INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories
Indexed & Listed at:
Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.,
Open J-Gage, India [link of the same is duly available at Inflibnet of University Grants Commission (U.G.C.)],
Index Copernicus Publishers Panel, Poland with IC Value of 5.09 & number of libraries all around the world.
Circulated all over the world & Google has verified that scholars of more than 2255 Cities in 155 countries/territories are visiting our journal on regular basis.
Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA
http://ijrcm.org.in/

CONTENTS

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the area of Computer, Business, Finance, Marketing, Human Resource Management, General Management, Banking, Insurance, Corporate Governance and emerging paradigms in allied subjects like Accounting Education; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Monetary Policy; Portfolio & Security Analysis; Public Policy Economics; Real Estate; Regional Economics; Tax Accounting; Advertising & Promotion Management; Business Education; Management Information Systems (MIS); Business Law, Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labor Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; Public Administration; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism, Hospitality & Leisure; Transportation/Physical Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Digital Logic; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Multimedia; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic and Web Design. The above mentioned tracks are only indicative, and not exhaustive.

Anybody can submit the soft copy of his/her manuscript **anytime** in M.S. Word format after preparing the same as per our submission guidelines duly available on our website under the heading guidelines for submission, at the email address: **infoijrcm@gmail.com**.

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION**:

DATED: _____________

THE EDITOR
IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF .**

(e.g. Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript entitled '____' for possible publication in your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if my/our manuscript is accepted, I/We agree to comply with the formalities as given on the website of the journal & you are free to publish our contribution in any of your journals.

NAME OF CORRESPONDING AUTHOR:
Designation:
Affiliation with full address, contact numbers & Pin Code:
Residential address with Pin Code:
Mobile Number (s):
Landline Number (s):
E-mail Address:
Alternate E-mail Address:

NOTES:
a) The whole manuscript is required to be in ***ONE MS WORD FILE*** only (pdf. version is liable to be rejected without any consideration), which will start from the covering letter, inside the manuscript.
b) The sender is required to mention the following in the **SUBJECT COLUMN** of the mail:
New Manuscript for Review in the area of (Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/ Engineering/Mathematics/other, please specify)
c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any specific message w.r.t. to the manuscript.
d) The total size of the file containing the manuscript is required to be below **500 KB**.
e) Abstract alone will not be considered for review, and the author is required to submit the complete manuscript in the first instance.
f) The journal gives acknowledgement w.r.t. the receipt of every email and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending separate mail to the journal.

2. **MANUSCRIPT TITLE**: The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

3. **AUTHOR NAME (S) & AFFILIATIONS**: The author (s) **full name**, **designation**, **affiliation** (s), **address**, **mobile/landline numbers**, and **email/alternate email address** should be in italic & 11-point Calibri Font. It must be centered underneath the title.

4. **ABSTRACT**: Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para. Abbreviations must be mentioned in full.

5. **KEYWORDS**: Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.

6. **MANUSCRIPT**: Manuscript must be in ***BRITISH ENGLISH*** prepared on a standard A4 size ***PORTRAIT SETTING PAPER***. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of every page. It should be free from grammatical, spelling and punctuation errors and must be thoroughly edited.

7. **HEADINGS**: All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.

8. **SUB-HEADINGS**: All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.

9. **MAIN TEXT**: The main text should follow the following sequence:

   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

   It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed ***5000 WORDS***.

10. **FIGURES & TABLES**: These should be simple, crystal clear, centered, separately numbered &self explained, and **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. It should be ensured that the tables/figures are referred to from the main text.

11. **EQUATIONS**:These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.

12. **REFERENCES**: The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per the following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parentheses.
- The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

FOREIGN DIRECT INVESTMENT IN INDIA: A CRITICAL ANALYSIS

BHUSHAN AZAD
RESEARCH SCHOLAR
DEPARTMENT OF COMMERCE
HIMACHAL PRADESH UNIVERSITY
SHIMLA

ABSTRACT
This paper attempts, through a critical analysis, FDI is a non-debt creation source of additional external finances and at the micro level, FDI is expected to boost output, technology, skill levels, and employment regions of the host economy. The aim of FDI is to supplement the domestic capital and technology. FDI is a type of investment that involves the injunction of foreign funds in to an enterprise that operates in a different country of origin form the investor. The exchange of such investment flows benefits both the Home Counties and the host country. FDI facilities international trade and transfer of knowledge, skills and technology, The FDI can play catalytic role in a growing economy like India. The role of FDI is becoming increasingly significant in the Indian economy. The FDI is a part of future of Indian economy. FDI is a double edged weapon and it is not the only right solution to balance of payments crises. It is safely concluded that the cost of FDI flows have been on the high side or much more as in case of other sources of money. Hence the need of the hour is to adopt more cautions policy in regard to FDI flows by the host nations so that it could not become a source of gathering liabilities other than assets.

