, they provide assistance to start-ups, new enterprises, small and medium scale enterprises, and industries established in backward or Special Economic Zones (SEZs) areas. They also help in reducing regional disparities by bringing industrial development and economic development.

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Since 1991, the Indian economy has been through various changes—the implementation of the economic policy, 1991 reformed economic development process.

The reforms were divided into three categories-

1. Liberalisation
2. Privatisation
3. Globalisation

Capital is one of the factors of production in any economy which ensure significant growth of an economy. In an economy, a well-organised financial system provides adequate capital formation through savings, finance, and investments; this results in capital market formation. Globalisation is the key to ensure a strong capital market.

Globalisation results in the interaction of a country relating to production, trading, and financial transactions with the world's developed industrialised countries. It refers to the relative opening up of the economy and trade barriers across the countries to facilitate a free flow of capital, technology, labour, goods and service. Therefore, capital inflow from countries into the recipient country ensures a strong capital market.

The expansion of the cross-border capital flow across the various countries and various emerging economics resulted in economic growth and development.

Thus, Globalization is a process in which the different economies take part in an economy's financial aspects. This process constitutes the following parameters of Globalisation.

- Promotion of free trade.
- Free flow of capital.
- Free flow of technology.
- Free movement of labour.

Foreign Direct Investment plays a significant role in increasing Globalisation. Generally, in a developing country like India, the level of national income and per head income is low. The ratio of savings is low; thus, the rate of capital formation is low, resulting in the scarcity of capital in an economy. Scarcity of capital has been a significant barrier in the development of India. However, in the current scenario, India has evidenced a robust development of its economy as there has been a significant growth of FDI inflow from April 2020 to September 2020 with a 23% growth over last year[2]. Therefore, the role of foreign capital as an additional

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[2] Department for Promotion of Industry and Internal Trade, FDI Statistics, July 2020 to September 2020, 24 (Feb.15, 2020, 3:31 PM), https://dipp.gov.in/publications/fdi-statistics

capital becomes key in economic development. Every undeveloped or developing country requires foreign capital in its initial development stages to overcome the deficiency of funds and inadequate capital formation.

II. Concept of foreign capital (FDI)

Foreign capital refers to the investment of capital by various foreign entities such as foreign government, institution, private individual, and international organisation in the recipient country's diverse activities. It is a direct investment made into production in a country by a company located in another country, either by buying a company in the target country or expanding the operation of an existing business in the recipient country through means of a joint venture or different modes of restructuring or by other means.

Thus, putting the money of a country in a company that functions in some other country is FDI; if we invest this way, we are a foreign direct investor. FDI plays an extraordinary and growing role in global business. It can provide a firm/start-up with new markets and marketing channels, cheaper production facilities, access to new technology, products, skills and financing, which receives the investment. It provides a source of new technologies, capital, processes, products, organisational technologies and management skills, and as such, can provide a strong impetus to economic development.

III. Structure of financial market

Indian financial system can be broadly grouped into the followings, including financial instruments, financial market, financial intermediaries, financial services, money market, capital market.

i. ***Financial instruments***: Financial instruments are categorised into various parts such as equity shares, preference shares, debt instruments and various combinations of these, time deposits, Mutual Funds and insurance policies, futures, options etc. A financial instrument is a claim against another economic unit and is held as a store of value and expected return. An instrument may be of various kinds as follows:

- Hybrid security such as preference shares and convertibles
- Debt securities such as bonds, debentures, term loans,
- Equity shares and

Based on the type of issuer, the security may be direct or indirect or a derivative.

ii. ***Financial Market***: The term Financial Markets can be defined as a market for exchanging capital and credit, including the money markets and the capital markets. In India, such a market promotes the economy's enormous savings by providing a rewarding return to the investors from whom the savings are mobilised. Financial Markets procure the funds and invest such funds into various financial market tools. Financial markets' main activities include the sale or purchase of shares, stocks, bonds, bills of exchange, commodities, future and options, foreign currency, etc.

