EVALUATION RESEARCH STUDY OF FOREIGN DIRECT INVESTMENT (F.D.I) STRATEGY AND ITS IMPACT ON INDIAN ECONOMY

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ABSTRACT

India has been attracting a lot of foreign attention when it comes to financial investments from the beginning. This is because since the day our government opened up the country's economy in 1991 and started the liberalized investment policies along with many other initiatives that were implemented over the years, has made India a hub of opportunities in the international market.FDI India plays a major role in the economic development of India by being the main monetary source. We assist foreign companies invest directly into private Indian Business and act as bridge between Indian Entrepreneurs who are looking for foreign funds with the foreign investor that is the right fit. There are many benefits that attract foreign investment such as educated workers with cheaper wages as well as change in their business environment.

KEYWORDS: F-Financial, I-Investment, B-Business, E-Entrepreneurs, E-Environment

INTRODUCTION

We bring financial stability into India's economy through or platforms that actively connects foreign investors from more than 15 countries. Here are a few different sectors in which we have successfully guided foreign investors to invest their funds in India:

- Education sector
- Manufacturing sector
- Solar and hydra plants
- Construction sector
- Hospitality and tourism
- Food processing sector
- Metal and mining sector

And many more. FDI has extensive work experience in successfully guiding investors and having a major impact on the overall economy of India. FDI has a team of expert professionals who render the following services in order to carry out a successful foreign investment in to India:

- Revival of NPA accounts
- Project planning
- Connecting with the investors
- Long term partnership and in-depth analysis
- Financial assistance
- Permission from the government

FUTURE OF FDI IN INDIA

- Foreign Direct Investment or FDI is when some organization invests in some other country. FDI is one of the important ways for developing countries to enhance their economy and give that a push. **FDI in India** is one of the essential factors of growing economic globalization. Foreign direct investment (FDI) is a primary source of non-debt financial resources for India's economic development, in addition to being a demanding driver of economic growth. Foreign companies invest in India to take advantage of lower salaries and unique investment benefits such as tax breaks, among other things. It also involves creating jobs in a country where foreign investments are made.
- Foreign capital continues to come into India thanks to the Indian government's favorable policy regime and thriving economic environment. In recent years, the government has taken several steps, including loosening FDI restrictions in defense, PSU oil refineries, telecommunications, electricity exchanges, and stock exchanges.

MARKET SIZE

- According to the Department for Promotion of Industry and International Trade (DPIIT), Between April 2000 and December 2018, FDI equity inflow into India totaled $521.47 billion, suggesting that the government's efforts to improve ease of doing business and reduce FDI regulations have paid off. As a result, inflows of FDI equity into India were US$ 51.47 billion in 2017-18. Between April 2017 and December 2017). The computer software and hardware sector received the most FDI equity inflows of US$ 24.39 billion in 2017-18, followed by building (infrastructure) activities (US$ 7.15 billion), service sector (US$ 3.86 billion), and trading (US$ 2.14 billion).

WHAT LIES NEXT?

- A survey revealed that India is one of the top choices among foreign investors, and soon, it will attain the 3rd rank among top global FDI destinations. According to the poll, almost 80% of respondents intend to invest globally in the next 2-3 years. India is one of the top three desirable destinations for them in terms of capacity expansion and digital transformation. Research and development, as well as change, make India a suitable choice among investors.
- India has a robust GDP, unrivaled market access, a large labor force (demographic dividend), a reform-oriented government, and abundant natural resources in comparison to competing jurisdictions. These offer international investors a variety of investment options and the potential to establish thriving value chains. Only within India do they have their own backward and forward links.
- The recent spike in FDI inflows speaks about the positive effects of the reforms made by the government. For investors, a renewed focus on infrastructure and faster clearances are critical. 26% of enterprises urge a quicker turnaround time for value-added products for regional/global commerce in terms of trade policy. While 24 percent believe that cargo handling facilities at ports/docks are critical, situations of Airports and land customs stations must be improved.
- The FDI to GDP ratio is predicted to rise dramatically by 2025, thanks to recent structural changes, increased FDI limits in many industries, and the government's Atmanirbhar Bharat policy. If India succeeds in boosting the FDI to GDP ratio to between 3% and 4% by 2025, it may expect to attract USD 120 billion to USD 160 billion in FDI annually.

HOW REVISED FDI POLICIES CAN BE A GOOD DRIVER FOR THE INDIAN ECONOMY?

Intending to prevent opportunistic takeover on Indian organizations shrunk due to the covid-19 pandemic, the Indian government recently made some modifications in its **FDI policy** where it is mandatory to have government approval for foreign investment from other nations sharing borders with India. While this would affect numerous nations which are sharing a border with India. China is most affected by the changes as it is aggressively investing in India for the past many years.

