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ECONOMIC GROWTH OF INDIA-A CONCEPTUAL APPROACH (WITH SPECIAL REFERENCE TO FDI)

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Abstract: India is one of the most communicated issues in the entire world economy in recent times related to Foreign Direct Investment. Among the various emerging nations the liberalization policy of India paves away for paying rich dividend to the economy. Based on the conceptual approach of economic growth of India with special reference to FDI provides the various concepts of FDI , the role played by FDI in India, sector wise and country wise market size of FDI. The various announcements and government initiatives for FDI has discussed in this paper. Finally the concept concluded with India has a sharp hike in India's gross expenditure in past few years. Due to poor business environment Infrastructure is being developed and FDI policy is being liberalized to improve the situation. FDI is one of the major source for the development of Indian economy but it will not give solution to poverty, unemployment and economic sickness. India needs huge investment to achieve their vision to achieve their targets.

INTRODUCTION

India is one of the most communicated issues in the entire world economy in recent times related to Foreign Direct Investment. Among the various emerging nations the liberalization policy of India paves away for paying rich dividend to the economy.

Foreign Direct Investment (FDI) is defined as "investment made to acquire lasting interest in enterprises operating outside of the economy of the investor." The FDI relationship, consists of a parent enterprise and a foreign affiliate which together form a Trans-National Corporation (TNC).

FDI IN INDIA

The FDI is one of the major monetary source for economic development of India. Foreign companies invest directly in fast growing private Indian businesses to take benefits of cheaper wages and changing business environment of India.Apart from being perilous driver of economic growth, foreign direct investment (FDI) is a most important source of non-debt financial resource for the economic development of India. In India most of the foreign companies are investing since to take lead of lower wages and to attain the distinct investment privileges like tax exemptions etc. The foreign investments are being made by the country to accomplishing the technical knowledge and creating employment.

In India Government has provided the favourable policy and healthy business environment guaranteed the foreign capital flowing inside the country. In the recent years the government has taken initiatives to comfort the FDI norms for the sectors such as defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others.

Economic liberalisation started in India in wake of the 1991 economic crisis and since then FDI has steadily increased in India, which subsequently generated more than one crore jobs.

In India, post liberalization, paves the way to the foreign investors to invest easier by implementing the following measures:

- Foreign exchange controls have been eased on the account of trade.
- Companies can raise funds from overseas securities markets with a considerable freedomto expand global operstions.
- Foreign investors can remit earnings from Indian operations.
- Foreign trade is largely free from regulations, and tariff levels have come down sharply in the last two years.
- While most Foreign Investments in India (up to 51 %) are allowed in most industries, foreign equity up to 100 % is encouraged in export-oriented units, depending on the merit of the proposal. In certain specified industries reserved for the small scale sector, foreign equity up to 24 % is being permitted now. India , which has the largest middle class population of over 300 million is attracting the foreign investors by assuring them good returns. The scope for foreign investment in India is unlimited.India offers to foreign investors a well balanced package of fiscal incentives for exports and industrial investments that includes:
- Complete tax exemptions.
- Investment incentives are offered by both the Central Government and the Government of the State in which the unit is located.
- India has tax treaties with 40 countries.

ROLE OF FOREIGN DIRECT INVESTMENT IN ECONOMIC GROWTH

FDI DELIVERS CAPITAL

For the developing countries the Foreign Direct Investment brings capital. The developing countries like India need higher investment to achieve thier targets of progress in national income. Normally they cannot have the sufficient savings there is a need to enhance savingsof the countries from foreign savings. The countries can avail the external borrowings and encouraging Foreign Direct Investment. It is the effective source of further capital.

FDI REMOVES BALANCE OF PAYMENTS CONSTRAINT

Large number of developing countries suffer from balance of payments deficits for their demand for foreign exchange which is normally far in excess of their ability to earn.the resources from foreign exchange remove the constraint for the development of the economy. In the view of balance of payments countries approach the external source of borrowings like borrowings which is a fixed liability finally international debt has created. Further the liability should be repaid with interest.

FDI BRINGS TECHNOLOGY, MANAGEMENT AND MARKETING SKILLS

Apart from the other assets the developing countries has toto bring the assets likeechnology and management and marketing skills to improve the economy level. It helps to bring more capital which perhaps can be had from the international capital markets and the governments.

FDI PROMOTES EXPORTS OF HOST DEVELOPING COUNTRY

Foreign direct investment promotes exports. Foreign enterprises with their global network of marketing, possessing marketing information are in aexclusive position to exploit these strengths to promote the exports of developing countries.

FDI PROVIDES INCREASED EMPLOYMENT

Foreign enterprises by employing the nationals of developing countries provide employment. In the absence of this investment, these employment opportunities would not have been available to many developing countries. FDI provides both direct and indirect employment opportunities.

FDI RESULTS IN HIGHER WAGES

FDI also promotes higher wages. Relatively higher skilled jobs would receive higher wages.