iii. ***Financial Intermediaries***: Financial Intermediaries also termed Financial Institutions. We can classify the financial intermediaries into two groups: organised financial intermediaries and unorganised financial intermediaries. Organised financial intermediaries come under the jurisdiction of regulating authorities, namely, Reserve Bank of India, Company Law, Securities Contract (Regulation) Act, Securities Exchange Board of India, etc. Organised financial intermediaries can be classified as Banking Institutions, Non-Banking Financial Institutions, Insurance Companies and Housing Finance Companies. These financial intermediaries play an essential role in capital formation by means of mobilising savings and effectively facilitating the allocation of funds.

iv. ***Financial Services***: Financial Services are the economic services provided by the finance industry. Such services have been growing rapidly with the emergence of new investment flows in the financial sector. Such sector encompasses various business that manages the wealth of companies, securities, etc. Trade and investment flow in financial services have been growing rapidly with the emergence of new and growing markets in developing and transition economies, use of new financial instruments, rapid technological change, and financial and trade liberalisation.

v. ***Money Market***: The Money Market is the market for short term debt instrument which has maturity for less than one year. The Money Market allows the borrower to borrow the funds for a shorter period with the lowest cost of funds to fulfil its short-term needs. Such markets do not have an organised market place such as the stock exchange for its primary issue and secondary market trades where such short-term instruments can be traded. The money market's key players are banks, non-bank financial companies, manufacturing companies, State Governments, primary dealers, provident funds, non-resident Indians, foreign institutional investors, trusts, financial institutions, mutual funds, overseas corporate bodies. The Reserve Bank of India and the Securities and Exchange Board of India (SEBI) regulating authority for the participants and use of instruments in the money market in the financial system.

vi. ***Capital Market:*** Capital Market is a financial market in which long term securities (Debt or Equity-backed) are transacted, and such securities are transacting in the primary and secondary market. It is the market for long term finance having a maturity period of more than one year. It acts as a link between investor and saver as it mobilises the savings for a long-term investment.

IV. FOREIGN PORTFOLIO INVESTOR

Foreign Portfolio Investor (FPI) means a person who satisfies the eligibility criteria prescribed under SEBI (Foreign Portfolio Investors) Regulations, 2014[3] and has been registered under Chapter II of these regulations, which shall be deemed to be an intermediary in terms of the provisions of the SEBI Act, 1992. All existing Foreign Institutional Investors (FIIs) and Qualified Foreign Investors (QFIs) are to be merged into one category called FPI.[4] Categories of FPI Category I FPIs include:

(i) Government and Government related investors such as central banks, sovereign wealth funds, international or multilateral organisations or agencies, including entities controlled or at least 75% directly or indirectly owned by such Government and Government related investor(s);

(ii) Pension funds and university funds;

(iii) Entities that are appropriately regulated such as asset management companies, banks, insurance or reinsurance entities, investment managers, investment advisors, portfolio managers, broker-dealers and swap dealers;

(iv) Entities from the Financial Action Task Force (FATF) member countries which are

- appropriately regulated funds;
- unregulated funds whose investment manager is appropriately regulated and registered as a Category I foreign portfolio investor and the investment manager undertakes the responsibility of all the acts of commission or omission of such unregulated fund;
- university-related endowments of those universities that have been in existence for more than five years;

[3] SEBI (Foreign Portfolio Investors) Regulations, 2019, Reg. 4, www.sebi.gov.in

[4] SEBI, FAQs, SEBI (Foreign Portfolio Investors) Regulations 2019, (Feb. 17, 3:12 PM), https://www.sebi.gov.in/sebi_data/faqfiles/jan-2017/1485858321711.pdf

(v) An entity whose investment manager is from the FATF member country and such a manager is registered as a Category I foreign portfolio investor; or which is at least seventy-five per cent owned, directly or indirectly by another entity, eligible except Government and Government related investor as mentioned above and such an eligible entity is from a Financial Action Task Force member country.

Also, such an investment manager or eligible entity undertakes the responsibility of all the acts of commission or omission of the applicants seeking registration as FPI. Category II FPIs include all the investors not eligible under Category I foreign portfolio investors such as – (I) appropriately regulated funds not eligible as Category-I foreign portfolio investor; (ii) endowments and foundations; (iii) charitable organisations; (iv) corporate bodies; (v) family offices; (vi) Individuals; (vii) appropriately regulated entities investing on behalf of their client, as per conditions specified by the Board; (viii) Unregulated funds in the form of limited partnership and trusts and if an entity is registered in International Financial Service Centre will be deemed to be appropriately regulated.[5]

