Trends and Flow of Foreign Direct Investment in India

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Abstract
The new economic policy FDI came into being in mid-1991, for the development of country. Direct investment tends to involve a lasting relationship, although it may be a short-term relationship in some cases with decisions by enterprises may be made for the group as a whole. In this paper, we have discussed trends and patterns of FDI inflow in India. India, the capital deficient country needs more capital from outside the country. Capital is one of the significant elements of factors of production. The industrial development of any country fundamentally depends on the availability of capital. Because of shortage of capital, particularly, underdeveloped and developing countries need more capital for their survival and technology for competing with other countries. Inadequacy of capital is a foremost obstacle for industrial growth of developing nations. The role of Foreign Direct Investment (FDI) is very much a significant in the economic development the country.

KEYWORDS: Capital, FDI, Global Trends, Direct Investment Economy, Sectors

INTRODUCTION
Capital formation is an important determinant of economic growth. While domestic investments add to the capital stock in an economy, foreign direct investment (FDI) plays a complementary role in overall capital formation by filling the gap between domestic savings and investment. Foreign direct investment (FDI) is a direct investment into production or business in a country by a company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. The new economic policy FDI came into being in mid-1991, for the development of country. With the arrival of new brands, new flavors will be added to Indian Luxury market which will give customers a better choice.

Policy Framework of Investment Inflows in India
Realizing the important contribution of foreign investment to economic development, India has introduced many policy reforms to attract them. Restrictive investment regimes have been liberalized. In addition, various types of incentives are being offered to attract foreign direct investment. Greater attention is also being paid to create macroeconomic environment for foreign conducive investors. Changes in foreign investment policy framework of India are being studied in being four Phases viz.
(a) Cautious welcome policy from independence to the emergence of crisis in the late sixties (1948-66).
(b) Selective and Restrictive policy from 1967 till the second oil crisis in 1979.
(c) Partial liberalization policy from 1980-1990 with progressive attention of regulation. And (d) Liberalization and open door policy since 1991 onwards signifying liberal investment environment.

TRENDS IN FDI INFLOWS TO INDIA
With the tripling of the FDI flows to EMEs during the pre-crisis period of the 2000s, India also received large FDI inflows in line with its robust domestic economic performance. The attractiveness of India as a preferred investment destination could be ascertained from the large increase in FDI inflows to India, which rose from around US$ 6 billion in 2001-02 to almost US$ 38 billion in 2008-09. The significant increase in FDI inflows to India reflected the impact of liberalization of the economy since the early 1990s as well as gradual opening up of the capital account. As part of the capital account liberalization, FDI was gradually allowed in almost all sectors, except a few on grounds of strategic importance, subject to compliance of sector specific rules and regulations. The large and stable FDI flows also increasingly financed the current account deficit over the period. During the recent global crisis, when there was a significant deceleration in global FDI flows during 2009-10, the decline in FDI flows to India was relatively moderate reflecting robust equity flows on the back of strong rebound in domestic growth ahead of global recovery and steady reinvestedearnings (with a share of almost 25 per cent) reflecting better profitability of foreign companies in India. However, when there had been some recovery in global FDI flows, especially driven by flows to Asian EMEs, during 2010-11, gross FDI equity inflows to India witnessed significant moderation. Gross equity FDI flows to India moderated to US$ 20.3 billion during 2010-11 from US$ 27.1 billion in the preceding year.

CONCLUSION
An analysis of the recent trends in FDI flows at the global level as well as across regions/countries suggests that India has generally attracted higher FDI flows in line with its robust domestic economic performance and gradual liberalization of the FDI policy as part of the cautious capital account liberalization process. Even during the recent global crisis, FDI inflows to India did not show as much moderation as was the case at the global level as well as in other EMEs. However, when the global FDI flows to EMEs recovered during 2010-11, FDI flows to India remained sluggish despite relatively better domestic economic performance ahead of global recovery.
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