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FORIEN DIRECT INVESTMENT IN INDIA: A STUDY

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ABSTRACT
Foreign Direct Investment plays a very significant role in the growth and development of the country. Sometimes domestically available capital is insufficient for the purpose of overall development of the nation. Foreign capital is seen as a way of filling in gaps between domestic savings and investment. India can attract much larger foreign investments than it has done in the past. The present study has put forth on the overview of FDI in India.
KEYWORDS: *FDI. Growth and Development, Capital, Savings*

INTRODUCTION
Foreign Direct Investment (FDI), in addition to being a key driver of economic growth, has been a significant non-debt financial resource for India's economic development. Foreign corporations invest in India to benefit from the country's particular investment privileges such as tax breaks and comparatively lower salaries. This helps India develop technological know-how and create jobs as well as other benefits. These investments have been coming into India because of the government's supportive policy framework, vibrant business climate, rising global competitiveness and economic influence.

The government has recently made numerous efforts, including easing FDI regulations in various industries, PSUs, oil refineries, telecom and defence. India's FDI inflows reached record levels during 2020-21. The total FDI inflows stood at US$ 81,973 million, a 10% increase over the previous financial year. According to the World Investment Report 2022, India was ranked eighth among the world's major FDI recipients in 2020, up from ninth in 2019. Information and technology, telecommunication and automobile were the major receivers of FDI in FY22. With the help of significant transactions in the technology and health sectors, multinational companies (MNCs) have pursued strategic collaborations with top domestic business groupings, fuelling an increase in cross-border M&A of 83% to US$ 27 billion.

OBJECTIVES OF THE STUDY
The main objectives of present study are as follows
1) To analyze the market size, FDI routes and New FDI policy in India.
2) To study the Government Measures to increase FDI in India.

METHODOLOGY
The present study is based on the secondary data collection from various published and unpublished sources i.e., Reserve Bank of India (RBI), United Nations Conference for Trade and Development (UNCTAD), journals, economical survey report, etc. Statistical tools such as percentage, Trend analysis and correlation have been used in the study. For data illustration, suitable diagrams and charts have also been used

REVIEW OF LITERATURE
Dr.S.SHALINI (2022) the research paper was mainly focused on study of foreign direct investment in India and pattern of investment in India and different sectors in India. The analysis shows that service sector in India is the one

of the sector in which foreign direct investment is consistent in couple of years, followed by which is the manufacturing and construction sector. Service Industry, telecommunication sector, construction activities followed by trading activities are major sectors which attracted higher inflows of FDI in India. Countries like Mauritius and Singapore were among the leading sources of FDI in India.

SYED AZHAR and K.N.MARIMUTHU (2012) this paper focuses on theoretical aspects of FDI in India during the last ten years, determinants and need of FDI in Indian scenario. India has been one of the developing countries and has managed to show a positive GDP growth even during the recession period. It has comparatively performed well, then the average growth rate of world GDP. According to UNCTAD in its World Investment Report 2010 "If the situation continues to improve, India is likely to be among the most promising investor-home countries in 2010-12 as well as the third highest economy for FDI in 2010-12".

BHAVYA MALHOTRA (2014) India's Foreign Direct Investment (FDI) policy has been gradually liberalized to make the market more investor friendly. The results have been encouraging. These days, the country is consistently ranked among the top three global investment destinations by all international bodies, including the World Bank, according to a United Nations (UN) report. For Indian economy which has tremendous potential, FDI has had a positive impact. FDI inflow supplements domestic capital, as well as technology and skills of existing companies. It also helps to establish new companies. All of these contribute to economic growth of the Indian Economy.

DEEPAK KUMAR ADHANA and DR. NEELAM GULATI (2019) 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). Annual FDI inflows in the country are expected to rise to US$ 75 billion over the next five years, as per a report by UBS. 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

MARKET SIZE

India's FDI inflows have increased 20 times from 2000-01 to 2021-22. According to the Department for Promotion of Industry and Internal Trade (DPIIT), India's cumulative FDI inflow stood at US$ 871.01 billion between April 2000-June 2022; this was mainly due to the government's efforts to improve the ease of doing business and relax FDI norms. The total FDI inflow into India from January to March 2022 stood at US$ 22.03 billion, while the FDI equity inflow for the same period was US$ 15.59 billion. From April 2021-March 2022, India's computer software and hardware industry attracted the highest FDI equity inflow amounting to US$ 14.46 billion, followed by the automobile industry at US$ 6.99 billion, trading at US$ 4.53 billion and construction activities at US$ 3.37 billion. India also had major FDI flows coming from Singapore at US$ 15.87 billion, followed by the US (US$ 10.54 billion), Mauritius (US$ 9.39 billion) and the Netherlands (US$ 4.62 billion). The state that received the highest FDI during this period was Karnataka at US$ 22.07 billion, followed by Maharashtra (US$ 15.43 billion), Delhi (US$ 8.18 billion), Gujarat (US$ 2.70 billion) and Haryana (US$ 2.79 billion). In 2022 (until August 2022) India received 811 Industrial Investment Proposals which were valued at Rs. 352,697 crores (US$ 42.78 billion).

