ISSN 2320-4168

VOL 6 | SPECIAL ISSUE 3 | JAN 2018

UGC Approved Journal Number: 44120

JOURNAL WITH 3.017 IMPACT FACTOR SIJ COMMERCE

Shanlax International Journal of Commerce

A Peer-Reviewed, Refereed Scholarly Quarterly Journal
Globally Indexed with Impact Factor

National Conference on

India's Foreign Policy with Neighbouring Countries

Sponsored by
INDIAN COUNCIL OF WORLD AFFAIRS (ICWA)

Organized by
PG & Research Department of Commerce

VIVEKANANDHA
COLLEGE OF ARTS AND SCIENCES FOR WOMEN
(Autonomous)

[An ISO 9001:2008 Certified Institution]
(Affiliated to Periyar University, Approved by AICTE, Re-accredited with 'A' Grade by NAAC, Recognized u/s 2(f), 12(B) UGC act of 1956)
Elayampalayam - 637 205, Tiruchengode, Namakkal Dt., Tamil Nadu

ISSN INTERNATIONAL STANDARD SERIAL NUMBER INTERNATIONAL CENTRE

ज्ञान-विज्ञान विमुक्तये

SHANLAX INTERNATIONAL JOURNALS
BETTER SOUND THROUGH COMPENDIUM

SHANLAX
www.shanlaxjournals.in

SHANLAX

INTERNATIONAL JOURNAL OF COMMERCE

(A Peer-Reviewed-Refereed/Scholarly Quarterly Journal Globally Indexed with Impact Factor)

Vol. 6 Special Issue 3 January, 2018 Impact Factor: 3.017

ISSN: 2320-4168 UGC Approval No: 44120

ICWA Sponsored National Conference on

INDIA'S FOREIGN POLICY WITH NEIGHBOURING COUNTRIES

24th & 25th January 2018

Organized by

PG & Research Department of Commerce

VIVEKANANDHA COLLEGE OF ARTS AND SCIENCE FOR WOMEN

(AUTONOMOUS)

An ISO 9001:2008 Certified Institution

(Affiliated to Periyar University, Approved by AICTE, Re – accredited with A Grade by NAAC, Recognized u/s 2(f), 12(B) UGC act of 1956)

ELAYAMPALAYAM - 637 205, TIRUCHENGODE, NAMAKKAL

CONTENTS

S. No	Title	Page. No
1	Policy Changes in Modi Government for Demonetization in Indian Currency ***K.Ambika & V.Sindhu***	1
2	Tourism Policies: From Global to India's Perspective ***C.Aruljothi & S.Ramaswamy***	7
3	India – European Union Foreign Policy and Multilateral Governance Foreign Policy with Neighboring Continental Countries ***Dr.P.Munusamy & Mr.A.Keerthi Vasan***	16
4	Impact of Indian Foreign Policy Analysis and Contemporary Challenges in Current Scenerio ***R.Meenakshi & Dr.T.A.Tamilselvi***	20
5	WTO and Foreign Trade Policy in India ***R.Priya***	29
6	India's Role in the Trade of SAARC Countries ***R.Ramachandran***	34
7	An Assessment on Threats of Climate Changes and Environmental Securities ***Dr.J.Kannan***	42
8	GST In India: A Key Tax Reform ***T.Kayal Vizhi***	47
9	Fatca – Impact in India ***Dr.M.Manjula***	51
10	WHO – Global Health and Foreign Policy ***A.Siva Shankar & M.Ananda Raman***	56
11	A Paradigm Shift in the Governance in India – A Conceptual Study ***Dr.A.Aleeswari & Dr.S.Suguna***	64
12	Foreign Direct Investment and Economic Growth in India ***Mr.K.Sivasubramani & Mr.C.Kumaresan***	69
13	India – China Relation: The Diplomat ***A.N.Jayanthi & M.Srilekha***	77
14	Climate Change and Environmental Security ***K.S.Naveen & P.Ranjith Rajan***	82
15	Make In India - Trend Setter in Foreign Direct Investment Inflow ***S.Kavitha & Dr.K.Venkatachalam***	89
16	Emerging Trends and Impact of FDI in Indian Banking Sector ***R.Srikanth***	93
17	Climate Change and Environmental Security ***M.Gowsalya & T.Sathriyaselvam***	99
18	Climate Change and Environmental Security ***Mrs.Archana Kumari & Dr.V.Selvam***	110
19	Impact of Tax Regulation Under the Goods and Service Act, 2017 Over the Consumer ***Dr.C.Thilakam & R.Senthil Rajaprabha***	117

FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH IN INDIA

Mr.K.Sivasubramani
Assistant Professor, Department of Business Administration (MBA)
K.S.R. College of Engineering, Tiruchengode

Mr.C.Kumaresan
II-MBA, K.S.R. College of Engineering, Tiruchengode

Abstract

Foreign Direct Investment (FDI) plays a very important role in the development of the nation. It is very much vital in the case of underdeveloped and developing countries. A typical characteristic of these developing and underdeveloped economies is the fact that these economies do not have the needed level of savings and income in order to meet the required level of investment needed to sustain the growth of the economy. In such cases, foreign direct investment plays an important role of bridging the gap between the available resources or funds and the required resources or funds, Foreign Direct Investment is the one among this, also there are number of different forms of FDI is available currently. Recently, Government of India allowed FDI in different sectors of Indian economy. But several opposition parties are making it a political issue in parliament on these policy decisions and amendments. With a view to infuse globally acceptable best practices, modern management skills and latest technology, it has been decided to allow foreign investment in IndiaIt also point out the sector-wise distribution of FDI inflow to know about which has concerned with the chief share. The present study is based on secondary data collected from different sources. This paper also tries to find out the scenario and role and Scope of Foreign Direct Investment in India.

Keywords- *FDI, economic growth, economic development, dynamic growth.*

Introduction

Foreign direct investment (FDI) has played an important role in the process of globalization during the past two decades. The rapid expansion in FDI by multinational enterprises since the mid-eighties may be attributed to significant changes in technologies, greater liberalization of trade and investment regimes, and deregulation and privatization of markets in many countries including developing countries like India. Capital formation is an important determinant of economic growth. While domestic investments add to the capital stock in an economy, FDI plays a complementary role in overall capital formation and in filling the gap between domestic savings and investment.

In India FDI inflow made its entry during the year 1991-92 with the aim to bring together the intended investment and the actual savings of the country. To pursue a growth of around 7 percent in the Gross Domestic Product of India, the net capital flows should increase by at least 28 to 30 percent on the whole. But the savings of the country stood only at 24 percent. The gap formed between intended investment and the actual savings of the country was lifted up by portfolio investments by Foreign Institutional Investors, loans by foreign banks and other places, and foreign direct investments. Among these three forms of financial assistance, India prefers as well as possesses the maximum amount of Foreign Direct Investments.

FDI Inflow Routes:

An Indian company may receive Foreign Direct Investment under the two routes as given under:

- **Automatic Route:** FDI in sectors /activities to the extent permitted under the automatic route does not require any prior approval either of the Government or the Reserve Bank of India.

- **Government Route:** FDI in activities not covered under the automatic route requires prior approval of the Government which are considered by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, and Ministry of Finance.

FDI is not permitted in the following industrial sectors:

- Arms and ammunition.
- Atomic Energy
- Railway Transport.
- Coal and lignite.
- Mining of iron, manganese, chrome, gypsum, sulphur, gold, diamonds, copper, zinc.
- Lottery Business
- Gambling and Betting
- Business of Chit Fund
- Agricultural (excluding Floriculture, Horticulture, Development of seeds, Animal Husbandry, Pisciculture and cultivation of vegetables, mushrooms, etc. under controlled conditions and services related to agro and allied sectors) and Plantations activities (other than Tea Plantations)
- Housing and Real Estate business.
- Trading in Transferable Development Rights (TDRs).
- Manufacture of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.