V. Alternative investment funds

Alternative investment funds (AIFs) are defined in Regulation 2(1)(b) of the SEBI (Alternative Investment Funds) Regulations, 2012[6]. AIFs refers to any privately pooled investment fund, whether from Indian or foreign sources, in the form of a trust or a company or a body corporate or a Limited Liability Partnership (LLP) which are not regulated by any Regulation of SEBI governing fund management (like, Regulations governing Mutual Fund or Collective Investment Scheme) nor coming under the preview of any other sectoral regulators in India- IRDA, PFRDA, I, in India, AIFs are private funds which are not coming under the jurisdiction of any regulatory agency in India. According to SEBI (AIF) Regulations, 2012, "Alternative Investment Fund" means any fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate which - [7]

(i) is a privately pooled investment vehicle that collects funds from investors, whether Indian or foreign, for investing it following a defined investment policy for the benefit of its investors; and

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[5] SEBI (Foreign Portfolio Investors) Regulations, 2019, Reg. 5, www.sebi.gov.in

[6] SEBI (Alternative Investment Funds) Regulations, 2012, Reg. 2, https://www.sebi.gov.in/legal/regulations/jun-2018/securities-and-exchange-board-of-india-alternative-investment-funds-regulations-2012-last-amended-on-january-08-2021-_34621.html

[7] Ibid

(ii) is not covered under the SEBI (Mutual Funds) Regulations, 1996, SEBI (Collective Investment Schemes) Regulations, 1999 or any other SEBI regulations to regulate fund management activities.

However, there are various other entities that are not to be considered as an AIFs as per the SEBI (AIFs) Regulation, 2012 as follows:

(i) Family trusts set up for the benefit of ‘relatives’ as defined under the Companies Act, 2013.

(ii) ESOP Trusts set up under the SEBI (Shares Based Employee Benefits) Regulations, 2014 or as permitted under Companies Act, 2013.

(iii) Employee welfare trusts or gratuity trusts set up for the benefit of employees.

(iv) Holding companies within the meaning of Section 2(46) of the Companies Act, 2013.

(v) Other special purpose vehicles not established by fund managers, including securitisation trusts, regulated under a specific regulatory framework.

(vi) Funds managed by securitisation company or reconstruction company which is registered with the Reserve Bank of India under Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

(vii) Any such pool of funds which is directly regulated by any other regulator in India.

Thus, the definition of AIFs includes venture Capital Fund, hedge funds, private equity funds, commodity funds, Debt Funds, infrastructure funds, etc., while it excludes Mutual funds or collective investment Schemes, family trusts, Employee Benefit Schemes, employee welfare trusts or gratuity trusts, ‘holding companies’ within the meaning of Section 2(46) of the Companies Act, 2013[8], and the trusts which are regulated under the certain regulatory framework and the funds of such trusts are managed by some reconstruction or securitisation company which are registered as per Section 3 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 with RBI.

VI. Foreign currency convertible bond

‘Foreign Currency Convertible Bond’ (FCCB) means a bond issued by an Indian company expressed in foreign currency and the principal and interest in respect of which is payable in foreign currency[9].

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[8]Companies Act, 2013, S. 2, https://www.mca.gov.in/SearchableActs/Section2.htm

[9]The Practical Lawyer, Eastern Book Company, Foreign Currency Convertible Bond, http://www.supremecourtcases.com/index2.php?option=com_content&itemid=5&do_pdf=1&id=15635

The FCCBs are those instruments that are not secured and carry a fixed rate of interest and have an option of conversion into a fixed number of equity shares of the issuer company. When such instruments are not converted, interest and redemption price is payable in dollars, and FCCBs shall be denominated in any freely convertible Foreign Currency.

However, it must be kept in mind that FCCB issue proceeds need to conform to ECB end-use requirements[10]. Foreign investors prefer FCCBs because of the Dollar-denominated servicing, the arbitrage opportunities available on converting the FCCBs into equity shares at a discount on the prevailing Indian market price. Even 25% of the FCCBs proceeds can be used for general corporate restructuring[11].

VII. FOREIGN CURRENCY EXCHANGEABLE BOND

The Foreign Currency Exchangeable Bond is used to raise funds from the international markets against the security and exchangeability of other company shares. FCEB means –

(i) A bond expressed in foreign currency.