KEYWORDS
FDI, foreign investors.

INTRODUCTION
One of the most striking aspect to the current trend of globalization is the exponential growth of foreign direct investment flows or the multinational enterprises activity. The Rapid expansion of FDI by multinational enterprises since the mid eighties may be attributed to significant change in technologies, liberalization of trade and investment regimes and deregulation and privatization of markets in many countries including developing countries like India. Fresh investment as well as merge and acquisitions play an important role in the cross country movement of FDI.An important question that arises in whether FDI merely act as filler between domestic savings and investment or whether it serves purpose as well. At the macro level-FDI is a non debt creating source of additional external finances. This might boost the overall output, employment and export of an economy. At the micro level the effects of FDI need to be analysis for change that might occur at sector level output, employment and forward and backward linkage with other sector of the economy. There are fears that foreign firm might displace domestic monopolies and replace these with foreign monopolies which may, in fact, create worse conditions for customers. Thus it is important to have an efficient competition policy along with sector regulation in place.While the quantity of FDI is important, equally important is the quality of FDI. The major factor that might provide growth impetus to the host economy include the extent of localization of the output of the foreign firms plan, its export orientation, the vantage of technology used, the Research & Development (R&D) best suited for the economy, employment generation, inclusion of the poor and rural population in the resulting benefits and productivity inhancement.

DEFINITION OF FOREIGN DIRECT INVESTMENT
According to **Krugman** and **Obstfeld**, foreign investment is international capital flows in which a firm in one country creates or expands a subsidiary is another. It involve not only a transfer of resources but also the acquisition of control. That is, the subsidiary does not simply have a financial obligation to the parent company, it is part of the same organizational structure.

METHODS OF FDI
The Foreign Direct Investment may acquire voting power of an economy through any of the following methods:
(i) By incorporating a wholly owned co.
(ii) By acquiring shares in associated enterprise.
(iii) Through a merger or an acquisition of an unrelated enterprise.
(iv) Participating in an equity joint venture with another investor or enterprise.

AN OVERVIEW OF FDI IN INDIA
The historical background of FDI in India can be traced back with the establishment of East India Company of Britain. British capital came to India during the Colonial era of Britain in India. After Second World War, Japanese companies entered Indian market and enhance their trade with India, yet U.K. remained the most dominant investor in India.Further after independence issues relating to foreign capital, operations of MNC's gained attention of the policy makers keeping in mind the national interests the policy makers designed the FDI policy which aims FDI as a medium for acquiring advanced technology and to mobilize foreign exchange resources. The evaluation of Indian FDI can be divided into three phases classified on the premises of the initiative taken to induce foreign investments into the Indian economy:
(a) The first phase, between 1969 and 1991, was marked by the coming into force of the monopolies and Restrictive Trade Practices Commission (MRTP) in 1969, which impose restrictions on the size of operations, pricing of products and services of foreign company. The Foreign Exchange Regulation Act (FERA), enacted in 1973, limited the extent of foreign equity to 40%, though this limit could be raised to 74% for technology-intensive, export-intensive and core sector industries. Selective licensing regime was instituted for technology transfer and sodality payments and applications are subjected to export obligations.
(b) The second phase, between 1991 and 2000, witnessed the liberalization of the FDI policy, as part of the Government's economic reform program. In 1991 as per the 'Statement on Industrial Policy', FDI was allowed on the automatic route, up to 51% in 35 high priority industries. In 1996 the automatic approval route for FDI was expanded from 35 to 111 industries, under four categories (Part A up to 50%, Part B up to 51%, Part C up to 74% and Part D up to 100%).
(c) The third phase, between 2000 till date, has reflected the increasing globalization of the Indian economy. In the year 2000, a paradigm shift occurred, wherein, except for negative list, all the remaining activities were placed under the automatic route. Caps were gradually raised in a number of sectors/activities. Some of the initiatives that were taken during this period were that the insurance and defense sectors were opened up to a cap of 26% , the cap for telecom services was increased from 49% to 74%, FDI was allowed up to 51% in single brand retail.

