

FOREIGN DIRECT INVESTMENTS IN INDIA - AN EMPIRICAL SURVEY

Gurleen Kaur Gulati
Assistant Professor, G. N. Khalsa College
Karnal, Haryana, India

Abstract

In this paper, we are discoursing about the relation between the foreign direct investment and Indian market. We would cover the merits of investing into rich Indian market to explore and increase their business productivity. And also we would discuss about the top investing countries in Indian market.

Introduction

An investment done by a company or entity based in one country, into a company or entity based in another country. Foreign direct investments dissent considerably from indirect investments such as portfolio courses, wherein abroad institutions invest in equities leant on a nation's stock

exchange. Entities creating direct investments mostly have a significant degree of determine and control over the company into which the investment is made. Open economies with experienced workforces and good growth aspects tend to attract larger amounts of foreign direct investment than closed, extremely determined economies.

The consented doorstep for a foreign direct investment relationship, as defined by the OECD, is 10%. That is, the foreign investor must own at least 10% or more of the voting stock or ordinary shares of the investee company.

In 2010, India has been rated at the second place in global foreign direct investments and will continue to rest among the top five captivating destinations for international

investors during 2010-12 period, according to United Nations Conference on Trade and Development (UNCTAD) in a report on world investment prospects titled, 'World Investment Prospects Survey 2009-2012'. India attracted FDI equity inflows of US\$ 2,014 million in December 2010. According to the data released by the Department of Industrial Policy and Promotion (DIPP), the accumulative amount of FDI equity influxes from April 2000 to December 2010 stood at US\$ 186.79 billion,

Reasons of assaying FDI by any country:

- a. Inland capital is short for purpose of economic growth;
- b. Foreign capital is generally necessary, at least as a temporary measure, during the period when the capital market is in the process of development;
- c. Foreign capital usually brings it with other scarce productive factors like technical knowledge, business expertise and knowledge

FDI in India:

As per the Indian government ordinance there are some specific considerations for Foreign investors. Some of them are discussed below:

1. Any non-resident person or organization could invest in India omit some entity resident of Pakistan or integrated in Pakistan.
2. NRIs resident in Nepal and Bhutan as well as citizens of Nepal and Bhutan are permitted to invest in the capital of Indian companies on repatriation basis, subject to the condition that the amount of consideration for such investment shall be paid only by way of inward remittance in free foreign exchange through normal banking channels.
3. OCBs have been derecognized as a class of Investors in India with effect from September 16, 2003. Erstwhile OCBs which are incorporated outside India and are not under the adverse notice of RBI can make fresh investments under FDI Policy as incorporated non-resident entities,

with the prior approval of Government of India if the investment is through Government route; and with the prior approval of RBI if the investment is through Automatic route.

4. (i) An FII may invest in the capital of an Indian Company under the Portfolio Investment Scheme which limits the individual holding of an FII to 10% of the capital of the company and the aggregate limit for FII investment to 24% of the capital of the company. This aggregate limit of 24% can be increased to the sectoral cap/statutory ceiling, as applicable, by the Indian Company concerned by passing a resolution by its Board of Directors followed by passing of a special resolution to that effect by its General Body. The aggregate FII investment, in the FDI and Portfolio Investment Scheme, should be within the above caps.

- (i) The Indian company which has issued shares to FIIs

under the FDI Policy for which the payment has been received directly into company's account should report these figures separately under item no. 5 of Form FC-GPR (Annex-1-A) (Post-issue pattern of shareholding) so that the details could be suitably reconciled for statistical/monitoring purposes.

- (ii) A daily statement in respect of all transactions (except derivative trade) have to be submitted by the custodian bank in floppy / soft copy in the prescribed format directly to RBI to monitor the overall ceiling/sectoral cap/statutory ceiling.

5. No person other than registered FII/NRI as per Schedules II and III

of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations of FEMA 1999, can invest/trade in capital of Indian Companies in the Indian Stock Exchanges directly i.e. through brokers like a Person Resident in India.

6. A SEBI registered Foreign Venture Capital Investor (FVCI) may contribute up to 100% of the capital of an Indian Venture Capital Undertaking (IVCU) and may also set up a domestic asset management company to manage the fund. All such investments can be made under the automatic route in terms of Schedule 6 to Notification No. FEMA 20. A SEBI registered FVCI can also invest in a domestic venture capital fund registered under the SEBI (Venture Capital Fund) Regulations, 1996. Such investments would also be subject to the extant FEMA regulations and extant FDI

policy including sectoral caps, etc. SEBI registered FVCIs are also allowed to invest under the FDI Scheme, as non-resident entities, in other companies, subject to FDI Policy and FEMA regulations.

