RECENT TREND IN FOREIGN DIRECT INVESTMENT IN INDIA IN INDIAN ECONOMY-OVERVIEW

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Abstract: Foreign direct investment (FDI) in India is the major monetary source for economic development in India. Foreign companies invest directly in fast growing private Indian businesses to take benefits of cheaper wages and changing business environment of India. Economic liberalisation started in India in wake of the 1991 economic crisis and since then FDI has steadily increased in India. It were Manmohan Singh and P. V. Narasimha Rao who brought FDI in India, which subsequently generated more than one crore jobs. According to the Financial Times, in 2015 India overtook China and the US as the top destination for the Foreign Direct Investment. 2016 -2017 In first half of the 2015, India attracted investment of $31 billion compared to $28 billion and $27 billion of China and the US respectively.Foreign Direct Investment is one and only major instrument of attracting International Economic Integration in any economy. It serves as a link between investment and saving. Many developing countries like India, are facing the deficit of savings. This problem can be solved with the help of Foreign Direct Investment. Foreign investment helps in reducing the defect of BOP. The flow of foreign investment is a profit making industry like insurance, real estate and business services and serving as a catalyst for the growth of economy in India. The present study is based on the objectives like (a) to know the requirement of amount of foreign investment by India, for its economic Development and (b) to analyse the trend and role of FDI & FIIs in improving the quality and availability of goods has been beyond doubt. To analyse all these objectives data has been gathered through secondary sources like reports and publication of Govt, DIPP and RBI relating to foreign Investment, Ministry of Finance, Trading Economics.com, and Ministry of Statistics (MOSP). After analysing all the facts it may be concluded that maximum global foreign investment's flows are attracted by the developed countries rather than developing and under developing countries.

Key Words: - Foreign Direct Investment in India, FDI in India Outlook 2018, FDI Advantages, FDI Sector Wise, Balance of Payment, FDI Annual Growth Rate, FDI Indian Economic Development and Growth Rate.

I. INTRODUCTION OF FDI IN INDIA

FDI means where a foreign company, generally an MNC, may invest in a country in any of the following 3 forms: 1. Setup a plant or project to manufacture a commodity- consumer goods, capital goods, automobile, aircrafts, ships etc. It may also engage itself in construction activity- highways, roads, bridges, ports, airports, real estate etc. 2. Setup network for providing services- banking, insurance, shipping, telecom, software, civil aviation etc.3. Only provide technology by way of Technology Transfer through any company of the country. It can provide technology only or provide technology along with 1 & 2 above. Foreign (FDI) in India is the major monetary source for economic development in India. Foreign companies invest directly in fast growing private Indian businesses to take benefits of cheaper wages and changing business environment of India. Economic Liberalisation started in India in wake of the 1991 economic crisis and since then FDI has steadily increased in India. It were Manmohan Singh and P. V. Narasimha Rao who brought FDI in India, which subsequently generated more than one crore jobs. According to the Financial Times, in 2015 India overtook China and the US as the top destination for the Foreign Direct Investment. 2016-2017 In first half of the 2015, India attracted investment of $31 billion compared to $28 billion and $27 billion of China and the US respectively. Apart from being a critical driver of economic growth, foreign direct investment (FDI) is a major source of non-debt financial resource for the economic development of India. Foreign companies invest in India to take advantage of relatively lower wages, special investment privileges such as tax exemptions, etc. For a country where foreign investments are being made, it also means achieving technical know-how and generating employment. The Indian government's favourable policy regime and robust business environment have ensured that foreign capital keeps flowing into the country. The government has taken many initiatives in recent years such as relaxing FDI norms across sectors such as defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others.

II. TYPES OF FDI

I) DIRECT: It is a long term investment. FDI means the manual investment and purchase made by a company in a foreign country like- inauguration of new plants, buildings, factories purchasing of new machinery, equipment's in the other country.

II) INDIRECT: When companies or any financial institutions purchase share or position of a company on a foreign stock exchange market.