These FDI policy modifications have stimulated the attempts by Chinese organizations to receive a stake in the Indian organizations at a time when the Chinese economy has recovered from the financial crises whereas India is still recovering from it. The sneak investment of 1.01% share in HDFC the People's Bank of China or the Country's Central Bank set the tone of these modifications. As is noticeable, Indian domestic companies being under financial pressure with the emergence and spread of the financial crisis in the country. Thus government regulation in FDI plans to safeguard the acquisitive purchase of low-value assets of the organizations affected by the crises.

The FDI Policy modifications have raised the question of whether this revision will reduce FDI at a time when it is required or it will offer opportunities to India to establish a strong ground for its FDI negotiation in the future. To put things in viewpoint, there is a need to understand the intention behind China's position as India's FDI partner and how it has been investing in India. If we consider the cumulative flow from China to India from April 2000 to December 2017, they stand at 2.34 billion US$ and restricted 0.1% of total FDI inflow during this period. However, a considerable part of the investment in China has taken place in the last five years. According to the Department of Promotion of Industry and Internal Trade, India acquired USD 1.81 Billion FDI from China from April 2014 to January 2018, the past few years China became a significant investor in India particularly in startups.

The Indian start-up ecosystem has flourished in recent years, India has been accelerating in terms of its ranking in the Global Innovation Index as well as the constructing of new and successful technologies. The government of India has toughened its policy structure for innovation at both the national and international level.

FDI IN RETAIL: GOOD MESSAGE

In the contemporary market economy, retailing is a connection between the producer and consumer. To maintain a strong relationship between the two, retailers not only offer a variety of products but also offer the utmost services to the customers. The retail sector is one of the powerful pillars of the Indian economy which is flourishing in the market at pace. India is considered as the place for shopkeepers as more than 15 million retailers are set up in the country. The liberalization of the FDI policy in the 1990s, the Indian economy has embraced many multinational companies to invest and obtain a humongous amount of foreign investment. The FDI in the retail sector has shown dramatic growth in the country. In 2013, the retail domain received the US $ 500 Billion, it was anticipated that it would reach up to the US $ 900 Billion in 2017. The government has introduced a new FDI policy in the retail industry.

According to the Department of Industry and Internal Trade (DPIIT), the government has allowed FDI :

- Single Brand Retailing: 100%
- Multi-brand Retailing: 58%

This new policy is facing criticism from the opposition as well as the general public, the reason behind the criticism is that there are 95 % unorganized sectors which are adversely affected from the emergence of the e-commerce giant. In 2012, Mr Jyotiraditya Scindia tried to come in the favour of the government decision FDI, he stated that FDI would be beneficial for the customers as they can enjoy a good quality of good, best services as well as a wide range of products.

The cabinet approval on the 100 % FDI in retail through automated route has been playing a significant role in gaining maximum foreign investment. Also, it is increasing the ease of doing business in the country. Allowing 100% FDI in retail is a progressive step to captivate foreign investment and this would help generate employment and give access to the Indian customers to various international brands. The other reason for enhancing FDI was developing a large international supply chain and introducing the latest technology in the country. Global brands are offering various options to the Indian customers which would help improve the ranking of the Indian economy as well as simplifies the way of doing business.

The step of having 100% FDI in retail has become a serious issue for the small retailers as it can render unemployment in the country, but in the end, it is economic prosperity for the country.

HOW IS FDI RELEVANT FOR INDIA’S FOREIGN TRADE GROWTH?

India’s economic growth is dependent on productive investment as it is increasing largely. India is a labor-surplus economy with a scarcity of production capital. Maintaining a balanced source of investment is crucial for the industrial development of the country and productive growth. India’s Foreign Direct Investment has observed significant growth in November 2017.

According to the Commerce Ministry, FDI in November 2017 raised to 81% to %10.15 billion from $5.6 billion in November 2017. India has captivated a total FDI inflow of $58.37 billion from April to November 2017. It is the highest ever in the eight months of the financial year in comparison to the eight months of November 2017-2018. FDI equity inflow acquired during the FY2017-18 is $ 43.85 billion.

FDI is the major source of economic development of India, the government has attempted to legalize investor-friendly FDI policy. The objective behind design the FDI policy is to eliminate the policy bottleneck that has been hampering the investment flow in the country. The initiative taken was fruitful and is perceptible from the ever-rising volume of FDI inflow received in the country. Steps were taken by the government on FDI policy reform and ease of doing business has evolved in rising in FDI inflow in the country.

