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IMPACT OF FOREIGN DIRECT INVESTMENT (FDI) ON ECONOMIC GROWTH

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ABSTRACT

India is the fastest growing economy in the world. India is ranked 3rd in the destination for the inbound investment. FDI is the monetary source for economy development and foreign company invest in India to take the benefits of cheaper wages and change the business environment of India economic liberalisation. In Indian economy reform program, policy and procedure and transfer of technology is allowed freely in all the sectors including only service sector except where sectorial celling's. FDI is the safest way for the international capital flow out of the available resource of the external finance is available to them. This FDI policy is utilise in enhancing the domestic production, saving and exports through the equitable distribution of the investment. This research paper examines the impact or the role of FDI in Indian economy.

KEYWORDS
FDI, economic growth.

INTRODUCTION
Foreign Direct Investment is the flow of the capital at international level and the allocation of capital across the countries. FDI flow their capital developed countries to developing countries and the investors will bring the scare capital and superior technology and new industries and also in the production, assets or employment of the industries. This also assists human capital formulation and contributes to international integration by promoting exports. It also increases the productivity and competitiveness and improves the efficiency of resources. FDI also did the financial collaboration through the joint venture and technical collaboration. In India FDI open the economy and allowed the MNCs in core sector like Power and fuels, Electric equipment's, transportation, chemicals, food processing, metallurgical, drugs and pharmaceuticals, textile and industries. In current period FDI allows in different sectors like telecommunication, banking and insurance sector, hotel and tourism. There are 15 sectors of India in which FDI can invest by taking the government approval and without approval of the government. FDI help India in the growth of the economy with help of industries and private enterprise. In India there is a possibility of acquiring the 100% ownership in telecommunication and there is FDI in E-commerce is as soon as. FDI will give the relaxation to some sectors like retail, multi brand retail, power, assets reconstruction and credit information while investing in these sectors they will take the permission from the FIPB (Foreign Investment Promotion Board).

OBJECTIVE OF FDI
Objective of FDI is promoting the foreign investment in order to supplement domestic capital, technology and skills, for accelerated economic growth. FDI also bring the latest and modern technology in India and also improve the infrastructure and creating competitive market. Indian Government will get the transparency in good and supply chain management system. FDI also open in retail sector which can be the solution for food inflation which has been confounding policy makers. FDI also improve the supply chain, customer satisfaction, technology and logistics, provide better employment opportunities.

FOREIGN DIRECT INVESTMENT IN INDIAN ECONOMY
India allowed the foreign direct investment in 1997 in cash and carry wholesale with the approval of government and after this the government will give the approval for the automatic approval in 2006. After this approval India signs the 94 proposals in year 2006 to 2010 out of which 57 proposals are accepted and implemented. In the year 2007 growth of Indian economy is measured 8% but it is predicted 7.9% for 2008. After this session of 2006 to 2010 Indian economy will take u turn and having innovation and organize the competition in retail industries from a report estimates the 2011 retail market of India generate sales of about $470 billion a year, of which a minuscule $27 billion comes from organized retail such as supermarkets, chain stores with centralized operations and shops in malls. The opening of retail industry to free market competition, some claim will enable rapid growth in retail sector of Indian economy. The growth of Indian retail industry will take time, with organized retail possibly needing a decade to grow to a 25% share. A 25% market share, given the expected growth of Indian retail industry through 2021, is estimated to be over $250 billion a year.

