

FDI and Its impact on Labour Intensive goods exports from 2013-17

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Abstract : Foreign Direct Investment is considered as an important instrument for economic development to the emerging and developing economies, as FDI provides bundle of benefits to the economy. Most of the earlier researches reveals that India is more benefited by FDI due to the availability of labour at cheap and lower cost, as India has comparative advantage in Labour intensive goods. India opened its economy only after 1991 for the foreign direct investment. In this paper a descriptive analysis is made on Impact of FDI in labour intensive goods exports from 2013-17 and the contribution made by FDI to the economy.

IndexTerms - Labour intensive industries, FDI and Comparative Advantage.

I. INTRODUCTION

India is the second most sought after labour intensive country in the world so the availability of labour is huge, it led all the foreign investors to invest in the plant and machinery in India. Cheap Labour with competitiveness attracts majority of foreign investors to India and also India become the second most sought after FDI destination in the world. Industrial development in developing countries are imperative to reduce the poverty and attain sustainable economic growth, especially the export- oriented labour intensive industries which will create enormous income and provide employment in labour abundant economies (Mottaleb, Kalirajan 2010).

China is the destination preferred by most of the foreign direct investors in the world India is their second option only especially in labour intensive industries. China has provided tax benefits and enacted friendlier labour laws, besides putting export obligation on foreign invested enterprises. India also provided all the benefits and infrastructure facilities to the foreign direct investors to invest their money in India. But in India the FDI inflows is always more in service sector comparing to the labour intensive industries. In this paper a descriptive analysis was made to analyse the impact of FDI on Indian labour intensive goods exports.

Research Gap

Several studies have been undertaken by many researchers on the topics relevant to FDI in india, impact of FDI on different sectors, Comparative advantage of labour intensive goods exports to other regions in the world, performance of indian labour intensive industries but no researcher have undertaken a study on impact and role of FDI in Indian labour intensive exports hence the study FDI and its Impact on Labour Intensive goods exports was taken by the researchers.

Objectives of the Study

- ❖ To study the impact of FDI in labour intensive industries in the development of India.
- ❖ To Analyse the contribution of Labour Intensive Goods Exports to the total exports of India.

Methodology

The present is highly based on the secondary data the data required for this study has been collected from different sources like UNCTAD, WTO, UNCOMTRADE, Ministry of Commerce of India etc.. There are 37 products are classified as Labour Intensive goods by UNCTAD for the purpose of the present study the researcher have selected only top ten labour intensive exportable goods from India (Shown Below). The period covered for the study is one decade ie, 2013-2017. The collected data were analysed with the help of the statistical tools like Index Number, Trend Analysis, and Regression analysis.

Top Ten Labour Intensive Exportable Goods

S.No	Product Name	SITC* No.
1	Textile yarn	651
2	Other textile fabrics, woven	654
3	Made-up articles, of textile materials, n.e.s.	658
4	Floor coverings, etc.	659
5	Travel goods, handbags & similar containers	831
6	Men's clothing of textile fabrics, not knitted	841
7	Women's clothing, of textile fabrics	842
8	Men's or boy's clothing, of textile, knitted, croche.	843
9	Women's clothing, of textile, knitted or crocheted	844
10	Footwear	851

*Standard International Trade Classification

Results and Discussion**Comparison of India's Exports, FDI and GDP**

S.No	Year	Exports(\$ in 'million')	GDP (\$ in 'million')	FDI (\$ in 'million')	Growth of Exports	Growth of GDP	Growth of FDI
1	2013	336611389	1917054	28199.44604	100	100	100
2	2014	317544642	2039198	34582.10073	94.33567977	106.3714428	122.6339719
3	2015	264381004	2132755	44064.09866	78.54190697	111.2516914	156.2587386
4	2016	260326912	2259642	44480.56991	77.33752348	117.8705451	157.735616
5	2017	294364490	2555786	39916.08607	87.44935543	133.3184146	141.5491851

Source: UNCTAD

The table shows above reveals the Trend and Growth of Exports FDI and GDP of India over a period of last 5 years. Comparing to the base year the GDP of India in the year 2013 has been increased by 33%%. Whereas the exports of India has been decreased by 12%. But the FDI has been increased by 41%. It shows that the FDI into India has been increasing more than the GDP's Growth and overall exports of India.

