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A Project Report on FDI and Its Impact in India

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Abstract: Foreign direct investment in India is a major monetary source for economic development in India. The study's goal is to research the impact of foreign direct investment in India. Foreign companies invest directly in fast growing private auspicious businesses to take benefits of cheaper wages and changing business environment of India. Economic liberalization started in India in wake of the 1991 economic crisis and since then FDI has steadily increased in India, which subsequently generated more than one crore jobs. The foreign direct investment plays an important role in developing and generating jobs in India.
Keywords: Foreign Direct Investment, Economic Growth, India, Employment, Trade, Infrastructure Development.

I. INTRODUCTION

Foreign direct investment (FDI) is an investment made by a company or an individual in one country into business interests located in another country. FDI is an important driver of economic growth. Generally, FDI is when a foreign entity acquires ownership or controlling stake in the share of the company in one country or establishes businesses there. It is different from foreign portfolio investments where the foreign entity merely buys equity shares of a company. In FDI the foreign entity has a say in the day-to-day operations of the company. FDI is not just the inflow of money, but also the inflow of technology, knowledge, skills and expertise know-how. It is a major source of non-debt financial resources for the economic development of the country. FDI generally takes place in an economy which has the prospect of growth and also a skilled workforce. FDI has developed radically as a major form of international capital transfer since the last many years. The advantages of FDI are not evenly distributed. It depends on the host country's systems and infrastructure. The determinants of FDI in host countries are: Policy framework, Rules with respect to entry and affiliates, international agreements, Trade policy (traffic and non-traffic barriers) and Privatization policy.

II. OBJECTIVES

1) To know the impact of FDI in India.
2) To study the economic growth in India with FDI.
3) To study the access of new technology and markets due to FDI.

III. REVIEW OF LITERATURE

Mafruza sultana, vidushi kagdiyal, vishal m goyal, sai pratyush chakkala, and rajeshri parmar – IMPACT OF FDI INDIAN ECONOMY International Journal (2017) there have been many researches on FDI in India and its impact on Indian economy. The main objectives are to examine the impact of FDI on not only Indian growth variables but also on other factors which are human development index and population as well. We wanted to know how much FDI is responsible in the changes of their individual variance. We used a model in which clubbed the FDI factors (foreign exchange reserves, exchange rate, import and export) into one and from it we saw the impact it making on Indian economic variables. In this study we included GDP, HDI, population, inflation and Sensex index as economic variables. We used regression model for our data analysis Findings: We get to know that there is a considerable impact of FDI on HDI, population and Sensex index. Though there is an impact on import export also but not to that much extent.

Monika Jindal- "Impact of foreign direct investment on Indian economy" in their study Foreign Direct Investment (FDI) as a strategic component of investment is needed by India for achieving the economic reforms and maintains the pace of growth and development of the economy. The paces of FDI inflows in India initially were low due to regulatory policy framework but there is a sharp rise in investment flows from 2005 towards because of the new policy has broadened. The study tries to find out how FDI seen as an important economic catalyst of Indian economic growth by stimulating domestic investment, increasing human capital formation and by facilitating the technology transfers. The main purpose of the study is to investigate the impact of FDI on economic growth in India.

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Kaur Sachdeva (2014) "A Study on analysis of FDI inflows and outflows in India", in their paper, studied the Foreign Direct Investment inflows and outflows in India and the main objective of the study is to find out the FDI inflows and outflows trends and patterns. The study has descriptive research and hypothesis test approach as their research methodology. The Secondary data is been used for the analysis in this study and through containing sample data like FDI year wise fact sheet and performance analysis. India's economic reforms way back in 1991 has generated strong interest in foreign investors and turning India into one of the favourite destinations for global managerial skills and practices, optimizing utilization of human and natural resources and competing internationally with higher efficiency.