Review of Literature

Singh Kr. Arun and Agarwal P.K., (2012) "Foreign direct investment: The big bang in Indian retail". In this article they have studied the relation of foreign investment and Indian retail business. The study is based on different literatures, case studies and analysis of organized retail market. The author discusses the policy development for FDI in the two retail categories: single brand and multi brand. The author concludes that FDI in multi brand retail should be considered, better technology and employment. The paper also concludes that openness of FDI in India would help India to integrate into worldwide market.Dr. Mamata Jain and Mrs. MeenalLodhanaSukhlecha, (2012), "FDI in multi brand retail: Is it the need of the hour?" The paper studies the need of the retail community to invite FDI in retailing. The study is under taken through analysis of positive and negative impacts of reforms. The study shows various advantages of FDI, which suggests for foreign participation in retailing, but the author also suggests that the ceiling should not exceed 51% even for single brands to ensure check and control on business operations.

Rajalakshmi K. and Ramachandran F., (2011), "Impact of FDI in India's automobile sector with reference to passenger car segment." The author has studied the foreign investment flows through the automobile sector with special reference to passenger cars. The research methodology used for analysis includes the use of ARIMA, coefficient, linear and compound model. The period of study is from 1991to 2011. This paper is an empirical study of FDI flows after post liberalization period. The author has also identified the problems faced by India in FDI growth of automobile sector through suggestions of policy implications.

Dr. S N Babar and Dr. B V Khandare, (2012), "Structure of FDI in India during globalization period". The study is mainly focused on changing structure and direction of India's FDI during globalization period. The study is done through analysis of benefits of FDI for economic growth. The study has been done through sect oral analysis of FDI participation, as well as through study of country wise flow of foreign inflow in India till 2010.

Singh (2009) stated in their study that foreign direct investment (FDI) policies play a major role in the economic growth of developing countries around the world. Attracting FDI inflows with conductive policies has therefore become a key battleground in the emerging markets. The paper highlighted the trend of FDI in India after the sector-wise economic reforms.

Objectives of the Study

- To discuss the FDI policy framework in India.
- To identify the various determinants of FDI.
- To understand the need for FDI in India.
- To Study the trends of FDI Flow in India during 2000-01 to 2014-15 (up to June, 2015).

Research Methodology

Sources of Data Collection

In this research paper, the researcher has trying to her level best to collect the data from secondary sources which is purely an Empirical study like published research papers, journals, magazines, websites such as www.tradingeconomics.com RBI websites, Government of India websites, and various issues of DIPP, Central Statistical Organization, and Handbook of Statistics on Indian Economy. The study carried out is analytical and empirical in nature in which it explores the relationship between the Inflows of FDI and their impact on Indian economic growth. Further, in order to show the position of FDI we selected different economic level of study.

Problems for Low FDI Flow to India

India, the largest democratic country with the second largest population in the world, with rule of law and a highly educated English speaking work force, the country is considered as a safe haven for foreign investors. Yet, India seems to be suffering from a host of self-imposed restrictions and problems regarding opening its markets completely too global investors by implementing full scale economic reforms. Some of the major impediments for India's poor performance in the area of FDI are: political instability, poor infrastructure, confusing tax and tariff policies, Draconian labour laws, well entrenched corruption and governmental regulations.

- Lack of adequate infrastructure:
- Stringent labor laws:
- Corruption
- Lack of decision making authority with the state governments:
- Limited scale of export processing zones:
- High corporate tax rates:
- Indecisive government and political instability:

Determinants of FDI

The determinant varies from one country to another due their unique characteristics and opportunities for the potential investors. In specific the determinants of FDI in India are:

- Stable policies
- Economic factors
- Cheap and labour
- Basic infrastructure
- Unexplored markets
- Availability of natural resources

Need for FDI in India

As India is a developing country, capital has been one of the scare resources that are usually required for economic development. The flow of FDI in India from across the world will help in acquiring the funds at cheaper cost, better technology, employment generation, and upgraded technology transfer, scope for more trade, linkages and spillovers to domestic firms. The following arguments are advanced in favor of foreign capital.