REVIEW OF LITERATURE
Iqbal Alam Badar (2000) review the trend and dimension in regard to flow of global FDI to different region and countries during the present decade of 90's which is called or known as a decade of enormous flow of global FDI and examine its flip side.**Talerngsri Pawin (2001)** examine the influences of location specific

characteristic of host industries such as factor endowment trade costs and polices factor more distinctively it examines the effect of vertical linkage among Japanese firms. The study finds out that Japanese FDI in Thailand was not evenly distributed across manufacturing activities. Some capital/ technological intensive industries like rail equipment and air craft did not receive any FDI during a specific period. On the other hand other relatively labour intensive industries like TV, Radio and communication equipment industry and motor vehicle industry received disproportionately larger value of FDI.**Mishra Pulak (2002)** in their article considering that the trends of FDI has to be reversed failing with the Indian industry sector will lose much in the present era of globalisation and completion, efforts should be immediately made not only in removing the imperfection and making the policy framework more consistent, transparent and rule based but also in creating an investor friendly environment by eliminating different obstacles to proper implementation of these measures as well as providing necessary infrastructure facilities.**Mahajan Vibha (2005)** find out ways how India can attract foreign investment. In order to make the foreign investment policy more transparent and less complex, the govt. has done away with pre equity approvals if a certain set of preconditions are met. This combines with other factors such as high economic growth in the main home and host countries, improve corporate profitability and higher stock valuation point to a recovery of FDI flows, other components of FDI (equity and intercompany loans) are also to pick up. Lot of measures are being taken up by Govt. Of India to attract foreign direct investment so that the gap between the approvals and the actual can be reduced.**Banga Rashmi (2006)** highlights the export diversifying impact of foreign direct investment in a developing country. FDI may lead to export diversification in the host country if it positively affects the export intensity of industries that have a low share in world export intensity of industries that have a low share in world exports. Indirectly FDI may encourage export diversification through spillover effects that is the presence of FDI in an industry may increase the export intensity of domestic firms. The imperial result for the Indian economy in the post liberalization period show that FDI from US has led to diversification of India's exports both directly and indirectly. However Japanese FDI has had no significant impact on India's export.

NEED OF THE STUDY

It is widely known that capital inflows into developing economies like India have risen sharply in nineties and has, therefore, become a self propelling and dynamic factor in the accelerated growth of the economies. The 1990's can be described as the most important decade in the history of Indian economy, when finance minister came with a reform agenda of liberalization, globalization and privatization to boost up Indian economy. Liberalization and globalization opened the gates to domestic capital market and foreign direct investment. Such initiatives helped to boost up the Indian economy.

This study focuses on FDI as vector of Indian globalization. Recently not only did India become a more frequent destination for FDI, but also many Indian firms have started investing abroad in a big way. The impassioned advocacy of increased FDI flows is based on the well worn argument that FDI is a rich source of technology and knowhow; it can invigorate the labour oriented export industries of India, promote technological changes in the in the industries and put India at a higher growth path. This exuberance of FDI needs to be based on analytical review of India's needs and requirements and her potential to participate in huge investment flows. Thus there is a definite need to incorporate the various dimensions of FDI into a theory of open economy development so as to explain in one integrated theoretical paradigm, the undercurrents of both inwards and outwards FDI flows.The empirical literature on the relationship between FDI and development is mixed. Despite a number studies are seeming contradictions, two consistent issues that repeatedly arises are:

- What are the motivators/reasons for FDI?
- What are the economic implications of FDI flow?

Hence a detailed analysis of FDI into India requires an examination of the determinants and impact of FDI in the Indian economy. This study took a closer look at the structure of foreign direct investments into India. It traces the development of India's economic policy regarding changes in FDI inflows. The expansion of FDI into India has been accompanied by a rapid economic growth and an increasing openness to the rest of the world. It is equally important to understand why India has become one of the important beneficiaries of FDI in the world and drives the more recent progress of India's inward FDI.

SCOPE OF THE STUDY

The present study involves foreign direct investment reforms in India. The study examines the effect of those reforms on the growth of foreign investment inflow in India. The reference period of the study is from the year 1991 to 2010. The study is based up on secondary information and the relevant information has been collected from various relevant sources of statistical tables related to foreign investment in India.The time series data on different FDI parameters has been collected, analyzed and interpreted. The main indicators on which the performance of FDI can be evaluated are FDI inflows, country wise FDI inflow, region wise FDI inflow and route wise FDI inflow to India.The study also includes a comparative analysis of Indian and Chinese economy on the basic of FDI inflows since 1991 to 2010, the main indicators of the comparative analysis is Global Corruption Index and World Competitive Index.