IV. RESEARCH METHODOLOGY

There are two types of data:

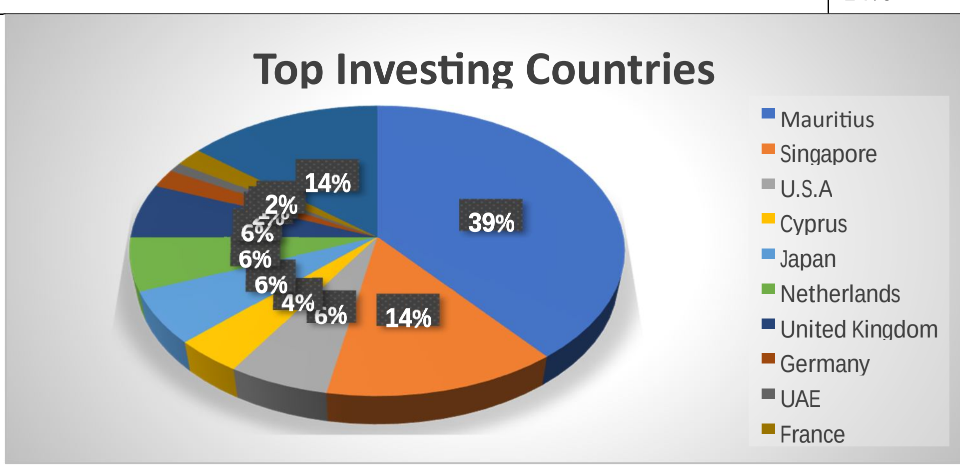
1) Primary data: Primary data can be collected by making questionnaire and observing data from them.
2) Secondary data: The secondary data will be collected by reference books or company website and various financial websites. Secondary data is collected from government publications, Trading economics, DEA government websites, World Bank and RBI websites for research on FDI inflow, outflow and its Impact.

This study contains secondary data. Secondary data is collected from published and unpublished reports, books, application, Textbooks, Journals, Magazines, and FDI statistics. The research methodology used for experimental research by reviewing relevant texts in the subject. All relevant information and information needed for the study was taken from a second source Means the data that are already available or exists i.e., they refer to the data which have already been collected and analyzed by someone else.

V. DATA ANALYSIS AND INTERPRETATION:

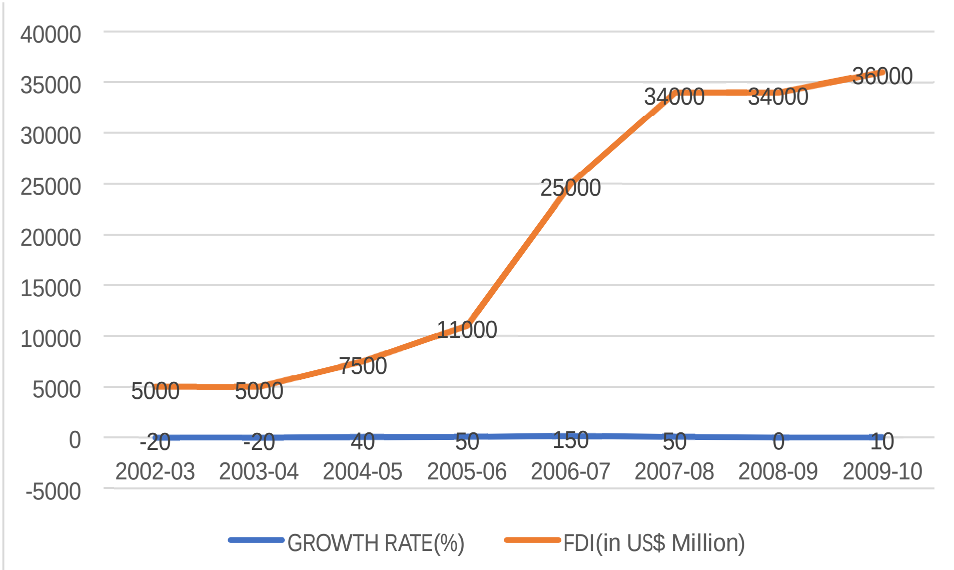
1) *Top Investing Countries in India:*

Top investing countries	Percentage
Mauritius	39%
Singapore	14%
U.S.A	6%
Cyprus	4%
Japan	6%
Netherlands	6%
United Kingdom	6%
Germany	2%
UAE	1%
France	2%
Others	14%



