

Status of Indian Region in terms of FDI and Overall Marketplace

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ABSTRACT

From a long time, the buzzword FDI (Foreign Direct Investment) is getting a significant attention in the business and corporate community in India. There are lots of companies and corporate giants in India which are already in functioning since the support of liberalization. Still the proportion of foreign investments is under research in the business streets. In the first half of year 2015, India is moving ahead of China and US with the collections of 31 billion dollars while the figure is 28 billion dollars and 27 billion dollars with China and US respectively. Currently, the liberalization and bait of foreign currency is the major point in the new business policies of India. In the current scenario and corporate policies, India is striving to be one of the biggest honeypots in terms of foreign direct investments in assorted sectors. This research paper underlines various factors and cases by which the FDI is directly or indirectly influencing the economy of nation and supporting to be one of the mounting world economies.

Keywords - Corporate Liberalization, Foreign Direct Investment, FDI Marketplace Liberalization Policies

I. FOREWORD

Foreign direct investment or simply FDI refers to the multi dimensional business deals from cross-border corporate entities. In this aspect, the trading organizations broadcast, market and sell their products as well as services in other countries with the prior acquiescence and agreements.

In many cases, the foreign investment includes the merger or simply acquisitions of the existing business organizations to support and enhance the services in that region.

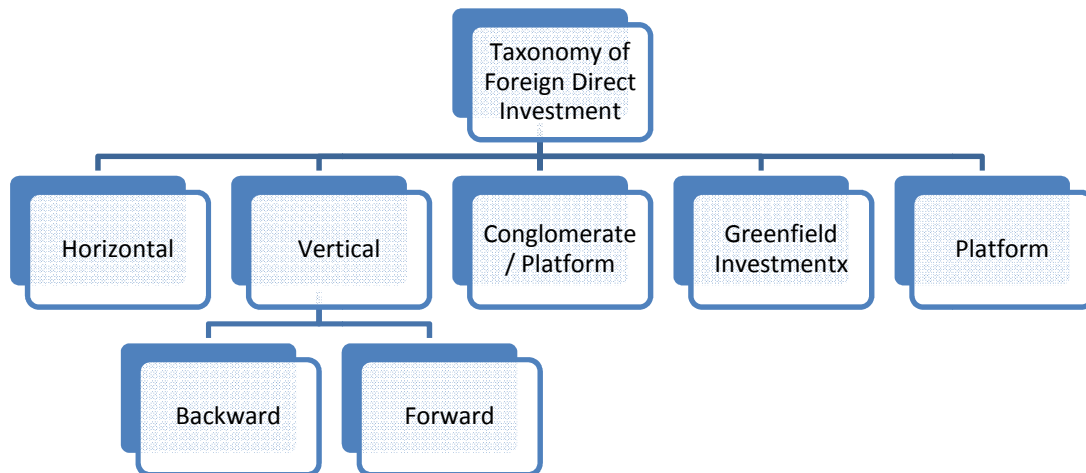


Figure 1 - Taxonomy and Dimensions of Foreign Direct Investments

Horizontal FDI – It is one of the basic and foremost types of the FDI investment which the company or business entity performs the functioning in other country in same domain with same services. Classically, this type of FDI is implemented by most of the corporate giants to enhance and expand their business objects. As an example, the company Toyota is manufacturing and assembling the automobile systems in assorted countries.

Vertical FDI – This type of foreign direct investment refers to the integration of backward and forward investment in the services and products. In backward vertical investment, the industry operates in a remote country with the

inputs from the home country. In case of forward vertical foreign investment, the organization is engaged in promotion and selling of output services and products from the home location.

Platform FDI – This type of foreign direct investment involves the business from the source country to the remote destination country with the basic purpose of export to the third remote country. It involves the association and agreements in the multiple countries.

Conglomerate FDI – It involves the integration and implementation of business having a separate and new business in a remote country. This is one of the most unique and highly sensitive type of FDI because of implementation of a new industry in a new country.

Greenfield FDI – This type of FDI involves the integration or simply assembly of the components and then trading in another country. The same concept is integrated with Honda in UK.

II. PROBLEM FORMULATION AND RESEARCH OBJECTIVE

The Foreign Direct Investment is one of the rich and premium domain in the business community and lots of work is done by number of researchers. Still, there is the need to analyze various factors which can affect the overall economy on the assorted implementation of policies associated with the foreign trading investments.

In this work, the examination of the dataset from year 2000 - 2015 is proficient with the measurable devices. The information that is taken for examination and investigation is in the scientific categorization of auxiliary dataset.