(ii) The principal and the interest in respect of which is payable in foreign currency.

(iii) Issued by an issuing company, being an Indian company.

(iv) Subscribed by a person resident outside India.

(v) Exchangeable into equity shares of another company, being offered company which is an Indian company.

(vi) Either wholly or partly or on the basis of any equity related warrants attached to debt instruments.

Primarily there are three parties involved in an issue of FCEB i.e., an issuing company, an overseas investor and an offered company. FCEBs are issued with a minimum maturity of five years.

The issuing company (Indian Company) to be the part of the promoter group of offered company and such company should be a listed company and is to be eligible to receive foreign investment. Under this option, an issuer company may issue FCEBs in foreign currency, and these FCEBs are convertible into shares of another company (offered company) that forms part of the same promoter group as the issuer company, and the SEBI should not prohibit such company to access security market[12].

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[10]RBI, FAQs, External Commercial Borrowings (ECB) and Trade Credits, https://m.rbi.org.in/Scripts/FAQView.aspx?Id=120

[11]Adv. Soni. A Tiwari, Foreign Currency Convertible Bonds (Feb. 27, 2021, 6:41 PM), http://www.legalserviceindia.com/article/l282-Foreign-Currency-Convertible-Bonds.html

[12] Reserve Bank of India, Notification, Issue of Foreign Currency Exchangeable Bonds Scheme, 2008 (Feb. 27,

E.g., company ABC Ltd. issues FCEBs, then the FCEBs will be convertible into shares of company XYZ Ltd. that are held by company ABC Ltd. and where companies' ABC Ltd. and XYZ Ltd. form part of the same promoter group. Unlike FCCBs that convert into shares of the issuer itself, FCEBs are exchangeable into shares of Offered Company (OC). Also, relatively, FCEB has an inherent advantage in that it does not result in dilution of shareholding at the OC level.

VIII. Eligible investors under FDI

A non-resident entity can invest in India, subject to the FDI Policy except in those sectors/activities which are prohibited. In a recent Press Note 3 of 2020 Department for Promotion of Industry and Internal Trade announced a significant change in the Consolidated Foreign Direct Investment Policy with an intention 'to curb the opportunistic takeover/acquisition of Indian Companies due to the Pandemic', changes has been made with respect to investment by India's neighbouring who shares border with India, as the note mandates that all investment made by such neighbouring countries will be through approval by Government i.e. Government Route[13].

NRIs resident in Nepal and Bhutan as well as citizens of Nepal and Bhutan are permitted to invest in the capital of Indian companies on repatriation basis, subject to the condition that the amount of consideration for such investment shall be paid only by way of inward remittance in free foreign exchange through normal banking channels.

A company, trust and partnership firm incorporated outside India and owned and controlled by NRIs can invest in India with the special dispensation as available to NRIs under the FDI Policy[14].

Foreign Institutional Investor (FII) and Foreign Portfolio Investors (FPI) has been defined under Section 2 (xx) of FEMA (Transfer or Issue of Security by Persons Resident Outside India) Regulations, 2017, such investors invest in the capital of an Indian company under the Portfolio Investment Scheme which limits the individual holding of an FII/FPI below 10% of the capital of the company and the aggregate limit for FII/FPI investment to 24% of the capital of the company. This aggregate limit of 24% can be increased to the sectoral cap or statutory

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2021, 6:50 PM), https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=4493&Mode=0

[13] Government amends the extant FDI policy for curbing opportunistic takeovers/acquisitions of Indian companies due to the current COVID-19 pandemic, Ministry of Commerce & Industry, https://pib.gov.in/PressReleasePage.aspx?PRID=1615711, also at: Press Note No. 3(2020 Series), Government of India Ministry of Commerce & Industry Department for Promotion of Industry and Internal Trade (Feb. 22, 2021, 12:12 PM), https://dipp.gov.in/policies-rules-and-acts/press-notes-fdi-circular

[14] FDI INDIA, FDI Policy & Process, (Feb. 27, 2021, 8:30 PM), https://www.fdi.finance/fdi-policy

ceiling, as applicable, by the Indian company concerned through a resolution by its Board of Directors followed by a special resolution to that effect by its General Body and subject to prior intimation to RBI[15].

