



# CANADIAN FOREIGN DIRECT INVESTMENT IN INDIA

## KEYWORDS

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**ABSTRACT** The Foreign Direct Investment means "cross border investment made by a resident in one economy in an enterprise in another economy, with the objective of establishing a lasting interest in the investee economy. FDI is also described as "investment into the business of a country by a company in another country". Mostly the investment is into production by either buying a company in the target country or by expanding operations of an existing business in that country". Such investments can take place for many reasons, including to take advantage of cheaper wages, special investment privileges (e.g. tax exemptions) offered by the country. FDI equity inflows US\$ 232.27 billion received from all countries, out of these the share of Canada in FDI equity inflows from April 2000 to September 2014 have increased their share of percent in India. Canada ranks 26th in investment of sectors in India the Percentage share of total FDI inflows is 0.22 percent and the total FDI Inflows from Canada are US\$ 0.51 billion.

## INTRODUCTION

The Foreign Direct Investment means "cross border investment made by a resident in one economy in an enterprise in another economy, with the objective of establishing a lasting interest in the investee economy. FDI is also described as "investment into the business of a country by a company in another country". Mostly the investment is into production by either buying a company in the target country or by expanding operations of an existing business in that country". Such investments can take place for many reasons, including to take advantage of cheaper wages, special investment privileges (e.g. tax exemptions) offered by the country. FDI equity inflows US\$ 232.27 billion received from all countries, out of these the share of Canada in FDI equity inflows from April 2000 to September 2014 have increased their share of percent in India. CANADA ranks 26th in investment of sectors in India the Percentage share of total FDI inflows is 0.22 percent and the total FDI Inflows from Canada are US\$ 0.51 billion.

## THE MAJOR BENEFITS OF FDI

- Improves foreign exchange position of the country
- Employment generation and increase in production
- Help in capital formation by bringing fresh capital
- Helps in transfer of new technologies, management skills, intellectual property
- Increases competition within the local market and this brings higher efficiencies
- Helps in increasing exports
- Increases tax revenues

## MAJOR ROUTES

In India Foreign Direct Investments enter through two routes as given under:

**i. Automatic Route:** FDI is allowed under the automatic route without prior approval either of the Government or the Reserve Bank of India in all activities/sectors as speci-

fied in the consolidated FDI Policy, issued by the Government of India from time to time.

**ii. Government Route:** FDI in activities not covered under the automatic route requires prior approval of the Government which is considered by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs and Ministry of Finance.

## FDI INFLOW IN INDIA

The inflow of Foreign Direct Investment in India were analysed by using the Annual Growth Rate.

**Table 1 FDI Inflow in India**

| Year      | Rs. In Crores | US \$ Million | Percent Growth |
|-----------|---------------|---------------|----------------|
| 2000-2001 | 10,733        | 2,463         | -              |
| 2001-2002 | 18,650        | 4,065         | 65             |
| 2002-2003 | 12,871        | 2,705         | -33            |
| 2003-2004 | 10,061        | 2,188         | -19            |
| 2004-2005 | 14,653        | 3,219         | 47             |
| 2005-2006 | 24,584        | 5,540         | 72             |
| 2006-2007 | 56,390        | 12,492        | 125            |
| 2007-2008 | 98,642        | 24,575        | 97             |
| 2008-2009 | 1,42,829      | 31,396        | 28             |
| 2009-2010 | 1,23,120      | 25,834        | 18             |
| 2010-2011 | 97,320        | 21,383        | 17             |
| 2011-2012 | 1,65,146      | 35,121        | 64             |
| 2012-2013 | 1,21,907      | 22,432        | 36             |
| 2013-2014 | 1,47,518      | 24,299        | 8              |

**Source:** FDI Synopses

From the above table it was found that the inflow of FDI in India has been increasing every year. In 2000-2001 it was about 10.733 crores and it has increased to 147,518 crores in 2013-2014, particularly after 2006-2007 it has increased tremendously as from 65 percentage to 125 percentage.

## COUNTRYWISE FDI INFLOWS IN INDIA

Country wise Foreign Direct Investment in India were analysed here.

**Table 2 Country wise Inflow in India during 2000-2014**

| Rank | Country                  | Crores     | Us \$ Million | Percent Growth |
|------|--------------------------|------------|---------------|----------------|
| 1    | Mauritius                | 384,077.44 | 80,808.09     | 36.25          |
| 2    | Singapore                | 131,603.97 | 26,417.34     | 11.85          |
| 3    | United Kingdom           | 104,123.46 | 21,308.99     | 9.56           |
| 4    | Japan                    | 82,559.65  | 16,587.26     | 7.44           |
| 5    | United States of America | 56,652.77  | 12,081.08     | 5.42           |
| 6    | Netherlands              | 57,194.55  | 11,384.91     | 5.11           |
| 7    | Cyprus                   | 36,590.62  | 7,590.07      | 3.41           |
| 8    | Germany                  | 32,108.27  | 6,602.76      | 2.96           |
| 9    | France                   | 19,191.28  | 3,959.27      | 1.78           |
| 10   | Switzerland              | 13,452.24  | 2,758.28      | 1.24           |
| 26   | Canada                   | 2,366.22   | 493.95        | 0.22           |

**Source:** FDI Synopsis

The above table, it was revealed that country-wise FDI in India. The Mauritius had the first rank in terms of FDI in India it was about 36.25 percentage in 2000-2014 followed by Singapore 11.85 percentage. Among the top ten countries Switzerland had the last one i.e., 1.24 percentage.