- Sustaining a high level of investment:
- Technological gap:
- Exploitation of natural resources:
- Understanding the initial risk:
- Development of basic economic infrastructure:
- Improvement in the balance of payments position
- Foreign firm's helps in increasing the competition

Data Analysis and Interpretation Fact Sheet on Foreign Direct Investment (FDI)

Table No 1 Total FDI Inflows (From April, 2000 to June, 2015)

1	Cumulative Amount Of Fdi Inflow (Equity inflows +'Re-invested earnings' +-Other capital')	-	US$ 380,215 Million
2	Cumulative Amount Of Fdi Equity Inlows (Excluding, amount remitted through RBI's NRI Schemes)	Rs.1,293,303 Crore	US$ 258,020 Million

Source: FDI Statistics, Department of Industrial Policy& Promotion, Ministry of Commerce & Industry, Government of India, 2015.

Table 1 shows the amount of FDI inflows from April, 2000 to June, 2015. It shows the cumulative amount of FDI Inflows both in terms of Crore and in US $ million.

Point 1 shows the sum of equity inflows, reinvested earnings and other capital. Cumulative amount of inflows are 380,215 in US $ million. Other than this, cumulative FDI equity inflows which excludes amount remitted through RBI's -NRI schemes are 1,293,303 in Crore and 258,020 in US $ million.

Table No 2 FDI Inflows during Financial Year 2015-16 (June, 2015):-

1	**Total Fdi Inflows Into India** (Equity inflows +'Re-invested earnings' +-Other capital')	-	US$ 2929 Million
2	**Fdi Equity Inflow**	Rs.13115 Crore	US$ 2054 Million

Source: FDI Statistics, Department of Industrial Policy& Promotion, Ministry of Commerce & Industry, Government of India, 2015.

Table 2 shows the amount of FDI inflows during the Financial Year, 2015(June). It shows the total amount of FDI Inflows both in terms of Crore and in US $ million.

Point 1 shows the sum of equity inflows, reinvested earnings and other capital. Total amount of inflows are 2,929 in US $ million. Point 2 shows the FDI equity inflows amounted 13,115 in Crore and 2,054 in US $ million.

Table No 3 FDI Equity Inflows (Month-wise) during the Financial Year 2015-16

Financial Year 2015-16		Amount of FDI Equity inflows	
(April-March)		*(In Rs. Crore)*	*(In US$mn)*
1.	April, 2015	22,620	3,605
2.	May, 2015	24,564	3,850
3.	June, 2015	13,115	2,054
2015-16 (from April, 2015 to June, 2015)		60,299	9,508
2014-15 (from April, 2014 to June, 2014)		43,171	7,235
%age growth over last year		(+) 40 %	(+) 31%

Source: FDI Statistics, Department of Industrial Policy& Promotion, Ministry of Commerce & Industry, Government of India, 2015.

The above Table 3 shows the amount of FDI inflows during Financial Year from April, 2015 to March, 2016 (up to June, 2015). It shows the amount in Rs Crore and in US $ mn. The highest FDI inflows in the country is in the month of May 2015 i.e. 24,564 in Rs Crore and 3,850 in US $ mn. Followed by April, 2015 and June, 2015 with inflows 22,620 in Rs. Crore (3,605 in US$ mn) and 13,115 in Rs. Crore (2,045 in US$ mn) respectively. It can also be observed that there is 40% growth over last year.

Table No 4 FDI Equity Inflows (Month-wise) during the Calendar Year 2015:

Calendar Year 2015		Amount of FDI Equity inflows	
(Jan.-Dec.)		(In Rs. Crore)	(In US$ mn)
1.	January, 2015	27,880	4,481
2.	February, 2015	20,397	3,288
3.	March, 2015	13,221	2,117
4.	April, 2015	22,620	3,605
5.	May, 2015	24,564	3,850
6.	June, 2015	13,115	2,054
Year 2015 (up to June, 2015) #		121,797	19,394
Year 2014 (up to June, 2014) #		90,876	14,975
%age growth over last year		(+) 34 %	(+) 30%

Source: FDI Statistics, Department of Industrial Policy& Promotion, Ministry of Commerce & Industry, Government of India, 2015.

