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Review Article

A Study on Education, Knowledge and Opportunities of FDI in India

Dr. Ashish Kumar Lal
Department of Political Science, M.L.K. P.G. College, Balrampur U.P.

Abstract

In today's global economy, FDI is more important than trade as an international economic transaction method. There are two categories of investments: direct investments and portfolio investments. Direct investment means controlling the investment and an ownership interest of at least 10% to 25%. Otherwise, it is considered a portfolio investment. A look at India's FDI policy for other major Emerging Market Economies (EMEs) suggests that although India's approach to foreign investment began to be relatively conservative, it has become increasingly liberalized, especially since the early 1990s, The Other EME policy positions explained in terms of expansion, easy start of an enterprise, repatriation of dividends and profits and relaxation of share ownership standards. This gradual liberalization reflected a significant increase in macroeconomic fundamentals and an increase in the inflow of foreign direct investment into the country, almost five times as high during the first decade of the current millennium. This report focuses on the basic needs and opportunities of Indian foreign direct investment in the current scenario.

Key words: *Foreign direct investment (BDI), investments, MNC's*

Introduction

Foreign direct investment (FDI) refers to foreign investments in which investors can control their investment. This usually involves starting a subsidiary, acquiring a shareholding in an existing company or starting a joint venture in another country.(1)

The direct investment and management of related companies is normal. If the investor has some sort of real estate interest in investments in the purchase of shares, bonds or other foreign securities, this portfolio investment is mentioned. That is, in the case of investments in portfolios, investors use equity capital to achieve return on investments, but they have no control over the use of capital. Foreign direct investment must be considered in the long term. This is because such investments cannot easily be cleared. Factors such as long-term political stability, government policy, industry guidelines and economic investment therefore affect foreign direct investment, but portfolio investments that can be settled fairly easily are subject to short-term gains. Portfolio investments are much more sensitive than direct foreign investments. (2)

Direct investments have the direct responsibility for promoting and managing the company. Portfolio investors are not directly involved in promotions and management. India's foreign direct investment and portfolio investment have increased since the liberalization of the economy in 1991.

We support and support the economic growth of many foreign invested countries. FDI comprises three components: equity, reinvestment of income and internal business loans. According to a World Bank report on developing countries, FD has the following advantages over official development assistance (ODA):

- FDI transfers the investment risk to domestic investors.
- Repayment is related to the profitability of the underlying investment, but in the case of debt financing, the borrowed funds must be maintained regardless of the project costs.
- It also appears that FDI is the only inflow of capital closely related to the growth of GDP since 1970.

FDI's contribution to economic growth is emphasized by the fact that the share of FDI flows to domestic investment (total capital formation) has increased in most developed and developing countries in the past. Most of the foreign direct investment goes to developed countries, but due to the large share of the GFCF, the share of GFCF in developing countries is only about half that of developing countries. In addition to the potential benefits of technology transfer, FDI has created great jobs in many countries. China has a high GDP growth rate for a long time because it has a high savings rate and high foreign direct investment.(3)

FDI in India is understood to have a few paths and paths than shares. Foreign direct investments in India in particular include:

- RBI automatic approval route is that you can play the game up to 51%.
- In the case of large-scale projects, a full foreign investor has more than 51% of the subsidy discretion.
- acquired shares (since 1991).
- Non-resident of India RBI (NRI) System and
- external commercial financing costs (ADR / GDR route).

(A) it is ideal investments,

(b) new companies and factories,

(c)increase in the reserves of foreign equities in existing companies,

(d)which should be reflected in mergers and acquisitions of existing companies and factories.(4)

The need for foreign direct investment
Which countries do you want FDI? There is a reason for multinationals to invest abroad.

- Traditionally, foreign investment is seen as a way to bridge the gap between the desired level of resources needed for these domestic suppliers and the growth and development goals for savings, foreign exchange, government revenue, and human capital skills.
- The multinational enterprise plant is the role of cumulative growth. Founded by foreign companies industrial enterprises, the birth allows many other companies to provide information to the parent company. City is not only a handful of companies here to the beneficiaries. For example, there are whole industries, such as steel can be improved. 1 US dollar of foreign direct investment is estimated

to amount to 80% of foreign direct investment.

