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Growth of Indian Economy in Foreign Direct Investment

Badal Rakshit
Guest Faculty and Research Scholar
Department of Commerce
Annada College, Hazaribag

Abstract

The economical history of FDI in India can be traced back with the establishment of East India Company of Britain. After Second World War, Japanese companies entered Indian Market and enhanced their trade with India, yet U.K. remained the most dominant Investor in India. The industrial policy of 1965, allowed MNCs to venture through technical collaboration in India. Therefore, the government adopted a liberal attitude by allowing more frequent equity. In the critical face of Indian economy the government of India with the help of World Bank and IMF introduced the macro-economic stabilization and structural adjustment program. As a result of these reforms India open its door to FDI inflows and adopted a more liberal foreign policy in order to restore the confidence of foreign investors. Further, under the new foreign investment policy Government of India constituted FIPB (Foreign Investment Promotion Board) whose main function was to invite and facilitate foreign investment. India's recently liberalized FDI policy permits up to a 100% FDI stake in ventures. Industrial policy reforms have substantially reduced industrial licensing requirements, removed restrictions on expansion and facilitated easy access to foreign technology and FDI. India is known to have huge amounts of resources. There is manpower and significant availability of fixed and working capital. At the same time, there are some underexploited or unexploited resources. The resources are well available in the rural as well as the urban areas. The focus is to increase infrastructure 10 years down the line, for which the requirement will be an amount of about US$ 150 billion. This is the first step to overcome challenges facing larger FDI. India must also focus on areas of poverty reduction, trade liberalization, and banking and insurance liberalization. Challenges facing larger FDI are not just restricted to the ones mentioned above, because trade relations with foreign investors will always bring in new challenges in investments.

Keywords : economy, investor, government, liberalization

Introduction

Foreign direct investment is one of those investments which are made for the benefit of the business interest. Foreign direct investment (FDI) in India is the major monetary source for economic development in India. Foreign companies invest directly in fast growing private Indian businesses to take benefits of cheaper wages and changing business environment of India. Economic liberalization started in India in wake of the 1991 economic crisis and since then FDI has steadily increased in India. It were Manmohan Singh and P. V. Narasimha Rao who brought FDI in India, which subsequently generated more than one crore jobs. According to the Financial Times, in 2015 India overtook China and the US as the top destination for the Foreign Direct Investment. In first half of the 2015, India attracted investment of $31 billion compared to $28 billion and $27 billion of China and the US respectively.

Materials and Methods

For the purpose of in depth study the contents have been taken from relevant books and articles from journals government reports. The methods used are descriptive and analytical. Consultation with eminent scholars in this field has shaped the present discussion.

Results and Discussions

Planning commission has favoured further liberalization of the foreign direct investment policy and improvement of business regulations to raise the growth rate of gross domestic product to 9-9.5% in the 12th five year plan (2012-17).

Beside 100 percent relaxation of FDI in real estate, the government policies on FDI also offer opportunities for foreign investors to invest in different sectors. This includes 100 percent in power trading, processing, development of