

In Present Scenario Role of FDI in Indian Economy – A Study

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Abstract – *The future prospects of these foreign investors in India look a bit gloomy at the moment due to the global meltdown and recession that the world is facing. But as the economies start to recover, the boom in the foreign direct investment segment is bound to return, and that with a big bang. The rapid growth of world population since 1950 has occurred mostly in developing countries. This growth has not been matched by similar increases in per-capita income and access to the basics of modern life, like education, health care, or - for too many -even sanitary water and waste disposal. FDI has proven when skillfully applied to be one of the fastest means of, with the highest impact on, development. However, given its many benefits for both investing firms and hosting countries, and the large jumps in development were best practices followed, eking out advances with even moderate long-term impacts often has been a struggle. Recently, research and practice are finding ways to make FDI more assured and beneficial by continually engaging with local realities, adjusting contracts and reconfiguring policies as blockages and openings emerge.*

Keywords: Growth, Development, FDI

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INTRODUCTION

Though India stands today as the largest democracy, its administrative as well as the political set up have many flaws and shortcomings. The Indian system of administration and governance is impregnated with flaws like shortages of power, bureaucratic hassles, political uncertainty, and infrastructural deficiencies.

In spite of all these political shortcomings, India is perceived to be one of the most lucrative grounds for investing, in the eyes of the wealthy European as well as American investors. This is the true reason why the researches made into the sector establishes more and more foreign investors coming to India and investing liberally into the various sectors of the Indian economy.

Broadly, foreign direct investment includes "mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations and intra company loans." In a narrow sense, foreign direct investment refers just to building new facilities. The numerical FDI figures based on varied definitions are not easily comparable. As a part of the national accounts of a country, and in regard to the national income equation $Y=C+I+G+(X-M)$, I is investment plus foreign investment, FDI is defined as the net inflows of investment (inflow minus outflow) to acquire a lasting management interest (10 percent or more of voting

stock) in an enterprise operating in an economy other than that of the investor.

FDI is the sum of equity capital, other long-term capital, and short-term capital as shown the balance of payments. FDI usually involves participation in management, joint-venture, transfer of technology and expertise. There are two types of FDI: inward and outward, resulting in a net FDI inflow (positive or negative) and "stock of foreign direct investment", which is the cumulative number for a given period. Direct investment excludes investment through purchase of shares. FDI is one example of international factor movements.

OPPORTUNITIES IN INDIAN MARKET:

1. It is detected that, FDI decreases the production cost of goods and services. Elimination of transaction and transporting cost between host and guest country is possible under
2. FDI. It effects, People acquire goods and services at low prices, Savings are possible from routine transactions and Deposit increases from domestic. Good flow of money certainly lead towards sound position of host country.

3. The role of FDI in job creation and conservation is found more favorable for host country. Good inflow of FDI creates new employments in industries and market sectors of host country. Guest country becomes motivate to transfer expertise and professional education with host country.
4. It is examined that, balance of payment status of host country turns into cheering
5. Position. FDI increases the industrial productivity of host country. With the step of large output, home country boosts export area and repairs the deficit between import and export.
6. It is found that, FDI improves the GDP rate of host country. It is a symptom of healthy economy. Better GDP rate repairs living standard of peoples in host country.
7. It is observed that, FDI enhance the competition at global level. FDI inflow develops the efficiency and sustains the growth rate of developing country.
8. State-wise industrial development of developing country can be possible through FDI.
9. It is viewed that, FDI releases broad opportunities in the traffic of goods and services in India. Products of finer quality are manufactured by various industries in India. It provides fine status in International trade.
10. It is found that, FDI helps for upgrading the existing old working process with developed process in India. Developing countries can implement advanced technology in industrial and IT sector by inviting FDI.
11. It is observed that, now foreign firms are investing large amounts in joint ventures of India. For occupying better position in the Indian market they spent large amount on quality and distribution of product. FDI increases the level of competition in the host country. It will result products and services with fine quality and economical prices can be easily available at urban and rural area in India.
12. It is studied that FDI has also ensured a number of employment opportunities by backing the creation of industrial units in various corners of India. Equilibrium economic development of various states of India can be possible through FDI.
13. It is also watched that FDI has given an inducement to small and domestic producers. They become efficient for competition in their local and outside markets. It will result in enhancing the economy growth.
14. Finally, it is analysis that FDI can formulate large supply of products and services by implementing advanced infrastructure and technology in industry. It is good sign regarding purchasing power of low income holder peoples in host country. Challenges:
15. It is observed that FDI eliminates to the small producers from international and national level competition. Domestic industries are in old traditions and infrastructures. It cannot compete in globalize market with the advanced industries.
16. Foreign companies always try to achieve quick and large refunds on their invested . They take interest only in profit oriented ventures and neglect domestic and traditional business from investment.
17. Due to open-minded business policy of India, the problem of surplus FDI will create in future. It will create hurdles in the economy growth of India.
18. Problem of employment in rural area is not adequately solved. Most of the population of India is lived with unemployment in rural region. FDI favors only urban regions for the investment and neglect rural & backward regions.
19. Problem of centralization of FDI projects is occurring in India. Foreign investors prefer only facilitated areas for the establishment of their ventures therefore the projects are centralized in a particular area.