Overall India’s Investment Incorporation with the world

India’s external financial assets and liabilities have increased by over 1 per cent of GDP in 1990 to more than 30 per cent in 2017. Outward FDI has become crucial in the last decade, although portfolio investment is negligible. Outward FDI flow is lower as compared to the inward FDI but growing in the significant sector such as mineral and energy. In the last two decades, capital inflow in crucial sectors such as telecommunication, transport infrastructure and information technology.

This played a significant role in enhancing productivity and raising employment opportunities through the transfer of technology and skills. Administrative improvement has supported the trends; foreign investor now can invest in various domains with low government policy barriers. Investment in government and corporate bonds has been denationalized in the last few years.

Foreign Direct Investment is managing the ownership of the business in another country. FDI has become worldwide, the global inflow of FDI has increased from $ 59 billion in 1982 to $ 651 billion in 2002. Captivating FDI is crucial for all stage of development of the country. It plays a crucial role in lowering saving rates and enhance income level.

GOVERNMENT LOANS FOR BUSINESS IN INDIA

One of the largest economies in the world, India has become an attractive destination for foreign direct investments. The ease of doing business in the country has encouraged many firms to set up base here.

Micro, small and medium enterprises of the country are significant contributors to its business environment and economical growth. SME's (Small and medium enterprises) contribute more than 40 per cent to the total GDP (gross domestic product) and is also a critical source of employment for India's growing population.

Recognising the importance small and medium enterprises, the government has initiated some new business loan schemes to boost the economy.

MSME BUSINESS LOANS

Announced in 2018, loans under the MSME scheme are granted for financial assistance and encouragement of MSME growth in the country. Both established or new businesses can avail loans under this scheme for a financial assistance up to Rs. 1 crore. The entire process of the loan takes 8-12 days to complete, while the approval or disapproval is granted within the first 59 minutes of application.

The interest rate under this scheme depends on the nature of your business and credit rating. To apply for business loan under this scheme, you need GST verifications, Income Tax verifications, bank account statements for the last 6-months, ownership related documentation, and KYC details.

MUDRA LOANS

Micro-units Development and Refinance Agency (MUDRA) is an establishment set up by the government of India to provide funds to micro-business units. The aim of loans under this scheme is 'funding the unfunded'. Since startups don't easily get investors for their ventures, the government has created the concept of low-cost credit to such undertakings.

The MUDRA Loans are structured as under: Sishu Loans up to Rs. 50,000, Kishor Loans up to Rs 5,00,000, and Tarun Loans up to Rs. 10,00,000.

NATIONAL SMALL INDUSTRIES CORPORATION SUBSIDY

Under this, small businesses are offered two kinds of financial benefits – Raw Material Assistance and Marketing Assistance. Under the raw material assistance scheme of NSIC, both indigenous and imported raw materials are covered. Under the marketing support, funds are given to SMEs for enhancing their competitiveness and the market value of their products and services.As the third-largest economy in the world in PPP terms, India has attracted foreign direct investment (FDI). During the year 2011, FDI inflow into India stood at $36.5 billion, 51.1% higher than the 2010 figure of $24.15 billion. India has strengths in telecommunication, information technology and other significant areas such as auto components, chemicals, apparels, pharmaceuticals, and jewellery. Despite a surge in foreign investments, rigid FDI policies were a significant hindrance. Over time, India has adopted a number of FDI reforms. India has a large pool of skilled managerial and technical expertise. The size of the middle-class population stands at 300 million and represents a growing consumer market. India liberalised its FDI policy in 2005, allowing up to a 100% FDI stake in ventures. Industrial policy reforms have substantially reduced industrial licensing requirements, removed restrictions on expansion and facilitated easy access to foreign technology and investment. The upward growth curve of the real-estate sector owes some credit to a booming economy and liberalised FDI regime. In March 2005, the government amended the rules to allow 100% FDI in the construction sector, including built-up infrastructure and construction development projects comprising housing, commercial premises, hospitals, educational institutions, recreational facilities, and city- and regional-level infrastructure. Between 2012 and 2014, India extended these reforms to defence, telecom, oil, retail, aviation, and other sectors. From 2000 to 2010, the country attracted $178 billion as FDI. The inordinately high investment from Mauritius is due to routing of international funds through the country given significant tax advantages – double taxation is avoided due to a tax treaty between India and Mauritius, and Mauritius is a capital gains tax haven, effectively creating a zero-taxation FDI channel. FDI accounted for 2.1% of India's GDP in 2015. As the government has eased 87 foreign investment direct rules across 21 sectors in the last three years, FDI inflows hit $60.1 billion between 2016 and 2017 in India

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