IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

PROGRESSIVE IMPACT OF FDI IN INDIA

Kamini Gupta
Kamini2n2gupta@gmail.com
Research Scholar
Kumaun University, Uttrakhand

Abstract: FDI is a prime source to maintain level of income and saving in Semi developed and developing countries. Continuous Growth is recorded in FDI in India after liberalization. Hence economy also grew faster. Foreign direct investment brings capital, skill and technology to country and encourages economic growth at highest level. In current scenario India is one of most open economic countries with regards to FDI. Started in 2014, Make in India program has continuously increased FDI. 25 sector has been connected to FDI under this program. In presented paper we will discuss FDI's meaning and need of FDI in India. We will also discuss its positive impact, negative impact and strong progress of FDI in India.

Keywords: Foreign Direct Investment, Technological advancement, Gross Domestic Product, unemployment.

Introduction: India is third largest economy in the world. In decade of 90s when India was suffering from poverty, unemployment and unstable investment, Indian Finance Minister Man Mohan Singh Presented FDI through the Liberalization policies. Resulting India growth in Business world and also in FDI.

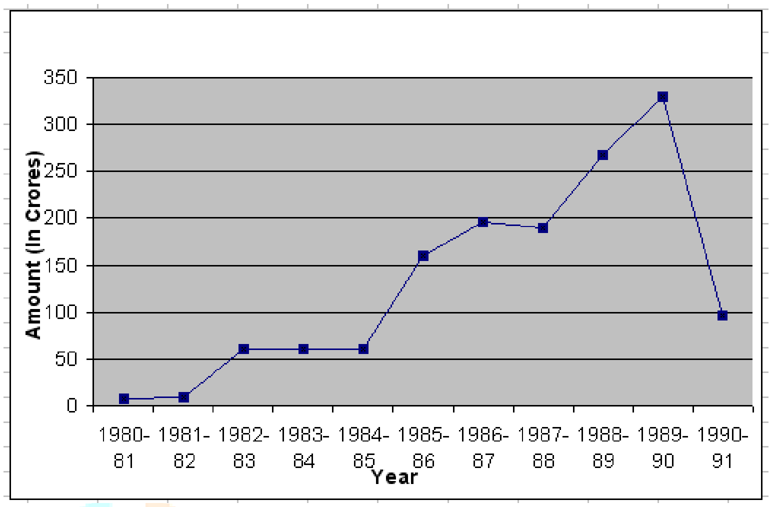
In simple words a company's investment in any other foreign country is called foreign direct investment. In such investment investors gets some shares in that company in which they are investing. In general any foreign investor need to purchase 10 percent shares in the local company to make FDI.

FDI could be of two types – inward and outward. In inward FDI foreign investor can enter in Indian market by starting his company. For this he can make a joint venture with any indian company or can start a subsidiary. FDI investor is expected to make a long term investment and also expected to make some other kind of contribution. During 2014-2015, India received most of its FDI from Mauritius, Singapore, Netherlands, Japan and the U.S. FDI effects insurance, Automotive, Manufacturing, Pharmaceuticals, Service, Railways, Chemicals, textile and airlines.

Why we need FDI:

After independence India was agriculture based country and agriculture was also depending on monsoon. Agriculture production was also low due to less technology. There was no success in industrial sector. Government tried to reform industrial sector by five year plans. But there was no satisfactory success in it.

CHART 1: FDI INFLOWS DURING PRE LIBERALIZATION PERIOD



Source: SIA, Newsletter, various issues and compiled by the author

Than the finance minister of India Mr. Man Mohan Singh introduced liberalization in 1991 as a result foreign companies invested to India in the form of direct investment and it also cleared the path for import export. Some other countries like china, Mauritius also encouraged FDI for the economic growth. Due to less saving, increasing unemployment, and lack technologies led Indian economy to slower growth rate. FDI attracted new technology development in India and Good GDP Growth was recorded. Arrival of new companies brought new type of employment in India. 25 new sector included in FDI under the make in India program launched in 2014 also FDI share increased to 49%. It is now helping to grow handicraft and skill development besides GDP growth.

