

ISBN : 978-93-84916-89-3

**Ambegaon Taluka Vidya Vikas Mandal's**



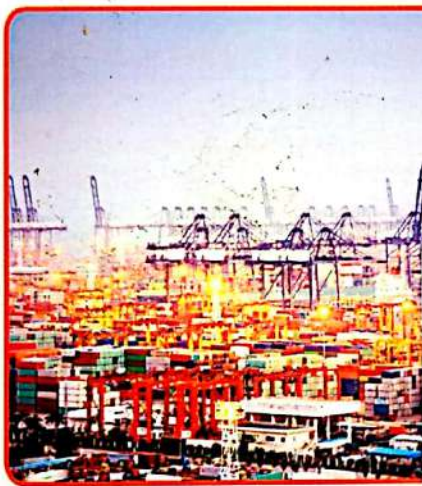
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28	Green Marketing Mix & Strategy	Prof.Raut D.M.	136 to 137
29	Hr Skill Sets In Banks".	Prof.Tajane S.R	138 to 143
30	Economic Issue Of E – Commerce.	Nikhil Pandurang Muluk	144 to 149
31	E-Commerce	Pawar Yogesh Bhagwat	150 to 153
32	International Trade And Foreign Direct Investment	Gawade Mayur Sunil	154 to 157
33	Foreign Direct Investment –A Review	Dr. M. M. Jadhav	158 to 161
34	Soft Skills: Skills Beyond The Academic Knowledge	Dr. Khandare M.B.	162 to 166
35	Value & Components Of India's Foreign Trade	Dr. Dhamdhare S.V.	167 to 171
36	A Comparative Analysis of FDI in BRICS Nations	Prof. Lavakush Singh	172 to 176
37	Penetration of E-Commerce in India	Dr. M. G. Mulla	177 to 180
38	"Role of Non-Performing Assets in Agro-Subsidies"	Ms. Sony S. Hiremath	181 to 183
39	Marketing Management in India: Challenges, Effectiveness and Future	Assi.Prof. Ughade S. S.	184 to 188
40	A BRICS Development Bank: A Dream Coming True?	Prof Dr. Muluk P.V.	189 to 196
41	Business and E-commerce	Dr. D.V.Ujagare	197 to 198

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## Foreign Direct Investment – A Review

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### Introduction

The Foreign Direct Investment means “cross border investment made by a resident in one economy in an enterprise in another economy, with the objective of establishing a lasting interest in the investee economy. FDI is also described as “investment into the business of a country by a company in another country”. FDI in retail is most important issue for Indian Economy. The retail industry in India is of late often being hailed as one of the sunrise sectors in the economy. AT Kearney, the well-known international management consultancy, recently identified India as the ‘second most attractive retail destination’ globally from among thirty emergent markets. It has made India the cause of a good deal of excitement and the cynosure of many foreign eyes. With a contribution of 14% to the national GDP and employing 7% of the total workforce (only agriculture employs more) in the country, the retail industry is definitely one of the pillars of the Indian economy.

### FDI- Good or Bad

Foreign Direct Investment will increase economic growth by dealing with foreign products. Increased investment will boost the Indian market. It is anticipated that one million employments will be generated in next three years. Import-export business with different countries will increase. The farmer and other Agri-related people will get benefitted. Apart from all these benefits it may affect adversely on the Indian economy. It will affect 50 million merchants; economically backward class may suffer from price rise. As the profit distribution and investment ratios are not clearly fixed it will affect on Indian business. It is fear that India will become slaves because of FDI. India is advantageous and attractive for FDI. India is becoming investment friendly country as it has following strengths.

- World's largest democracy with 1.2 billion people.
- Stable political environment and responsive administrative set up.
- Land of abundant natural resources and diverse climatic conditions.
- Rapid economic growth: GDP to grow by 8.5% in 2010-11 and 9.0% in 2011-12.
- Investor friendly policies and incentive based schemes.
- Progressive simplification and rationalization of direct and indirect tax structures.
- Reduction in import tariffs.
- Full current account convertibility.
- Compliance with WTO norms.
- Second most attractive Foreign Direct Investment (FDI) location in the world: India received a total of US\$ 25.9 billion of FDI in 2009-10.
- Cost competitiveness; low labour costs.
- Total labour force of nearly 530 million.
- Large pool of skilled manpower; strong knowledge base with significant English speaking population.
- Young country with a median age of 30 years by 2025
- Huge untapped market potential.