#### SECTOR WISE INVESTMENT IN INDIA BY OTHER COUNTRIES

Sector-wise Foreign Direct Investment in India were analysed here

**Table 3 Sector Wise Investment in India during 2000-2014**

| Sectors                      | Rs In Crores | Us \$ In Million | Percent Growth |
|------------------------------|--------------|------------------|----------------|
| Service Sector               | 189,015.09   | 40,033.89        | 17.96          |
| Construction Development     | 109,874.40   | 23,527.08        | 10.56          |
| Telecommunication            | 75,685.13    | 15,674.61        | 7.03           |
| Computer Hardware & Software | 60,338.96    | 12,929.26        | 5.08           |
| Drugs And Pharmaceuticals    | 60,100.90    | 12,277.13        | 5.51           |
| Automobile Industry          | 48,632.26    | 9,885.21         | 4.44           |
| Chemical                     | 45,796.49    | 9,761.60         | 4.38           |
| Power                        | 43,530.99    | 9,047.04         | 4.06           |
| Metallurgical Industry       | 38,939.53    | 8,189.75         | 3.67           |
| Hotel And Tourism            | 37,587.00    | 7,348.09         | 3.30           |

**Source:** FDI Synopsis

The above table shows that sector-wise FDI in India. The service sector had the more amount of investment in India with 189,015 as in crores with nearly 18 percentage in 2000 to 2014. Next to Service, Construction develops play an important role with nearly 11 percentage and telecommunication with 7 percentage. Among the top ten sectors Hotel and Tourism had the last one with 3.30 percentage.

#### FDI IN INDIA BY CANADA

The inflow of Foreign Direct Investment by Canada were analysed by using the Percentage Growth

**Table 4 Canada FDI Inflows in India during 2000-2001 to 2013-2014**

| Year      | Rs. In Crores | US \$ Million | Percent Growth |
|-----------|---------------|---------------|----------------|
| 2000-2001 | 8.18          | 1.90          | 65.76          |
| 2001-2002 | 69.59         | 15.36         | -75.73         |
| 2002-2003 | 32.69         | 6.89          | 53.02          |
| 2003-2004 | 46.50         | 10.11         | -42.25         |
| 2004-2005 | 65.64         | 14.33         | -41.16         |
| 2005-2006 | 53.73         | 12.09         | 18.14          |
| 2006-2007 | 104.47        | 22.98         | -94.44         |
| 2007-2008 | 321.24        | 79.95         | -207.49        |
| 2008-2009 | 382.05        | 84.97         | -18.93         |
| 2009-2010 | 293.27        | 61.64         | 23.24          |
| 2010-2011 | 154.66        | 33.66         | 47.26          |
| 2011-2012 | 200.21        | 39.78         | -29.45         |
| 2012-2013 | 222.44        | 42.04         | -11.10         |
| 2013-2014 | 69.21         | 11.32         | 68.89          |

**Source:** FDI Synopsis

From the table it was noticed that the inflow of FDI by Canada in India has been at increasing and decreasing trend in every year of the period. In 2000-2001 it was about 8.18 crores and it has increased to 382.05 crores in 2008-2009. Canada increased their investment in India from 2000-2001 to 2013-2014 increased their growth nearly 65 to 69 percentage.

#### SECTOR WISE DISTRIBUTION OF FDI INFLOWS FROM CANADA

The sectors wise investment by Canada in India were analysed here.

**Table 5 Sector wise Distribution of Inflows during 2000 to 2014**

| Sector  | Rs in Crores | US \$ in Million | Percent Growth |
|---|--------------|------------------|----------------|
| Service Sector                                  | 632.53       | 139.46           | 17.96          |
| Drugs And Pharmaceuticals                       | 370.76       | 76.74            | 15.18          |
| Trading   | 341.04       | 61.10            | 12.09          |
| Computer Hardware & Software                    | 160.05       | 35.68            | 7.06           |
| Miscellaneous mechanical & engineering Industry | 76.49        | 15.36            | 3.04           |

**Source:** FDI Synopsis

The above table indicates that Canada invests their money on various sectors in India. Among all the countries Canada also gave more importance to service sector i.e 17.96 percentage followed by Drugs and Pharmaceuticals had 15.18 percentage, Computer Hardware and Software with 7 percentage and Miscellaneous Mechanical & Engineering Industry with 3 percentage.

#### To sum up

India attracts many countries to invest. Among these countries, Canada plays an important role though it had a 26<sup>th</sup> place. The Government should take necessary steps to further investment from Canada through various attractive measures and incentives; it will help them to invest more on India.

#### REFERENCE

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