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FOREIGN DIRECT INVESTMENT IN MULTI BRAND RETAIL: THE CASE SCENARIO IN INDIA AND GLOBALIZATION SPECTRUM

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Abstract

Foreign direct investment (FDI) is 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. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds. Foreign direct investment can take on many forms and so sometimes the term is used to refer to different kinds of investment activity."Commonly foreign direct investment includes "mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations and intra-company loans."However, foreign direct investment is often used to refer to just building new facilities or Greenfield investment, creating figures that although both labeled FDI, can't be side by side compared.

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Many policy makers and academics contend that foreign direct investment (FDI) can have important positive effects on a host country's development effort. In addition to the direct capital financing it supplies, FDI can be a source of valuable technology and know-how while fostering linkages with local firms, which can help jumpstart an economy. Based on these arguments, industrialized and developing countries have offered incentives to encourage foreign direct investments in their economies. This manuscript highlights the impact and future prospects of FDI in the Indian Market. The manuscript enlighten the spectrum and scintillation of the foreign direct investment in India

Keywords - Foreign Direct Investment, Case Study and Scenario of FDI in India, FDI in Asian and World Market

Introduction

The rapid growth of world population since 1950 has occurred mostly in developing countries. This growth has not been matched by similar increases in per-capita income and access to the basics of modern life, like education, health care, or - for too many - even sanitary water and waste disposal. FDI has proven — when skillfully applied — to be one of the fastest means of, with the highest impact on, development. However, given its many benefits for both investing firms and hosting countries, and the large jumps in development were best practices followed, eking out advances with even moderate long-term impacts often has been a struggle [1]. Recently, research and practice are finding ways to make FDI more assured and beneficial by continually engaging with local realities, adjusting contracts and reconfiguring policies as blockages and openings emerge.

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One of the most striking developments during the last two decades is the spectacular growth of FDI in the global economic landscape. This unprecedented growth of global FDI in 1990 around the world make FDI an important and vital component of development strategy in both developed and developing nations and policies are designed in order to stimulate inward flows. In-fact, FDI provides a win – win situation to the host and the home countries. Both countries are directly interested in inviting FDI, because they benefit a lot from such type of investment. The 'home' countries want to take the advantage of the vast markets opened by industrial growth. On the other hand the 'host' countries want to acquire technological and managerial skills and supplement domestic savings and foreign exchange.

Moreover, the paucity of all types of resources viz. financial, capital, entrepreneurship, technological know- how, skills and practices, access to markets- abroad- in their economic development, developing nations accepted FDI as a sole visible panacea for all their scarcities [2]. Further, the integration of global financial markets paves ways to this explosive growth of FDI around the globe. 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 through single window system from the Prime Minister's Office. The foreign equity cap was raised to 51 percent for the existing companies. Government had allowed the use of foreign brand names for domestically produced products which was restricted earlier. India also became the member of MIGA (Multilateral Investment Guarantee Agency) for protection of foreign investments. Government lifted restrictions on the operations of MNCs by revising the FERA Act 1973. New sectors such as mining, banking, telecommunications, highway construction and management were open to foreign investors as well as to private sector.

Foreign direct investment and the spectrum towards globalization

A recent meta-analysis of the effects of foreign direct investment on local firms in developing and transition countries suggests that foreign investment robustly increases local productivity growth. The Commitment to Development Index ranks the "development-friendliness" of rich country investment policies.

As a part of the national accounts of a country, and in regard to the national income equation Y=C+I+G+(X-M), I is investment plus foreign investment, FDI refers to the net inflows of investment (inflow minus outflow) to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, other long-term capital, and short-term capital as shown the balance of payments [3]. It usually involves participation in management, joint-venture, transfer of technology and expertise. There are two types of FDI: inward and outward, resulting in a net FDI inflow (positive or negative) and "stock of foreign direct investment", which is the cumulative number for a given period. Direct investment excludes investment through purchase of shares. FDI is one example of international factor movements. Foreign direct investment is nothing but increase the country's economy.

