



**ORIGINAL RESEARCH PAPER**

**Commerce**

**FOREIGN DIRECT INVESTMENT IN INDIA**

**KEY WORDS:**

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**ABSTRACT**

Foreign Direct Investment acquired an important role in the international economy after the Second World War. Foreign Direct Investment is the largest and most stable source of private capital for developing countries and economies in transition. Foreign Direct Investment (FDI) plays an extraordinary and growing role in global business. It can provide a firm with new markets and marketing channels, chapter production facilities, access to new technology, products, skills and financing for a host country or the foreign firm which receives the Investment, It can provide a source of new technologies, capital, processes, products, organizational technologies and provide a strong impetus to economic development. Foreign direct Investment, as per international monetary fund, commonly known as FDI and refers to an Investment made to acquire lasting or long-term interest in enterprises operating outside of the economy of the investor. The Present paper aims to throw a light various aspects relating to FDI in India.

**INTRODUCTION**

Foreign Direct Investment acquired an important role in the international economy after the Second World War. Foreign Direct Investment is the largest and most stable source of private capital for developing countries and economies in transition. Foreign Direct Investment (FDI) plays an extraordinary and growing role in global business. It can provide a firm with new markets and marketing channels, chapter production facilities, access to new technology, products, skills and financing for a host country or the foreign firm which receives the Investment, it can provide a source of new technologies, capital, processes, products, organizational technologies and provide a strong impetus to economic development. Foreign direct Investment, as per international monetary fund, commonly known as FDI and refers to an Investment made to acquire lasting or long-term interest in enterprises operating outside of the economy of the investor. The Investment is direct because. The Investor which could be a foreign person company or group of entities is seeking to control, manage, or have significant influence over the foreign enterprise.

- FDI is defined as a company from one country making a physical Investment into building a factory in another country.
- FDI is defined as the acquisition of a lasting management interest in a company or enterprise outside the investing firm's home country. As such, it may take many forms, such as a direct acquisition of a foreign firm, construction of a facility, or Investment in a joint venture with a local firm with attendant input of technology, licensing of intellectual property.

**1. FOREIGN DIRECT INVESTMENT IN INDIA**

The economy of India is the third largest in the world as measured by purchasing power parity (PPP) with a gross domestic product (GDP) of us \$ 3.611 trillion when measured in USD exchange rate items. It is the tenth largest in the world with a GDP of us \$ 800.8 billion (2006) is the second fastest growing major economy in the world with a GDP growth rate of 8.9% at the end of first quarter of 2006-2007. However, India's huge population results in a per capita income of \$ 3,300 at PPP and \$ 714 at nominal. The economy is diverse and encompasses agriculture, handicrafts, textile, manufacturing and a multitude of services. Although two thirds of the Indian workforce still earn their livelihood directly or indirectly through agriculture services are a growing sector and are playing an increasingly important role of India's economy. The advent of the digital age, and the large number of young and educated populace fluent in English is gradually transforming India as an important back office destination for global companies for the outsourcing of their customer services and technical support. India is a major exporter of highly skilled workers in software and financial services, and software engineer.

India followed a socialist inspired approach for most of its

independent history, with strict government control over private sector participation, foreign trade and foreign direct investment. However, since the early 1990s, India has grade opened up its markets through economic reforms by reducing government controls on foreign Direct Investment. The privatization of publicly owned industries and the opening up of certain sectors to private and foreign interest has proceeded slowly an mid political debate India faces a burgeoning population and the challenge of reducing economic and socialinic quality. Poverty remains a serious problem, although it has declined significantly since independence mainly due to green revaluation and economic reforms. FDI up to 100% is allowed under the automatic route in all activities/sectors except the following which will require approval of the government. Activities/items that require an industrial license, proposals in which the foreign collaborator has a previous/existing venture/tie up in India FDI in India includes FDI inflows as well as FDI outflow from India.

