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## FDI and its Impact on Indian Economy

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**Abstract-** FDI Is Direct Investment Into Production or Business In A Country By A Company In Another Country, Either By Buying A Company or By Expanding Operations of An Existing Business In Target Country. Fdi Is In Contrast To Portfolio Investment Which Is A Passive Investment In The Securities Of Another Country Such As Stock And Bonds.

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# FDI and its Impact on Indian Economy

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## I. INTRODUCTION

FDI is a form of long term international capital movement, made for the purpose of productive activity and accompanied by the intention of managerial control or participation in the management of foreign firm. The role of FDI in the up-gradation of technology, skills and managerial capabilities is well accepted additional investment over and above investment possible with the available domestic resources helps in providing much needed employment opportunities.

## II. HISTORY OF FDI IN INDIA

At the time of independence the attitude towards foreign capital was one of fear and suspicion. This was natural on account of the previous exploitative role played by it in draining away resources from this

country. FDI was introduced in 1991 under Foreign Exchange Management Act (FEMA) RBI has issued Notification No. FEMA 20/2000-RB dated 3<sup>rd</sup> May 2000, driven by Finance Minister Mr. Manmohan Singh.

Our Union Ministers are now worried about the devaluation of the Indian Rupee for a relief from this sickening worry the central government has permitted Foreign Direct Investment (FDI) in 12 areas of operation on 18<sup>th</sup> June 2013.

In the telecommunication sector what was 74% FDI has now become 100%. In the insurance sector it is now 49% against the previous 26%. In the construction (infrastructure) sector it is now 100% and in the defense sector it is 26%. In all FDI has been raised in 12 different sectors but we should have taken enough caution before permitting FDI in to India.

## III. INDUSTRIAL SECTOR OF FDI IN INDIA

India's greatest advantage is its 123crores population of which 65% (80crores) are below age group of 35years. The market scenario in India is therefore more promising with more middle class people with the capacity to buy. That is why Multi-National Companies (MNCs) have emerged in India.

## IV. SECTORIAL ANALYSIS OF TOP 10 SECTORS FDI INFLOWS IN INDIA

a) Sector wise FDI inflows (Rupees in Crores)

SECTORS	2009-10 (Apr-Mar)	2010-11 (Apr-Mar)	2011-12 (Apr-Mar)	Cumulative Inflows	% of Total Inflows (in terms of US\$)
Service Sector	19945	15053	24656	145764	19%
Telecommunication	12270	7542	9012	57078	07%
Construction	13469	4397	13672	52253	07%
Computer & Hardware	4127	3551	3804	50118	07%
Housing & Real Estate	14027	5600	3443	49717	07%
Chemicals (Other than Fertilizers)	1726	1812	36227	47904	06%
Drugs	1006	961	14605	42868	05%
Power	6138	5796	7678	33214	04%
Automobile	5893	5864	4347	30785	04%
Metallurgical Industries	1933	5023	8348	26936	03%

Source: fact sheets on fdi, fipb

## IV. FDI AND ECONOMIC DEVELOPMENT IN INDIA

FDI has an important impact on country's trade balance increasing labour standards and skills, transfer of technology and innovative ideas, skills and the general business climate. FDI also provides opportunity for technological transfer and up-gradation, access to global managerial skills and practices, optimal utilization

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of human capabilities and natural resources, making industry internationally competitive, opening up export markets, access to international quality goods and services and augmenting employment opportunities.

## V. CONCLUSIONS

According to report from Global Competitive Index (2007-08) published by World Economic Forum (WEF), India has been ranked at 48 out of 131 countries. India is attracting a low level of FDI largely due to poor business environment prevailing in the country. It might be of interest to note that more than 50% of the total FDI inflows received by India during the period from 1991 – 2010 came from Mauritius and USA. Investors based in many countries have taken advantage of India. Investors are showing their growing confidence in the immediate and medium term prospects of Indian economy. However, one should not forget that FDI alone is not a solution for eradication of poverty and unemployment which is a big headache to our nation.

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