The aggregate FII/FPI investment, individually or in conjunction with other kinds of foreign investment, will not exceed sectoral/statutory cap. Only registered FIIs/FPIs and NRIs as per Schedules 2,2A and 3 respectively of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, can invest/trade through a registered broker in the capital of Indian Companies on recognised Indian Stock Exchanges[16].

A SEBI registered Foreign Venture Capital Investor (FVCI) may contribute up to 100% of the capital of an Indian company engaged in any activity mentioned in Schedule 6 of Notification No. FEMA 20/2000, including start-ups irrespective of the sector in which it is engaged, under the automatic route.[17]

A SEBI registered FVCI can invest in a domestic VCF registered under the SEBI (VCF) Regulations, 1996 or a Category- I Alternative Investment Fund registered under the SEBI (Alternative Investment Fund) Regulations, 2012. The investment can be made in instruments whether equity or debentures, issued by the company or units issued by a VCF or by a Category-I AIF either through means of purchase by private arrangement either from the issuer of the security or from any other person holding the security or on a RSE and also investment can be made in start-ups and if a start-up is organised as a partnership firm or an LLP, the investment can be made in the capital or through any profit-sharing arrangement. It may also set up a domestic AMC to manage its investments. SEBI registered FVCIs are also allowed to invest under the FDI Scheme, as non-resident entities, in other companies and such investments are subjected to FDI Policy and FEMA regulations.

A Non- Resident Indian may subscribe to National Pension System governed and administered by Pension Fund Regulatory and Development Authority (PFRDA), provided such subscriptions are made through normal banking channels and the person is eligible to invest as per the provisions of the PFRDA Act. The annuity/ accumulated saving will be repatriable[18].

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[15]SEBI, Operational guidelines for foreign portfolio investors, designated depository participants and eligible foreign investors, (Feb. 27, 2021, 9:00 PM), https://www.sebi.gov.in/sebi_data/commondocs/nov-2019/Operational%20Guidelines%20for%20FPIs,%20DDPs%20and%20EFIs%20revised_p.pdf

[16]Introduction of composite caps for simplification of Foreign Direct Investment (FDI) policy to attract foreign investments, Press Information Bureau Government of India, https://pib.gov.in/newsite/mbErel.aspx?relid=123320

[17] PIB, Government of India, Impact of Covid-19 on Start-ups, (Feb. 27, 2021, 10:04 PM), https://pib.gov.in/PressReleseDetailm.aspx?PRID=1658139

[18] RBI, Notifications, Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Ninth Amendment) Regulations, 2015, (Feb. 27, 2021, 11:00 PM),

IX. Entry routes for investment

An Indian company may receive Foreign Direct Investment under the two routes as given under:

- ***Automatic Route*** – Under automatic route, FDI is allowed without prior approval of the Government or the Reserve Bank of India in all sectors as specified in the consolidated FDI Policy, issued by the Government of India from time to time.
- ***Government Route*** – Under Government route, those activities which are not covered under the automatic route requires a government approval for inflow of FDI. Such inflow proposals for foreign investment are considered by the respective Administrative Ministry or concerned Department through Standard Operating procedure (for FDI Proposal). Foreign investment in sectors/activities under government approval route will be subject to government approval in various cases where[19]:
  - (i) An Indian company is being established with foreign investment and is not owned by a resident entity or
  - (ii) An Indian company is being established with foreign investment and is not controlled by a resident entity or
  - (iii) The control of an existing Indian company, will be/is being transferred/ passed on to a non-resident entity as a consequence of transfer of shares and/or fresh issue of shares to non-resident entities through corporate restructuring etc.
  - (iv) The ownership of an existing Indian company, will be/is being transferred/passed on to a non-resident entity as a consequence of transfer of shares and/or fresh issue of shares to non-resident entities through corporate restructuring etc.
  - (v) Foreign investment shall include all types of foreign investments, direct and indirect and also any equity holding by a person resident outside India resulting from conversion of any debt instrument under any arrangement shall be reckoned as foreign investment.
  - (vi) Investment by NRIs under Schedule 4 of FEMA (Transfer or Issue of Security by Persons Resident Outside India) Regulations will be deemed to be domestic investment at par with the investment made by residents.