OBJECTIVE OF STUDY

The objective of this paper is to explore the causal nexus between FDI (Foreign Direct Investment) economic growths in India using the annual data for the period, 1990-91 to 2010-11 which includes the 21 annual observations. The two main variables of this study are economic growth and FDI. The real Gross Domestic Product (GDP) is used as the proxy for economic growth in India and we represent the economic growth rate by using the constant value of Gross Domestic Product (GDP) measured in Indian rupee. All necessary data for the sample period are obtained from the Handbook of Statistics on Indian Economy, 2010-11 published by Reserve Bank of India. All the variables are taken in their natural logarithms to reduce the problems of Hetero Sceptic

city to maximum possible extent. Using the time period, 1990-91 to 2010-11 for India, this study aims to examine the long-term and causal dynamic relationships between the level of FDI flowing into India and economic growth. The estimation methodology employed in this study is the co integration and error correction modeling technique.

RESEARCH METHODOLOGY

To objective of the is to give an engaging introduction to Blue ocean strategy in changing the structure list strategic thinking to a reconstruction list one, highlighting the application of real cases in different industries.

Research design: Descriptive Research

Source of Research: The research has been done by consulting various books, journals nation and international, magazines, newspapers.

ANALYSIS

India has been ranked at the second place in global foreign direct investments in 2010 and will continue to remain among the top five attractive destinations for international investors during 2010-12 period, according to United Nations Conference on Trade and Development (UNCTAD) in a report on world investment prospects titled, 'World Investment Prospects Survey 2009-2012'. The 2010 survey of the Japan Bank for International Cooperation released in December 2010, conducted among Japanese investors, continues to rank India as the second most promising country for overseas business operations. A report released in February 2010 by Leeds University Business School, commissioned by UK Trade & Investment (UKTI), ranks India among the top three countries where British companies can do better business during 2012-14.

RESULT

India attracted FDI equity inflows of US\$ 2,014 million in December 2010. The cumulative amount of FDI equity inflows from April 2000 to December 2010 stood at US\$ 186.79 billion, according to the data released by the Department of Industrial Policy and Promotion (DIPP). Moreover, according to the Asian Investment Intentions survey released by the Asia Pacific Foundation in Canada, more and more Canadian firms are now focusing on India as an investment destination. From 8 per cent in 2005, the percentage of Canadian companies showing interest in India has gone up to 13.4 per cent in 2010.

CONCLUSION

The path of economy growth and development certainly navigate with the help of FDI. India is an over populated country; infrastructure facility is not much developed therefore Supply term is became week and inflation is occurred. Proper investment policies and Population welfare outlook should be preferred while calling FDI in India. FDI is an Additional part of the Indian economy without it the present status of economy never be Maintained by India.

To compete in International level, to survive local business, to Upgrade old technology and primarily to increase the number of employments FDI plays a vital role in Indian economy.

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