Under Industrial Policy 1991 India accepted the policy of FDI in retail sector as a beginning. In 1995, according to World Trade Organization's General Agreement on Trade in Services both Wholesale and Retail services were accepted. In 1997 FDI in cash and carry (wholesale) with 100% rights was allowed. After long waiting of 8 years, in 2006 FDI in cash and carry (wholesale) was brought under automatic approval route. Up to 51% investment in single brand retail outlet was permitted and in 2011 100% FDI in single brand retail was permitted. In 2012 Indian Government allowed 51% FDI in multi-brand retail. Government also relaxed FDI norms for civil aviation and broadcasting sectors.

**FDI -INDIA**

Table 1 indicates that service sector contributes 19% of total inflows. Construction sector stands second in FDI contribution. Other sectors of India which are attracting the attention of foreign investment are Telecommunications, Computer Software & Hardware, Drugs & Pharmaceuticals, Chemicals (Other Than Fertilizers), Automobile Industry, Power, Metallurgical Industries and Hotel & Tourism. The money that comes in a country through the foreign direct investment can be utilized to buy or import technology from other countries. This is an indirect way in which foreign direct investment plays an important part in the context of economic development. FDI can be used to develop the sectors which are underdeveloped due to lack of investment.

**Table 1: sectors attracting highest FDI equity inflows: Amount in Rs. crores**

Sector	2013-14 (April- October, 2013)	Cumulative Inflows (April '00- October'13)	% age to total Inflows (In terms of US\$)
Services Sector	7,920	180,195	19 %
Construction Development	4,244	105,293	11 %
Telecommunications	197	58,929	6 %
Computer Software & Hardware	2,935	55,709	6 %
Drugs & Pharmaceuticals	5,956	54,836	6 %
Chemicals (Other Than Fertilizers)	2,560	43,056	5 %
Automobile Industry	4,495	43,665	4 %
Power	1,890	38,027	4 %
Metallurgical Industries	1,438	36,252	4 %
Hotel & Tourism	983	34,243	3 %

Source: [fdiindia.in](http://fdiindia.in)- Portal For FDI investments

**Table 2: DIPP'S - Financial Year-Wise FDI Equity Inflows:**

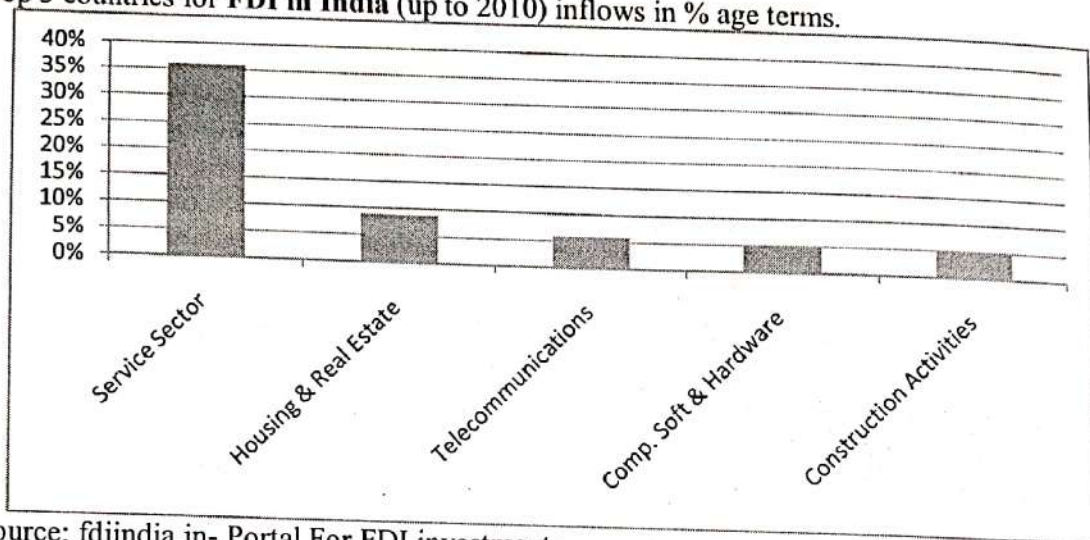
Financial Year	Amount of FDI Inflows		%age growth over previous year (in terms of US \$)
	In Rs crores	In US\$ million	
2000-01	10,733	2,463	(+) 65 %
2001-02	18,654	4,065	(-) 33 %
2002-03	12,871	2,705	(-) 19 %
2003-04	10,064	2,188	(+) 47 %
2004-05	14,653	3,219	

2005-06	24,584	5,540	
2006-07	56,390	12,492	(+) 72 %
2007-08	98,642	24,575	(+) 125 %
2008-09	142,829	31,396	(+) 97 %
2009-10	123,120	25,834	(+) 28 %
2010-11	97,320	21,383	(-) 18 %
2011-12	165,146	35,121	(-) 17 %
2012-13	121,907	22,423	(+) 64 %
			(-) 36 %

Source: [dipp.nic.in/English/Publications/FDI\\_Statistics](http://dipp.nic.in/English/Publications/FDI_Statistics)

Table 2 indicates the flow of FDI from 2000 to 2013. FDI inflows are increased from 10,733 to 1,65,146 over the period of 12 years. The cumulative growth over previous year for the 5 years from 2004-05 to 2008-09 is considerable. During 2009-10 to 2010-11 there is considerable reduction in the flow of FDI inflows.