- Direct foreign investment can generate healthy competition in the receiving country. When FDI is in the form of a green field project, the results of the number of players in the market will increase and generate new business.
- Too often, the location attract benefits from foreign direct investment. Site-specific benefits especially include natural resources such as oil and other minerals, which are essentially limited to a specific location. Companies must commit FDI to the development of such a fund.
- FDI often depends on political attempts to reduce security risks. For example, state-owned Chinese oil companies and foreign investment in order to minimize dependence on foreign companies for oil companies. The move can help to suppress China's oil prices.
- The country is the poor countries that qualify for FDI than other countries. There is poverty in spite of globalization, the world is becoming a flat one thousand year agenda. How to alleviate poverty? International organizations and the help of rich countries can be a temporary measure. Economic growth due to the increase in investment can be a permanent solution.

Kofi Annan, UN Secretary-General of special adviser Jeffrey Sachs (Jeffrey Sachs) is bypassed. "Many poor countries of September 22, 2004 press briefing that were not met due to globalization, we have more global coverage of the poor countries you need and less globalization." Globalization is a kind of brain drain poorest countries feel they are not see the inflow of foreign investment. "Sachs added that the BDI has become the most powerful growth engines in developing countries.(5)

Direct foreign investment opportunities in India

liberalization of the market, a growing middle class and more mature consumers sowing seed from more Indians and retailers to bring the multinationals into the field. India is the second largest retail market after China and the total retail trade is expected to reach $ 500 billion to $ 300 billion over the next five years. But the recent controversy is whether foreign direct investment (FDI) in India is 'advantageous'? Many studies and studies have been conducted to analyze the impact of foreign direct investment on retail trade in different economic sectors.

According to the policy document created by the Ministry of Industrial Policy and Promotion (DIPP, 2010) foreign direct investment in retail trade it will also be urged exports, as well as setting up an inverse association of production and manufacturing domestic retailers. Accordi ng to the World Bank, the opening of the retail trade in FDI India will help in terms of price and availability of products. (6)

Foreign direct investment has a negative impact on the fears and traditional retailers for an earlier employment for multi-brand retail, citing the increase in imports from cheaper sources, such as China, but some opposition in the past, as proponents increased transfer of technology, supply chain, strengthen More opportunities for work as efficiency and awareness.

The following can be considered as the main benefit obtained by allowing foreign direct investment (FDI) in the Indian retail trade.

Capital Infusion- This would provide an opportunity for cash-deficient domestic retailers to bridge the gap between capital required and raised. In fact FDI is one of the major sources of investments for a developing country like India wherein it expects investments from Multinational companies to improve the countries growth rate, create jobs, share their expertise, back-end infrastructure and research and development in the host country.(7)

Boost Healthy Competition and check inflation- Supporters of FDI argue that entry of the many multinational corporations will obviously promise intensive competition between the different companies offering their brands in a particular product market and this will result in availability of many varieties, reduced prices, and convenient distribution of the marketing offers.(8)

Improvement in Supply Chain- Improvement of supply chain/ distribution efficiencies, coupled with capacity building and introduction of modern technology will help arrest wastages (in the present situation improper storage facilities and lack of investment in logistics have been creating inefficiencies in food supply chain, leading to significant wastages).

Improvement in Customer Satisfaction- Consumers in the organized retail will have the opportunity to choose between a numbers of internationally famous brands with pleasant shopping environment, huge space for product display, maintenance of hygiene and better customer care. There is a large segment of the population which feels that there is a difference in the quality of the products sold to foreign retailers and the same products sold in the Indian market. There is an increasing tendency to pay for quality and ease and access to a one-stop shop" which will have a wide range of different products. If the market is opened, then the pricing could also change and the monopoly of certain domestic Indian companies will be challenged.(9)

Improved technology and logistics- Improved technology in the sphere of processing, grading, handling and packaging of goods and further technical developments in areas like electronic weighing, billing, barcode scanning etc. could be a direct consequence of foreign companies opening retail shops in India,. Further, transportation facilities can get a boost, in the form of increased number of refrigerated vans and pre-cooling chambers which can help bring down wastage of goods.(10)

Benefits for the Farmers- Presumably, with the onset of multi-brand retail, the food and packaging industry will also get an impetus. Though India is the second largest producer of fruits and vegetables, it has a very limited integrated cold-chain infrastructure. Lack of adequate storage facilities causes heavy losses to farmers, in terms of wastage in quality and quantity of produce in general, and of fruits and vegetables in particular.

With liberalization, there could be a complete overhaul of the currently fragmented supply chain infrastructure. Extensive backward integration by multinational retailers, coupled with their technical and operational expertise, can hopefully remedy such structural flaws. Also, farmers can benefit with the " farm-to fork" ventures with retailers which helps (i) to cut down intermediaries ; (ii) give better prices to farmers, and (iii) provide stability and economics of scale which will benefit, in the ultimate analysis, both the farmers and consumers.

