FDI has a powerful impact not only upon the economy of the investor country, but also upon economic and social welfare of the host country. The role of FDI has increased considerably in recent years. In fact, FDI has become an important source of external finance for the developing countries as it not only fulfills the ever-increasing requirements of various sectors of the economy but also promotes growth, even more through spillovers of technology, improved innovative capacity, and gives them effective marketing links in highly competitive world markets. Thus, FDI has become an important mechanism for global economic integration. This paper focuses on top 5 investing countries in FDI equity inflows in India and top 5 sectors attracting FDI in India.

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 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. Since the introduction of economic reforms programme in 1991, the investment scenario in India has been buoyant and moving upwards. The capital market has become very active and FIIs, foreign investment banks and asset management companies have shown increasing interest in investing in India.

The role of Foreign Direct Investment (FDI) in the upgradation of technology, skills and managerial capabilities is now well accepted. Additional investments, over and above the investments possible with the available domestic resources, help in providing much needed employment opportunities. Foreign Direct Investment continues to gain in importance as a form of international economic transaction and as an instrument of international economic integration. Since the launch of the economic reforms in 1991, India has been among the fastest growing countries in the world with the active participation of FDI in the economy. FDI has been seen as imperative to growing Indian economy and plays an important role for Indian economy.

Foreign Direct Investment Policy
India’s foreign investment policy has been formulated with a view to inviting and encouraging FDI into India. The process of regulation and approval has been substantially liberalised. FDI under automatic route is permitted in most activities/sectors, except a few where prior approval of the Government is required. Government of India welcomes FDI in all sectors where it is permitted, especially for development of infrastructure, technological upgradation of Indian industry through ‘greenfield’ investments and in projects having the potential of creating employment opportunities on a large scale. Investment for setting up Special Economic Zones (SEZs) and establishing manufacturing units are also welcomed.

Objectives of the Study
1. To know the importance of FDI in Indian Industries.
2. To know entry routes available for FDI in India.
3. To know FDI law practice in India.
4. To know top 5 investing countries and top 5 sectors attracting FDI.

Statement of the Problem
FDI can be defined as a cross border investment, where foreign assets are invested into the organizations of the domestic market excluding the investment in stock. It brings private funds from overseas into products or services. The domestic company in which foreign currency is invested is usually being controlled by the investing foreign company. Now, during the course of time, FDI has become a vital part in every country more particularly with the developing countries. This is because of the following reasons:

- Availability of cheap labour.
- Uninterrupted availability of raw material.
- Less production cost compared with other developed countries.
- Quick and easy market penetration.

Foreign Direct Investment (FDI) is permitted as under the following forms of investments:

- Through financial collaborations.
- Through joint ventures and technical collaborations.
- Through capital markets via Euro issues.
- Through private placements or preferential allotments.

Forbidden Territories
FDI is strictly prohibited by the Indian Government in the following industrial sectors:

- Arms and ammunition.
- Atomic Energy.
- Railway Transport.
- Coal and lignite.
- Mining of iron, manganese, chrome, gypsum, sulphur, gold, diamonds, copper, zinc.
- Foreign Investment through Global Depository Receipts

Indian companies are allowed to raise equity capital in the international market through the issue of Global Depository Receipt (GDR) with the help of Euro Issues. GDR investments are treated as FDI and are designated in dollars and are not subject to any ceilings on investment. An applicant company seeking Government’s approval in this regard should have consistent track record for good performance (financial or otherwise) for a minimum period of 3 years. This condition would be relaxed for infrastructure projects such as power generation, telecommunication, petroleum exploration and refining, ports, airports and roads.

1. Clearance from Foreign Investment Promotion Board
A company engaged in the manufacture of items covered under Annex-III of the New Industrial Policy whose direct foreign investment after a proposed Euro issue is likely to exceed 51% or which is implementing a project not contained in Annex-III, would need to obtain prior FIPB clearance before seeking final approval from Ministry of Finance. But there is no restriction on the number of Euro-issue to be floated by a company or a group of companies in the financial year.

2. Use of Global Depository Receipts
The proceeds of the GDRs can be used for financing capital goods imports, capital expenditure including domestic purchase/installation of plant, equipment and building and invest-
ment in software development, prepayment or scheduled re-
payment of earlier external borrowings, and equity investment in
JV/WOSs in India.

3. Restrictions
Any investment from a foreign firm into India requires the
prior approval of the Government of India. Investment in stock
markets and real estate will not be permitted. Companies may
retain the proceeds abroad or may remit funds into India in an-
ticipation of the use of funds for approved end uses.

Foreign direct investments in India are approved through
two routes
1. Automatic approval by Reserve Bank of India
Investments in high-priority industries or for trading compa-
nies primarily engaged in exporting are given almost automatic
approval by the Reserve Bank of India (RBI). The RBI accords
automatic approval within a period of two weeks (subject to
compliance of norms) to all proposals and permits foreign equi-
ity up to 24%; 50%; 51%; 74% and 100% is allowed depending
on the category of industries and the sectoral caps applicable.
The lists are comprehensive and cover most industries of inter-
est to foreign companies.

2. The FIPB Route – Processing of non-automatic approval
cases
Foreign Investment Promotion Board (FIPB) which approves
all other cases where the parameters of automatic approval are
not met. Normal processing time is 4 to 6 weeks. Its approach is
liberal for all sectors and all types of proposals, and rejections are
few. It is not necessary for foreign investors to have a local partner,
even when the foreign investor wishes to hold less than the entire
equity of the company. The portion of the equity not proposed to
be held by the foreign investor can be offered to the public.