FDI GENERATES COMPETITIVE ENVIRONMENT IN HOST COUNTRY

The FDI leads to higher efficiency and better products and services to provide widerchoice. Entry of foreign enterprises in domestic market creates a competitive environment compelling national enterprises to compete with the foreign enterprises operating in the domestic market.

MARKETSIZE

During April 2018 The Department of Industrial policy and promotion provided various FDI inflows sector wise and countrywise which is depicted in the below table.

Sector Wise FDI inflows

S.No	Sector	Inflows US$(Billion)
1	Service	2.43
2	Trading	1.63
3	Telecommunications	1.59
4.	Computer software and hardware	1.41
5.	Equity inflows	2.89

Department of Industrial Policy and Promotion (DIPP) April-June 2018

Country Wise FDI inflows

S.No	Country	Inflows
1.	Singapore	6.52
2.	Mauritius	1.49
3.	Japan	0.87
4.	Netherlands	0.84
5.	United Kingdom	0.65

Department of Industrial Policy and Promotion (DIPP)April-June 2018

The total FDI investments in India April-June 2018 stood at US$ 12.75 billion, indicating that government's effort to improve ease of doing business and relaxation in FDI norms is yielding results. The above sector wise inflow table depicts that the data for April-June 2018 indicates that the services sector attracted the highest FDI equity inflow of US$ 2.43 billion, followed by trading – US$ 1.63 billion, telecommunications – US$ 1.59 billion and computer software and hardware – US$ 1.41 billion. Most recently, the total FDI equity inflows for the month of June 2018 touched US$ 2.89 billion.

The country wise inflows table depicts during April-June 2018, India received the maximum FDI equity inflows from Singapore (US$ 6.52 billion), followed by Mauritius (US$ 1.49 billion), Japan (US$ 0.87 billion), Netherlands (US$ 0.84 billion), and United Kingdom (US$ 0.65 billion).

FDI INVOLVED SECTORS IN INDIA

Service Sector, Computer Software and Hardware, Telecommunication, Construction Activities, Automobile Industry, Power, Chemical, Real Estate, Drugs and Pharmaceuticals, Electrical Equipments, Cement and Gypsum Product, Metallurgical Industries, Electronics, Consultancy Services, Petroleum and Natural Gas, Hotel and Tourism, Trading, Textiles, Information and Broadcasting, Sea Transport, Fermentation Industries, Hospital and Diagnostic Centers, Air Transport, Rubber Goods, Machine Tools, Sport, Industrial Machinery, Agricultural Machinery, Paper and Pulp, Agricultural Services, Diamond, Gold Ornaments, Glass, Industrial Instruments, Photographic Raw Film and Paper, Scientific Instruments, Nonconventional Energy, Leather and Leather Goods, Tea and Coffee, Sugar, Vegetable Oils and Vanaspati, Railway Related Components, Education, Fertilizers, Earth-moving Machinery, Printing of Books, Soaps, Cosmetics and Toilet, Medical and Surgical Appliances, Mining, Ceramics, Boilers and Steam Generating Plants, Dye-stuffs, Coal Production, Coir, Timber Product, Defense Industries.The country wise and sector wise table is depicted below from 2013-2018.(year wise)

Foreign Direct Investment Flows To India: Country-Wise (US$ million)

Source/ Industry	2013-14	2014-15	2015-16	2016-17	2017-18 P
1	2	3	4	5	6
Total FDI	16,054	24,748	36,068	36,317	37,366
Country-Wise Inflows					
Mauritius	3,695	5,878	7,452	13,383	13,415
Singapore	4,415	5,137	12,479	6,529	9,273
Netherlands	1,157	2,154	2,330	3,234	2,677
USA	617	1,981	4,124	2,138	1,973
Japan	1,795	2,019	1,818	4,237	1,313
Cayman Islands	25	72	440	49	1,140
Germany	650	942	927	845	1,095
Hong Kong	85	325	344	134	1,044
United Kingdom	111	1,891	842	1,301	716
Switzerland	356	292	195	502	506
UAE	239	327	961	645	408
France	229	347	392	487	403
China	121	505	461	198	350
Italy	185	167	279	364	308
South Korea	189	138	241	466	293
Cyprus	546	737	488	282	290
Canada	11	153	52	32	274
Others	1,626	1,682	2,243	1,490	1,889
Sector-wise Inflows					
Communication Services	1,256	1,075	2,638	5,876	8,809
Manufacturing	6,381	9,613	8,439	11,972	7,066
Retail & Wholesale Trade	1,139	2,551	3,998	2,771	4,478
Financial Services	1,026	3,075	3,547	3,732	4,070
Computer Services	934	2,154	4,319	1,937	3,173
Business services	521	680	3,031	2,684	3,005
Electricity and other energy Generation, Distribution & Transmission	1,284	1,284	1,364	1,722	1,870
Construction	1,276	1,640	4,141	1,564	1,281
Transport	311	482	1,363	891	1,267
Miscellaneous Services	941	586	1,022	1,816	835
Restaurants and Hotels	361	686	889	430	452
Real Estate Activities	201	202	112	105	405
Education, Research & Development	107	131	394	205	347
Mining	24	129	596	141	82
Trading	0	228	0	0	0
Others	293	232	215	470	226

P: Provisional.
Note: Includes FDI through SIA/FIPB and RBI routes only.
Source: RBI.