Creation of More And Better Employment Opportunities- The entry of foreign companies into Indian Retailing will not only create many employment opportunities but, will also ensure quality in them. This helps the Indian human resource to find better quality jobs and to improve their standard of living and life styles on par with that of the citizens of developed nations.

Foreign direct investment (FDI) in India:

Indian Chancellor of the Exchequer P Chidambaram said that the Indian economy could absorb $ 50 billion in foreign direct investment (FD) annually. Foreign direct investment (FDI) is an economic sector that focuses strongly on top managers. The government has relaxed the FDI regime in multi-brand retail, single-brand retail, commodity trading, power trading, broadcasting, non-banking financial institutions (NBFC) and asset reconstruction (ARC) Reform and government left 51% foreign direct investment in multi-brand retail and 49% foreign direct investment in the aviation sector.

The upper limit of foreign direct investment has been increased from 49% to 74% for broadcasts and ARC, with the aim of securing foreign expertise. Foreign institutional investors (FII) could invest a maximum of 23% in the commodity exchange without prior approval from the government, while foreign investments in energy trading were allowed. A huge level of reforms and policies thus shows that the foreign direct investment environment (FDI) of India offers an overwhelming opportunity for foreign investors because the economy is booming and livelier than its global competitors. According to Ernst & Young, a leading international consulting firm in India, India is also an attractive place for mergers and acquisitions (mergers and acquisitions) in various sectors, including consumer goods and pharmaceuticals, through favorable demographic data and growth opportunities. and so on.(11)

Key Statistics

- India received FDI worth US$ 30.82 billion during April-January 2012-13 while FDI equity inflows during January 2013 stood at US$ 2.16 billion, according to latest data released by the Department of Industrial Policy and Promotion (DIPP). The sectors which have received high level of FDI during the first ten months of 2012-13 include services (US$ 4.66 billion), construction (US$ 1.21 billion), drugs & pharmaceuticals (US$ 1 billion), hotel and tourism (US$ 3.19 billion), metallurgical industries (US$ 1.38 billion) and automobile (US$ 895 million).Country wise, high levels of FDI came during the period from Mauritius (US$ 8.17 billion), Singapore (US$ 1.82 billion), the UK (US$ 1.05 billion), Japan (US$ 1.69 billion) and the Netherlands (US$ 1.52 billion), showed the DIPP data.
- The value of M&A deals in India stood at US$ 4.5 billion in the March 2013 quarter, according to Thomson Reuters' India M&A First Quarter 2013 Review. Meanwhile, there were

90 private equity (PE) deals valuing US$ 1.04 billion during January-March 2013 quarter, reveal data from Four-S Services.

- India's foreign exchange (forex) reserves stood at US$ 292.64 billion for the week ended March 29, 2013, according to data released by the Central Bank. The value of foreign currency assets (FCA) - the biggest component of the fore reserves – stood at US$ 259.72 billion, according to the weekly statistical supplement released by the Reserve Bank of India (RBI).

Important Developments:

- The Indian Government, in consultation with the Foreign Investment Promotion Board (FIPB), has recently cleared 12 FDI proposals amounting to Rs 2, 609 crore (US$ 478.47 million). These included the proposal of Decathlon Sports India's proposal for infusion of foreign equity worth Rs 700 crore (US$ 128.37 million) to engage in single brand retail. The biggest proposal cleared was Ahmadabad-based Claris Otsuka Ltd's plan to accumulate its infusions in business into a new joint venture (JV) with FDI worth Rs 1,050 crore (US$ 192.56 million).

  The board also cleared Mumbai-based Glynwed Pipe System's proposal to receive foreign investment worth Rs 800 crore (US$ 146.74 million) for making downstream investment. Other proposals to have received green signal included that of Promod S.A.S, France, to induct foreign equity worth Rs 29.69 crore (US$ 5.45 million) into an Indian JV company to be engaged in single brand retail trading and Fossil India and Le Creuset Trading's for setting up of single brand retail stores as a wholly-owned subsidiary (WoS) of a foreign company.

- Japanese firm Mitsubishi has formed a JV with Dubai-based ETA Group to set up Mitsubishi Elevators ETA India Pvt Ltd, to manufacture, distribute, install and maintain elevators for premium residential apartment complexes and industrial buildings in India.

  The company, which was already present in India focusing on the premium commercial segment, will now focus on the premium residential segment and the middle segment in Tier 2 and Tier 3 cities.

- Meanwhile, French companies are showing keen interest to park their investments in India, pertaining to segments like defense, space, urban development and infrastructure.

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