Inflow of Foreign Direct Investment in India Comparison with world FDI

S.No	Year	FDI (\$ in '000')	World FDI (\$ in '000')	Growth of India's FDI	Percentage of India's FDI
1	2013	28199.44604	1425377	100	1.978385
2	2014	34582.10073	1338532	122.6339719	2.583584
3	2015	44064.09866	1921306	156.2587386	2.293445
4	2016	44480.56991	1867533	157.735616	2.381782
5	2017	39916.08607	1429807	141.5491851	2.791711

Source: UNCTAD

The table shows above explains the inflow of Foreign Direct Investment into India and the world Foreign Direct Investment over a period of last five years. The inflow of Foreign Direct Investment into India has been increased year by year upto 2016 but thereafter it is decreased. In the year 2016 the Foreign Direct Investment to India has increased to more than 57% comparing to the base year 2013. But afterwards it is decreased. The world FDI is also increasing year by year. India's FDI inflow during 2013 and 2014 was decreased as the world FDI decreased but still India is maintaining 2% in the total world FDI.

Labour force in India

S.No	Year	No. of Labours	Growth of Labours	Share in World Labour Force
1	2013	485906723	100	14.75127
2	2014	494963721	101.8639376	14.85485
3	2015	503834632	103.6895783	14.94172
4	2016	512765199	105.5274963	15.0063
5	2017	520194130	107.0563763	15.06499

Source: UNCTAD

The table shows above explains the Labour force of India. Since India is the second most populated country in the world, India has a major share of around 15% in the total world Labour force. India's total work force has been increasing year by year as the population increases but the share in the total world labour force is not increasing as the world labour force increase that is evidenced by the decreasing trend of India's share in the world labour force.

Share (%) of Indian Labour Intensive goods Exports in the world Exports of Labour Intensive Goods

S.No	Year	651	654	658	659	831	841	842	843	844	851
1	2013	12.113	3.2280	8.077	10.39	1.996	3.047	1.637	4.027	2.229	2.035
2	2014	10.888	2.9890	7.475	10.54	2.030	2.915	1.450	4.525	2.314	2.126
3	2015	10.981	3.0978	7.976	11.02	2.021	3.159	1.520	5.438	2.574	2.070
4	2016	10.268	3.1109	8.050	11.30	2.102	3.438	1.577	6.134	2.765	2.110
5	2017	10.388	2.8567	8.329	10.64	2.034	3.276	1.468	6.978	2.712	2.004

Source: UNCTAD

The table shows above reveals the share of India's Exports of Top Ten Labour Intensive Goods in the world exports of these ten goods. It shows that India's Share in the world exports has been increasing every year except exports of other textile fabrics woven (654), women's clothing of textile fabrics (842) and Women's clothing of textile, knitted or crocheted (844) even though the share in the world exports of these three commodities are decreasing still India have a considerable portion in the world exports. India's share in the world exports of Textile yarn, Floor coverings, etc. have been increasing much faster than other commodities.

Conclusion

India and China are dominating the world regarding the labour intensive goods. India has comparative advantage in exporting labour intensive goods to other parts than china. Through this paper it is convicted that India's Exports have been increasing and the share in the total world exports is also increasing. Regarding the GDP India's GDP have increased 33% more than the year 2013. And the labour force, Exports of labour intensive goods especially the textile based products have been increased as the Foreign Direct Investment in India as well as the Foreign Direct Investment in Textile Industries increases. Hence it can be concluded that the Foreign Direct Investment in Indian Labour Intensive Industries have created a major impact on these industries performance as well as in the Indian Economy.

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