In 1998 and 1999, the Indian national government announced a number of reforms designed to encourage FDI and present a favorable scenario for investors FDI investments are permitted through financial collaboration, through private equity or preferential allotments by way of capital markets through Euro issues and in joint ventures. FDI is not permitted in the arms, nuclear, railway, coal & lignite or mining industries. A number of projects have been announced in areas such as electricity generation, distribution and transmission, as well as the development of roads and highways, with opportunities for foreign investors. The Indian national government also provided permission to FDI to provide up to 100% of the financing required for the construction of bridges and tunnels, but with a limit on foreign equity of INR 1,500 crores approximately \$ 352.5m. FDI is allowed in financial services, including the growing credit card business. These services include the Non Banking financial services sector foreign investors can buy up to 40% of the equity in private banks although there is condition that supulates that these banks must be multilateral financial organization up to 45% of the shares of companies in the global mobile personal communication by satellite services (GMPCSS) sector can also be purchased. By 2004, India received # 5.3 billion in FDI, big growth compared to previous years, but less than 10% of the \$60.6 billion that flowed into China why does India, with a stable democracy and a smooth approval process, lag so far behind China in FDI amounts? Although the Chinese approval process is complex, it includes both national and regional approval in the same process. Federal democracy is perversely an impediment for India Local authorities are not part of the approvals process and have their own rights and their often leads to projects getting bagged down in red tape and bureaucracy India actually receives less than half the FDI that the federal government approves.

Economic policy makers in most countries go out of their way to attract foreign Direct Investment (FDI). A high level of FDI inflows is an affirmation of economic policies that the policy makers have been implementing as well as a stamp of approval of the future economic health of that particular country. There is clearly an intense global competition for FDI. In India, for its part has set up the "India Brand Equity foundation" to try and attract that elusive FDI dollar.

## 2. REVIEW OF LITERATURE

**Nayak D.N 46 (2004) in his paper "Canadian Foreign Direct Investment in India: Some Observation"**, analysis the patterns and trends of Canadian FDI in India. He finds out that India does not figure very much in the investment plans of Canadian firms. The reason for the same is the indifferent attitude of Canadians towards India and lack of information of investment opportunities in India are the important contributing factor for such an unhealthy trend in economic relation between India and Canada. He suggested some measures such as publishing of regular documents like newsletter that would highlight opportunities in India and a detailed focus on India's area of strength so that Canadian firms could come forward and discuss their areas of expertise would get long way in enhancing Canadian FDI in India.

**Balasubramanyam V.N Sapsford David 4 (2007) in their article "Does India need a lot more FDI"** compare the level of FDI inflow in India and China, and found that FDI in India is one tenth of that of China. The paper also find that India may not require increased FDI because of the structure and composition of India's manufacturing, service sectors and her endowments of human capital. There requirement of managerial and organizational skills of these industries are much lower than that of labor intensive industries such as those in China. Also India has a large pool of well-Trained engineers and scientists capable of adapting and restructuring imported know-how to suit local factor and product market condition all of these factors promote effective spillovers of technology and know-how from foreign firms to locally own firms. The optimum level of FDI, which generates substantial spillovers, enhance learning on the job, and contribute to the growth of productivity, is likely to be much lower in India than in other developing countries including China. The country may need much larger volumes of FDI than it currently attracts if it were to attain growth rates in excess of 10 per cent per annum. Finally, they conclude that the country is now in a position to unbundle the FDI package effectively and rely on sources other than FDI package effectively and rely on sources other than FDI for its requirements of capital.

**Morris Sebastian44 (1999) in his study "Foreign direct Investment from India: 1964-83"** studied the features of Indian FDI and the nature and mode of control exercised by Indian and firms abroad, the causal factors that underlie Indian FDI and their specific strengths and weakness using data from government files. This study concludes that the indigenous private corporate sector is the major sources of investments.

**Naga Raj R45(2003) in his article "Foreign direct Investment in India in the 1990s: Trends and Issues"** discusses the trends in FDI in India in the 1990s and compare them with China. The study raises some issues on the effects of the recent investment in domestic economy. Based on the analytical discussion and comparative experience, the study concludes by suggesting a realistic foreign investment policy.

