

FUND FLOWS, FII AND FDI FOR INDIA AND GUJARAT AND ITS IMPACT ON RETAIL SECTOR

DR. NIRUL CHAUDHARY, M.A., M.Phil., Ph.D.

ABSTRACT: India, the member of the world trade organization general Agreement has opened its trade sector to foreign investment. 90% of Indian trade in unorganized sector under jack and Dick sectors. Government is working all possible safeguards for handling the stakeholders of the unorganized sector. Only those investor, who would support and provide back chain supply and infrastructure were allowed in multiretail outlets of India. FDI plays an important role in the development of a country. It function as a growth engine by providing and in the form of equity. More so when they transfer financial and technological knowledge, with efficient method of production by which productivity in various sector is increased. South east countries particularly china Thailand and other have benefitted and out seen the global growth rate year after year. Developing countries in particular have benefited by accelerating economic development and growth. The fund inflow of foreign exchange support capital investment countries with FDI inflow to home country. There are more advantages than disadvantages

Key words: Fund Flows, Foreign Institutional Investment Inflows, Foreign Direct Investment Gujarat

INTRODUCTION

Globalization, Open market operation and liberalizations and liberalized policies has witness a double digit growth in the first decade of millennium foreign direct Investment has become a major indicator and facilitator of economic growth in developing as well as developed economies. FDI has become an important investment of market facilitating private sector expansion and international economic integration.

Developed economics like china, Korea and Singapore etc have made a situation environment to attract FDI at large scale in various sector. LIS has attracted FDI from global countries. It gives access to foreign capital but also provide latest technology, method and tools with additive skills.

After 1991 Indian government opened the market for foreign capital through foreign direct investment to support the needy important and useful companies as equity for the nation company. FDI is allowed as inflow in the form of equity any investment that flows from one country to another is known as foreign investment. It is since 1991 that foreign investment is allowed to take the form of investment in listed companies other than through stock exchanges are known as foreign direct investment. FDI made by a company abroad to a company in India. This gives a significant degree of control and influence over the company into which the investment is made. FDI is beneficial to accompany is always beneficial. Investment needed in a larger amount is always an issue for any developing country. India has liberalized all such policies for welcoming the investment to gain positive gains for an economy. FDI help the developing country for its overall development.

OBJECTIVE OF THE STUDY:

- 1) To know issues and challenges of foreign direct investment in india.
- 2) To study trends of foreign investment in retail in India.

ISSUES AND CHALLENGES OF FDI INFLOWS IN INDIA:

- 1) Fluctuating exchange Rates
- 2) Financial Sector Reforms
- 3) High Taxation and Low returns
- 4) Decision making authority with state government
- 5) Foreign Direct Investment content/Preference
- 6) FDI in Gujarat
- 7) Lack of Decision making Authority/ State Governments
- 8) High corporative taxes and Bureaucracy

Equity Inflows in the form of cumuratio FDI remittances:Period January 2000 to December 2011 i.e. 2011-12 (max to Dec)

FDI received (US \$ 165.68 billion) reflecting Rs 747985.14 Cr. Inflows state specific not maintained by RBI Mumbai. RBI maintains FDI inflows data of regional offices of RBI where FDI flows are reported/ declared by

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authorized dealers of RBI. A few regional RBI offices covers more than one state. RBI Ahmadabad regional office covers.

FDI and Indian state Gujarat: Such inflows account of all the state is maintained by RBI since 2000 January onward only. This shows that the provision of getting international fund flows have been liberalized since 2000 where in standard and their corporate may have their say.

FDI flows forward Gujarat from friendly Destinations: The FDI inflows reported to RBI's Ahmadabad Regional offices is Rs 35,440.73 Cr. (Us \$ 7.96 billion) which is 4.81% for the period from January, 2000 to December, 2011 On the basis of the cumulative inflows received through SIA/FIPB route, acquisition of existing shares and RBI's automatic route.

| Table 1 Share of top five countries FDI equity inflows (Jan 2000 to dec 2011) | | | | |
|---|-----------|-----------------------|-----------------|-----------------------------------|
| Rank | Country | Amount of FDI inflows | | %age with FDI inflows for Gujarat |
| | | Rs in Crores | US\$ in Million | |
| 1 | Mauritius | 18,116.96 | 4,004.22 | 50.28 |
| 4 | USA | 5,359.20 | 1,221.77 | 15.34 |
| 2 | Singapore | 3,531.90 | 865.55 | 10.87 |
| 3 | Cyprus | 1,674.79 | 365.17 | 4.59 |
| 5 | U.K | 1,512.31 | 356.63 | 4.48 |
| Total of above | | 30,195.16 | 6,813.34 | 85.56 |

Note: (i) Amount includes the inflow received through FIPB/SIA route, acquisition existing shares & RBI's automatic route only.

(ii) The amount of FDI inflows in respect of the country/sector/state specific data is not provided by RBI, Mumbai prior to January, 2000

| Table 2 Share of top five sectors equity inflows (Jan 2000 to dec 2011) | | | | |
|---|--------------------------|-----------------------|-----------------|-----------------------------------|
| Rank | Sector | Amount of FDI inflows | | %age with FDI inflows for Gujarat |
| | | Rs in Cores | US\$ in Million | |
| 1 | Telecommunication | 7,396.92 | 1,623.77 | 20.39 |
| 2 | Power | 5,240.30 | 1,148.00 | 14.42 |
| 3 | Metallurgical industries | 3,741.01 | 858.84 | 10.78 |
| 4 | Petroleum& natural gas | 3,227.68 | 775.63 | 9.74 |
| 5 | Services Sector* | 2,954.84 | 712.28 | 8.94 |
| Total of above | | 22,560.75 | 5,118.52 | 64.27 |

*Services sector includes Financial, Banking, Insurance, non Financial/Business, Outsourcacing, R&D, Courier, Tec. Testing and Analysis.