Globalization can be described as ‘a widening, deepening and speeding up of worldwide interconnectedness in all aspects of contemporary social life, from the cultural to the criminal, the financial to the spiritual’ (Held and McGrew 1999:). FDI in China, also known as RFDI (renminbi foreign direct investment), has increased considerably in the last decade, reaching $59.1 billion in the first six months of 2012, making China the largest recipient of foreign direct investment and topping the United States which had $57.4 billion of FDI [4]. During the global financial crisis FDI fell by over one-third in 2009 but rebounded in 2010.

International trade is the cross-border trade in goods and services. On these pages, it is measured by the sum of imports and exports, divided by the GDP of a national

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economy. The growth of international trade is a straightforward indication of economic globalization. When US residents, for example, read labels on their clothes showing they are made in China, Malaysia or Mexico, or decide to purchase a car made in South Korea, their sense of global connectedness is immediate.

Investment is the conversion of money into some form of property from which an income or profit is expected to be derived. Foreign direct investments (FDI) are flows of money into a country that purchase a lasting stake in an enterprise for a foreign investor [5]. These investments are direct in the sense that the investor purchases ownership rights in a specific company, rather than in a portfolio of stocks held by a broker, say. FDI does not include short-term investments, portfolio investments or currency flows.

Foreign Direct Investment is an indication of growing transnational ownership of production assets. It is a leading edge of economic globalization in the sense that increasing foreign ownership of productive may give direct influence over livelihoods and production [6]. The implications of foreign ownership of production may include both positive and negative elements, depending on the perspective of the observer. Foreign investment has often been an important avenue for the transfer of skills and technology. At the same time, foreign investment puts workers under foreign control, and leads to foreign appropriation of profits.

Implications and limiting factors in FDI

Foreign direct investment may be politically controversial or difficult because it partly reverses previous policies intended to protect the growth of local investment or of infant industries. When these kinds of barriers against outside investment seem to have not worked sufficiently, it can be politically expedient for a host country to open a small "tunnel" as a focus for FDI. The nature of the FDI tunnel depends on the countries or jurisdiction's needs and policies. FDI is not restricted to developing countries. For example, lagging regions in the France, Germany, Ireland, and USA have for a half

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century maintained offices to recruit and incentivize FDI primarily to create jobs. China, starting in 1979, promoted FDI primarily to import modernizing technology, and also to leverage and uplift its huge pool of rural workers.

To secure greater benefits for lesser costs, this tunnel need be focused on a particular industry and on closely negotiated, specific terms. These terms define the trade offs of certain levels and types of investment by a firm, and specified concessions by the host jurisdiction [7]. The investing firm needs sufficient cooperation and concessions to justify their business case in terms of lower labor costs, and the opening of the country's or even regional markets at a distinct advantage over (global) competitors. The hosting country needs sufficient contractual promises to politically sell uncertain benefits—versus the better-known costs of concessions or damage to local interests.

The benefits to the host may be: creation of a large number of more stable and higher-paying jobs; establishing in lagging areas centers of new economic development that will support attracting or strengthening of many other firms without so costly concessions; hastening the transfer of premium-paying skills to the host country's work force; and encouraging technology transfer to local suppliers.

Concessions to the investor commonly offered include: tax exemptions or reductions; construction or cheap lease-back of site improvements or of new building facilities; and large local infrastructures such as roads or rail lines; More politically difficult (certainly for less-developed regions) are concessions which change policies for: reduced taxes and tariffs; curbing protections for smaller-business from the large or global; and laxer administration of regulations on labor safety and environmental preservation. Often these un-politic "cooperation" are covert and subject to corruption [8]. The lead-up for a big FDI can be risky, fraught with reverses and subject to unexplained delays for years. Completion of the first phase remains unpredictable — even after the contract ceremonies are over and construction has started. So, lenders and investors expect high

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risk premiums similar to those of junk bonds. These costs and frustration have been major barriers for FDI in many countries.