Sectors in India for FDI:

There is big range of diverse sectors in India where Foreign investor would most preferably like to invest their money. The wide range of sectors for investment is enlisted below:

- Agriculture
- Mining
- Manufacturing
- Defense
- Power
- Civil Aviation Sector
- Banking-Public Sector
- Broadcasting
- Commodity exchange
- Real Estate
- Industrial parks
- Insurance
- Print-media

- Telecommunication
- Trading
- Petroleum and Natural Gas Sector
- Non-Banking Finance Company
- Courier Services

List of investment promotion agencies In India state wise:

Sr no.	Name of States	Name of Agencies
1.	Andaman & Nicobar(UT)	Andaman & Nicobar Islands Integrated Development Corporation Ltd (ANIIDCO)
2.	Andhra Pradesh	Andhra Pradesh Industrial Development Corporation Limited
3.	Arunachal Pradesh	Arunachal Pradesh Industrial Development and Financial Corporation Limited
4.	Assam	Assam Industrial Development Corporation Ltd
5.	Bihar	Bihar State Credit and Investment Corporation Ltd (BICICO)
6.	Chandigarh(UT)	Chandigarh Industrial and Tourism Development Corporation Ltd (CITCO)
7.	Chhattisgarh	Chhattisgarh State Industrial Development Corporation Ltd

8.	Dadra & Nagar Haveli(UT)	Omnibus Industrial Development Corporation of Daman & Diu and Dadra & Nagar Haveli Ltd
9.	Daman & Diu(UT)	Omnibus Industrial Development Corporation of Daman & Diu and Dadra & Nagar Haveli Ltd
10.	Delhi	Delhi State Industrial Development Corporation (DSIDC)
11.	Goa	Goa Industrial Development Corporation (GIDC)
12.	Gujarat	Gujarat Industrial Development Corporation (GIDC)
13.	Haryana	Haryana State Industrial Development Corporation (HSIDC)
14.	Himachal Pradesh	The Himachal Pradesh State Industrial Development Corporation (HPSIDC)
15.	Jammu & Kashmir	J&K State Industrial Development Corporation Ltd (SIDCO)
16.	Jammu SIDCO Office	Shere Kashmir Bhavan, Vir Marg
17.	Jharkhand	Directorate of Industry
18.	Karnataka	Karnataka State Industrial Investment & Development Corporation Limited (KSIIDC)
19.	Kerala	Kerala Industrial Infrastructure Development Corporation (KINFRA)
20.	Lakshadweep(UT)	Department of Industries

21.	Madhya Pradesh	Madhya Pradesh State Industrial Development Corporation Ltd (MPSIDC)
22.	Maharashtra	Maharashtra Industrial Development Corporation Ltd (MIDC)
23.	Manipur	Manipur Industrial Development Corporation Ltd
24.	Meghalaya	Meghalaya Industrial Development Corporation Ltd
25.	Mizoram	Zoram Industrial Development Corporation
26.	Nagaland	Nagaland Industrial Development Corporation (NIDC)
27.	Orissa	Orissa Industrial Infrastructure Development Corporation Ltd.
28.	Pondicherry(UT)	Pondicherry Industrial Promotion Development and Investment Corporation Ltd
29.	Punjab	The Punjab State Industrial Development Corporation Ltd
30.	Rajasthan	Rajasthan State Industrial Development & Investment Corporation Ltd
31.	Sikkim	Sikkim Industrial Development & Investment Corporation Limited (SIDICO)
32.	Tamil Nadu	Tamil Nadu Industrial Development Corporation Ltd (TIDCO)
33.	Tripura	Tripura Industrial Development Corporation Ltd (TIDC)

34.	Uttar Pradesh	Uttar Pradesh State Industrial Development Corporation
35.	Uttarakhand	State Infrastructure & Industrial Development Corporation of Uttarakhand Ltd.
36.	West Bengal	West Bengal Industrial Development Corporation (WBIDC)

Top 10 countries FDI equity inflows:

Rank s	Country	2008-09 (April-march)	2009-10 (April-march)	2010-11 (April- march)	Cumulative Inflows (April `00- march `11)
1.	MAURITIUS	50,899(11,229)	49,633(10,376)	31,855 (6,987)	242,761(54,227)
2.	SINGAPORE	15,727 (3,454)	11,295(2,379)	7,730(1,705)	52,876 (11,895)
3.	U.S.A.	8,002 (1,802)	9,230 (1,943)	5,353(1,170)	42,542 (9,449)
4.	U.K.	3,840 (864)	3,094 (657)	3,434(755)	29,433 (6,639)
5.	NETHERLAND S	3,922 (883)	4,283 (899)	5,501(1,213)	25,627 (5,700)
6.	JAPAN	1,889 (405)	5,670 (1,183)	7,063(1,562)	23,958 (5,276)
7.	CYPRUS	5,983 (1,287)	7,728 (1,627)	4,171 (913)	21,948 (4,812)

8.	GERMANY	2,750 (629)	2,980 (626)	908 (200)	13,376 (2,999)
9.	FRANCE	2,098 (467)	1,437 (303)	3,349 (734)	10,267 (2,264)
10.	U.A.E.	1,133 (257)	3,017 (629)	1,569 (341)	8,592 (1,890)
	TOTAL FDI INFLOWS *	123,025(27,331)	123,120 (25,834)	88,520 (19,427)	580,722 (129,716)

Amount Rupees in crores (US\$ million)

Conclusion:

Foreign direct investment (FDI) in India spiked 34 per cent to a record \$46.8 billion in 2011-12, latest RBI data show. A spate of big-ticket deals resulted in the surge. As stock valuations dipped, overseas investors were eager to pick up stakes in Indian companies last fiscal. In terms of sectors, services attracted the maximum investment this fiscal as per Department of Industrial Policy and Promotion (DIPP) data (April-February). However, in terms of growth, it was drugs and pharmaceuticals that saw the maximum jump, with an over 15-fold increase. In contrast, the automobile and housing and real estate sectors saw FDI

decline. Investment in the petroleum sector jumped significantly too.

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