Available online at http://www.advancedscientificjournal.com
http://www.krishmapublication.com
IJMASRI, Vol. 1, issue 9, pp. 206-210 Nov. -2021
https://doi.org/10.53633/ijmasri.2021.1.9.007

INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY ADVANCED SCIENTIFIC RESEARCH AND INNOVATION (IJMASRI)

ISSN: 2582-9130 **IBI IMPACT FACTOR 1.5** **DOI: 10.53633/IJMASRI**

RESEARCH ARTICLE

FDI - A GREAT OPPORTUNITY FOR INDIAN ECONOMY

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Abstract

Foreign Direct Investment provides maximum benefits to developing countries, it helps to boost the economy development , generate employment opportunities , also help to provide professional skills , better customer services and also increases government revenue , FDI results in maximum benefit for the targeted country then the foreign invest , even during this pandemic situation , India is the only country that has achieved maximum benefit from FDI , China , Japan and Saudi Arabia also have achieved benefits from FDI in 2020. FDI investment in 2020 was mostly from Singapore and United States , there are many countries which invest in India , it is the largest beneficiary in South Asia , and third ranks in the international market , Maximum countries want to invest in India , India is growing very fast with FDI . However there are a few advantages also of FDI in India , it is disadvantage for the small industries to cope with high MNCs and also there are times when it might result in exchange crisis and many other . FDI in India will be amplified in the upcoming years.

Keywords: FDI, developing countries, employment, India, beneficiary, investment, international market

Introduction

FDI is one of the top legal revenue generating legal practice in India .Foreign Direct Investment (FDI) can be delineated as investment in a business by an investor from another country for control over company invested . The OECD defines control as owing 10% or more of the business , business that make direct foreign investment are often called MNCs or multinational enterprises . Foreign investor may create a direct investment by creating a new foreign enterprise which is known as Greenfield investment or acquisition or investment in an existing firm which is known as Brownfield investment .In the context of Foreign Direct Investment , advantages and disadvantages are matter of perspective where FDI may provide great advantages for the foreign

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investors but not for the foreign country where the investment is made and on the other hand sometimes the deal can work out better for the target country depending on how the investment works out , there may be advantages for both the countries , foreign direct investment are usually made in developing countries . FDI promotes economic development stimulation of the target country by creating a more conducive environment for investors and local industries .FDI can be tremendous source of external capita for a developing countries leading to further economic development . FDI also helps t increase employment opportunities , investors create new jobs by building new companies in the target country , this results in escalating income and the buying power of local population which boost economic , if a big factory is led down in a small country , the investor will need to utilise some local labour , resources and equipment to construct result in new jobs and foreign money being growing to the economy , and even after the construction of the factory , they will require local people , equipment and services , this will get more jobs and even business , these new jobs means people have more money to spent . FDI also increases the Tax revenue , increase in economic activities produces additional tax revenue of the government of the target country will also increase , for instance the factory constructed , the manufactured products will be tax and even from the employee salary , these taxes can be used to create better physical and economic infrastructure for the targeted country such construction of roads , opening education institutions also the creation of more domestic industries . FDI can led to the development of Human Capital resources , Human Capital is the competence and knowledge of work force that is the labour , the attributes gained by training and sharing experience resulted due to influx of FDI would escalate education and overall human capital of the target country , this asset belongs to the target countries and not to the foreign investor , a country with FDI can benefit greatly by developing its human resources . Increment in income is also one of the advantage of FDI , the increase of the target countries income with more jobs and more wages , as a result economic growth boost.