OBJECTIVES OF THE STUDY

The present study has been undertaken with a conduct empirical analysis of status of FDI in India and made a comparative analysis between Indian and Chinese economy .Thus the objectives of present study can be enumerated as follows :

- To analyse the pattern and direction of FDI inflow in India.
- To analyse the role of FDI in the development of Indian economy.
- To make a comparative analyse between Indian and Chinese economy.
- To rank the various sectors based up on highest FDI inflow.
- To identify the countries which gives India maximum FDI inflow?

HYPOTHESIS OF THE STUDY

1) **H_0** – There is no significant impact of FDI on GDP.
   H_1 – There is significant impact of FDI on GDP.
2) **H_0** – There is no significant positive relationship between FDI and BSE.
   H_1 – There is significant positive relationship between FDI and BSE.

TESTING OF HYPOTHESIS

TABLE 1: FDI INFLOWS, GDP & AVG. BSE

Year	FDI Inflow	GDP at Factor Cost	Avg. BSE
1991	409	1099072	1451.215
1992	1094	1158025	3246.03
1993	2018	1223816	2719.565
1994	4312	1302076	4024.595
1995	6916	1396974	3417.555
1996	9654	1508378	3422.17
1997	13548	1573263	3851.03
1998	12343	1678410	3531.61
1999	10034	1786525	4096.62
2000	10368	1864301	4821.12
2001	18486	1972606	3528.49
2002	13711	2048286	3293.375
2003	11786	2222758	4412.6
2004	14653	2388768	5422.325
2005	24613	2616101	7756.155
2006	70630	2871120	11417.16
2007	98664	3129717	16407.11
2008	123025	3339375	14452.08
2009	172849	3578128	12789.06
2010	202453	3896375	18380.32

Source: Various Publications

HYPOTHESIS -1

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1609878.3	101384.79		15.879	.000
FDI	12.734	1.413	.905	9.010	.000

[a]Dependent Variable: GDP,R^2 = .819 Adjusted R^2= .808

HYPOTHESIS-2

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3416.535	541.187		6.313	.000
FDI	.078	.008	.925	10.344	.000

[a]Dependent Variable : BSE,R^2 = .856 Adjusted R^2 = .848

HYPOTEHSIS-1

H_o-The null hypothesis assumes that there is no significant impact of FDI on GDP in India. **H_1**-The alternative hypothesis assumes that there is significant impact of FDI on GDP in India. In order to test the hypothesis FDI has been taken as independent variable and GDP at factor cost as dependent variable. It is stated that independent variable is significant at 1 per cent level of significance. It shows that there is clear impact of FDI on GDP and some other unknown factors also plays significant role. In Table, the 'B' value is 12.734 which indicates that elasticity between FDI and GDP is 12.734. It resulted that ?1 increase in FDI leads to 12.734 increase in GDP that helps in boosting growth rate of India. Therefore H_o is rejected and H_1 is accepted as there is significant impact of FDI on GDP in India.

HYPOTEHIS-2

H_o-The null hypothesis assumes that there is no significant positive relationship between FDI and BSE.**H_1**-The alternative hypothesis assumes that these are significant positive relationship between FDI and BSE.In order to test the hypothesis FDI has been taken as independent variable and BSE as dependent variable. It is stated that independent variable is significant at 1 % level of significances the coefficient Table 'B' value is .078 which indicates that elasticity between FDI and BSE. It shows a positive relationship between FDI and BSE because is FDI increases ?1 than BSE increases by .078 points Therefore H_o is rejected and H_1 is accepted as there is positive relationship between FDI inflow and BSE.