SPSS is the significant instrument that is utilized for the examination and forecast which incorporates the Frequency Test, Chi Square Test and Time Series Methods.

The well integrated and prestigious data records of World Trade Organization are taken after and got to have the datasets of the particular time span.

III. RESEARCH METHODOLOGY

The following hierarchy is implemented to carry out and achieve the research tasks -

1. Problem Identification and Formulation associated with the Foreign Direct Investments in India and its global context
2. Generation and fetching the auxiliary dataset from assorted portals and govt. gazettes.
3. Implementation and execution of the dataset on statistical tools
4. Generation of assorted reports and graphs for analysis and drawing the conclusion

IV. INDIA AS A LEADING HONEYPOT FOR FOREIGN INVESTMENTS

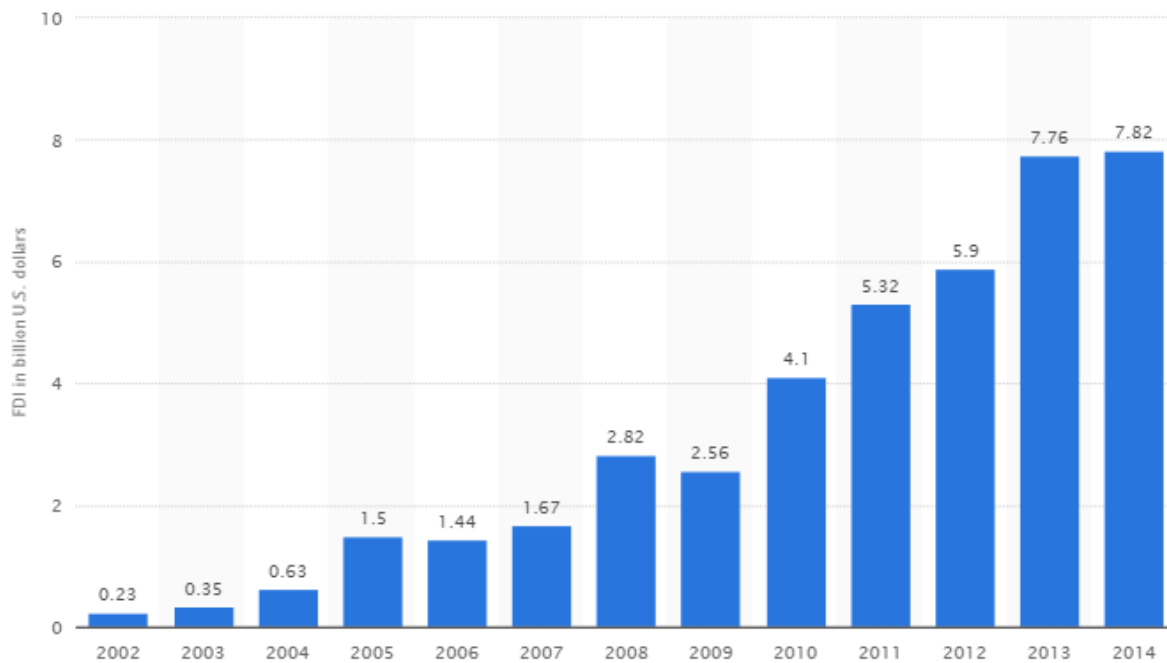


Figure 2 - Growth of FDI Inflow in India (2002-2014)

Table 1 – FDI from India to USA (2002-2014) (Billion Dollars)

Year	Inflows in FDI (US Dollars)	Growth (Percentage)
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2001	2,463	-
2002	4,065	0.65
2003	2,705	-0.33
2004	2,188	-0.19
2005	3,219	0.47
2006	5,540	0.72
2007	12,492	1.25
2008	24,575	0.97
2014	24,299	0.08
2015	30,931	0.27