On the implicit "marriage" market for matching investors with recipients, the value of FDI with some industries, some companies, and some countries varies greatly: in resources, management capacity, and in reputation. Since, as common in such markets, valuations can be mostly perceptual, and then negotiations and follow-up are often rife with threats, manipulation and chicanery. For example, the interest of both investors and recipients may be served by dissembling the value of deals to their constituents. One result is that the market on what's hot and what's not has frequent bubbles and crashes.

Because 'market' valuations can shift dramatically in short times, and because both local circumstances and the global economy can vary so rapidly, negotiating and planning FDI is often quite irrational. All these factors add to the risk premiums, and remorse's, that block the realization of FDI potential.

Most attractive location of global FDI

It is a well-known fact that due to infrastructural facilities, less bureaucratic structure and conducive business environment China tops the chart of major emerging destination of global FDI inflows. The other most preferred destinations of global FDI flows apart from China are Brazil, Mexico, Russia, and India. The annual growth rate registered by China was 15%, Brazil was 84%, Mexico was 28%, Russia was 62%, and India was 17% in 2007 over 2006 [9]. During 1991-2007 the compound annual growth rate registered by China was 20%, Brazil was 24%, Mexico was 11%, Russia was 41% (from 1994), and India was 41%. India's FDI need is stood at US$ 15 billion per year in order to make the country on a 9% growth trajectory (as projected by the Finance Minister of India in the current Budget) [10]. Such massive FDI is needed by India in order to achieve the objectives of its second generation economic reforms and to maintain the present growth rate of the economy. India's share in world FDI inflows has increased from 0.3% to 1.3%

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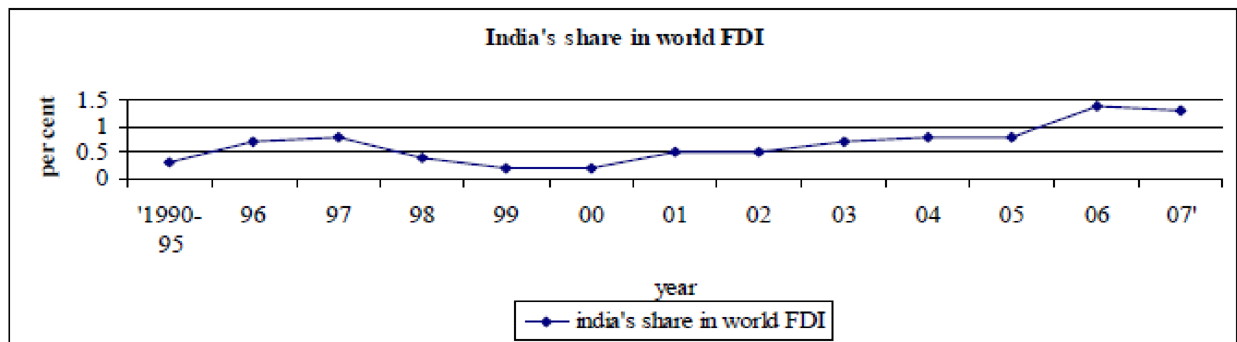
from 1990-95 to 2007. Though, this is not an attractive share when it is compared with China and other major emerging destinations of global FDI inflows.



Source: compiled from the various issues of WIR, UNCTAD, World Bank

Foreign direct investment in India

Developed economies consider FDI as an engine of market access in developing and less developed countries vis-à-vis for their own technological progress and in maintaining their own economic growth and development. Developing nations looks at FDI as a source of filling the savings, foreign exchange reserves, revenue, trade deficit, management and technological gaps [11]. FDI is considered as an instrument of international economic integration as it brings a package of assets including capital, technology, managerial skills and capacity and access to foreign markets. The impact of FDI depends on the country's domestic policy and foreign policy. As a result FDI has a wide range of impact on the country's economic policy. In order to study the impact of foreign direct investment on economic growth, two models were framed and fitted. The foreign direct investment model shows the factors influencing the foreign direct investment in India. The economic growth model depicts the contribution of foreign direct investment to economic growth.