LIMITATIONS OF THE STUDY

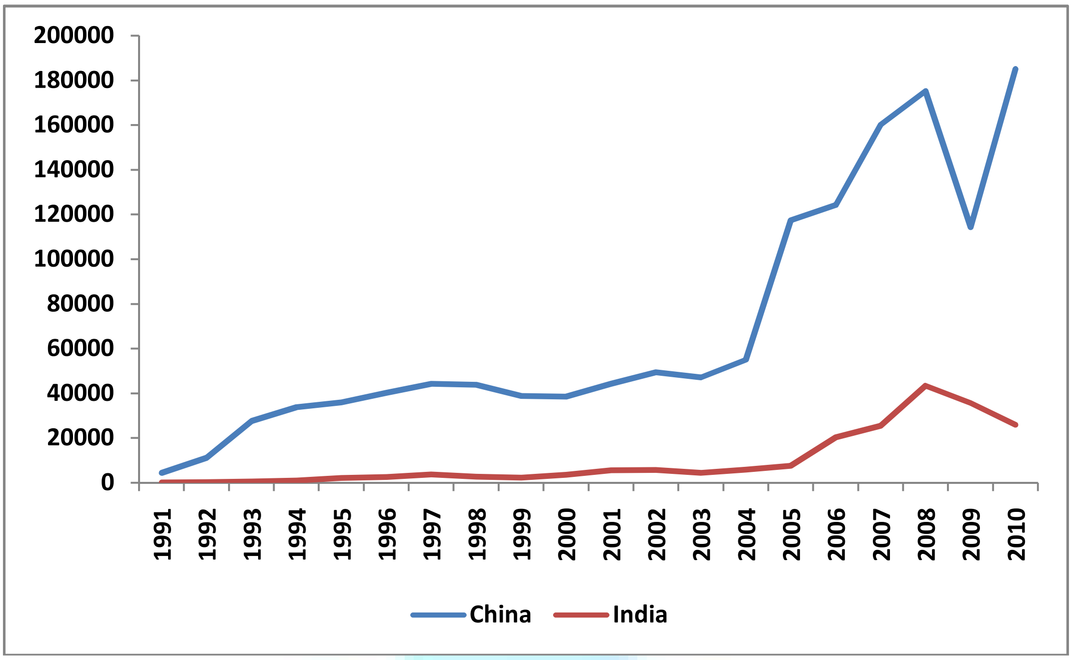
Best efforts has been made in this research to shape it a master piece for users, research scholars and the organizations directly and indirectly dealing activities of FDI in India. However, the researcher had to face certain limitations in the form of non-availability or delay in getting relevant data, monetary constrains during data collection non comparability of data, some of the limitations are pin pointed here under –

1) The study covers twenty years data only ranging from 1991 to 2010, and it does not include data before globalization.
2) The data used may be biased as it has been incorporated from secondary sources of information.

FDI IN INDIA AND CHINA-A COMPARATIVE ANALYSIS

In 2009, China became second largest FDI recipient in the world after the United States, whilst India paced ninth (UNCTAD, 2010). In the same year, both counties were ranked amongst the top three in the most preferred FDI locations in the UNCTAD's World Investment Report Prospects Survey 2009-2011.On the surface, China and India present a number of similarities. The two countries are the world's most populous, both with over one billion citizens, and feature amongst the largest economies in the world. On GDP at purchasing power parity, China is now the world's second major economic power, while India is ranked eleventhPrior to their openness to global markets, China an India were low per capital income counties, with an economy based largely on agriculture and an inward looking development strategy. Since then, they have embarked on a massive programme of economic reform opening their markets considerably to FDI and trade.Launched in 1978 and led by Deng Xiaoping, China's economic reforms process has seen the growth rate accelerate from an average of 5.2 per cent a year, during the period from 1960 to 1978 to 9.94 per cent a year from 1979 to 2009 (World Bank 2010). In the case of India, its reform process gathered momentum in 1991, under the Narasimha Rao government. The Indian economic growth rate moved from an average of 4.8 per cent between 1960 and 191 to 6.47 per cent since 1991 (World Bank 2010).Despite such apparent similarities, the Chinese and Indian experiences have hardly been synchronized.