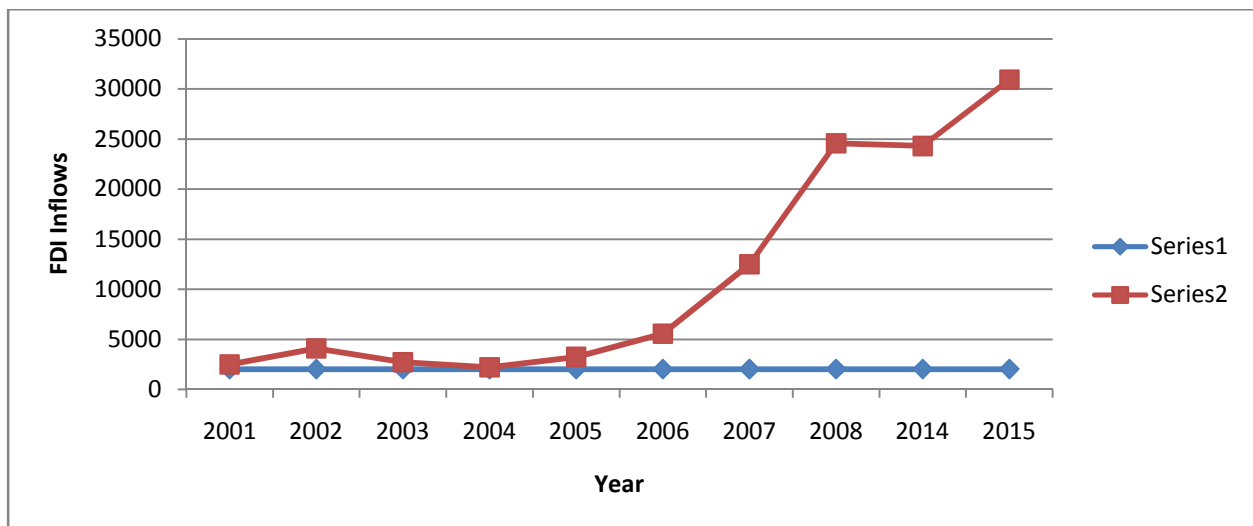


Figure 3 - Escalation and Growth of FDI Inflow in India

Table 2 - Country Wise Inflow of FDI Equity (2000-2015)

Country	Inflow of FDI (US Dollars)	Percentage
Mauritius	89644.04	34.74
Singapore	35860.84	13.9
UK	22329.12	8.65

Japan	18811.08	7.29
Netherlands	15323.43	5.94
U.S.A	14377.97	5.57
Germany	8197.45	3.18
Cyprus	8139.55	3.15
France	4651.3	1.8
Switzerland	3138.47	1.22
UAE	3125.58	1.21
Spain	2115.93	0.82
Italy	1651.98	0.64
South Korea	1602.61	0.62
HongKong	1557.56	0.6
Luxembourg	1306.38	0.51
Caymen Islands	1214.92	0.47
China	1160.64	0.45
Sweden	1103.84	0.43
Russia	1070.57	0.41