**Nirupam Bajpai and Jeffrey D. Sachs47(2006) in their paper "Foreign Direct Investment in India: Issues and Problems"**, attempted to identify the issues and problems associated with India's current FDI regimes, and more importantly the other associated factors responsible for India's unattractiveness as an investment location. Despite India offering a large domestic market, rule of law, low labor costs, and a well working democracy, her performance in attracting FDI flows have been far from satisfactory. The conclusion of the study is that a restricted FDI regime, high import tariffs, exit barriers for firms, stringent labor laws, poor quality infrastructure, centralized decision making

processes, and a very limited scale of export processing zones makes India an unattractive investment location.

**Kulwinder Singh 38 (2005) in his study "Foreign Direct Investment in India: A Critical analysis of FDI from 1991-2005"** explores the uneven beginnings of FDI, in India and examines the developments (economic and political) relating to the trends in two sectors: industry and infrastructure. The study concludes that the impact of the reforms in India on the policy environment for FDI presents a mixed picture. The industrial reforms have gone far, though they need to be supplemented by more infrastructure reforms, which are a critical missing link.

## 3. Research Methodology

Methodology describes the research route to be followed the instrument to be used, universe and sample of the study for the data to be collected the tools and techniques of analysis used and pattern of deducing conclusion.

Research is a diligent and careful search for new knowledge through systematic, scientific and analytical approach in any branch of knowledge also helps to accept, reject or modify the existing facts or knowledge. The main aim is to eliminate vague, superstitions and dogmatic idea by reasoned, objective and scientific ideas. Methodology deals with selecting specific technical tools and techniques for collecting the data and analyzing them. It refers to various methods used by researcher right from data collection and techniques used for the same for interpretation and inferences. Methodology describes the research route to be followed the instrument to be

Research methodology is nothing but how a particular research undertaken. The present study is related with the "Foreign Direct Investment in India".

### 3.1 OBJECTIVES OF THE STUDY

Objectives are the guidelines which certainly confines to the areas under which researcher proceeds and tries to achieve the purpose for which research is made. The specific objectives of present study are :-

1. To show the proportion of FDI inflow from different countries of world to India.
2. To study share of Top ten countries that countries that contribute in FDI.
3. To analyze sector wise FDI pattern in Indian FDI inflows.
4. To analyze FDI inflow according to regional differences.
5. To study the impact of FDI inflows on the few states of India such as Maharashtra, Delhi, Karnataka, Gujrat, Tamilnadu and Andhra Pradesh.
6. To discuss suggestions for business and government.

### 3.2 DATA COLLECTION

This study is based on secondary data. The required data have been collected from various sources i.e. World Investment reports, Asian Development Bank's Reports, various Bulletins of Reserve Bank of India, publications from Ministry of Commerce, Govt. of India, Economic and Social Survey of Asia and Pacific, United Nations, Asian Development Outlook, Country Reports on Economic Policy and Trade Practice- Bureau of Economic and Business Affairs, U.S. Department of State and from websites of World Bank, IMF, WTO, RBI, UNCTAD, EXIM Bank etc.. It is a time series data and the relevant data have been collected for the period 1991 to 2016.

### 3.3 IMPORTANCE OF THE STUDY

FDI is a predominant and vital factor in influencing the contemporary process of global economic development. The study attempts to analyze the important dimensions of FDI in India. The study also examines the role of FDI on economic growth in India for the period 1991-2016. The period under the study is important for a variety of reasons. These are-

1. It was during 1991 India opened its doors to private sector and liberalized its economy.
2. The experiences of South-East Asian countries by liberalizing

their economies in 1980s became stars of economic growth and development in early 1990s.

There is a considerable change in the attitude of both the developing and developed countries towards FDI. They both consider FDI as the most suitable form of external finance.

The study is appropriate in understanding inflow during 1991-2016.

**4.METHOD OF ANALYSIS**

Data is analyzed using percentage method. Percentage are used to express how large/small one quantity is, relative to another quantity.