Table 1: FINANCIAL YEAR-WISE FDI INFLOWS DATA:
A. AS PER INTERNATIONAL BEST PRACTICES:
(Data on FDI have been revised since 2000-01 with expended coverage to approach International Best Practices)

S. NO.	Financial Year (April - March)	FOREIGN DIRECT INVESTMENT (FDI)					
		Equity		Re-invested earnings +	Other capital +	FDI INFLOW INTO INDIA	
		FIPB Route/ RBI's Automatic Route/ Acquisition Route	Equity capital of unincorporated bodies #			Total FDI inlow	%age growth over previous year (in USD terms)
FINANCIAL YEAR 2000-01 TO 2022-23							
1	**2000-01**	2,339	61	1,350	279	**4,029**	-
2	**2001-02**	3,904	191	1,645	390	**6,130**	**(+) 52 %**
3	**2002-03**	2,574	190	1,833	438	**5,035**	**(-) 18 %**
4	**2003-04**	2,197	32	1,460	633	**4,322**	**(-) 14 %**
5	**2004-05**	3,250	528	1,904	369	**6,051**	**(+) 40 %**
6	**2005-06**	5,540	435	2,760	226	**8,961**	**(+) 48 %**
7	**2006-07**	15,585	896	5,828	517	**22,826**	**(+) 155 %**

8	**2007-08**	24,573	2,291	7,679	300	**34,843**	**(+) 53 %**
9	**2008-09**	31,364	702	9,030	777	**41,873**	**(+) 20 %**
10	**2009-10**	25,606	1,540	8,668	1,931	**37,745**	**(-) 10 %**
11	**2010-11**	21,376	874	11,939	658	**34,847**	**(-) 08 %**
12	**2011-12**	34,833	1,022	8,206	2,495	**46,556**	**(+) 34 %**
13	**2012-13**	21,825	1,059	9,880	1,534	**34,298**	**(-) 26%**
14	**2013-14**	24,299	975	8,978	1,794	**36,046**	**(+) 5%**
15	**2014-15**	30,933	978	9,988	3,249	**45,148**	**(+) 25%**
16	**2015-16**	40,001	1,111	10,413	4,034	**55,559**	**(+) 23%**
17	**2016-17**	43,478	1,223	12,343	3,176	**60,220**	**(+) 8%**
18	**2017-18**	44,857	664	12,542	2,911	**60,974**	**(+) 1%**
19	**2018-19**	44,366	689	13,672	3,274	**62,001**	**(+) 2%**
20	**2019-20**	49,977	1,757	14,175	8,482	**74,391**	**(+) 20%**
21	**2020-21**	59,636	1,452	16,935	3,950	**81,973**	**(+) 10%**
22	**2021-22 (P)**	58,773	910	19,347	5,805	**84,835**	**(+) 3%**
23	**2022-23 (P) (up to Dec, 2022)**	**36,746**	**971**	**14,115**	**3,442**	**55,274**	**-**
CUMULATIVE TOTAL (from April, 2000 to Dec, 2022)		**6,28,032**	**20,551**	**2,04,690**	**50,664**	**9,03,937**	**-**

Source: *(i) RBI's Bulletin for February, 2023 dt.17.02.2023 (Table No. 34 – FOREIGN INVESTMENT INFLOW).*

(ii) Inflow under the acquisition of shares in March, 2011, August, 2011 & October, 2011, include net FDI on account of transfer of participating interest from Reliance Industries Ltd. to BP Exploration (Alpha).

(iii) RBI had included Swap of Shares of USD 3.1 billion under equity components during December 2006.

(iv) Monthly data on components of FDI as per expended coverage are not available. These data, therefore, are not comparable with FDI data for previous years.

(v) Figures updated by RBI up to December, 2022. Figures are provisional.

(vi) Data in respect of 'Re-invested earnings' & 'Other capital' are estimated as average of previous two years.

'#' Figures for equity capital of unincorporated bodies are estimates. (P) All figures are provisional

Review of literature:

Nunnenkamp , Peter, Mukum Megha : For the Development of India FDI is a good pathway where we achieve development and advance technology. We can set new dimensions for business. We assess the location choices of 6020 foreign investor at the level of Indian districts. Employing conditional logic models. We find that clustering of foreign direct investment is driven strongly by herding among investors from both, the same and other countries of origin. However, the behavior of nonresident Indian and German investors is strikingly different.

Dr. Patel Usha N: one hand FDI proves a way to development in India on the other hand it is subject to concern. Because British first came to India for the business purpose and we let them rule over us 300 years. The government of India was initially very apprehensive of the introduction of foreign direct investment in the retail sector in India. The unorganized retail sector earlier occupies 98% of the retail sector and rest 2% is contributed by the organized sector. Hence one reason why the government feared the surge of the foreign direct investment in India was the displacement of labor. The unorganized retail sector contributes about 14% to the GDP and absorbs about 7% of our labor force. Hence the issue of displacement of labor consequent to FDI is of primal importance. There are different viewpoint, the US evidence is empirical proof to the fact that FDI in the retail sector does not lead to any collapse in the existing employment opportunities.

Prasanna, N. confirmed in his work that in a globalizing world, export success can serve as a measures for the competitive of a country's industries and lead to faster growth , recently, a much optimistic view of the foreign direct investment on export performance in host country has involved. Like china, Mauritius and many other developing countries gained from FDI and put the country to the path of development.