FDI ROUTES:

1. Automatic

A foreign company wishing to invest in India doesn't have to seek prior approval of anybody/agency in India. It can straight away bring in investments in India & has only to inform the RBI within 1 month of bringing its investment in a certain sector. This route is relatively hassle free due to which more than 55% of total FDI has come through this route.

2. Foreign Investment Promotion Board (FIPB)

It was established in 1992 (just after L-P-G reforms), Investments up to Rs. 5000 crore from notified sectors have to go through its approval.

3. Cabinet Committee on Economic Affairs (CCEA)
This approves investments above Rs. 5000 crores from notified sectors
There are three main institutions that handle the FDI related issues in India
i) Foreign Investment Promotion Board (FIPB)
ii) Foreign Investment Implementation Authority (FIIA)
iii) Secretariat for Industrial Assistance (SIA)

III. OBJECTIVES OF STUDY

1. To study the significance of FDI for developing countries in bridging the gap between the saving and Investment.
2. To analyse the trends of FDI in the recent past in developing country like India after economic reforms.
3. To study the FDI outlook in improving the quality and availability of goods has been beyond doubt.
4. To know the requirement of amount of foreign investment by India, for its economic Development.

IV.NEED OF FOREIGN INVESTMENT IN INDIA*:* - India is suffering from the scarcity of financial resources and low level of capital formation because it has to majorly depend upon the external sources of Finance. Also the domestic resources are entirely inadequate to carry out development programmes.

V.RESEARCH METHODOLOGY

The present study is based on the objectives like how much amount of foreign investment is required for India's economic growth and to analysis the trend of FDI for economic development and how the status of economy has improved after economic reforms. To fulfil all above said objectives data has been gathered from secondary sources like reports and publication of Govt. and RBI relating to foreign Investment, DIPP, economic journals, books, magazines, Internet, Ministry of Finance, Trading Economics.com, and Ministry of Statistics (MOSP) etc.

VI.FDI IN INDIA LONG-TERM OUTLOOK IN 2018

The economic forecasts for India including a long-term outlook for the next decades, plus medium-term expectations for the next four quarters and short-term market predictions for the next release affecting the India economy.

Sector-wise	FDI Limit	Entry/Route
Agriculture & Animal Husbandry Floriculture, Horticulture, Apiculture and Cultivation of Vegetables & Mushrooms under controlled conditions Development and Production of seeds and planting material Animal Husbandry(including breeding of dogs), Pisciculture, Aquaculture Services related to agro and allied sectors	100%	Automatic
Plantation Sector Tea sector including tea plantations, Coffee plantations Rubber plantations, Cardamom plantations Palm oil tree plantations, Olive oil tree plantations	100%	Automatic
Mining Mining and Exploration of metal and non-metal ores including diamond, gold, silver and precious ores but excluding titanium bearing minerals and its ores	100%	Automatic
Mining (Coal & Lignite)	100%	Automatic
Petroleum & Natural Gas Exploration activities of oil and natural gas fields, infrastructure related to marketing of petroleum products and natural gas, marketing of natural gas and petroleum products etc.	100%	Automatic
Petroleum & Natural Gas Petroleum refining by the Public Sector Undertakings (PSU), without any disinvestment or dilution of domestic equity in the existing PSUs.	49%	Automatic
Defence Manufacturing	100%	Automatic up to 49% Above 49% under Government route
Broadcasting Teleports(setting up of up-linking HUBs/Teleports) Direct to Home (DTH) Cable Networks (Multi System operators (MSOs) operating at National or State or District level and undertaking up gradation of networks towards digitalization and addressability, Mobile TV, Head end-in-the Sky Broadcasting Service(HITS)	100%	Automatic
Broadcasting Cable Networks (Other MSOs not undertaking up gradation of networks towards digitalization and addressability and Local Cable Operators (LCOs))	100%	Automatic