The above table represents that the country Mauritius which provides the highest FDI inflows to India (13,415 us dollar million) Canada which provides the lowest inflows(274) and also it shows that from 2013 – 2018 there is an increasing trend in inflows in every year by all the countries . This shows that the various countries aids India for the development of the economy. Among the various sectors communication sector and manufacturing sector plays a significant role in FDI inflows.

GOVERNMENT INTIATIVES

To enhance the insurance intermediary sectors and to attract more funds the Government of India is planning to consider 100 percent FDI for the above sector

1. During the month of January 2018, Government of India allowed foreign airlines to invest in Air India up to 49 per cent with government approval. The investment cannot exceed 49 per cent directly or indirectly.
2. No government approval will be required for FDI up to an extent of 100 per cent in Real Estate Broking Services.
3. In September 2017, the Government of India asked the states to focus on strengthening single window clearance system for fast-tracking approval processes, in order to increase Japanese investments in India.
4. The Ministry of Commerce and Industry, Government of India has eased the approval mechanism for foreign direct investment (FDI) proposals by doing away with the approval of Department of Revenue and mandating clearance of all proposals requiring approval within 10 weeks after the receipt of application.
5. The Government of India is in talks with stakeholders to further ease foreign direct investment (FDI) in defence under the automatic route to 51 per cent from the current 49 per cent, in order to give a boost to the Make in India initiative and to generate employment.
6. In January 2018, Government of India allowed 100 per cent FDI in single brand retail through automatic route.

RECENT ANNOUNCEMENTS OF FDI INFLOWS IN INDIA(IN VARIOUS SECTORS)

India emerged as the top recipient of greenfield FDI Inflows from the Commonwealth, as per a trade review released by The Commonwealth in 2018.

Some of the recent significant FDI announcements are as follows:

- In August 2018, Bharti Airtel received approval of the Government of India for sale of 20 per cent stake in its DTH arm to an America based private equity firm, Warburg Pincus, for around $350 million.
- In June 2018, Idea's appeal for 100 per cent FDI was approved by Department of Telecommunication (DoT) followed by its Indian merger with Vodafone making Vodafone Idea the largest telecom operator in India
- In May 2018, Walmart acquired a 77 per cent stake in Flipkart for a consideration of US$ 16 billion.
- In February 2018, Ikea announced its plans to invest up to Rs 4,000 crore (US$ 612 million) in the state of Maharashtra to set up multi-format stores and experience centres.
- In November 2017, 39 MoUs were signed for investment of Rs 4,000-5,000 crore (US$ 612-765 million) in the state of North-East region of India.
- In December 2017, the Department of Industrial Policy and Promotion (DIPP) approved FDI proposals of Damro Furniture and Supr Infotech Solutions in retail sector, while Department of Economic Affairs, Ministry of Finance approved two FDI proposals worth Rs 532 crore (US$ 81.4 million).
- The Department of Economic Affairs, Government of India, closed three foreign direct investment (FDI) proposals leading to a total foreign investment worth Rs 24.56 crore (US$ 3.80 million) in October 2017.
- Kathmandu based conglomerate, CG Group

is looking to invest Rs 1,000 crore (US$ 155.97 million) in India by 2020 in its food and beverage business, stated Mr Varun Choudhary, Executive Director, CG Corp Global.

- International Finance Corporation (IFC), the investment arm of the World Bank Group, is planning to invest about US$ 6 billion through 2022 in several sustainable and renewable energy programmes in India.

FUTURE TRENDS

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 initiate the growth in India's gross domestic product (GDP) in FY 2018-19.

FINDINGS

FDI is an important stimulus for the economic growth of India After above analysis, FDI has good future growth in Retailing and manufacturing sector in India. Service sector which is having the highest FDI inflows. Mauritius and Singapore are the top two countries which has maximum FDI in India.The Government has taken taken many initiatives related to real estate, retailing and employment. In commonwealth various announcements were made during the year 2018 of FDI for the development of the economy.

CONCLUSION

India has a sharp hike in India's gross expenditure in past few years. Due to poor business environment Infrastructure is being developed and FDI policy is being liberalized to improve the situation. FDI is one of the major source for the development of Indian economy but it will not give solution to poverty,unemployment andeconomic sickness. India needs huge investment to achieve their vision to achieve their targets. The policy makers have to ensure the policy in a transparent and consistent manner for long term development.Thus the Indian economy is proving itself conducive to Foreign Investment.

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