**5. ANALYSIS**

**Table 5.1 Foreign Direct Investment Inflows**

in US\$ million for April 1991- June 2015

Financial Year	FDI Inflow in US\$ Millions
1991-92	165
1992-93	392
1993-94	654
1994-95	1374
1995-96	2140
1996-97	2770
1997-98	3682
1998-99	3083
1999-2000	2223
2000-01	4029
2001-02	6130
2002-03	5035
2003-04	4322
2004-05	6051
2005-06	8961
2006-07	22826
2007-08	34843
2008-09	41873
2009-10	37745
2010-11	34847
2011-12	46556
2012-13	34298
2013-14	36046
2014-15	44291
2015-16 (April-June 2015)	12362

India moved up six place to become the first time one of the top 10 destinations for FDI in 2014. According to the united nations conference on trade and development (UNCTD)s world investment Report 2015. It was 15<sup>th</sup> on the list in 2013.

Table 5.1 (Department of Industrial Policy & Promotion Ministry of Commerce and Industry) shows the year wise FDI inflow for India (1991-2015). FDI inflows have increased from US\$ 165 million in 1991 to US\$ 12362 million in 2015 (up to June). This reflects the overall development in different sectors attracting FDI from other countries due change in government policies and other relative parameters.

**5.2 COUNTRY SOURCES**

The analyses of the origin of FDI inflows to India show that the new economic policy has broadened the source of FDI into India. A Lion's share of FDI comes from only a few countries Table 5.2 (Department of Industrial Policy & Promotion Ministry of Commerce and Industry) shows the actual Investment flows of top ten countries and percentage to total FDI during the period 2000 to June 2015 the FDI inflows for the period of April 2000 to June 2015 form Mauritius (35%) are the largest, with Singapore (14%) as second largest and United Kingdom (9%) as the third largest of total FDI inflows. The other top seven countries Viz. Japan, Netherlands, U.S.A, Germany, Cyprus, France and Switzerland collectively accounted for 28% as the total actual FDI inflows to India. Among countries Mauritius has been the largest direct investor in India.

**Table 5.2 Share of top Inverting Countries in FDI inflows (Amount rupees in cross/Us\$ in million)**

Ranks	Country	2013-14 (April - March)	2014-15 (April - March)	2015-16 (April 15 - June, 15)	Cumulative inflows (April '00 - June '15)	% age to total inflows (in terms of US \$)
1.	MAURITIUS	29,360 (4,889)	55,172 (9,050)	13,334 (2,089)	438,892 (89,844)	35 %
2.	SINGAPORE	35,625 (6,985)	41,350 (6,742)	23,320 (3,672)	195,477 (36,861)	14 %
3.	U.K.	20,426 (3,219)	7,769 (1,447)	785 (119)	110,499 (22,329)	9 %
4.	JAPAN	10,550 (1,718)	12,752 (2,084)	2,914 (489)	96,312 (18,811)	7 %
5.	NETHERLANDS	13,920 (2,270)	20,960 (3,426)	4,123 (662)	81,381 (16,323)	6 %
6.	U.S.A.	4,807 (806)	11,150 (1,824)	3,959 (627)	70,839 (14,378)	6 %
7.	GERMANY	6,093 (1,038)	6,904 (1,125)	3,497 (564)	42,007 (8,407)	3 %
8.	CYPRUS	3,401 (567)	3,534 (588)	608 (96)	39,971 (8,140)	3 %
9.	FRANCE	1,642 (265)	3,861 (628)	877 (138)	23,466 (4,693)	2 %
10.	SWITZERLAND	2,084 (341)	2,066 (337)	598 (94)	15,812 (3,139)	1 %
TOTAL FDI INFLOWS FROM ALL COUNTRIES *		147,518 (24,299)	189,107 (30,931)	60,298 (9,608)	1,393,834 (281,141)	-

However this data is rather misleading the main reason for higher levels of investment from Mauritius was that the fact India entered into a double taxation avoidance agreement (DDTA) with Mauritius were protected from taxation in India.

**5.3 SECTOR WISE ANALYSIS**

The different sector in India received FDI for their development table 5.3 Department of Industrial Policy & Promotion Ministry of Commerce and Industry) shows the sector wise FDI inflow from April 2000 to July 2015.