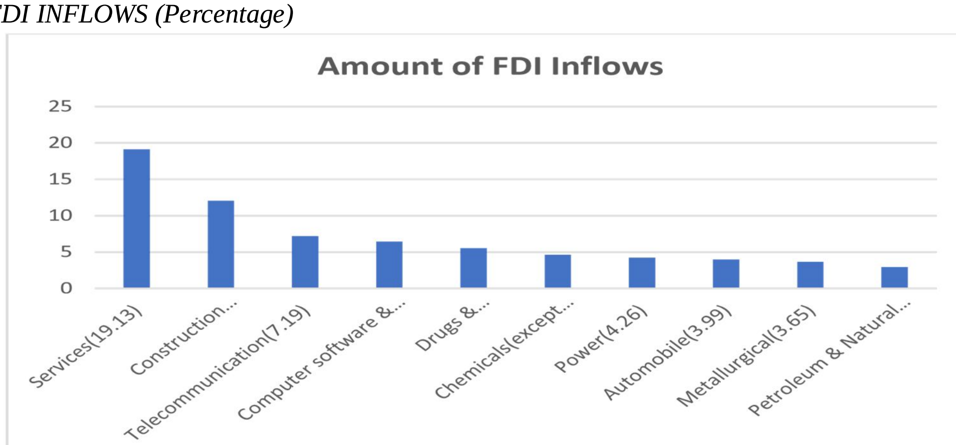
Interpretation: The pie chart above shows the percentage of FDI imports from various countries collected from 2006 to 2014. In terms of investing countries, Mauritius continues to respond to the highest number of FDI inflows. Due to lower corporate taxes and an agreement with India to avoid double taxation, Mauritius attracts who set up shell companies called "overseas trade associations" in India, as a means of reducing their tax debts In India (Saadiam et al., 2014). About 10 to 14 percent of FDI comes from Mauritius and other tax-free states estimated to be around1 by Indian companies or foreign investors based in India (Rao and Dhar, 2011). Singapore is in second place in terms of FDI entry followed by the U.S.A, Japan, the Netherlands and the UK. International co-operation and FDI inflows acquired after 1991 show that investment from Mauritius has increased significantly.

2) FDI INFLOW IN INDIA

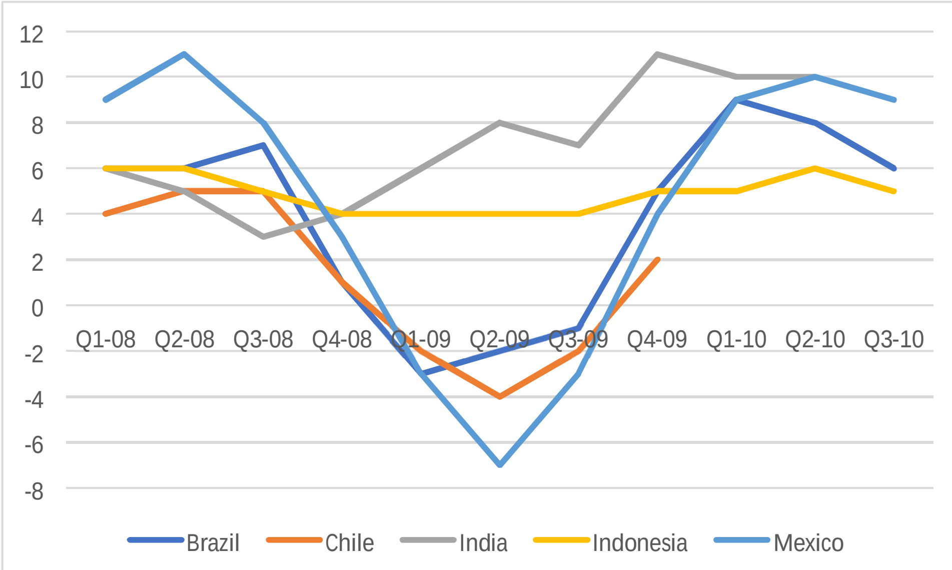


Interpretation: From above graph depicts that from 2002-2003 onwards the FDI, in India is gradually increasing, the FDI which increase from 2003-2003 to 2009-2010, which giving positive results, to Indian economy, in the form of employment opportunities, know-how, Skill of labour, starting up of different companies in India, where investments required. When investments are gradually increasing, which helps to gain Host currency to the nation. Majorly these investments are happened in service sector, Telecommunication, Construction. The investments in the form of FDI should be in Agricultural sector also. Because, India is labour intensive country, most of the people are depending on Agricultural sector. If investments are increased in Agricultural sector, people can earn more knowledge and money, Consequently the GDP of the country would gradually increase. Per capita Income of the country would increase, and also people and their standard of living.