Print Media Publishing of newspaper and periodicals dealing with news and current affairs, Publication of Indian editions of foreign magazines dealing with news and current affairs	26%	Government
Publishing/printing of scientific and technical magazines/specialty journals/ periodicals, subject to compliance with the legal framework as applicable and guidelines issued in this regard from time to time by Ministry of Information and Broadcasting.	100%	Government
Publication of facsimile edition of foreign newspapers	100%	Government
Civil Aviation – Airports Green Field Projects & Existing Projects	100%	Automatic
Civil Aviation – Air Transport Services Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline Regional Air Transport Service (Foreign Airlines are barred from Investing in Air India)	100%	Automatic up to 49% Above 49% under Government route 100% Automatic for NRIs
Print Media Publishing of newspaper and periodicals dealing with news and current affairs Publication of Indian editions of foreign magazines dealing with news and current affairs	26%	Government
Banking- **Private Sector** (Automatic up to 49% Above 49% & up to 74% under Government route)	74%	Automatic up to 49%
Banking- **Public Sector**	20%	Government
Credit Information Companies (CIC)	100%	Automatic
Infrastructure Company in the Securities Market	49%	Automatic
Insurance Insurance Company, Insurance Brokers, Third Party Administrators, Surveyors and Loss Assessors Other Insurance Intermediaries	49%	Automatic
Pension Sector	49%	Automatic
Power Exchanges	49%	Automatic
White Label ATM Operations	100%	Automatic
Financial services activities regulated by RBI, SEBI, IRDA or any other regulator	100%	Automatic
Pharmaceuticals(Green Field)	100%	Automatic
Pharmaceuticals(Brown Field)	100%	Automatic up to 74% Above 74% under Government route
Food products manufactured or produced in India Trading, including through e-commerce, in respect of food products manufactured or produced in India.	100%	Government

VII.FDI CHALLENGES IN 2018

Foreign direct investment (FDI) in India increased by a marginal 0.27 per cent to $35.94 billion during the April-December period of the current fiscal, according to data released by the Department of Industrial Policy and Promotion (DIPP) on Wednesday. The FDI entering the country during the corresponding of the last financial year stood at $35.84 billion.FDI inflows during the first nine months of the ongoing fiscal fell by 4 per cent in rupee terms at Rs 2,31,457 crore. The major sectors attracting FDI during April-December were telecommunications ($6.13 billion) computer software and hardware ($5.15 billion), services ($4.62 billion) and construction ($2.5 billion).The three main countries of origin for FDIs into India during the period in review were Mauritius ($13.34 billion), followed by Singapore ($9.21 billion) and the Netherlands ($2.38 billion). While a strong inflow of foreign investments help improve India's balance of payments, the consequent strengthening of the rupee against major global currencies acts as a dampener on the country's exports.

VIII. INDIAN GOVERNMENT OVER 67 PROPOSALS WORTH Rs.117 BILLION APPROVED DURING THE APRIL-DECEMBER'2017

As many as 67 foreign direct investment proposals worth Rs 117 billion were approved during the first nine months of the ongoing financial year, the Rajya Sabha was informed on Tuesday. In a written reply, Minister of State for Finance P Radhakrishnan said "the government has cleared 67 FDI proposals worth Rs 117 billion during the period April 1, 2017 to December 31, 2017".An FDI proposal worth Rs 5.32 billion of Metaffinity Pvt Lt, an investment holding company, got the government's nod, the minister said."The foreign invest is to be brought in by two foreign investors, viz Canada Pension Plan Investment Board and Pantheon-HK Project Universe, LP, for up to 49 per cent stake in the form of non-voting equity share of Metaffinity Pvt Ltd," as per the reply. To another question, he said the government does not propose to raise the limit of deposit under Senior Citizens' Savings Scheme (SCSS) from Rs 15, 00,000.All the public sector banks and three private sector banks (Axis Bank, ICICI Bank and HDFC Bank) have been authorised to operate SCSS, besides the Department of Posts. Senior citizens can open more than one account under the scheme subject to the overall limit of Rs 15, 00,000.