FDI Law Practice India
At present, the most lucrative business sectors for FDI in India
are, Infrastructure (Power, Steel, Railways, etc.); Telecommu-
nications; Hospitality sector; Education; Retail; Real Estate;
Retail sector, Petroleum and Petroleum Products; Biotechnol-
ogy; Alternative Energy, etc. The foreign direct investment in
Indian business sectors can easily be made in a variety of ways,
through the Governmental and Automatic Routes. However, the
Joint Ventures are the most popular and preferred forms of
making investment in Indian industry. Global Jurix can help
well-rounded the foreign investors of all class and categories for
getting highly lucrative and secure FDI in India, through provid-
ing the following legal services reliably and economically:
• Company Formation and Company Law services
• Establishment of Joint ventures
• Corporate and Commercial Law services
• For making all mandatory Compliances
• Drafting all requisite Contracts, Agreements, and other Docu-
ments
• Setting up Subsidiaries
• Tax Planning
• Project Finance
• Dispute Resolution
• Private Equity

TABLE-1
SHARE OF TOP 5 INVESTING COUNTRIES—FDI EQUITY IN-
FLOWS IN INDIA

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>2009-10 (April-March)</th>
<th>2010-11 (April-March)</th>
<th>2011-12 (April-March)</th>
<th>Cumulative inflows (April 2000-Jan 012)</th>
<th>% of total inflows (in terms of US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Mauritius</td>
<td>49,633 (10,376)</td>
<td>31,855 (6,987)</td>
<td>41,621 (9,919)</td>
<td>284,381 (63,146)</td>
<td>39%</td>
</tr>
<tr>
<td>2.</td>
<td>Singapore</td>
<td>11,295 (2,379)</td>
<td>7,730 (1,705)</td>
<td>20,020 (4,307)</td>
<td>72,896 (16,203)</td>
<td>10%</td>
</tr>
<tr>
<td>3.</td>
<td>Japan</td>
<td>5,670 (1,183)</td>
<td>7,063 (1,562)</td>
<td>13,007 (2,754)</td>
<td>56,769 (12,995)</td>
<td>8%</td>
</tr>
<tr>
<td>4.</td>
<td>USA</td>
<td>9,230 (1,943)</td>
<td>5,353 (1,170)</td>
<td>4,338 (913)</td>
<td>46,880 (10,362)</td>
<td>6%</td>
</tr>
<tr>
<td>5.</td>
<td>UK</td>
<td>3,094 (657)</td>
<td>3,434 (755)</td>
<td>12,484 (2,750)</td>
<td>41,916 (9,389)</td>
<td>6%</td>
</tr>
</tbody>
</table>

The Table-1 shows the country-wise distribution of FDI equity inflows in India. The study reveals Mauritius (39%), Singapore (10%), Japan (8%), USA (6%) and U.K. (6%).

TABLE-2
TOP 5 SECTORS ATTRACTING HIGHEST FDI EQUITY IN-
FLOWS IN INDIA

<table>
<thead>
<tr>
<th>Ranks</th>
<th>Sectors</th>
<th>2009-10 (April-March)</th>
<th>2010-11 (April-March)</th>
<th>2011-12 (April-March)</th>
<th>Cumulative inflows (April 2000-Jan 012)</th>
<th>% of total inflows (in terms of US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Services</td>
<td>19,945 (4,176)</td>
<td>15,053 (2,926)</td>
<td>24,656 (5,216)</td>
<td>124,800 (2,280)</td>
<td>19%</td>
</tr>
<tr>
<td>2.</td>
<td>Construction</td>
<td>13,469 (2,852)</td>
<td>4,979 (1,013)</td>
<td>15,236 (3,141)</td>
<td>32,650 (601)</td>
<td>12%</td>
</tr>
<tr>
<td>3.</td>
<td>Telecommunications</td>
<td>12,270 (2,539)</td>
<td>7,542 (1,665)</td>
<td>9,012 (1,997)</td>
<td>111 (20)</td>
<td>7%</td>
</tr>
<tr>
<td>4.</td>
<td>Computer Software &amp; Hardware</td>
<td>4,127 (872)</td>
<td>3,551 (780)</td>
<td>3,804 (796)</td>
<td>1,032 (188)</td>
<td>6%</td>
</tr>
<tr>
<td>5.</td>
<td>Drugs &amp; Pharmaceuticals</td>
<td>1,006 (213)</td>
<td>961 (209)</td>
<td>14,005 (2,322)</td>
<td>2,572 (407)</td>
<td>5%</td>
</tr>
</tbody>
</table>

The Table-2 shows top 5 sectors attracting highest FDI equity inflows in India were service sector at first place with 19%, construction activities with 12%, Telecommunication with 7%, Computer software and hardware with 6% and Drugs and Pharmaceuticals with 5%.

Conclusion
The fast and steadily growing economy of India in majority of
its sectors, has made India one of the most famous and popu-
lar destinations in the whole world, for Foreign Direct Invest-
ment. India’s ever-expanding markets, liberalization of trade
policies, development in technology and telecommunication,
and loosening of diverse foreign investment restrictions, have
further collectively made India, the apple of investors’ eye, for
most productive, profitable, and secure foreign investment. In-
dia 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 periods. According to a recent survey by the United
Nations Conference on Trade and Development (UNCTAD), In-
dia has conspicuously emerged out as the second most popular
and preferable destination in the entire world FDI as a strategic
component of investment is needed by India for achieving the
objectives of its second generation of economic reforms. But the
current institutional system does not provide a mechanism for
aggressive marketing of India as an FDI location. Therefore a fa-
vorable business environment is required to attract FDI flow by
providing hassle-free government procedures and most impor-
tantly, a degree of autonomy and freedom in various decision
making process.
REFERENCE

2. Foreign Investment in India - Reserve Bank of India retrieved from www.rbi.org.in.