Research Methodology

For the purpose of this exploration, I have used a amalgamation of two of the archetypical social sciences research tools application–as they are authentic and brilliant method to assemble statistics from multiple appellant in an methodical and convenient way. Question were asked to the common youth, economist, business men survey, interviews – consisting of several interrogation which were dispersed among representative of each contender group

Objective of the Research Paper

The main areas of exploration in this paper incorporates

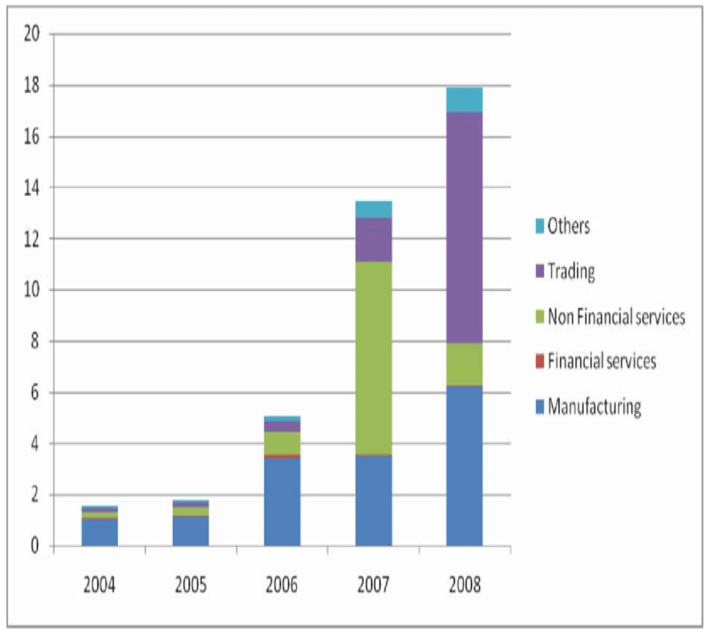
1. What is FDI and its importance
2. What is the impact of FDI on Indian economy?
3. Investment made by countries in India.
4. How India has received utmost benefit for FDI.

Literature Review

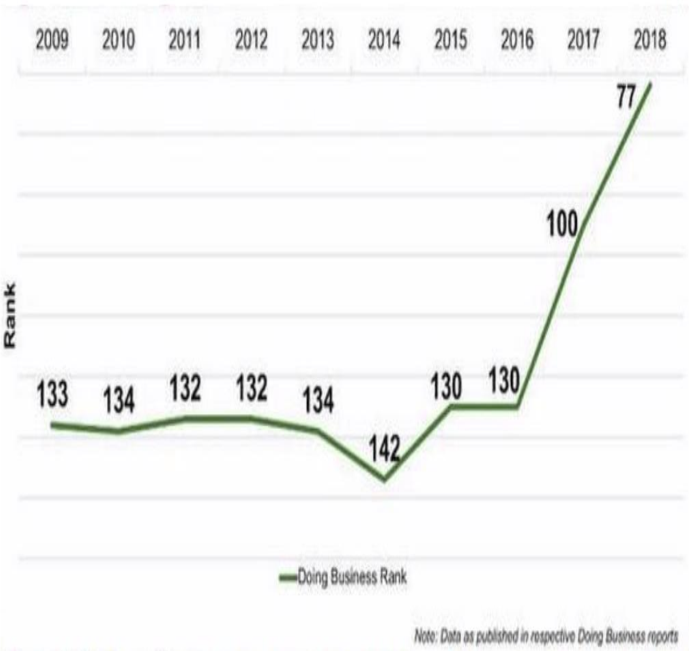
Foreign direct investment is importance and it provides ample benefits to the target country. The foreign banks or insurance forms may provide training to the staff of its domestic partner providing professional skills, the FDI the domestic bank can provide more funds loans/advances to firms leading to economic development and transfer of technology which would help to improve quality, quantity and reduction of costs , the business forms can expand their business activities due to the credit / insurance provided by the bank and amplify the revenue of government, to also provides corporate image with foreign banks invest equity in select domestic banks. It was enhances customer service with customers get better services due to professional approach of the staff, FDI may generate higher efficiency in the banking insurance sector. It can enable private banks insurance firms to set up branches abroad which is an entry in overseas markets. It also creates both direct and indirect employment. Looking at the FDI in India , for a developing country like India , the total capital requirements cannot be met with internal sources alone so foreign investments become an important part in supplying capital. Foreign Institutional Investment in the financial asset such as stock bonds etc. of the company located in another country. FII investor is not involved in the day to day management of the company, In FDI, a company based in USA invests in India by setting up wholly owned subsidiary or getting into a JV with a company based in India, Routes for FDI in India are automatic or government, automatic are approved by RBI and government are approved by the government is necessary. Recent times the government has revised its FDI policy during the COVID -19 time , China has raised its stake in India in India's largest non-banking mortgage provider HDFC, Investments from China will now require a clearance from the centre. FDI policy was revised to curb the opportunities takeovers or acquisitions of India companies in the aftermath of the novel corona virus and the economic crisis, amended FDI rule: a person not living in India can invest in nation, taking into account the FDI policy apart from sectors where there is restriction. However, an entity of a country which share a land border with India or where the beneficial owner of investment into India is situated in or is a citizen of any such country can invest only under the government route, the restriction was already in place for Bangladesh and Pakistan , where the investment cannot be made in defence, space, atomic energy and other prohibited sectors, the amended rules do not stop investment flows from the bordering country but ensures that all investments would be closely scrutinised, there's also a 26% cap on FDI in digital news media through government route .