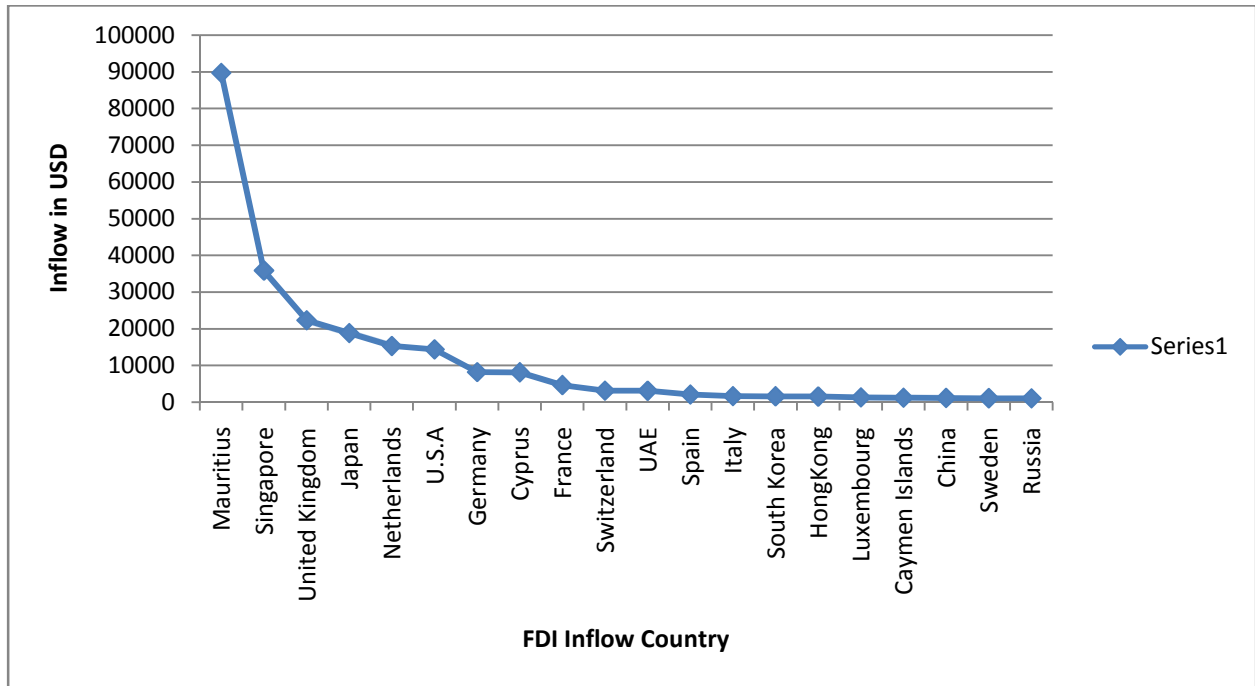


Figure 4 – FDI Inflow in terms of the Countries

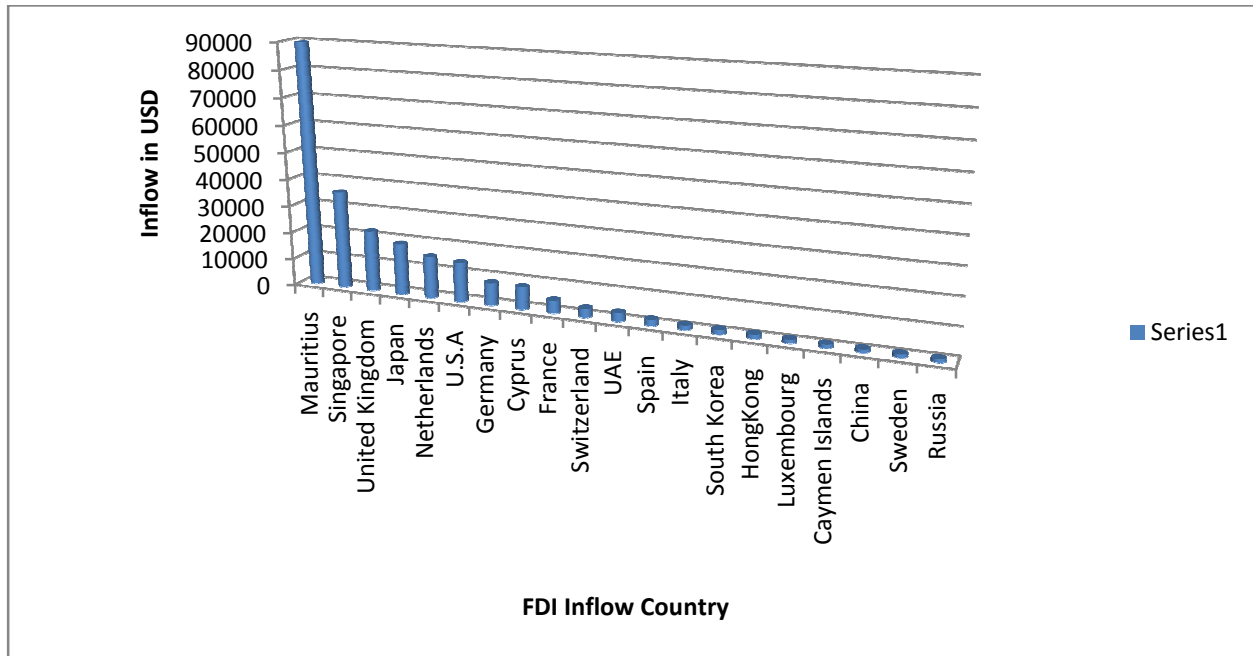


Figure 5 – FDI Inflow in terms of the Countries

Table 3 – Sector Based FDI EQUITY INFLOW (2000-2015)

Sector	Inflow of FDI (USD)	Percentage
Services	43350.23	16.8
Construction	24097.91	9.34
Computer Hardware and Software	17575.15	6.81
Telecommunications	17452.60	6.76
Automobile	13476.99	5.22
Drugs and Pharmaceuticals	13335.88	5.17
Chemicals	10588.22	4.1
Power	9828.08	3.81
Trading	8957.62	3.47
Metallurgy	8679.72	3.36