**Table 5.3 sectors allractory FDI, 2000-2015 (Amount Rupees in Crores/US\$ in Millions)**

Ranks	Sector	2013-14 (April - March)	2014-15 (April - March)	2015-16 (April 15 - June, 15)	Cumulative inflows (April '00 - June '15)	% age to total inflows (in terms of US \$)
1.	SERVICES SECTOR **	13,294 (2,225)	19,963 (3,283)	4,036 (636)	209,578 (40,390)	17 %
2.	CONSTRUCTION DEVELOPMENT: TOWNSHIPS, HOUSING, BUILT-UP INFRASTRUCTURE	7,508 (1,226)	4,582 (788)	216 (34)	113,355 (24,098)	9 %
3.	COMPUTER SOFTWARE & HARDWARE	6,896 (1,124)	13,564 (2,200)	16,245 (2,556)	89,481 (17,579)	7 %
4.	TELECOMMUNICATIONS (radio paging, cellular mobile, basic telephone services)	7,367 (1,207)	17,372 (2,898)	2,517 (395)	84,609 (17,483)	7 %
5.	AUTOMOBILE INDUSTRY	9,027 (1,517)	15,794 (2,570)	6,914 (1,094)	70,806 (13,477)	6 %
6.	DRUGS & PHARMACEUTICALS	7,191 (1,279)	9,211 (1,523)	1,370 (215)	68,682 (13,336)	6 %
7.	CHEMICALS (OTHER THAN FERTILIZERS)	4,738 (781)	4,077 (689)	1,898 (291)	50,909 (10,588)	4 %
8.	POWER	6,519 (1,064)	3,985 (657)	1,717 (271)	48,357 (9,828)	4 %
9.	TRADING	8,191 (1,343)	16,962 (2,741)	5,679 (897)	49,478 (9,898)	4 %
10.	METALLURGICAL INDUSTRIES	3,436 (568)	2,897 (472)	845 (133)	41,992 (8,400)	3 %

The results revealed that maximum contribution (17%) of FDI inflows in services sector after his investors prefer to invest in Construction Development (9%) computer software & hardware (7%), Telecommunication (7%) and automobile industry (5%) because these sectors all more profitable as compared to others service sector include financial and non financial. India has attracted significant overseas investment interest in services sector. The other major sectors attracting FDI inflows are Drug & Pharmaceuticals chemicals (other than fertilizers) power, trading, and metallurgical industries.

**5.4 DISTRIBUTION OF FDI.**

Mumbai and New Delhi have been the top performers, with the majority of FDI inflows with in India being heavily concentrated around these two major cities.

Chennai, Bangalore, Ahmadabad, Hyderabad are on the next positions, also drawing significant shares of FDI inflows, for statistical purposes, India's Department of Industrial Policy and promotion (DIPP) divides the country into seventeen regional offices. The top six regional attracts about seventy two percent of all FDI inflows to India between April 2000 to June 2015 (Table 5.4)

**Table 5.4 FDI inflows by Regions (April 2000 to June 2015), amount in US\$ in million)**

S. No.	RBI's Regional Office'	State covered	2013-14 (April - March)	2014-15 (April - March)	2015-16 (April, 15 - June, 15)	Cumulative inflows (April '00 - June '16)	Share to total inflows (in terms of US\$)
1	MUMBAI	MAHARASHTRA, DADRA & NAGAR HAVELLI, DAMAN & DIU	20,595 (3,420)	38,933 (6,341)	12,538 (1,979)	365,560 (75,097)	29
2	NEW DELHI	DELHI, PART OF UP AND HARYANA	36,190 (6,242)	42,252 (6,878)	19,892 (3,128)	268,915 (52,539)	20
3	CHENNAI	TAMIL NADU, PONDICHERRY	12,595 (2,116)	23,361 (3,818)	5,828 (924)	94,595 (17,938)	7
4	BANGALORE	KARNATAKA	11,422 (1,892)	21,255 (3,444)	8,447 (1,356)	90,559 (17,456)	7
5	AHMEDABAD	GUJARAT	5,262 (860)	9,416 (1,521)	4,732 (745)	56,529 (11,786)	5
6	HYDERABAD	ANDHRA PRADESH	4,024 (678)	8,326 (1,348)	2,581 (422)	91,591 (10,437)	4

**5.5 IMPACT OF FDI**

In this section an attempt is made to look in to the FDI inflows on the few states of INDIA such as Maharashtra, Delhi, Karnatka, Gujrat, Tamilnadu and Andhra Pardesh.