Findings

FDI has been attracting a lot of foreign investors, since the time of 1991 with India starting the liberalisation investment policies in India along with many initiative .India is becoming a part for foreign investment in the international market. FDI has played a significant role in the development of Indian economy. India assist foreign companies investment into India private Business and acts as a link between the Indian Entrepreneurs who are finding for foreign funds with the foreign investors, Educational workers with cheap wages as well as a change in the business environment attract foreign investment. It brings financial stability to the Indian economy. Today 15 countries are FDI in India and have invested in different sectors like education, manufacturing sector, solar and hydra plants, construction sector, hospitality and tourism, food processing sector, metal and mining sector. FDI has a team of experts that render professional services and to carry out foreign investment in India: Project planning, Revival of NPA accounts, Long term partnerships and in depth analysis, Connecting with the investors, permission from the government and financial assistance.



In 2019, the FDI hit to 51 billion US dollar, it has escalated by 20 % from the previous year. The FDI stock was 427 Billion USD; it was an increase from USD 220 Billion from 2010. India is the among the 20 host economics in which India stands at the 12th position , the biggest in the sub region, it is responsible for 80% of inflow in the region .The main investing countries in Indi are Netherlands, US, UK, Singapore, Mauritius, Japan, Germany and France. The investing sector mainly included automobile industry, trade and commerce, computer software, telecommunication services, hardware, constructions and chemicals. As per the attest report, in 2020 India is the largest recipient in South Asia and we have seen an increase in investment in Indian digital economy a rise of 13 % , cross border M&A sale brought a 83 % grew to USD 27 billion. Facebook brought 10 % on Jio platform in April 2020. Amazon web series declared that it will invest USD 5.7 billion to set up more centers in the state of Telangana which will be regarded as the state with highest FDI attraction.