CHART 1: FDI INFLOW TREND-A COMPARISON BETWEEN CHINA & INDIA



Source: OECD International Direct Investment Data Base Eurostat IMF

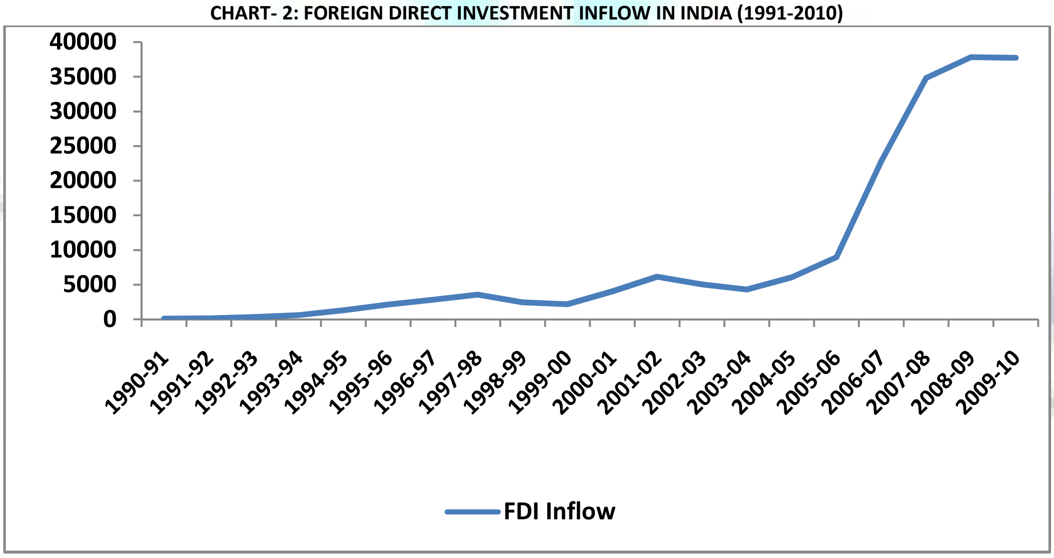
China currently attracts significantly more foreign investment than India. In 2009, for instance, China's yearly flows of foreign direct investment, at US $ 114200 million, were nearly four times greater than India's, while its share of global FDI inflows stood at 89.5 per cent compared to only 3.1 per cent for India (UNTAD 2010). Likewise, China's total FDI stocks in 2009 represented almost three times that of India. This disparity that exists in the level of FDI between the two countries has charged considerably in recent years. According to the OECD, China's index of FDI restrictiveness, in 2009, stood at 0.457, whilst, rather surprisingly, India's was only 0.220.An index of 0 indicates complete openness to FDI, while 1 indicates the total lack of it. The index includes, among other things, equity restrictions, approval requirements, restrictions on the amount of foreign key personnel, limits on the purchase of land and repatriation of profits and capital.

The reason for India's greater openness to FDI stem mostly from recent measures aiming at liberalising the economy, and policies to facilitate and promote foreign investment. For instance foreign investment of up to 100 per cent is now allowed without the govt. approval in almost all sectors of the Indian economy, except those subject to sectorial caps. Other measures include the repatriation of capital made easier and at lower cost and better protection of intellectual property rights. According to figures released by UNACTD (2010) growth in the equity FDI inflows to India have increased nearly thirteen fold between the financial year 2003-04 an that of 2009-10. Yet, one may wonder why China still continues to outperform India in attracting FDI given the advantages of the latter in having a democratic system, a significant speaking workforce and dispute a lower FDI restrictiveness index.The answer appears to be related to domestic conditions with in India. These include - bureaucratic barriers at the state level and lack of coordination between state and central governments. For instance issues such as land acquisition, land use charge, power connection, building approval plans are all decided at state level. In its 2010-2011 global competitiveness report. The World Economic Forum (2010) lists the "inadequate supply of infrastructural" as the principal problematic factor as doing business in India followed by "Corruption" and the "inefficient government bureaucracy".

TRENDS OF FDI INFLOW IN INDIA

In the response to the policy of liberalization the FDI has now been allowed in all sectors (except a negative list) resulting inflows of FDI increased US $ 97 in the year of liberalization, than after it is increased continuously, except in the years 1998-99, 1999-00 and 2002-03, 2003-04.

CHART- 2: FOREIGN DIRECT INVESTMENT INFLOW IN INDIA (1991-2010)