**5.5.1 Impact of FDI on Maharashtra Economy**

Impact of FDI on Maharashtra Economy has been very strong as foreign direct investments have introduced innovative technologies in various industrial units in the state.

*Advantages of Maharashtra Economy.*

- Maharashtra offers a business-friendly environment, excellence in infrastructure, highly-skilled and trained workforce, and effective policies in the industrial units.
- The Jawaharlal Nehru Port Trust (JNPT) provides effective communication network with markets of Southern, Northern & Western India.
- During 2002-2006, Mumbai was estimated to touch 8.4 percent GSDP growth.
- Increase in the growth rate of agriculture can make the state achieve 10 percent growth rate.
- The industrial and service sectors have contributed largely in the robust growth of the state's economy.
- Mumbai executes around 70 percent of India's stock transactions and is claimed to be the commercial capital of India.
- Sectors which have been heavily benefited from foreign investments in Maharashtra include Engineering, Electronics Hardware, Automobiles and Auto Components, Consumer Durables, Chemicals, Petrochemicals, Pharmaceuticals, Information Technology and Biotechnology.
- The Konkan railway project has attracted huge foreign direct investments. Maharashtra has ranked first in terms of attracting maximum foreign direct investments in executing various projects.
- FDI Inflows in Maharashtra has brought in innovative technologies in the industrial units in the state.
- Foreign Direct Investment in the state has raised the competitiveness of the business units in Maharashtra.
- Foreign Direct Investment Inflows has increased investment from the domestic market to a great extent.
- The export-market has got a real boost up from the FDI inflows in the state and has also got a bonus of accessibility in the global markets.
- FDI Inflows have also bridged the gap in the foreign exchange system which was a major issue of concern.

**5.5.2 Impact of FDI on Delhi Economy**

The impact of FDI on Delhi Economy has been impressive leading to substantial growth in sectors like IT, real estate, retail and tourism. Delhi has ranked second only to Mumbai, among the Indian cities in terms of FDI inflows. Delhi is the national capital of India. It is situated in the northern part of the country. Delhi serves as the gateways to all the northern states such as Jammu and Kashmir, Haryana, Punjab, Rajasthan, Uttar Pradesh, Uttaranchal, and Himachal Pradesh.

- The inflow of FDI influences the economic growth of Delhi.
- The investments have helped in creating a strong base for the latest technology.
- The amount of FDI inflows to Delhi during the period 2000 to 2006 was Rs 318.61 billion, which is just next to Mumbai.
- Delhi was able to attract a high FDI inflow in the realty sector, as the central government has allowed 100% FDI, pertaining to integrated townships, on the condition that the construction area should be equal to 100 acres.

- The economic analysis of the sectoral growth reveals that the contribution of the primary sector such as agriculture, fishing, livestock, forestry, mining and quarrying, and the secondary sector, such as manufacturing activities has decreased. The tertiary sector including services like commercial trade, business services, tourism and hospitality, transportation, communication, banking and insurance, real estate, public administration, etc has contributed to the major development of Delhi.

- The primary sector contributed around 3.85% in the period 1993-94, which by the year 2004-05 came down to 0.97% which was reduced to 19.92% by 2004-05. The contribution of the tertiary sector was 70.95% in 1993-94, which was increased to 79.11% by the year 2004-05.

*Development in Major Sectors;*

- Information Technology.
- Real estate.
- Healthcare Hub and Medical Tourism.
- Transport and Logistics.
- Financial Services.

**5.5.3 Impact of FDI on Karnataka Economy**

Karnataka ranks among the top five industrially developed states in India. The economy of Karnatka has developed significantly in recent years with large volumes of Foreign Direct Investment flowing into the state.