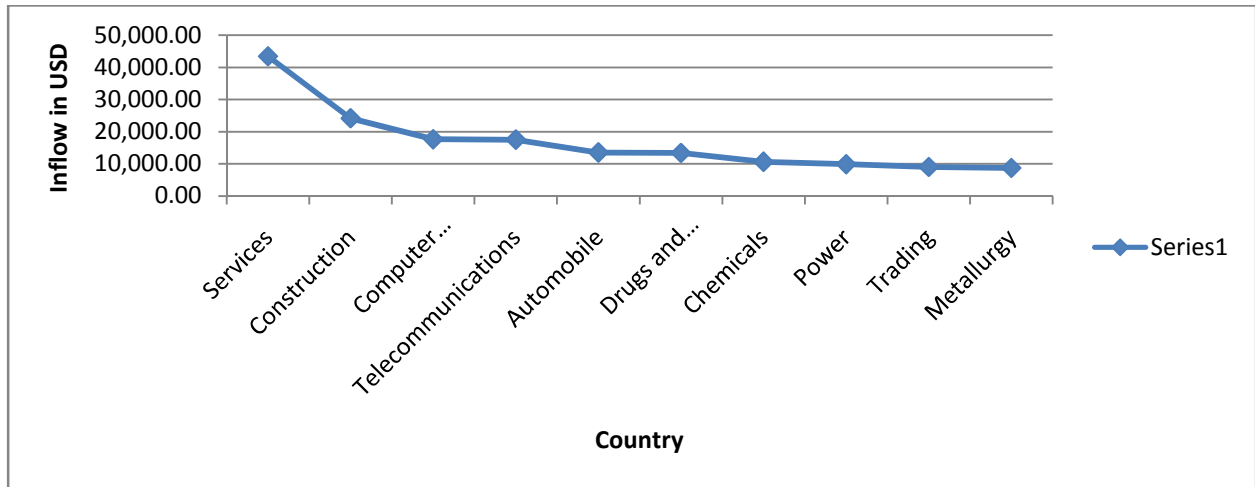


Figure 6 – FDI Inflow in terms of Trading Sectors

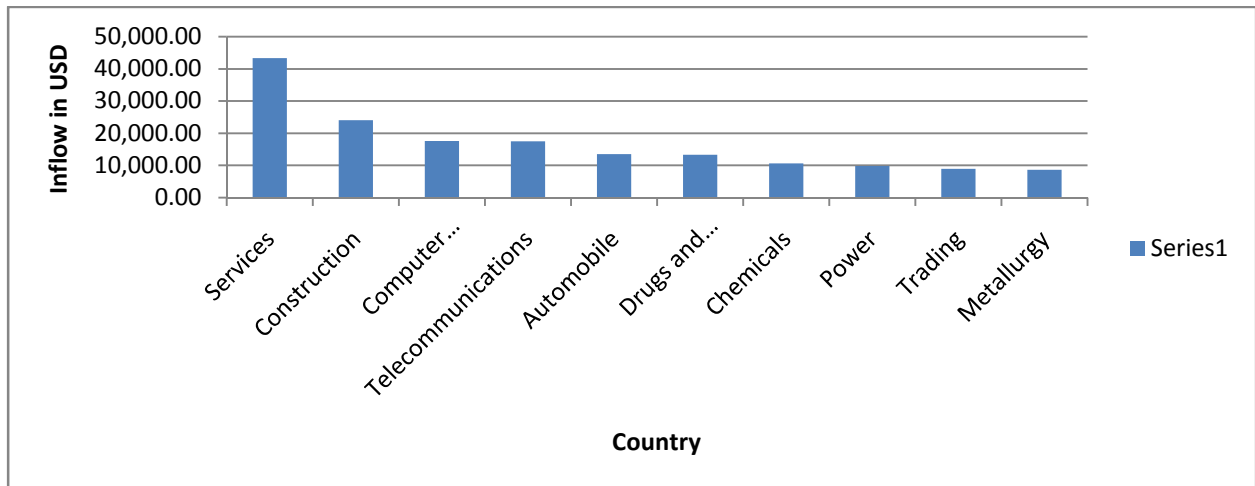


Figure 7 – FDI Inflow in terms of Trading Sectors

V. INITIATIVES OF THE GOVERNMENT TOWARDS FDI

- Reduction in the minimum capitalization

- Smooth exit from the running project
- Raising of the FDI threshold from INR 1200 crores to INR 3000 crores
- Enhancement of the FDI cap from 26% to 49% from the notification of DIPP.
- Online Filing of documents so that the traders can focus on their work effectively without any issue of documents or multiple applications
- Establishment of Inter-Ministerial Experts of Consultants
- Implementation of E-Governance in all the domains and sectors
- Facilitation and Promotion of Export of Dual Use Products of Items
- Relaxation and exemption of duties

VI. CONCLUSION

Using the live datasets and government reports, it is found that India is one of the principal locations in the sight of global corporate communities because of a very highly paying and superior clientele. It is predicted that India will need one trillion dollars during 2012-2017 for the growth of basic infrastructures and that's why the attraction to various foreign ventures is being developed. In many sectors, the government is pleasing hundred percent FDI so that the foreign associations and trading scope can be escalated.

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