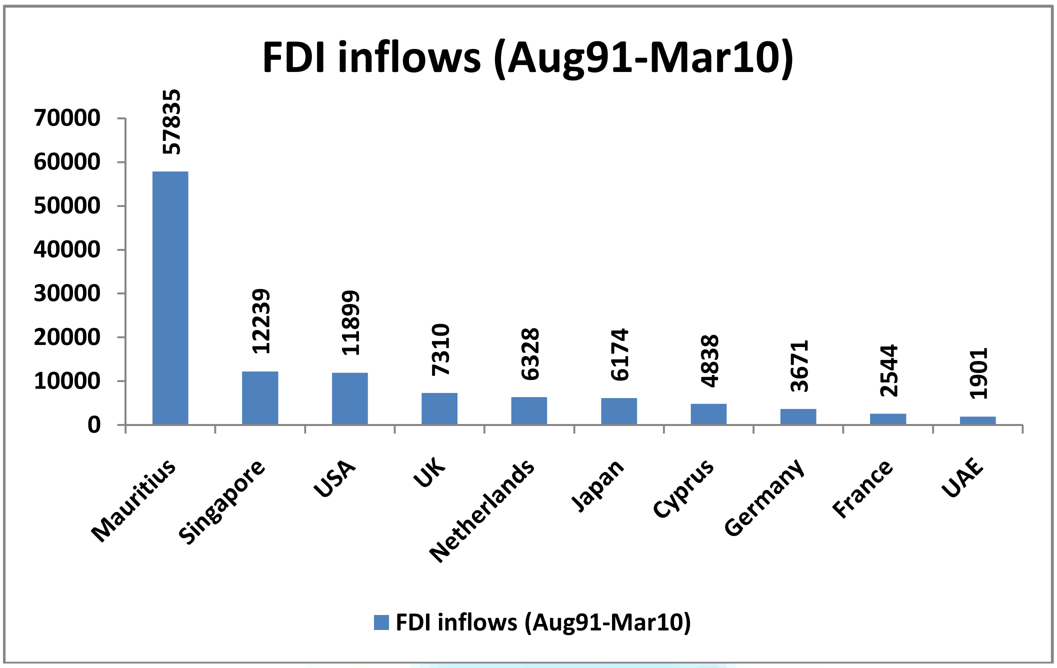
Source: Department Of industrial Policy & Promotion, Govt. Of India

The inflows of FDI declined to US $ 2462 million in 1998-99 and US $ 2155 million in 1999-2000. Several restriction imposed on India by US on account of nuclear test at Pokhran, slow down of economy, political instability, restrictions imposed on FDI regarding RRIMS (Trade Related Investment Measures) etc. are the some of the contributing factors for this declining trend in the years 1998-99, 1999-00. . These are the four years when the inflows growth rate of FDI is negative after liberalization.

SOURCES OF FDI IN INDIA

There is a clear strong worldwide competition for attracting FDI. Generally FDI means capital inflows & outflows from or to abroad those is invested in the production capacity of the host economy and are usually preferred over other forms of external finance because they are non debt crating non volatile and their return depends on the performance of the project financed by the investors.

CHART-3: COUNTRY WISE FDI INFLOW SINCE LIBERALIZATION



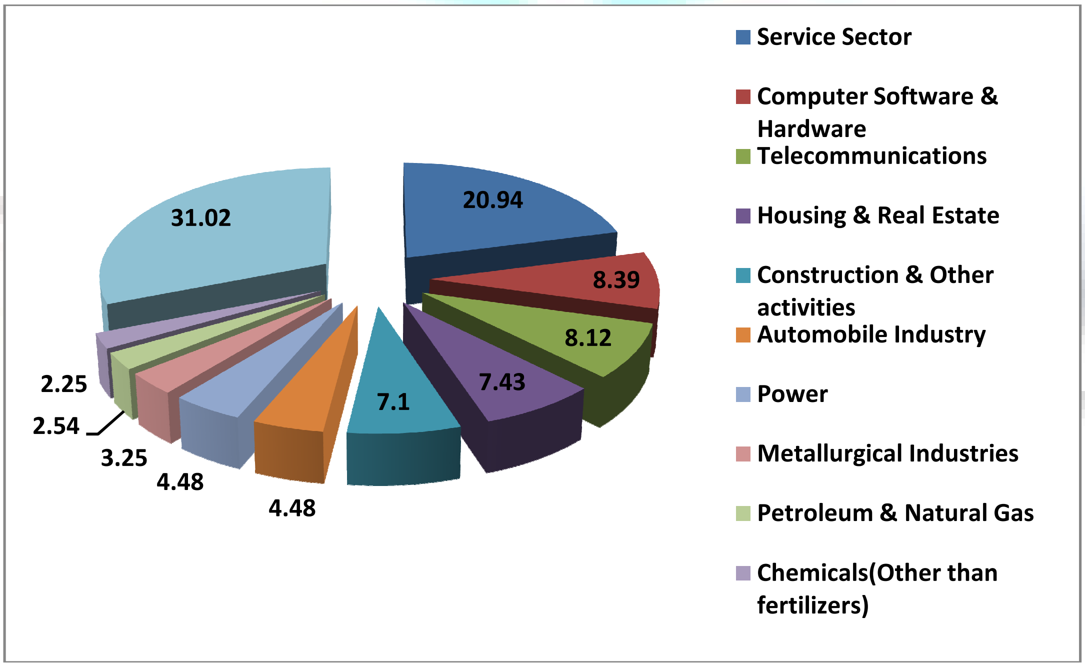
Source: Department Of industrial Policy & Promotion, Govt. Of India

