

5. 100% FDI In Coal Will Boost Competitiveness

Prelims: Economics

Mains: GS-III- Effects of liberalization on the economy, changes in Industrial Policy and their effects on Industrial Growth.

Why in News?

- ▶▶ The Centre's recently announced 100% foreign direct investment (FDI) in the coal sector.

Highlights:

- ▶▶ India is one of the largest importers of thermal coal. Government allowing 100% FDI in coal mining will attract global miners. This will result in FDI inflow along with updated technology, and increase India's coal production.
- ▶▶ It is believed that the Centre's announcement allowing 100% foreign direct investment (FDI) in the coal sector should enhance Coal India Limited's (CIL) competitiveness and efficiency.
- ▶▶ 100% FDI in mining is believed to send a positive signal to global investors and give a significant push to the economy.
- ▶▶ Increased mining will also lower "avoidable imports of coal that India has to make due to the prevalent demand-supply gap.

Significance:

- ▶▶ It is opined that the government has taken a slew of measures, but more needs to be done.
- ▶▶ The FDIs look for large mines and a simplified single-window for mining leases and environmental and forest clearances.
- ▶▶ While the announcement would kindle the interest of global miners, they would need increased ease-of-doing business and time-bound approvals before they invest here.
- ▶▶ In India, it takes at least six years from getting a mine allocation to actually starting mining operations. This has now been fixed at 66 months.
- ▶▶ The Coal Ministry is taking steps such as doing away with the need for prior approval before a State government hands over the mining lease, which typically takes 6-12 months.
- ▶▶ Overseas investors usually do not view such long timelines favourably.