3) AMOUNT OF FDI INFLOWS (Percentage)

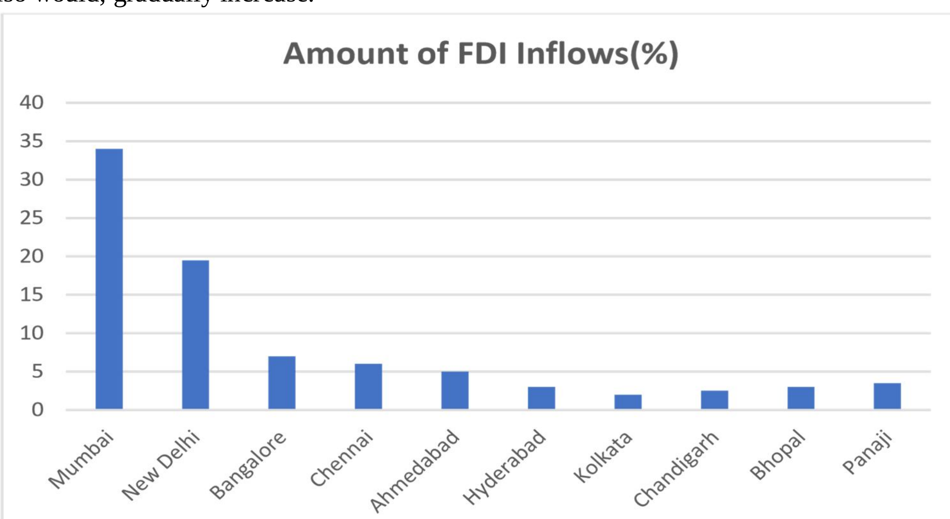


Interpretation: From the above table, the investments through FDI is high majorly in service sector, Construction, and telecommunication whereas FDI investments are less, in other areas like Computers, Drugs & Chemicals, Power, Automobiles, Hotel & Tourism. Where ever investments are, that sector and its growth rate is high. In India, dependents in Agricultural sector are high, because most of the people will depends on Agricultural sector, I would suggest that FDI, investments should be high in Agricultural sector, then automatically economy of the country flourish. Because from agricultural sector the GDP is less, whereas depends are high.



Interpretation: From the above graph it id depicts that India is in considerable State, among those countries which receive investments in the form of FDI. In developing economies, India is in second position those countries which receives investments in the form of form the above Graph it is clear that among the given countries in the Graph India and its GDP is high, because India is getting huge amounts in the form of FDI. When Investments are made in the form of FDI, that country and its GDP will also increase.

Whenever FDI, are increased we will have some advantages like Investments, Technology, Skill, Knowledge, Labors, can be transformed from one nation to other nation. When FDI are increased production and productivity levels of the manufacturing organizations would gradually increase. Whenever product increases regarding different products, these products should export to different countries. When exports are increased the balance of payment problem between countries will be gradually decrease. The Value of the Rupee also would, gradually increase.



Interpretation: From the above table depicts that Majority of the investments are happen in Mumbai, and then after New Delhi, that has been given positive results, investments also should increase in under developed areas also based on the strengths of location, which kind of industries are suitable and what makes to provide employment opportunities and which helps the standard of living of the people. The investments in Bhopal and Panaji are less, government should plan in such a manner, to develop even underdeveloped areas also.

VI. FINDINGS

1) From 2002-2003 and 2009-2010, the investments made in the form of FDI, is gradually increased.
2) Investments Made in the form of FDI, it is prioritized to certain areas only like Service, Infrastructure, and Telecommunication.
3) When foreign Direct Investments are increasing, the GDP of the Country is also increasing gradually.
4) When FDI, increasing from 2002-2003 to 2009-2010 the exports also increased.
5) Inflation rate also increasing, the current rupee Value gradually decreased.

VII. SUGGESTIONS

The provincial government must create awareness among people by emphasizing the benefits of FDI to their resistance can be prevented. The provincial government must identify certain sectors their big investment is needed as road construction, survival bridges, airports, etc. Where in FDI it can help as well request FDI in these specific fields. There should be a clear policy regarding FDI and it should be working in the spirit of truth.

About today's sales offer that means organized employment of thousands of people, still has to fund employment for thousands of people, still has to support the self-employment of kirana shops by making them more efficient and effective competition.