*Factors attracting foreign direct investment in Karnataka*

The state government is investor friendly for it provides the facility of single window clearance to ensure fast track approvals for foreign investments.

- The infrastructure facility that is available in the state is of world class standard.
- Good law and order situation prevails in Karnataka which is conducive to foreign direct investment.
- The state provides excellent logistic support and connectivity to the investors.
- The state ranks among the top industrially developed states of India.
- The state provides to the investors one of the biggest and fastest expanding markets in the country.
- Highly skilled manpower is abundantly available in Karnataka.

*Industries attracting foreign direct investment in Karnataka are:*

- Information technology.
- Cement.
- Food processing industries.
- Automobiles.
- Pharmaceuticals.
- Electronics & communications.

*International companies that have invested in Karnataka are:*

- Hewlett Packard.
- Compaq.
- Accenture.
- GE.
- Toyota.
- Coca-Cola.
- Warner Lambert.
- Italicement.
- Van Heusen.

*Advantages of foreign direct investment in Karnataka:*

The advantages of foreign direct investment in Karnataka are that it has helped to generate employment opportunities for the people in the state. Further the advantages of foreign direct investment in Karnataka are that it has led to the growth in exports from the state to foreign countries.

**5.5.4 Impact of FDI on Gujarat Economy**

Impact of FDI on Gujarat Economy has been positive for it has led to the all round development of the state. Impact of FDI on Gujarat

Economy has proved to be beneficial for the various industries in the state have grown, developed and also expanded.

Factors attracting foreign direct investment in Gujarat:

- The state provides extensive network of railways.
- Gujarat has the highest number of airports in the country.
- The state provides excellent network of roads.
- Professional services to the investors are provided in Gujarat.
- The state is highly industrialized.
- Location wise, Gujarat has a strategic location providing easy access to the African, western, and Middle East markets.
- Skilled manpower is abundantly available in Gujarat.

*Industries attracting foreign direct investment in Gujarat are:*

- Oil and gas.
- Infrastructure.
- Food processing industries.
- Information technology.
- Gems and jewelry.
- Biotechnology.
- Chemicals.
- Textiles.

*Advantages of foreign direct investment in Gujarat;*

Foreign direct investment in Gujarat has led to the growth in trade and exports in the state. FDI inflows in Gujarat have led to rapid development in the industrial sector in this state with increasing volumes of Foreign Direct Investments (FDI) Gujarat has emerged as one of the most rapidly developing states in India.

### 5.5.5 Impact of FDI on Tamil Nadu Economy

Impact of FDI on Tamil Nadu Economy has been quite strong. Foreign Direct Investment has provided the state with innovative technologies, new markets, and demands in input. Foreign Direct Investments have made Tamil Nadu rank among the first three states in the country.

*Advantages of Tamil Nadu in terms of Investment;*

- Industrial output, value addition, strength of factories, work force employed in factories, and Foreign Direct Investment have made Tamil Nadu rank among the first three states in the country.
- The state government is quite friendly and open to the investors and the climatic condition of the state is also apt for industrial developments.
- The literacy rate in Tamil Nadu accounts for 73.5 percent which ensures great number of workforce in the state.
- Private Participation in Infrastructure building is ensured by the government of Tamil Nadu.
- Single window clearance is availed to the investment that would surpass USD 5.41892 million.
- The state government has assured about introducing a new Special Economic Zone (SEZ) policy to carry out the execution of industrial activities in a more systematized form.
- A fresh new IT Policy 2002 and Information Technology Enabled Services (ITES) Policy 2005 have been formulated with the aim to provide an investor-friendly atmosphere to the IT sector in the state.
- The government of Tamil Nadu has reduced the stamp duty by 50 percent.

*Impact of FDI on Domestic Investments in Tamil Nadu;*

- Foreign Direct Investment has provided the state with innovative technologies, new markets, and demands in input.
- The labor force in the state is mobile and it keeps on touring from multi-national corporations to domestic enterprises.
- Investment in new industrial sectors has stimulated the growth of new industry and new products.
- FDI also had a disadvantageous impact on Tamil Nadu economy as it has crowded out the domestic investment and has raised the interest rates.