The Foreign Investment Promotion Board (FIPB) is a government body that offers a single window clearance for proposals on Foreign Direct Investment (FDI) in India that is not allowed access through the automatic route. FIPB comprises of Secretaries drawn from different ministries with Secretary, Department of Economic Affairs, MoF in the chair [12]. This inter-ministerial body examines and discusses proposals for foreign investments in the country for sectors with caps, sources and instruments that require approval under the extant FDI Policy (prescribed vide Circular 1 of 2012) on a regular basis. The Minister of Finance, considers the recommendations of the FIPB on proposals for foreign investment up to ₹1200 crore. Proposals involving foreign investment of more than ₹1200 crore require the approval of the Cabinet Committee on Economic Affairs (CCEA).

FIPB is mandated to play an important role in the administration and implementation of the Government's FDI policy. It has a strong record of actively encouraging the flow of FDI into the country through speedy and transparent processing of applications, and providing on-line clarification [13]. In case of ambiguity or a conflict of interpretation, the FIPB has always stepped in with an investor-friendly approach. The e-filing facility is an important initiative of the Secretariat of the FIPB to further enhance its efficiency and transparency of decision making. Any suggestions to improve the e-filing system and FIPB procedure are welcome.

Starting from a baseline of less than $1 billion in 1990, a recent UNCTAD survey projected India as the second most important FDI destination (after China) for transnational corporations during 2010–2012. As per the data, the sectors that attracted higher inflows were services, telecommunication, construction activities and computer software and hardware. Mauritius, Singapore, US and UK were among the leading sources of FDI. Based on UNCTAD data FDI flows were $10.4 billion, a drop of 43% from the first half of the last year. India disallowed overseas corporate bodies (OCB) to invest in India.

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On 14 September 2012, Government of India allowed FDI in aviation up to 49%, in the broadcast sector up to 74%, in multi-brand retail up to 51% and in single-brand retail up to 100%. The choice of allowing FDI in multi-brand retail up to 51% has been left to each state. But Government of India does not allow foreign e-commerce companies to pick-up 51% stake in multi-brand retail sector in business-to-consumer space citing regulatory issues, problems in checking inter-state transactions in e-commerce activities

In its supply chain sector, the government of India had already approved 100% FDI for developing cold chain. This allows non-Indians to now invest with full ownership in India's burgeoning demand for efficient food supply systems. The need to reduce waste in fresh food and to feed the aspiring demand of India's fast developing population has made the cold supply chain a very exciting investment proposition.

Foreign investment was introduced by Prime Minister Manmohan Singh when he was finance minister (1991) by the government of India as FEMA (Foreign Exchange Management Act). This has been one of the top political problems for Singh's government, even in the current (2012) election.

FDI and Indian economy

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 [14]. 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 reinvested earnings (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.