FDI ROUTES IN INDIA

There are three routes through which FDI flows into India. They are described in the following table:

Category 1	Category 2	Category 3
100% FDI permitted through **Automatic Route**	Up to 100% FDI permitted through **Government Route**	Up to 100% FDI permitted through **Automatic + Government Route**

Category 1: Automatic Route FDI

In the **automatic route**, the foreign entity does not require the prior approval of the government or the RBI.

Examples:

- ✓ Medical devices: up to 100%
- ✓ Thermal power: up to 100%

- ✓ Services under Civil Aviation Services such as Maintenance & Repair Organizations
- ✓ Insurance: up to 49%
- ✓ Infrastructure company in the securities market: up to 49%
- ✓ Ports and shipping
- ✓ Railway infrastructure
- ✓ Pension: up to 49%
- ✓ Power exchanges: up to 49%
- ✓ Petroleum Refining (By PSUs): up to 49%

Category 2: Government Route FDI

Under the **government route**, the foreign entity should compulsorily take the approval of the government. It should file an application through the Foreign Investment Facilitation Portal, which facilitates single-window clearance. This application is then forwarded to the respective ministry or department, which then approves or rejects the application after consultation with the DPIIT.

Examples:

- ✓ Broadcasting Content Services: 49%
- ✓ Banking & Public sector: 20%
- ✓ Food Products Retail Trading: 100%
- ✓ Core Investment Company: 100%
- ✓ Multi-Brand Retail Trading: 51%
- ✓ Mining & Minerals separations of titanium bearing minerals and ores: 100%
- ✓ Print Media (publications/printing of scientific and technical magazines/speciality journals/periodicals and a facsimile edition of foreign newspapers): 100%
- ✓ Satellite (Establishment and operations): 100%
- ✓ Print Media (publishing of newspaper, periodicals and Indian editions of foreign magazines dealing with news & current affairs): 26%

Sectors where FDI is prohibited

There are some sectors where any FDI is completely prohibited. They are:

- ✓ Agricultural or Plantation Activities (although there are many exceptions like horticulture, fisheries, tea plantations, Pisciculture, animal husbandry, etc.)
- ✓ Atomic Energy Generation
- ✓ Nidhi Company
- ✓ Lotteries (online, private, government, etc.)
- ✓ Investment in Chit Funds
- ✓ Trading in TDR's
- ✓ Any Gambling or Betting businesses
- ✓ Cigars, Cigarettes, or any related tobacco industry
- ✓ Housing and Real Estate (except townships, commercial projects, etc.)

NEW FDI POLICY

According to the new FDI policy, an entity of a country, which shares 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.

A transfer of ownership in an FDI deal that benefits any country that shares a border with India will also need government approval.

Investors from countries not covered by the new policy only have to inform the RBI after a transaction rather than asking for prior permission from the relevant government department.

The earlier FDI policy was limited to allowing only Bangladesh and Pakistan via the government route in all sectors. The revised rule has now brought companies from China under the government route filter.

GOVERNMENT MEASURES TO INCREASE FDI IN INDIA

- Government schemes like production-linked incentive (PLI) scheme in 2020 for electronics manufacturing have been notified to attract foreign investments. In 2019, the amendment of FDI Policy 2017 by the government, to permit 100% FDI under automatic route in coal mining activities enhanced FDI inflow.
- FDI in manufacturing was already under the 100% automatic route, however, in 2019, the government clarified that investments in Indian entities engaged in contract manufacturing is also permitted under the 100% automatic route provided it is undertaken through a legitimate contract.
- Further, the government permitted 26% FDI in digital sectors. The sector has particularly high return capabilities in India as favourable demographics, substantial mobile and internet penetration, massive consumption along technology uptake provides great market opportunity for a foreign investor.
- Foreign Investment Facilitation Portal (FIFP) is the online single point interface of the Government of India with investors to facilitate FDI. It is administered by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry.
- FDI inflow is further expected to increase –
  - ✓ As foreign investors have shown interest in the government's moves to allow private train operations and bid out airports.
  - ✓ Valuable sectors such as defence manufacturing where the government enhanced the FDI limit under the automatic route from 49% to 74% in May 2020, is also expected to attract large investments going forward.

CONCLUDING REMARKS

India has recently become a major global hub for FDIs. According to a survey, India was among the top three global FDI destinations; about 80% of the global respondents had plans to invest in India. Furthermore, in recent years, India has provided huge corporate tax cuts and simplified labour laws. The country has also reduced its restrictions on FDI; overall FDI restrictions have reduced from 0.42 to 0.21 in the last 16 years. India has remained an attractive market for international investors in terms of short- and long-term prospects. India's low-skill manufacturing is one of the most promising industries for FDI. India has also developed excellent government efficiency. Its developments in government efficiency are primarily due to relatively stable public finances (despite COVID-induced challenges) and optimistic sentiment among Indian business stakeholders concerning the funding and subsidies offered by the government to private firms. All these factors together may help India attract FDI worth US$ 120-160 billion per year by 2025.

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