Note: (i) Amount includes the inflow received through FIPB/SIA route, acquisition existing shares & RBI's automatic route only.

(ii) The amount of FDI inflows in respect of the country/sector/state specific data is not provided by RBI, Mumbai prior to January, 2000.

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| Rank | Country | 2011-12 (April-March) | 2012-13 (April-March) | 2013-14 (April-March) | Cumulative inflows (April'00October'13) | %age to total inflows (in terms of US \$) |
|--------------------------------------|-------------|--------------------------|--------------------------|--------------------------|--|---|
| 1 | Mauritius | 46,710 (9,942) | 51,654 (9,497) | 18453 (3,099) | 359578 (76,765) | 37 |
| 2 | Singapore | 24,712 (5,257) | 12,594 (2,308) | 16462 (2,865) | 106644 (22,325) | 11 |
| 3 | U.K | 36,428 (7,874) | 5,797 (1,080) | 12016 (1,893) | 92475 (19,442) | 9 |
| 4 | Japan | 14,089 (2,972) | 12,243 (2,237) | 2756 (460) | 72851 (15,011) | 7 |
| 5 | U.S.A | 5,347 (1,115) | 3,033 (557) | 3125 (535) | 54048 (11,656) | 6 |
| 6 | Netherlands | 6,698 (1409) | 10,054 (1,856) | 6,536 (1085) | 48914 (10,050) | 5 |
| 7 | Cyprus | 7,722 (1587) | 2,658 (490) | 1,922 (317) | 34250 (7,207) | 4 |
| 8 | Germany | 7,452 (1622) | 4,684 (860) | 3,458 (614) | 28971 (6,094) | 3 |
| 9 | France | 3,110 (663) | 3,487 (646) | 1,021 (173) | 17885 (3,746) | 2 |
| 10 | U.A.E | 1,728 (353) | 987 (180) | 1,184 (194) | 12491 (2,616) | 1 |
| Total FDI Inflows from all countries | | 165,146 (35,121) | 121,907 (22,423) | 74,971 (12,603) | 971883 (206,006) | - |

| Rank | Sector | 2011-12 (April-March) | 2012-13 (April-March) | 2013-14 (April-March) | Cumulative inflows (April'00October'13) | %age to total inflows (in terms of US \$) |
|------|------------------------------------|--------------------------|--------------------------|--------------------------|--|---|
| 1 | Service Sector | 24656 (5216) | 26306 (4833) | 7920 (1360) | 180,195 (38,595) | 19 |
| 2 | Construction Development | 15236 (3141) | 7248 (1332) | 4244 (699) | 105293 (22779) | 11 |
| 3 | Telecommunication | 9012 (1997) | 1654 (304) | 197 (33) | 58929 (12889) | 6 |
| 4 | Computer software and hardware | 3804 (796) | 2656 (486) | 2935 (488) | 55709 (12179) | 6 |
| 5 | Drugs & Pharmaceuticals | 14605 (3232) | 6011 (1123) | 5956 (1082) | 54836 (11400) | 6 |
| 6 | Chemicals (Other than fertilizers) | 18422 (4041) | 1596 (292) | 2560 (433) | 43056 (9314) | 5 |
| 7 | Automobile Industry | 4347 (923) | 8384 (1537) | 4495 (784) | 43665 (9079) | 4 |
| 8 | Power | 7678 (1652) | 2923 (536) | 1890 (320) | 38,027 (8155) | 4 |
| 9 | Metallurgical Industries | 8348 (1786) | 7878 (1466) | 1438 (245) | 36,252 (7752) | 4 |
| 10 | Hotel and Tourism | 4754 (993) | 17,777 (3259) | 983 (169) | 34,243 (6800) | 3 |

(i)**Service sector includes Financial, Banking, Insurance, non Financial/Business, Outsourcacing, R&D, Courier, Tec. Testing and Analysis.

(ii) Cumulative Sector- wise FDI equity inflows (from April,2000 to Oct,2013) are at- Annex-‘B’.

FDI ISSUES AND POLICY RECOMMENDATION

- I. Indian economy is largely agriculture based. There is plenty of scope in food processing, agriculture services and agriculture machinery. FDI in this sector should be encouraged. The issue of food security, interest of small farmers and marginal farmers need cannot be ignored for the sake of mobilization of foreign fund for development.
- II. In order to improve technological competitive of India, FDI into R&D should be promoted. Special package can be instrumental in mobilizing FDI in R&D.
- III. India has a well developed equity market but does not have a well developed debt market. Step should be taken to improve the depth and liquidity of debt market as many companies may prefer leveraged investment rather than investing their own cash. Looking for debt fund in their own country invites exchange rate risk.
- IV. Though service sector is one of the major sources of mobilizing FDI to India, plenty of scope exists. Large part of population still doesnot has bank account, insurance of any kind underinsurance etc. These problems could be addressed by making service sector more competitive.

CONCLUSION

FDI plays an important role in economic growth of an economy. Literate on factors determining FDI inflows into an economy shows that many factors influences inflow such as market size, inflation, interest rate, wage rate, business environment, etc. The present study examines the sector wise FDI inflow in India during recent years. Foreign direct investment plays an important role in the economy development of the country. It helps in transformation of financial resources, technology and innovative and improved management techniques along with raising productivity. It is concluded that the trend of FDI in India showed a positive picture. The study shows that there been remarkable increase in FDI inflow in India during the period 2000-2013. No doubt, there are some factors which limiting the flow of FDI in India but Indian economy is growing day by day. It is expected that in the upcoming year FDI will grow more than the last years.

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