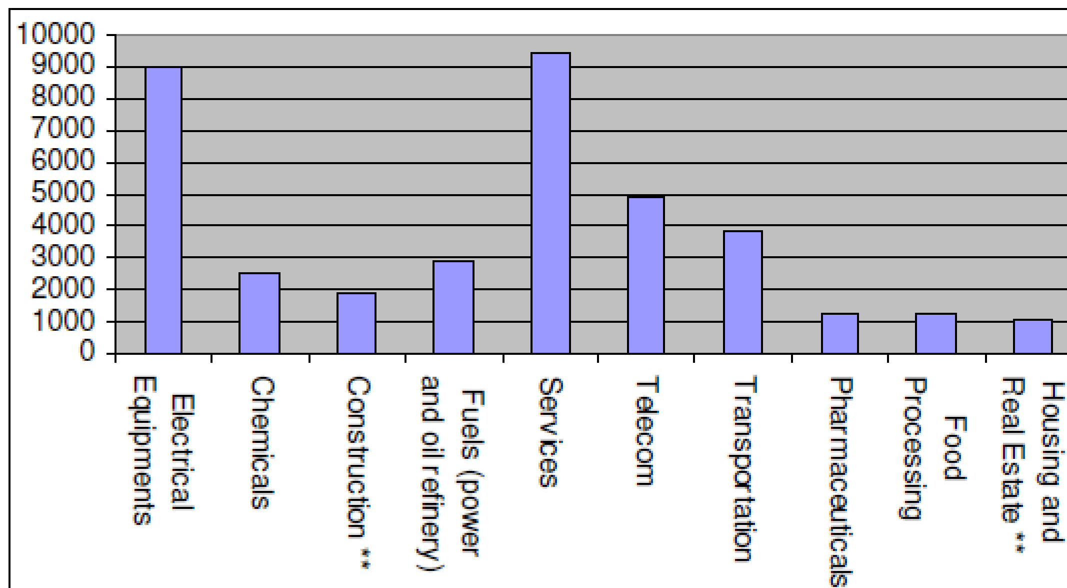
FDI Inflows by Sector

Cumulative FDI inflows reached just over US$60 billion between August 1991 and July 2007. Since 2002, some sectors such as electrical equipment, services, drugs and pharmaceuticals, cement and gypsum products, metallurgical industries have also been doing very well in attracting FDI. The electrical equipment sector and the services sector in particular received the largest shares of total FDI inflows between August 1991 and July 2007. These were followed by the telecommunications, transportation, fuels, and chemicals sectors [15]. The Department of Industrial Policy and Promotion has recently modified the classifications of the sectors and data released from August 2007 has been based on the new sectoral classifications.

According to that classification, the top performers are the services and computer software & hardware sectors. Clearly, India has attracted significant overseas investment interest in services. It has been the main destination for off-shoring of most services as back-office processes, customer interaction and technical support (UNCTAD, 2007). Indian services have also ventured into other territories such as reading medical X-rays, analyzing equities, and processing insurance claims. According to some reports, however, increasing competition is making it more difficult for Indian firms to attract and

keep BPO employees with the necessary skills, leading to increasing wages and other costs.

Cumulative FDI Inflows, August 1991 to July 2007 (US$ millions)



Source: Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India. Note: ** Year-wise/data available from January 2000 onwards only.

Cumulative FDI Inflows, April 2000 to Dec 2007 (US$ millions)

Source: Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India

Statement on RBI'S regional offices (with state covered) received FDI equity inflows1 *(from April 2000 to January 2012):*

Amount Rupees in crores (US$ in Millions)

S. No.	*RBI"s - Regional*	*State covered*	*2009-*	*2010-*	*2011-12*	*Cumulative*	*%age to total*

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	Office		*10* *(Apr.-* **Mar.)**	*11* *(Apr.- March)*	*(April – Jan.)*	*Inflows* **(April . 00 -** *Jan. 12)*	*Inflows (in terms* **of US$)**
1.	MUMBAI	**MAHARASHTRA, DADRA & NAGAR HAVELI, DAMAN & DIU**	39,409 **(8,249)**	27,669 **(6,097)**	39,758 **(8,564)**	241,228 **(53,632)**	34
2.	NEW DELHI	**DELHI, PART OF UP AND HARYANA**	46,197 **(9,695)**	12,184 **(2,677)**	33,089 **(7,114)**	146,778 **(32,202)**	20
3.	BANGALORE	**KARNATAKA**	4,852 **(1,029)**	6,133 **(1,332)**	5,776 **(1,240)**	42,434 **(9,468)**	6
4.	CHENNAI	**TAMIL NADU, PONDICHERRY**	3,653 **(774)**	6,115 **(1,352)**	6,115 **(1,352)**	36,602 **(8,082)**	5
5.	AHMEDABAD	**GUJARAT**	3,876 **(807)**	3,294 **(724)**	4,234 **(902)**	35,927 **(8,058)**	5
6.	HYDERABAD	**ANDHRA PRADESH**	5,710 **(1,203)**	5,753 **(1,262)**	3,697 **(779)**	30,259 **(6,740)**	4
7.	KOLKATA	**WEST BENGAL, SIKKIM, ANDAMAN & NICOBAR ISLANDS**	531 **(115)**	426 **(95)**	1,732 **(377)**	8,100 **(1,864)**	1
8.	CHANDIGARH`	**CHANDIGARH, PUNJAB, HARYANA, HIMACHAL PRADESH**	1,038 **(224)**	1,892 **(416)**	203 **(44)**	4,888 **(1,068)**	1

