In Foreign Direct Investment policy, increasing Indian equity ownership in multinational companies would offer diversified benefits and make them more prosperous. Justify. (1)

The fact that India has been an investor friendly country is an indicator of stable, increasing FDI despite global externalities. With new digital boom, there ~~is~~ growth of internet MNC's in international markets offering rich dividends. India reorienting its policy into FDI 2.0 allowing Indian equity ownership has the capability to give multitude benefits.

HARMONISING BENEFITS

Policy orientation towards such sharing model offers following benefits

1) Higher rate of return:-

Listing of MNC's provides handsome returns to both MNC and shareholders. Indian subsidiaries alone can add 50 lakh crore, making deeper capital market inroads

2) Diversification of portfolio:-

Higher stakes of equity control can act as mode of investment for Indian corporate, networth individuals, who can get higher returns. Risk adjustment is possible in a professionally managed environment

3) Wealth distribution:-

Mutual funds organising international investment via NSDL stocks create virtuous cycle of entrepreneurship, employment and infrastructure development

4) Technology transfer:-

MNC, subsidiary mediated transfer ~~and~~ of technology and sharing of patents for market access. Further it helps in finding indigenous talents, induct into research, development systems.

example:- Chinese FDI policy on internet MNC's

5) Competition based excellency:

Listing of foreign MNC in Indian markets, ~~add~~ breeds competition with Indian counterparts in resource share market. It automatically pushes for quality management to grab Indian market to create global value chain eg. China developing 9 internat MNC from its country.

6) Economic benefits for India:-

This can push for 'Make in India' to disseminate the prosperity since Indian shareholders add value to MNC's.

ROADMAP TO IMPLEMENTATION

Benefits of successful profit making technology companies can be through following measures

1) Rationalising tax rate for MNC's listing in Indian markets
eg:- Mexico, China, Bangladesh model

2) Permitting LRS limit of $250,000 for Indian investors buying equity in MNC's listed in international market

3) Awareness creation. eg: Mutual funds.

4) Trading of international shares can be allowed to trade in Indian exchange eg through GIFT, NSE etc.

5) NSDL designed sovereign trust via Bharat shares to retail investors for holding foreign stocks. This can help overcome broker default.

FDI being a major source of FOREX in India is subjected to investor sentiments affected by geopolitical tensions. Thus, a sound policy is required for allowing Indians take equity stake in foreign companies for earning profits, buffer against rupee exchange risks.