IX.ADVANTAGES OF FOREIGN DIRECT INVESTMENT IN INDIA

Employment generation- Unemployment continues to plague the Indian youth and is one of the major issues facing India. FDI creates new jobs in the target country due to the setting up of new companies. In India, it is generally agreed that an increase in the manufacturing sector can generate new jobs because the government jobs are limited and cannot provide employment to the millions of educated youths of the country.

Quality of products and flow of technology- The quality of products manufactured by the company increase greatly due to the increased competition in the market. Modern technologies brought by the foreign companies into India will give the much needed boost to the Indian industries and make them more competitive in the world. Consumers would also be greatly benefited due to the decreased prices of the products manufactured in their own country. It has been estimated that consumer savings would increase by 5-10% due to FDI.

Improvement of agricultural sector- The Indian farmers are in a pitiable state. Every year thousands of farmers are committing suicide all over the country due to the lesser returns generated by their agricultural produce. FDI will bring about a significant change in the lives of the farmers as they would earn 10-30% more income for their products.

Increase in government revenue- The revenue earned by the government is estimated to be increased by about 25-30 million dollars. This increased revenue would be highly beneficial for the development of India. The Indian economy would receive a huge boost and would greatly contribute to the country's quest to become an economic powerhouse.

X.FDI IN INDIA-ECONOMIC INDICATORS

Overview	**Last**	**Reference**	**Previous**	**Range**	**Frequency**
GDP Growth Rate	1.6 %	Sep/17	1.4	-2.3 : 6.2	Quarterly
Unemployment Rate	3.46 %	Dec/16	3.49	3.46 : 8.3	Yearly
Inflation Rate	5.07 %	Jan/18	5.21	1.54 : 12.17	Monthly
Interest Rate	6 %	Feb/18	6	4.25 : 14.5	Daily
Balance of Trade	-16298 USD Million	Jan/18	-14880	-20211 : 259	Monthly
Government Debt to GDP	69.5 %	Dec/16	69.6	66 : 84.2	Yearly
Markets	**Last**	**Reference**	**Previous**	**Range**	**Frequency**
Currency	64.73	Feb/18	64.97	7.19 : 68.8	Daily
Stock Market	34142 points	Feb/18	33820	113 : 36360	Daily
Government Bond 10Y	7.67 %	Feb/18	7.75	4.96 : 14.76	Daily
GDP	**Last**	**Reference**	**Previous**	**Range**	**Frequency**
GDP Growth Rate	1.6 %	Sep/17	1.4	-2.3 : 6.2	Quarterly
GDP Annual Growth Rate	6.3 %	Sep/17	5.7	-5.2 : 11.4	Quarterly
GDP	2264 USD Billion	Dec/16	2090	36.54 : 2264	Yearly
GDP Constant Prices	31657 INR Billion	Sep/17	31101	7500 : 32284	Quarterly
Gross National Product	12034713 INR Tens Of Million	Dec/16	11246305	8659215 : 12034713	Yearly
Currency	64.73	Feb/18	64.97	7.19 : 68.8	Daily
Foreign Direct Investment	4323 USD Million	Dec/17	-1336	-1336 : 8579	Monthly

SOME OF THE RECENT SIGNIFICANT FDI ANNOUNCEMENTS ARE AS FOLLOWS:

1. In September 2017, 15 Japanese companies including Moresco, Toyoda Gosei, Topre and Murakami, signed memorandums of understanding (MoUs) with an intention to invest in the state of Gujarat.

2.Singapore's Temasek will acquire a 16 per cent stake worth Rs 1,000 crore (US$ 156.16 million) in Bengaluru based private healthcare network Manipal Hospitals which runs a hospital chain of around 5,000 beds.

3. France-based energy firm, Engie SA and Dubai-based private equity (PE) firm Abraaj Group have entered into a partnership for setting up a wind power platform in India.

4. US-based ecommerce giant, Amazon, has invested about US$ 1 billion in its Indian arm so far in 2017, taking its total investment in its business in India to US$ 2.7 billion.

5. SAIC Motor Corporation is planning to enter India's automobile market and begin operations in 2019 by setting up a fully-owned car manufacturing facility in India.