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9.	BHOPAL	**MADHYA PRADESH, CHATTISGARH**	255 **(54)**	2,093 **(451)**	527 **(114)**	3,537 **(768)**	1
10.	PANAJI	**GOA**	808 **(169)**	1,376 **(302)**	123 **(26)**	3,449 **(751)**	1
11.	KOCHI	**KERALA, LAKSHADWEEP**	606 **(128)**	167 **(37)**	1,731 **(363)**	3,389 **(730)**	1
12.	JAIPUR	**RAJASTHAN**	149 **(31)**	230 **(51)**	111 **(23)**	2,561 **(544)**	0.3
13.	KANPUR	**UTTAR PRADESH, UTTRANCHAL**	227 **(48)**	514 **(112)**	**602 (133)**	1,414 **(310)**	0.2
14.	BHUBANESHWAR	**ORISSA**	702 **(149)**	68 **(15)**	**122** (27)	1,329 **(288)**	0.2
15.	GUWAHATI	**ASSAM, ARUNACHAL PRADESH, MANIPUR, MEGHALAYA, MIZORAM, NAGALAND, TRIPURA**	51 **(11)**	37 **(8)**	**5 (1)**	321 **(73)**	0.1
16.	PATNA	**BIHAR, JHARKHAND**	**-**	25 (5)	58 (11)	85 **(17)**	0
17.	REGION NOT INDICATED		**15,056 (3,148)**	20,543 **(4,491)**	**24,786 (5,241)**	160,533 **(35,376)**	20
SUB. TOTAL			**123,120 (25,834**	**88,520 (19,427**	**122,307 (26,192)**	722,834 **(159,97**	100

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		)	)		3)	
18.	**RBI'S-NRI SCHEMES** ***(from 2000 to 2002)***	**0**	0	**0**	533 **(121)**	-
GRAND TOTAL		**123,120** **(25,834)**	**88,520** **(19,427)**	**122,307** **(26,192)**	**723,367** **(160,094)**	-

FINANCIAL YEAR-WISE FDI INFLOWS DATA AS PER INTERNATIONAL BEST PRACTICES:

(Data on FDI have been revised since 2000-01 with expended coverage to approach International Best Practices)

(Amount US$ million)

S.No.	***Financial Year (April-March)***	***FOREIGN DIRECT INVESTMENT (FDI)***						***Investment by FII"s Foreign Institutional Investors Fund*** (net)
		Equity		***Re-invested earnings +***	***Other capital +***	***FDI FLOWS INTO INDIA***		
		FIPB Route/RBI"s Automatic Route/ Acquisition Route	***Equity capital of unincorporated bodies #***			***Total FDI Flows***	***%age growth over previous year(in US$ terms)***	

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FINANCIAL YEARS 2000-2012								
1.	**2000-01**	2,339	61	1,350	279	**4,029**	-	**1,847**
2.	**2001-02**	3,904	191	1,645	390	**6,130**	**(+) 52 %**	**1,505**
3.	**2002-03**	2,574	190	1,833	438	**5,035**	**(-) 18 %**	**377**
4.	**2003-04**	2,197	32	1,460	633	**4,322**	**(-) 14 %**	**10,918**
5.	**2004-05**	3,250	528	1,904	369	**6,051**	**(+) 40 %**	**8,686**
6.	**2005-06**	5,540	435	2,760	226	**8,961**	**(+) 48 %**	**9,926**
7.	**2006-07**	15,585	896	5,828	517	**22,826**	**(+) 146 %**	**3,225**
8.	**2007-08**	24,573	2,291	7,679	292	**34,835**	**(+) 53 %**	**20,328**
9.	**2008-09**	31,364	702	9,032	776	41,874	**(+) 20 %**	**(-) 15,017**
10.	**2009-10 (P) (+)**	25,606	1,540	8,668	1,931	**37,745**	**(-) 10 %**	**29,048**
11.	**2010-11 (P) (+)**	19,430	874	11,939	658	**32,901**	**(-) 13 %**	**29,422**
12.	**2011-12 (P) (April -**	26,192	850	9,100	2,204	**38,346**	-	**2,745**

	January 2012)							
CUMULATIVE TOTAL (from April 2000 to January 2012)		**162,554**	**8,590**	**63,198**	**8,713**	**243,055**	**-**	**106,123**

Source:

(i) RBI‟s Bulletin March 2012 dt. 13.03.2012 (Table No. 44 – FOREIGN INVESTMENT INFLOWS).