Top 5 countries for FDI in India (up to 2010) inflows in % age terms.



Source: [fdiindia.in](http://fdiindia.in)- Portal For FDI investments

### FDI – MAHARASHTRA

Cumulative FDI equity inflows all Countries in India during the period from January 2000 to December 2010 are US\$ 127.00 billion, excluding amount remitted on RBI's-NRI Schemes. FDI equity inflows US\$ 127.00 billion received from all countries, out of these:

#### A. Share of RBI's Regional Office Mumbai :

(including State of Maharashtra, Dadra & Nagar Haveli, and Daman & Diu) in FDI equity inflows from January 2000 to December 2010

- Rank: Maharashtra ranks 1st
- Percentage share of total FDI inflows: is 34.99%
- Total FDI inflows into Maharashtra: are US\$ 44.44 billion.

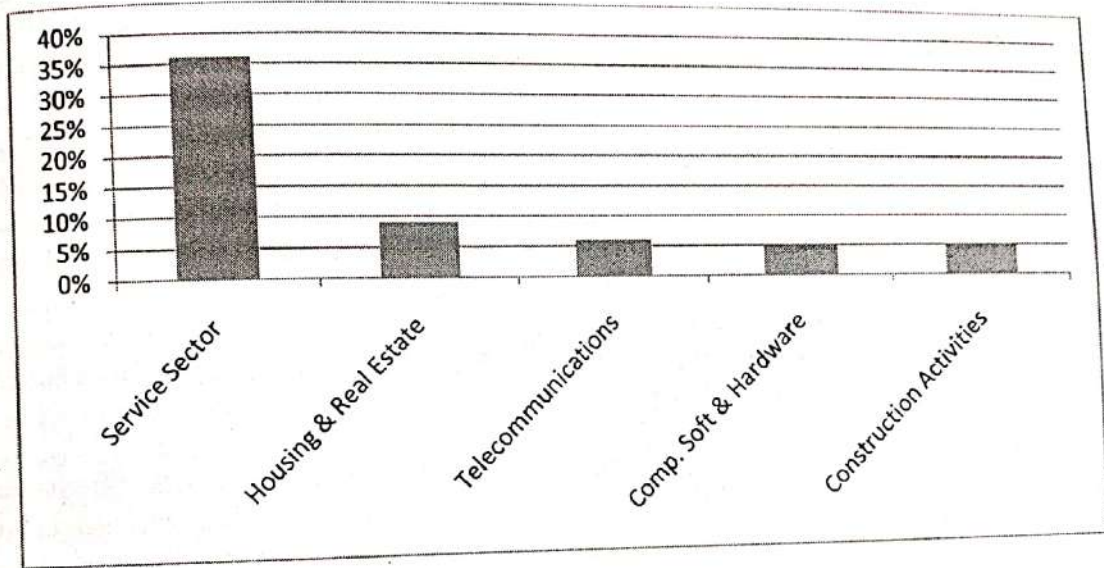
#### B. Top FDI equity inflows received into Maharashtra:

(from January 2000 to December 2010, from foreign companies, into Indian companies)

- Cairan Uk Holding
- Mauritius Debt Management Ltd

- Etisalat Mauritius Ltd.
- Cmp Asia Ltd.
- P S Asia Holding Investment (Mauritius)
- Biometrix Marketing P. Ltd.
- Essar Bulsiness Parks Ltd.
- Barclays Bank Plc
- Petronas Intl Corpn Ltd
- Travorto Holdings Ltd.

**C. Sectors that attracted maximum FDI equity inflows in Maharashtra:**  
(from January 2000 to December 2010):



Source: [fdiindia.in](http://fdiindia.in)- Portal For FDI investments

**Conclusion :**

Foreign direct investment is helpful for the economic development. The money that comes in a country through the foreign direct investment can be utilized to buy or import technology from other countries. This is an indirect way in which foreign direct investment plays an important part in the context of economic development. Foreign direct investment can also be helpful in assisting the host countries to set up mass educational programs that help them to educate the disadvantaged sections of the society. Such assistance is often provided by the non-governmental organizations in the form of subsidies. The developing countries like India can also tackle a number of issues with the help of the foreign direct investment.

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