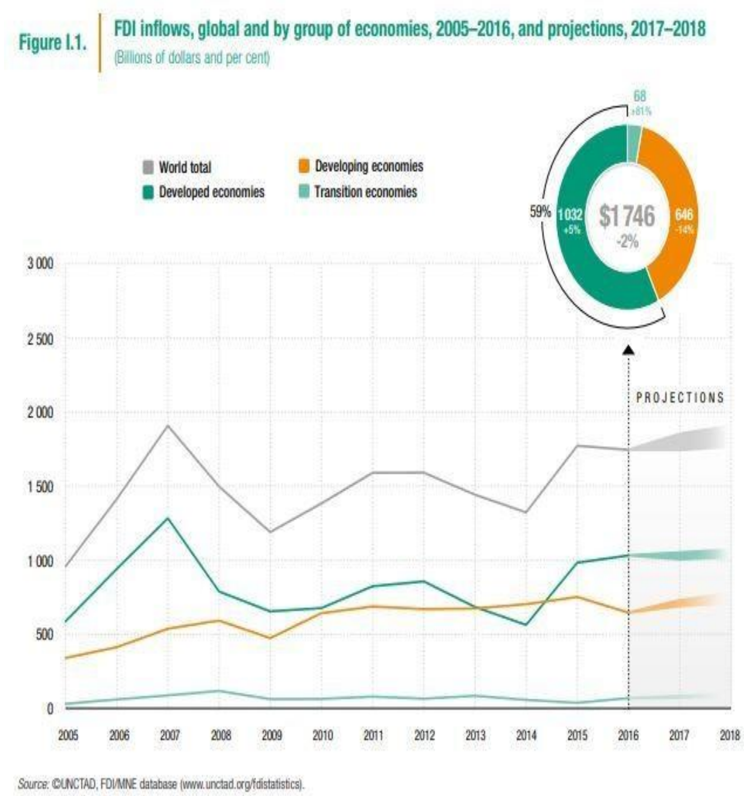
A study on FDI and the inflow it brought in the year 2017, 2018 and 2019.

Foreign Direct Investment	2017	2018	2019
FDI inward Flow	39,904	42,156	50,553
FDI Stock	377246	386,172	426,928
Number of Greenfield investment	703	779	701
Value of Greenfield investments	26,896	54,140	29,788

FDI equity inflows by country

Countries	For the year 2019
Singapore	31.6
Mauritius	20.2
Japan	9.6
United States	7.6
UK	3.1
France	1.2
Germany	1.0

India and Turkey are attracting deals in IT consulting, digital sectors digital payments and data processing. The government policies and reforms have made India a preferred destination for investing and we have seen a rise in inflow and it is among the top economies .India was the only country in 2020 to see a rise in FDI a jump of 20 % in the pandemic situation . FDI levels penetrated in August, this was due to the large equity inflows to tech vast Jio Platform, subordinate of India’s largest company. Jio brought 5.7 Billion USD investment, Facebook 4.5 billion USD and Google a small investment. US private equity firms brought stakes in Jio which works in industries like e-commerce, cloud computing and telecoms.



FDI dropped by 42% in 2020, there was a decline in inflow for the UK and US, but India, China, Saudi Arabia and Japan saw a rise in FDI.

Way Forward

FDI is important for India as huge investment is required in the future for infrastructure sector to boost the economy growth. Healthy inflow helps to maintain a balance of payments .India is trying to attract foreign investors and reach USD 120 to 160 million by 2025, the country has witnessed an increase of 6.8% rise in GDP and 1.8% rise in FDI. Around 80% of the foreign investors want to invest in India in the upcoming years; India is ranked third when it comes to Foreign Direct Investment. India will extend its FDI in PSU sectors which can provide massive economic growth and job opportunities followed by rural and urban development and health care centers and broadband sector, which will not only help in providing better professional skills but also better customer services to people.

Conclusion

FDI has brought in massive benefits to India and boosted its economy, however there are few things that add to the disadvantage of FDI, it can led to destruction of small entrepreneurs, it is feared that FDI will destroy small entrepreneurs, as they could not survive the tough competition from large MNCs. It also led to pollution , in the past pollution –borne industries have been shifted to the developing countries like most of the automobile industries have shifted their factor to developing countries , there are even cases of exchange crisis , for instance during the year 2000, the South east Asian countries experienced currency crisis because of the presence of FDIs , with inflation exports dwindled resulting in heavy fall in the value of domestic currency , resulting in the FDIs withdrawing their capital leading to an exchange crisis, there are also situations of political corruption and lastly inflation of the economy, foreign companies invest a lot of money on advertisement and on consumer promotion which leads to increase in prices, these all needs to be taken into considered before making FDI implement in all sectors of a country . For a country like India FDI is of a high advantage but if an exchange crisis happen, the economy of the country will be affected.

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