(ii) "#" Figures for equity capital of unincorporated bodies for 2010-11 are estimates.

(iii) (P) all figures are provisional

(iv) "+" Data in respect of „Re-invested earnings‟ & „Other capital‟ for the years 2009- 10 , 2010-11 are estimated as average of previous two years.

(v) RBI had included Swap of Shares of US$ 3.1 billion under equity components during December 2006.

(vi) Monthly data on components of FDI as per expended coverage are not available. These data, therefore, are not comparable with FDI data for previous years.

The scintillation and spectrum of FDI in Indian market

India has been ranked at the second place in global foreign direct investments in 2010 and will continue to remain among the top five attractive 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 [16]. The 2010 survey of the Japan Bank for International Cooperation released in December 2010, conducted among Japanese investors, continues to rank India as the second most promising country for overseas business operations.

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A report released in February 2010 by Leeds University Business School, commissioned by UK Trade & Investment (UKTI), ranks India among the top three countries where British companies can do better business during 2012-14. According to Ernst and Young's 2010 European Attractiveness Survey, India is ranked as the 4th most attractive foreign direct investment (FDI) destination in 2010 [17]. However, it is ranked the 2nd most attractive destination following China in the next three years.

Moreover, according to the Asian Investment Intentions survey released by the Asia Pacific Foundation in Canada, more and more Canadian firms are now focusing on India as an investment destination. From 8 per cent in 2005, the percentage of Canadian companies showing interest in India has gone up to 13.4 per cent in 2010 [18]. India attracted FDI equity inflows of US$ 2,014 million in December 2010. The cumulative amount of FDI equity inflows from April 2000 to December 2010 stood at US$ 186.79 billion, according to the data released by the Department of Industrial Policy and Promotion (DIPP).

The services sector comprising financial and non-financial services attracted 21 per cent of the total FDI equity inflow into India, with FDI worth US$ 2,853 million during April-December 2010, while telecommunications including radio paging, cellular mobile and basic telephone services attracted second largest amount of FDI worth US$ 1,327 million during the same period. Automobile industry was the third highest sector attracting FDI worth US$ 1,066 million followed by power sector which garnered US$ 1,028 million during the financial year April-December 2010. The Housing and Real Estate sector received FDI worth US$ 1,024 million [19]. During April-December 2010, Mauritius has led investors into India with US$ 5,746 million worth of FDI comprising 42 per cent of the total FDI equity inflows into the country. The FDI equity inflows in Mauritius is followed by Singapore at US$ 1,449 million and the US with US$ 1,055 million, according to data released by DIPP.

Conclusion

It may be concluded that developing countries has make their presence felt in the economics of developed nations by receiving a descent amount of FDI in the last three decades. Although India is not the most preferred destination of global FDI, but there has been a generous flow of FDI in India since 1991. It has become the 2nd fastest growing economy of the world. India has substantially increased its list of source countries in the post – liberalization era. India has signed a number of bilateral and multilateral trade agreements with developed and developing nations.

India as the founding member of GATT, WTO, a signatory member of SAFTA and a member of MIGA is making its presence felt in the economic landscape of globalised economies. The economic reform process started in 1991 helps in creating a conducive and healthy atmosphere for foreign investors and thus, resulting in substantial amount of FDI inflows in the country. No doubt, FDI plays a crucial role in enhancing the economic growth and development of the country. Moreover, FDI as a strategic component of investment is needed by India for achieving the objectives of its second generation of economic reforms and maintaining this pace of growth and development of the economy.

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