The above Table 4 shows the amount of FDI inflows during the Calendar Year January, 2015 to December, 2015(up to June, 2015). It shows the amount in RsCrore and in US $ mn. The highest FDI inflows in the country is in the month January 2015 i.e. 27,880 in RsCrore and 4,481 in US $ mn. Month like January 2014 have 13,589 in RsCrore and 2,189 in US $ mn. Comparing both we can observe that there is a 34% growth in FDI inflow.

Table No 5 Share of Top Investing Countries FDI Equity Inflows (Financial Years):-
Amount Rupees in Crores (US$ in millions)

Ranks	Country	2013-14	2014-15	2015-16	Cumulative	%age to total
		(April -	(April –	(April,15 –	Inflows	Inflows
		March)	March)	June, 15)	(April '00 -	(in terms
					June '15)	of US $)
		29,360	55,172	13,236	438,892	
1.	Mauritius					35 %

		(4,859)	(9,030)	(2,089)	(89,644)	
		35,625	41,350	23,320	190,477	
2.	Singapore					14 %
		(5,985)	(6,742)	(3,673)	(35,861)	
		20,426	8,769	755	110,409	
3.	U.K.					9 %
		(3,215)	(1,447)	(119)	(22,329)	
		10,550	12,752	2,916	96,312	
4.	Japan					7 %
		(1,718)	(2,084)	(459)	(18,811)	
		13,920	20,960	4,123	81,381	
5.	Netherlands					6 %
		(2,270)	(3,436)	(652)	(15,323)	
		4,807	11,150	3,959	70,839	
6.	U.S.A.					6 %
		(806)	(1,824)	(627)	(14,378)	
		6,093	6,904	3,497	42,007	
7.	Germany					3 %
		(1,038)	(1,125)	(554)	(8,198)	
		3,401	3,634	608	39,971	
8.	Cyprus					3 %
		(557)	(598)	(96)	(8,140)	
		1,842	3,881	877	23,465	
9	France					2 %
		(305)	(635)	(138)	(4,651)	
		2,084	2,066	598	15,812	
10.	Switzerland					1 %
		(341)	(337)	(94)	(3,139)	
Total Inflow FDI from All Countries		147,518	189,107	60,298	1,293,836	
			(30,931)	(9,508)	(258,141)	-
		(24,299)				

Source: FDI Statistics, Department of Industrial Policy& Promotion, Ministry of Commerce & Industry, Government of India, 2015.

The above Table No.5 depicts the country having the highest FDI in India. The report shows that the MAURITIUS country has the highest foreign investor in India with 34%. After Mauritius, Singapore and U.K. invest the highest FDI in India with 14% and 9% respectively. Japan also gets 4th position with 7% FDI in India.

Table No 6 Sectors Attracting Highest Fdi Equity Inflows: *Amount in Rs. Crores (US$ in millions)*

Ranks	*Sector*	*2013-14* (April - March)	*2014-15* (April-March)	*2015-16* (April,15 – June, 15)	*Cumulative* Inflows (April '00 - June '15)	*% age to total* Inflows (In terms of US$)
1.	Services Sector	13,294	19,963	4,036	209,578	17 %
		(2,225)	(3,253)	(636)	43,350)	
	Construction					
2.	Development:	7,508	4,582	216	113,355	
	Townships, Housing,					
	Built-Up	(1,226)	(758)	(34)	(24,098)	9 %
	Infrastructure					
3.	Computer Software &	6,896	13,564	16,245	89,481	7 %
	Hardware					
		(1,126)	(2,200)	(2,556)	(17,575)	
4.	Telecommunications	7,987	17,372	2,517	86,609	7 %
	(radio paging, cellular					
	mobile, basic telephone	(1,307)	(2,895)	(395)	(17,453)	
	services)					
5.	Automobile Industry	9,027	15,794	6,914	70,906	5 %
		(1,517)	(2,570)	(1,094)	(13,477)	
	Drugs					
6.	&	7,191	9,211	1,370	66,652	5 %
	Pharmaceuticals					
		(1,279)	(1,523)	(215)	(13,336)	
7.	Chemicals (Other Than	4,738	4,077	1,598	50,909	4 %
	Fertilizers)	(878)	(669)	(251)	(10,588)	
8.	Power	6,519	3,985	1,717	48,357	4 %
		(1,066)	(657)	(271)	(9,828)	
9.	Trading	8,191	16,962	5,679	49,479	4 %
		(1,343)	(2,761)	(897)	(8,958)	
10	Metallurgical	3,436	2,897	845	41,992	
	Industries					3 %
		(568)	(472)	(133)	(8,680)	