- FDI has also increased the competitive level of the domestic firms with the global ones.
- FDI Inflows gave rise to employment opportunities and labor skills by setting up various industrial sectors.
- It has brought innovative technologies in the industrial sectors in state.
- FDI has also replace foreign-intensive equipment by introducing fresh new technologies.
- FDI has brought in technological advancements through various foreign companies and has made products more export-oriented.

### 5.5.6 Impact of FDI on Kerala Economy

Impact of FDI on Kerala economy has been quite strong in recent years. This state is highly well developed in terms of literacy, education and health. Kerala has an abundance of natural resources which is conducive to foreign direct investment in the state. Kerala has gained from FDI inflows in terms of technological advancements increased competitiveness and growth in export production.

*Important factors attracting FDI in Kerala*

- Kerala has an abundance of natural resources.
- The state is highly well developed in terms of literacy, education and health.
- Advantage of location is an important factor as Kerala is located on the trans-national trade corridor.
- It is well connected to other important state of India
- Kerala provides considerable advantage in terms of cost structure to foreign investors.
- Communication networks are quite well developed in the state.
- The state government policies are proactive and provide incentives to various enterprises.
- The investment patterns are quite simplistic and limp.
- The service sector in Kerala has occupied almost two thirds of the state economy.

### FDI inflow in Kerala

- Minerals and clay based products.
- Traditional industries.
- Tourism
- Auto components.
- Agro processing.

### 6.1 FINDINGS

FDI is an important stimulus for the economic growth of India.

- Services sector is the first and banking & insurance sector is the second segment of which pick growth in second decade of reforms.
- FDI creates high jobs for skilled employee in Indian services sector.
- Mauritius and Singapore is the 2 top countries which has maximum FDI in India.
- FDI plays an important role in the development of infrastructure because many countries invest in the infrastructure sector and services and banking sector.
- Atomic energy and Railway transport are some important and life line of any country therefore India also restricted FDI in these sector.
- A. India is attracting foreign investment at a good rapid rate of growth. The growth rate of FDI over last year was found to be 40% the main reason for the substantial growth in FDI was opening up of Indian economy to foreign investment, relaxation of norms for foreign investment and enhancing sector wise limit.
- B. In region wise analysis, Mumbai was on the top with 29% of total FDI of India. The reason behind this was the availability of service sector, infrastructure and construction development six regions offices which are the top contribute about 71% of total FDI while rest of the regions add 29% to total FDI.
- C. As per the Data, the sector that attracted higher inflows were service sector (17%) construction activities (9%), telecommunication (7%) and computer software & hardware (7%)

- D. A country wise FDI inflows show that Mauritius is the country that has invested highly in India followed by Singapore, UK, Japan, Netherlands and USA and so on nine countries contribute about 83% to cumulative FDI in India while remaining contribute only 17%
- E. FDI plays an important role in the development of Infrastructure because many countries invest in the infrastructure sector and banking finance sector.

## 6.2 CONCLUSION :-

FDI in India has a significant role in the economic growth and development of India. FDI in India to various sectors can attain sustained economic growth and development through creation of jobs, expansion of existing manufacturing industries. The inflow of FDI in service sector and construction development sector from April 2000 to June 2015 attained substantial economic growth and development through creation of jobs in India.

Computer software & Hardware and Drugs & Pharmaceuticals sector were the other sectors to which attention was shown by foreign Direct Investment (FDI). The other sector in Indian economy the foreign Direct Investors invest was in fact has been quite poor.

FDI has helped to raise the output productivity and employment in some sectors especially in service sector especially in service sector Indian service sector in generating the power employment options for skilled worker with high peeks on the other side banking and insurance sector help in providing the strength to the Indian economic condition and develop the foreign exchange system in country.

So, we can conclude that FDI is always helps to create employment in the country and also support the small scale industries also and helps country to put an impression on the world wide level through liberalization and globalization.

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