Sharma, Kishor (2000) by analyzing the data from 1970 to 1998 has viewed that export growth in India has been much faster that GDP growth over the past few decade. Several factor appear to have contributed to this phenomenon including foreign direct investment. However, despite increasing inflow of FDI especially in recent year there has not been any attempt to assess its contribution to India's export performance one of the channels through which FDI influence growth.

Kumar. P. (2012) FDI Indeed has a positive impact on India's export boom, its effects are much larger than those domestic capital. FDI improves the productivity growth through various means, like enabling the adoption of foreign technologies, resulting in greater capital utilization of economies of scale and comparative advantage and helping create a conducive and stable macroeconomic environment through increasing employment, labor productivity and enhancement of the country's external earning power.

Mafru`za Sultana (2019) Several research works have been done by many Indian economists and researchers on FDI and its effects on the Indian economy. Sultana's research goal was to find the impact of FDI not only on Indian development metrics but also on other elements like the Human Development Index and population. also researcher was to find out the change in their individual diversity by FDI. Sultana found in his research that FDI has a significant impact on HDI (Human Development Index), population and Sensex index. Although some impact on imports and exports is not significant. The research reveals the primary factors driving FDI inflows into India, including multiple factors aggregated under FDI and the Indian economy.

Chodisetty (2022) The researcher in his research work has explored the relationship between the impacts of FDI in the Indian economy with reference to the infrastructure sector. In this study the researcher has found that positive effect of FDI has increased the infrastructure sector and positive effect of FDI with GDP. Chodisetty has been found that there will be a future positive moments in GDP with effect of the foreign direct investment.

Objectives:

1. to study the FDI
2. to study positive and negative impact of FDI in India
3. to study strong progress of FDI

Research methodology: this research is a descriptive study in nature. The secondary data was collected in from various journals, magazines and websites.

FINDING:-

1. **what is FDI?**
   FDI is a major monetary source for economic development .FDI is an investment in oyher countries company. Broadly, foreign direct investment includes "mergers and acquisitions,

building new facilities, reinvesting profits earned from overseas operations, and intra company loans". FDI consist of equity capital, long term capital and short term capital. Economic liberalization started in India in wake of the 1991 economic crisis and since then FDI has steadily increased in India,[11] which subsequently generated more than one crore (10 million) jobs.

On 17 April 2020, India changed its foreign direct investment (FDI) policy to protect Indian companies from "opportunistic takeovers/acquisitions of Indian companies due to the current COVID-19 pandemic", according to the Department for Promotion of Industry and Internal Trade.[12] While the new FDI policy does not restrict markets, the policy ensures that all FDI will now be under scrutiny of the Ministry of Commerce and Industry.[13]

2. **Advantages of FDI:** An FDI may provide some great advantage for the Multinational Enterprise but not for the foreign country where the investment is made. On the other hand, sometimes the deal can work out better for the foreign country depending upon how the investment pans out ideally, there should be numerous advantages for both MNE and foreign country, Which often a developing country.

Positive impact of FDI in India:

1. International business grows
2. Foreign investment increases the capital base in the country.
3. Tax revenue increases
4. Economy gets stronger when GDP rises.
5. Employment opportunity increases.
6. Technology, skill inflows and level of knowledge increases.
7. Basic amenities improves with economic development and economical wealth.
8. Production cost decreases and product prices also decreases.
9. Productivity, capability and competitiveness increases.
10. Consumers gets more options to choose.
11. Food inflation decreases.
12. Domestic production gets encouraged for business opportunity.
13. Farmers get better price and facility to sell production from field directly by FDI.
14. Foreign Reserve increase from foreign direct investment.
15. Tradition and culture expands
16. Greater opportunities for education due to foreign investment.
17. New technology inspire new invention in county's service sector.
18. Foreign direct investment also encourages tourism employment.

Negative impact of FDI in India:

1. It engulfs small business run by poor and marginal people of the country.
2. Foreign culture is getting edge over local culture.
3. Foreign direct investment increases the unemployment and exploitation of labor.
4. Local companies face challenge for their existence.
5. People distract from their own local culture.
6. Business runs in the name of higher education.
7. Handicraft skill getting lost over time.
8. MNC gets challenge and competition in business

3. **Strong progress of FDI in India:**

India is ready to emerge in the field of FDI due to increased labor cost and old population migration to foreign country. On the other hand the small business need to joint to FDI for their resurrection and development. This will result less unemployment. Handicraft and skilled work need to be encouraged to international market. The Government of India has taken many initiatives in recent years such as relaxing FDI norms across sectors such as defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others. **'Make in India'** and **'Atmanirbhar Bharat'** campaigns coupled with strengthening of **India's footing in global supply chains** have given momentum to FDI inflows over the past few years. Launch of Schemes attracting investments, such as, National technical Textile Mission, Production Linked Incentive Scheme, Pradhan Mantri Kisan SAMPADA Yojana, etc. [16]