Source: FDI Statistics, Department of Industrial Policy& Promotion, Ministry of Commerce & Industry, Government of India, 2015.

The above Table No.6 depicts the sector having the highest FDI equity inflow in India. The report shows that Service sector has the highest FDI Equity inflow 17%, followed by Construction development, Computer Software and Hardware, Telecommunication, Automobile Industry sector having 9%, 7%, 7%, and 5% respectively. Other sectors like Drugs and Pharmaceuticals carries 5% and Chemicals, Power, Trading Industries carries 4% FDI inflow each , whereas the least is of Metallurgical industries – 3%.

Conclusion

FDI in India has a significant role in the economic growth and development of India. FDI in India to various sectors can attain sustained economic growth and development through creation of jobs, expansion of existing manufacturing industries. Computer, Software & Hardware and Drugs & Pharmaceuticals sector were the other sectors to which attention was shown by Foreign Direct Investors (FDI). The other sectors in Indian economy the Foreign Direct Investors interest was, in fact has been quite poor. FDI has helped to raise the output, productivity and employment in some sectors especially in service sector. Indian service sector is generating the proper employment options for skilled worker with high perks. On the other side banking and insurance sector help in providing the strength to the Indian economic condition and develop the foreign exchange system in country. So, we can conclude that FDI is always helps to create employment in the country and also support the small scale industries also and helps country to put an impression on the world wide level through liberalization and globalization.

References

1. Aggrawal, S., Singla, A., Aggrawal, R. (2012). Foreign direct investment in India. International Journal of Computational Engineering & Management, 15 (5), 93-105.
2. Azhar, S., Marimuthu, K.N. (2012). An overview of foreign direct Investment in India. International Journal of Multidisciplinary Management studies, 2 (1), 202-214.
3. Department of Industrial Policy and Promotion, (April 2000 to June 2015) Annual Report.
4. Devajit, M. (2012). Impact of foreign direct investment on Indian economy. Research Journal of management Sciences, 1(2), 29-31.
5. Kumar, P. (2011). FDI in India and its impact- "A critical evaluation". VRSD International Journal of Business & Management Research, 1(3), 185-196.
6. Manual on Foreign Direct Investment in India by Secretariat for Industrial Assistance (SIA) DIPP.
7. Mahajan, D. (2008). FDI in India not as per her potential. The Economic Challenger, 41 (11), 59-63.
8. Press notes of Department of Industrial Policy and Promotion (DIPP) (2010-15).
9. Ramachandran, A., Kavitha, N., Veni, N.K. (2008). Foreign direct investment and the economic scenario. The Economic Challenger, 39 (10), 43-49.
10. Reserve Bank of India (2015), Monthly Bulletin, July.
11. Sahni, P. (2012). Trends and determinants of foreign direct investment in India: An empirical investigation. International Journal of Marketing and Technology, 2 (8), 144-161.
12. UNCTAD (2015), World Investment Report.
13. Reserve Bank of India (RBI), Handbook of Statistics on Indian Economy, RBI, Mumbai.
14. Reserve Bank of India (RBI), Monthly Bulletin, various issues.
15. Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, various issues.
16. Ministry of Finance, Department of Economic Affairs, Government of India.
17. Annual Survey of Industries, Ministry of Statisitics and Programme Implementation, Government of India, various issues