CHANGES ACCORDING TO YEAR IN INDIAN ECONOMY WITH HELP OF FDI
In 2010, intermediaries and middlemen of India have dominated the value chain. Number of intermediaries involved in the traditional Indian retail chain, norms are flouted and pricing lacks transparency. Small Indian farmers realize only 1/3rd of the total price paid by the final Indian consumer, as against 2/3rd by farmers in nations with a higher share of organized retail. The 60% plus margins for middlemen and traditional retail shops have limited growth and prevented innovation in Indian retail industry. India has had years of debate and discussions on the risks and prudence of allowing innovation and competition within its retail industry. Numerous economists repeatedly recommended to the Government of India that legal restrictions on organized retail must be removed, and the retail industry in India must be opened to competition. In 2011, India had prevented innovation and organized competition in its consumer retail industry. Several studies claim that the lack of infrastructure and competitive retail industry is a key cause of India's persistently high inflation. Furthermore, because of unorganized retail, in a nation where malnutrition remains a serious problem, food waste is rife. Well over 30% of food staples and perishable goods produced in India spoil because poor infrastructure and small retail outlets prevent hygienic storage and movement of the goods from the farmer to the consumer.

One report estimates the 2011 Indian retail market as generating sales of about $470 billion a year, of which a miniscule $27 billion comes from organized retail such as supermarkets, chain stores with centralized operations and shops in malls. The opening of retail industry to free market competition, some claim will enable rapid growth in retail sector of Indian economy. Others believe the growth of Indian retail industry will take time, with organized retail possibly needing a decade to grow to a 25% share. A 25% market share, given the expected growth of Indian retail industry through 2021, is estimated to be over $250 billion a year. The Economist forecasts that Indian retail will nearly double in economic value, expanding by about $400 billion by 2020. The projected increase alone is equivalent to the current retail market size of France.

In 2011, food accounted for 70% of Indian retail, but was under-represented by organized retail.it was estimated that India organized retail had a 31% share in clothing, while the home supplies retail was growing between 20% to 30% per year.

The inflow of FDI in India is decline in 2012 from 31.5 billion to 27 billion because there will be a weakening in the macroeconomic environment slow growth rate and fall in GDP of India. After this India allowed the inflow FDI in retail sector up to 51% and raised the FDI in aviation and power trading exchange. After this 2012 the FDI is increasing in 2013 and 2014 that FDI recovery is on bumpy road while FDI in developing countries remained silent, more investment in sector that contributes to creation and enhances local productivity capacity is still badly needed. In 2013 the flow of FDI is increased by 17% to 28% which is unexpected. India is ranked 16 from among the 20 global countries in economics.

In 2013 flow of FDI is increase 17% which is unexpected flow in the middle of the year and India will rank 16th out of the 20 global economics country which receives the FDI. FDI flows to developing economies reached a new high of 759 billion dollars, accounting for 52 per cent, during the year.

Developed countries, however, remained at an historical low (39 per cent) for the second consecutive year. FDI inflows to developed countries increased by 12 per cent to USD 576 billion, the BRICS - Brazil, Russian Federation, India, China and South Africa - continued to be strong performers in attracting FDI. Their current share of global FDI flows at 22 per cent is twice that of their pre-crisis level. Total inflows to the five leading emerging economies reached 322 billion dollars in 2013, 21 per cent higher than in 2012.

In 2014 government increase the flow of FDI from 26% to 49% in insurance sector and also launch the Make in India project by this project 25 sectors will open for the flow of FDI. India was rank 15th in the world in 2013 in the term of FDI Flow and after this it will be rose up to 9th position in the 2014 and in 2015 it become top destination for the foreign Direct Investment.

In previous year 2015 there will be given a good impact on the Indian economy by using some policies for the purpose of investment in India and it will invest by taking the permission from FIPB (Foreign Investment Promotion Board) and it will be helpful in the growth of the Indian economy. In these Sectors FDI will done their investment:

