FOREIGN DIRECT INVESTMENT

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FDI is the biggest source of external finance to developing countries like India and plays a crucial role in the country development process and also helps to enhance the competitiveness of the domestic economy through transferring technology, strengthening infrastructure, raising productivity, and generating new employment opportunities. In other words, FDI means acquiring ownership in an overseas business entity.

India's high ranking is considered to be even more remarkable given the fact that FDI inflows to India have been modest until recently (Sofien & Fateh 2020). India attract highest FDI in 2020 financial year compared to previous financial years after 1991 economic reforms.Mauritius country invested highest FDI in India from 1999-2000.In most countries, public opinion towards foreign enterprises is not very favourable and FDI is feared due to its impact on domestic firms, the economy, and culture. The major concerns about the negative aspects of FDI are Market monopoly, Crowding-out and unemployment effects, Technology dependence, Profit outflow, Corruption, National security etc.

Investment Promotion

Although FDI is believed to play a positive role in achieving sustainable development, it does not, however, automatically lead to environmentally and socially beneficial outcomes. Investment promotion by host countries is broadly made through different policies & some major regulatory and incentives measures for FDI may be summarized as Screening. Fiscal incentives, financial incentives, other incentives, Performance requirements. More generally, countries typically have a mix of both resource-seeking and efficiency-seeking FDI, reflecting partial reform of their trade regimes, and the political economy of dispensing patronage. Consequently, most countries follow dual policy regimes (Emre, 2021).

Promotion of Foreign Direct Investment in India (FDI)

Institutional framework

The Department of Industrial Policy and Promotion is responsible for facilitating and promoting FDI inflows into the country.

Policy framework

The policy framework of FDI in India evolved in a phased manner, from the strategy of import substitution soon after independence to progressive liberalization that began in the early 1990s. The Indian government promotes FDI so as to fuel its development plans with increased investment and derive spin-off benefits (Mehmet, 2021).

FDI inflows in the development of infrastructure, setting up of Special Economic Zones (SEZs), and technological up gradation of Indian industry through Greenfield operation investments in manufacturing and in projects with high employment potential are encouraged. The FDI policy in India may be summarized as:

FDI Not Allowed Fields

1. Retail trading (except single brand product retailing)
2. Atomic energy
3. Lottery business
4. Gambling and betting sector
5. Business of chit fund and Nidhi Company
6. Plantation except tea
7. Trading in Transferable Development Rights (TDR)
8. Activity/sector not opened to private sector investment

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