KYC norms relaxation, other proposals for FPIs to boost economy: Experts

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New Delhi, Jul 5 The government"s proposal to ease KYC norms for foreign investors and other measures aimed at promoting foreign investment in India will give a boost to job creation and the economy, experts said Friday.

Finance Minister Nirmala Sitharaman in the Budget for 2019-20 proposed easing KYC norms for foreign portfolio investors.

She also announced that investments by FIIs and FPIs in debt securities would be allowed to be transferred and sold to domestic investors in a timely manner and she also proposed FPI investment in debt securities issued by non-bank financial companies (NBFCs).

Reacting to the proposals, JMP Advisors Chairman Jairaj Purandare said, "In presenting the Budget, the government has taken due cognizance of the fact that FPI is a significant source of capital for the economy and hence, with a view to streamlining the KYC compliance process and to facilitate ease of doing business for FPIs, measures are being proposed to make the KYC process investor friendly."

He further said that these are welcome measures, "aimed at promoting the much-required foreign investment in India, which in turn, will give a boost to job creation and growth in the economy."

Sitharaman in her maiden budget speech noted that a harmonised and hassle-free investment environment needs to be provided to foreign portfolio investors and KYC norms for them would be rationalised and simplified to be made more investment-friendly, without compromising on the integrity of cross-border capital flows.

Among other proposals, Sitharaman said NRI portfolio route would be merged with the FPI route for seamless investment in stock markets.

Dhaval Kapadia, director portfolio specialist, Morningstar India said, "NRIs required PIS (portfolio investment scheme) to invest into PMS (portfolio-managed service) and an NRI could hold only one such scheme thereby making it difficult to invest in multiple PMS. Doing away with the PI (portfolio investment) requirement would enable further investments from NRIs into capital markets."

The budget also proposed to increase the statutory limit for FPI investment in a company from the existing 24 per cent to be brought in line with sectoral foreign investment.

Further, the budget proposed that FPIs will be permitted to subscribe to listed debt securities issued by ReITs and InvITs.

According to Alok Agarwala, senior VP and head investment analytics at Bajaj Capital, "This issue assumes greater significance in view of fact that many large global institutional investors like pension funds prefer to invest in regular income yielding alternate instruments."

Since InvITs and REITs provide around 8 per cent to 9 per cent yields and have a low correlation to equity and bond markets, FPIs find them attractive as an alternative asset class, he added.

As per Dharmesh Kant, head of retail research at IndiaNivesh "The government"s budget is all about integration, ease of doing business and ease of raising capital. There will likely be a boost to the FPI flows by creating an investor-friendly environment. The proposals are primarily focused on ease of raising foreign capital for various investment opportunities." SRS MR MR