INVESTMENT IN DIFFERENT SECTORS IN INDIA

TABLE 1

SR. No	Sector / Activity	% Foreign Direct Investment (FDI), Foreign Institution Investor(FII), Foreign Portfolio Investment(FIP)	Route
1	Agriculture and animal husbandry	100%	Automatic
2	Tea Plantation	100%	Government
3	Mining & Natural Gas A. (Mining and Exploration of metal and non-metal ores, Coal & Lignite) B. Mining and mineral separation of titanium bearing mineral ore	 100% 100%	 Automatic Government
4	Petroleum and Natural Gas A. Petroleum refining by the public sector undertaking	100% 49%	Automatic Automatic
5	Defence Industry (license under the industries development & regulation Act 1951)	49%	Government route up to 49%.
6	Broadcasting: A) Broadcasting Carriage Services 1. Broadcasting carriage service (Teleports, Direct to Home s, Cable Network, Mobile TV, Handed in the Sky Broadcasting services) 2. Cable Networks B) Broadcasting content services 1. Terrestrial Broadcasting FM (FM Radio) 2. Up-Linking of News & Current Affairs TV Channel 3. Up-Linking of Non-News & Current Affairs TV Channel /Down Linking Of TV Channels	 74% 49% 26% 26% 100%	 Automatic up to 49% Government beyond 49% up to 74% Automatic Government Government Government
7	Print Media	26%	Government
8	Airports Air Transport Services	100% 49%	Automatic Automatic
9	Civil Aviation Sector	74%	Automatic up to 49% Government Beyond 49% up to 74%
10	Courier Service	100%	Automatic
11	Construction Development (Township, Housing, Built-up Infrastructure)	100%	Automatic
12	Industrial Park-new and existing	100%	Automatic
13	Satellite- establishment and operation	74%	Government
14	Private Security agency	49%	Government
15	Telecom Services	100%	Automatic up to 49% Government beyond 49%
16	Trading	100%	Automatic
17	E-Commerce	100%	Automatic
18	Single Brand product retail trading	100%	Automatic up to 49 % Government route beyond 49%
19	Multi Brand Retail Trading	51%	Government
20	Railway Infrastructure	100%	Automatic
21	Assets Reconstruction Company	100% Of paid up capital of ARC	Automatic Route up to 49% and beyond 49 % government
22	Banking and private sector Banking and public sector	74% including investment by FIIs/FIPs 20% (FDI and Portfolio Investment)	Automatic up to 49% and beyond 49% up to 74% government Government
23	Commodity Exchange	49% FII/FPI	Automatic
24	Credit Information company	74% (FDI+FII/FPI)	Automatic
25	Infrastructure Company in Security market	49% (FDI+FII/FPI)	Automatic
26	Insurance	49% (FDI+FPI(FII+QFI+NRI+DRI+FVCI))	Automatic up to 26% Government beyond 26% up to 49%
27	NBFC (Non-Banking Finance Companies) (Merchant Banking, stock broking, venture capital, Asset Management, factoring, custodian Services)	100%	Automatic
28	Pharmaceuticals A. Green Field B. Brown Field	 100% 100%	 Automatic Government
29	Power Exchanges	49% (FDI+FII/FPI)	Automatic

This table data is taken from Foreign Direct Investment (FDI) Circular 2015. In this I have mentioned the route by which Foreign Direct Investment (FDI) will enter in these sectors of India. By automatic route in this automatic route foreign direct investment can invest in India directly by taking the permission from Foreign Investment Promotion Board (FIPB). Investment through government route is done with permission of government.

CONCLUSION

In India FDI Also face some of the challenges in India regarding the resources, political, federal and equity challenges. India focus on the poverty reduction, trade liberalization, banking and insurance liberalization. In this 21st century we can't ignore the universal trends. Co-operation is the main for the success. FDI would lead to a more comprehensive integration of India into the world market where India can also make a strong position in global market by exporting their quality products and services. While FDI in India has been opposed by several in the past citing fears of loss of employment, adverse impact on traditional retail and rise in imports from cheaper sources like China, adherents of the same indicate increased transfer of technology, enhanced supply chain efficiencies and increased employment opportunities as the perceived benefits. Considering the inflation rise and economic recession in India, FDI looks like something that it provides relief to the Indian economy.

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