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# FDI data can't be taken on face value; RBI needs to regenerate it: Experts

FC BUREAU
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POINTING out discrepancies in FDI data, a study by two renowned experts has suggested that the RBI should regenerate foreign fund inflows and outflows data with detailed information at least for the past five years with a view to providing a more realistic picture of overseas investments.

Foreign direct investment (FDI) inflows database cannot be taken on its face value due to various shortcomings, the study outlined. "While the annual aggregates do not provide adequate guidance regarding year-to-year changes, the sectoral reporting has some serious limitations ... Besides these weaknesses in reporting, FDI in India must also be read in light of disinvestments and repatriation of capital, which are adversely impacting on the gross inflows to a significant and growing extent," it added.

The report was prepared by KS Chalapati Rao, professor (retd), Institute for Studies in Industrial Development (ISID), and Biswajit Dhar, professor, Jawaharlal Nehru University.

The data limitations on FDI inflows include "delayed reporting, duplicate reporting, incorrect entries, notional inflows, inappropriate industrial classification and round-tripping by large global corporations."

It said that FDI data reporting has to be improved drastically in order to properly understand the contribution of the overseas investments. The study also suggested that along with a review of the FDI policy, the reporting mechanism should be reviewed to make the data on inflows facilitate drawing of "meaningful inferences and to provide guidance to policy makers and other national and international analysts."

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