Suggestion of the study:

- **"Do no harm":** Indian government should take actions, the captive port policy and the land policy for major ports. These policies are very helpful to removing barriers. other side government must be reinforced by pending reforms, such as the port regulatory authority bill and burdensome approval procedures.
- **Move quickly on remaining FDI barriers:** Since 1990, the period of liberalization, India still have many sectors where FDI has not reached.
- **Improve FDI data and transparency:** The government still provides little transparency on where FDI is coming from, which states are attracting FDI, and which sectors. The government should make the FDI statistics of the Department of Industry and Internal Trade transparent. So that foreign traders and businessmen of the country can get complete information about current physical investment and tax treaties and they can do business easily.
- **Push states to improve:** The DPIIT's nascent work to catalog state business policies under the Business Reform Action Plan (BRAP) needs new energy. The rankings have only been released three times in seven years and have not been assessed since 2019. While the model was imperfect—largely due to self-declaration by states—it was a good start.[18]
- **FDI on privatization:** India should encourage foreign direct investment in the privatization process. The FDI investment ceiling on many sectors can be liberalized, with the exception of sensitive and security sectors that serve the nation

Conclusion: FDI is emerging as pillar for development in India. Many Countries in the world has strengthen their economy with the help of FDI. India has also strengthen its economy compared to 1991. Increased percentage of FDI has also increased the GDP and Indian Economy is leading to the path of success. But Still Indian Government should send Indian people to foreign country to learn new technology to increase Export.

After the COVID-19 epidemic in 2019, many companies left China and were established in different countries, some of which were also established in India. Liberal and attractive policy for business for investors in India is the main reason for this. India has provided good business environment and security to businessmen with its FDI policies, due to which many companies are currently coming forward to invest in India.

According to the 2021 - 22 report of the Ministry of Commerce and Industry, India is fast emerging as a preferred investment destination. India has secured Foreign Direct Investment of US$ 83.57 billion in FY 2021 - 22, which shows a 20-fold increase in FDI over the past 20 years. Karnataka has emerged as the top equity achiever state in India. [19]

Reference:

1. Aggarawal,S., Singla,A. and Aggarwal, R. (2012) "Foreign Direct Investment in india." Research Schol
2. ar, Punjab University Chandigarh India.
3. Pant, M. and Srivastava, D. "FDI in India History, Policy and Asian perspective"
4. Nunnenkamp peter, Mukim Megha, The Clustering of FDI in India: the importance of Peer Effects
5. Dr. Patil u N., Foreign Direct Investment in Indian retail Sector 2015
6. Prasanna N(2009); Impact of Foreign Direct Investment on export performance in India; Department of Economics, Bhartisadan University, Khajamalai Campus
7. Sharma, Kishor, "Export Growth in India: has FDI played a Role? Charles Stuart University Australia(july 2000)
8. Kumar.P.(2012); "Impact of FDI on Export and growth on Indian Perspective; Research Scholar, Department of Commerce, Aligarh Muslim University, Aligarh
10. Mafruza Sultana(2019), "Impact Of Fdi On Indian Economy", Journal of critical reviews, volume 6 issue 6, https://www.jcreview.com/fulliext/197-1577441457.pdf
11. Chodisetty,R.S.Ch.M.(2022), "Impact of Foreign Direct Investment (FDI) on Indian Economic Growth With Special reference Infrastructure sector –An Empirical Analysis" Journal of Interdisciplinary Cycle Research, volume 14 issue3, https://www.researchgate.net/publication/363753214.pdf
12. *"How the Indian economy changed in 1991–2011". The Economic Times. 24 July 2011. Retrieved 11 October 2015.*
13. *"How the Indian economy changed in 1991–2011". The Economic Times. 24 July 2011. Retrieved 11 October 2015.*
14. While the new FDI policy does not restrict markets, the policy ensures that all FDI will now be under scrutiny of the Ministry of Commerce and Industry.
15. RBI's Bulletin May, 2017 dt.09.05.2017 (Table No. 34 – FOREIGN INVESTMENT INFLOWS).
16. SIA, Newsletter, various issues and compiled by the author
17. https://www.drishtiias.com/daily-updates/daily-news-analysis/foreign-direct-investment-1
18. https://en.wikipedia.org
19. https://www.csis.org/analysis/indias-mid-2021-fdi-miracle-requires-new-policy-momentum
20. https://pib.gov.in/PressReleasePage.aspx?PRID=1827099