6. Toronto-based Canada Pension Plan Investment Board (CPPIB) made investments worth Rs 9,120 crore (US$ 1.41 billion) in India during FY 2016-17, taking their total investment in India to Rs 22,560 crore (US$ 3.50 billion)

XI.RECENT FDI IN INDIAN ECONOMIC DEVELOPMENT AND GROWTH REPORT

During December 2017, eight core infrastructure industries grew by 4.0 per cent year-on-year, as compared to 7.4 per cent growth in November 2017. The growth of core industries during April-December 2017 was 4.0 per cent, as compared to 5.3 per cent growth during the same period in 2016-17. Overall year-on-year growth in the Index of Industrial Production (IIP) was 8.4 per cent in November 2017, as compared with 5.1 per cent growth in November 2016. During April-November 2017, IIP growth was 3.2 per cent as compared to growth of 5.5 per cent during the same period in 2016-17.

Foreign exchange reserves were US$ 414.78 billion as on January 19, 2018, as against US$ 370 billion in March 2017.Broad money supply (M3) increased 10.7 per cent on year-on-year basis as on January 5, 2018, compared to 6.1 per cent in the corresponding period a year ago.

Wholesale Price Inflation (WPI) in December 2017 decreased to 3.58 per cent from 3.93 per cent in November 2017. Consumer Price Inflation (CPI) as per new series (combined) increased to 5.21 per cent in December 2017 as compared to 4.88 per cent in November 2017. Gross tax revenue collection for April-October 2017 increased by 18.9 per cent to Rs 973,412 crore (US$ 151.85 billion) over the collection during the same period last year.

As per the advance estimates of Gross Domestic Product (GDP) released by the Central Statistics Office (CSO) in November, 2017, the growth rate of GDP at constant (2011-12) market prices for second quarter of FY 2017-18 is estimated at 6.3 per cent as compared to the growth of 7.5 per cent in the corresponding period of the previous year. GDP growth rate in the fourth quarter (January-March) of FY 2016-17 is estimated at 6.1 per cent as compared to 9.1 per cent in the corresponding quarter of FY 2015-16. Growth during the third quarter (Q3) of FY 2016-17 is estimated at 7.0 per cent as compared to the growth of 7.5 per cent in second quarter (Q2) of FY 2016-17, and 7.9 per cent in first quarter (Q1) of FY 2016-17.

The growth of Gross Value Added (GVA) at constant (2011-12) basic prices for agriculture and allied sectors, industry sector and services sector are estimated at 1.7 per cent, 5.8 per cent and 7.1 per cent respectively for the quarter July-September 2017 as compared to the corresponding rates of 4.1 per cent, 5.9 per cent and 7.8 per cent respectively in the corresponding period of 2016-17.

XII.CONCLUSION

India has become the most attractive emerging market for global partners (GP) investment for the coming 12 months, as per a recent market attractiveness survey conducted by Emerging Market Private Equity Association (EMPEA).The World Bank has stated that private investments in India is expected to grow by 8.8 per cent in FY 2018-19 to overtake private consumption growth of 7.4 per cent, and thereby drive the growth in India's gross domestic product (GDP) in FY 2018-19.On the basis of study we draw conclusion that maximum global foreign investments flows are attracted by the developed countries rather than developing and under developing countries. Foreign investment flows are supplementing the scare domestic investments in developing countries particularly in India. But foreign investor never adopts environment friendly technique to maximize their profit. These investments met the financial requirement for building up the basic and essential infrastructure industries of priority sector. But we finds that the highest amount of FDI gone to financing sector, insurance sector, We should welcome inflow of foreign investment in such way that it should be convenient and favorable for Indian economy and enable us to achieve our cherished goal like rapid economic development, removal of poverty, internal personal disparity in the development and making our Balance of Payment favorable. India is a second largest populated country in the world after China, as well as India, is a mixed economy (labour and capital intensive), due to its uniqueness its attract a large number of a foreign investor to make a huge amount of profit in India.

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