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https://www.rbi.org.in/SCRIPTs/NotificationUser.aspx?Id=10072&Mode=0

[19] Review of FDI under various sectors, Government of India, https://dipp.gov.in/sites/default/files/pn12_2015%20%281%29.pdf

(vii) A company, trust and partnership firm incorporated outside India and owned and controlled by non-resident Indians will be eligible for investments and such investment will also be deemed domestic investment at par with the investment made by residents.

X. Restriction on investment in India

FDI in India is permitted up to 100% in various services/sectors through automatic route without requiring prior approval of the government. However, there are some services/sectors which requires a prior approval of the government for inflow of the FDI in India up to a certain limit or beyond a prescribed threshold. Recently, India has announced new restrictions on foreign investment from the neighbouring countries which extends to beneficial ownership in order to prevent Indian entities from opportunistic takeover or acquisitions.

An NRI is not allowed to invest in a firm or proprietorship concern engaged in any agricultural/plantation activity or real estate business or print media.

FDI is not allowed in any other agriculture sector/activity except services related to agro and allied sectors, floriculture, horticulture and cultivation of vegetables and mushrooms under controlled conditions, development and production of seeds and planting material and animal husbandry, pisciculture, aquaculture, apiculture. FDI is also not allowed in plantation sector/activity except tea sector, coffee plantation, rubber plantation, cardamom plantation, palm oil tree plantation, olive oil tree plantation[20].

FDI is restricted above 49% in the petroleum refining by the Public Sector Undertakings (PSU), without any disinvestment or dilution of domestic equity in existing PSUs. In the defence sector FDI Cap is 100% but 74% is through automatic route and beyond 74% through Government route.

FDI in Terrestrial Broadcasting FM (FM Radio) sector can be made upto 49% through government, in Up-linking of 'News & Current Affairs' TV Channels sector can be made upto 49%through Government route and in Uploading/Streaming of News & Current Affairs through Digital Media sector can be made upto 26% through Government route.

FDI in Publishing of newspaper and periodicals dealing with news and current affairs can be made upto 26% through government route and also in Publication of Indian editions of foreign magazines dealing with news and current affairs can be made upto 26% through Government

[20] Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Consolidated FDI Policy (Effective from October 15, 2020), (Feb. 28, 2021, 11:20 PM), https://dipp.gov.in/sites/default/files/FDI-PolicyCircular-2020-28October2020.pdf

route.

FDI in Multi-Brand Retail Trading can be made upto 51% through the government route. FDI in Banking- Private Sector can be made upto 74% through automatic route upto 49% and above 49% to FDI Cap through the government route. FDI in Banking- Public Sector subject to Banking Companies can be made upto 20 % through Government route

FDI in Infrastructure companies in Securities Markets, namely, stock exchanges, commodity exchanges, depositories and clearing corporations, in compliance with SEBI Regulations can be made upto 49 % through the Automatic route. FDI in Insurance Company can be made upto 49% through Automatic route. FDI in Pension Sector can be made upto 49% through Automatic route. FDI in Power Exchanges registered under the Central Electricity Regulatory Commission (Power Market) Regulations, 2010 can be made up to 49% through Automatic route.

XI. Conclusion

FDI in India has a significant role in the economic growth and development of India. FDI in India to various sectors can attain sustained economic growth and development. Various legislations govern foreign investments in India, as the role of funding in the corporate sector is a crucial factor in development throughout India. In the epoch of Covid-19, it is evident that the world economy is passing through the global catastrophic. India's economy is also affected by this tenure. Such a situation might result in economic set-back and weakened companies in other sectors and made them easy targets for creditors and opportunistic buyers. To provide safeguard to such companies, the Government of India in a significant manner has reviewed the Indian FDI policy, and amendments are made through Press Note No. 3 (2020 Series) dated April 17, 2020, issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry. This amendment will ensure the government's prior approval for an Investment into India by the countries sharing borders with India and restricting beneficial ownership. Various instruments, institutions and intermediaries have been discussed in the paper to ascertain the concept of foreign funding in the financial market as stocks valuation and functioning of the stock markets; and performance and regulations of mutual funds, FCCB, AIF, FPI and others. It is evident that there has been a significant growth of FDI inflow from the month of April 2020 to September 2020 with a 23% growth over last year, and also International Monetary Fund projected an 11.5% growth rate for India in 2021. So, conclude that FDI plays an essential role in the development of the country.

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