VIII. CONCLUSION

In conclusion, FDI in the retail sector will definitely be able to improve youth employment in India. For those who are afraid of the effects of FDI on sales in India, the examples of Uk and JAPAN should provide comfort. The influx of foreign players from Uk and JAPAN has given great impetus to trade and exports to both countries have been shot in the arm. Despite growing pressure from left- wing groups, the current Indian government has decided to allow FDI in specialized single-store stores, which means that the world could invest up to 51% in joint ventures to market its premier products.

Major foreign traders were initially banned from making money in India. But now 51% FDI is approved in India only for single-brand retail stores. Many product stores are still beyond their reach. And they can only enter the market through franchisees.

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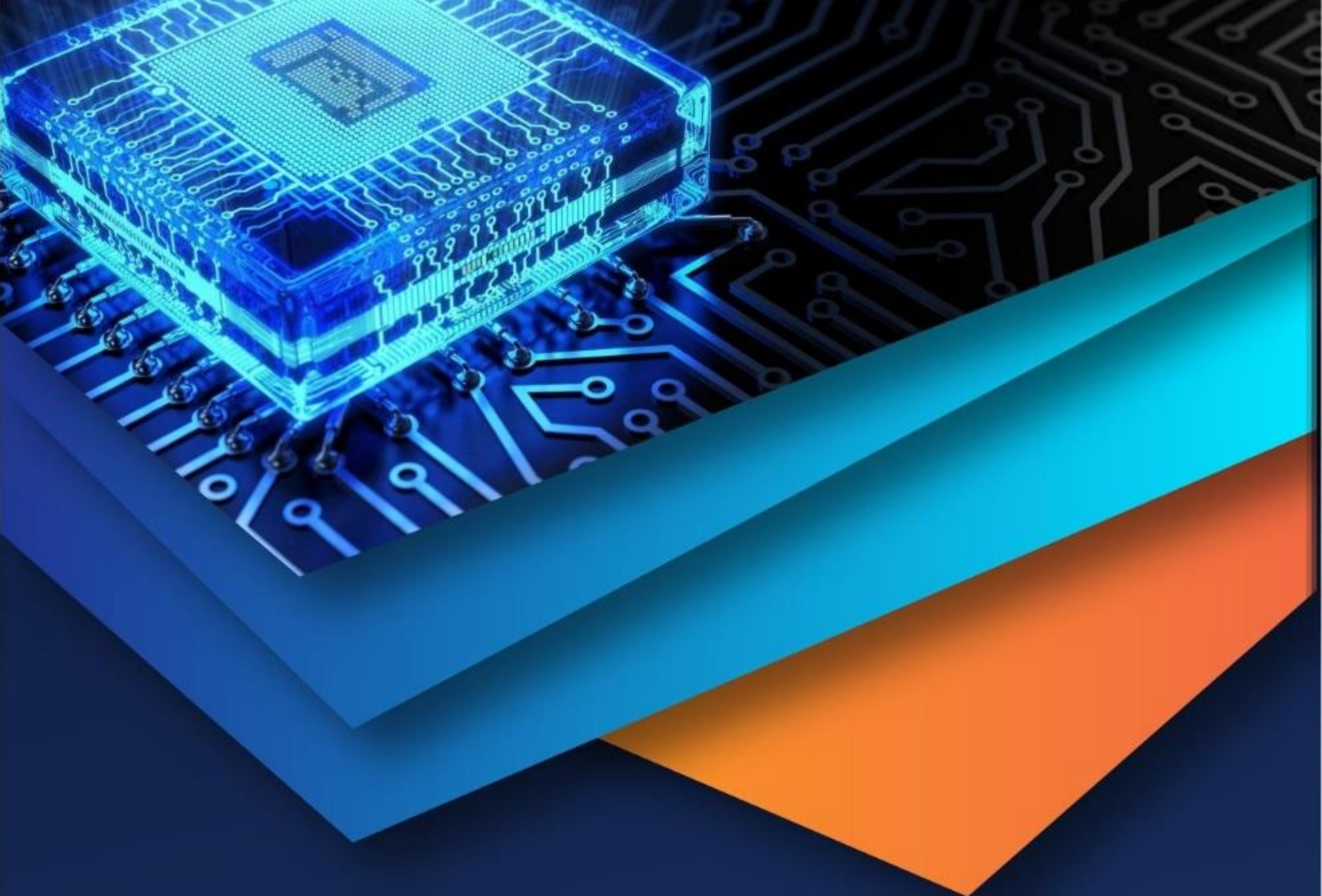

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