Among the top ten counties, Mauritius has been the largest direct investor in India. Firms based in Mauritius invested US $ 57835 million in India between Aug 1991 to Mar 2010 or over 39 percent of the total FDI inflows during that period. Mauritius has low rate of taxation and an agreement with India on double taxation avoidance regime. To make advantage of that situation, many companies have set up dummy companies in Mauritius before investing in India. The Singapore is the second largest investor in India. The total capital flows from Singapore was US $ 12239 million between Aug 1991 to Mar 2010 which accounts the 8.4 percent of the FDI inflows. The United States is the third largest investor in India. The total capital flows from the US was US $ 11899 million, which accounts the 8.1 percent of the FDI inflows most of the US investments are directed to the fuel, telecom, electrical equipments, food processing and service sector. The United Kingdom and the Netherlands are India's fourth and fifth largest FDI inflows. The investment to these counties to India are primarily concerned in the power/energy, telecom and transportation sectors. Japan was the sixth largest source of cumulative FDI inflows in India between Aug 1991 to Mar 2010. These top ten countries accounts almost 80 percent of total FDI inflow to India.

SECTOR WISE FDI INFLOW

It would be interesting to analyze the sector wise FDI inflow in India as shown in the Chart 3. Sector wise FDI inflow in India, Chart 3reveal that for the entire period form Jan 2000 to Dec 2010. Service sector is at top. It indicates that the majority of inflows during the period of Jan 2000 to Dec 2010 have been in service sector amounts to US $ 26454 million, which is almost 21 percent of the total FDI inflow. Computer Software & Hardware is the second highest attracting sector after service sectors. It gets a US $ 10600 million FDI inflow which is 8.39 percent of the total FDI inflow.

CHART 4: SECTOR WISE FDI INFLOWS FROM APRIL 2000 TO DECEMBER 2010



Source: Department Of industrial Policy & Promotion, Govt. Of India

Telecommunications and Housing & Real Estates placed at Third and Forth amounted to US $ 9380 and US $ 8963 million respectively which accounts 8.12 percent and 7.43 percent. Construction and other activities, Automobile Industry, Power, Metallurgical Industries, these industries are placed at fifth, sixth, seventh and eighth place they all contribute almost 20 percent of FDI inflow. Ninth and tenth place is occupied by Petroleum and Natural Gas, Chemicals (other than fertilizers) these two sectors constitute 5 percent of total FDI inflow to India. These top ten sectors constitutes almost 70 percent of total FDI inflow to India.

CONCLUSION & SUGGESTIONS

The study illustrate that there has been positive impact of FDI on overall growth of the economy. India has registered tremendous growth in FDI inflows during last decade and total inflow cross the level of US $ 30 million. But when it is compared with other countries and continents the figures of FDI inflows are not encouraging.India's share in world FDI rose to 1.3 per cent in 2007 as compared to 0.7 per cent in 1996; this can be attributed to the economic reform process of the country for the last eighteen years.China is the most attractive destination and the major recipient of global FDI inflows among emerging nations. India is at 5th position among the major emerging destinations of global FDI inflows.The study also provides possible reasons behind China's great show of FDI and the lessons India should learn from China for better utilization.The majority of foreign investors prefer China over India for investment opportunities as China has a bigger market size than India, offers easy accessibility to export market, government incentives, developed infrastructure, cost-effectiveness and macro-economic climate, India on the other hand has talented management system, rule of law, transparent system of work, cultural affinity and regularity environment.

Although China attracts considerably more FDI than India, there is reason to believe that India is emerging as an increasingly attractive location of FDI. This is despite problems related to its poor quality of infrastructure, inefficient government bureaucracy and labour market inflexibilities. Yet FDI inflows alone are insufficient to translating is not higher growth unless they can be efficiency channeled into growth mechanisms notably through spillover effects.Never the less, recent trends in both China and India have shown that FDI is increasing being courted as a means of stimulating high economic growth. It should be noted that without a competitive development strategy. FDI alone will not be a solution in itself to economic development in either country.

The study suggests the policy makers to focus more on attracting diverse type of FDI.The policy makers should design policies where foreign investment can be utilized as means of enhancing domestic production, savings, and exports; as medium of technological learning and technology diffusion and in providing access to the external markets.The government should push for the speedy improvement of infrastructure sectors requirements which are important for diversification of business activities.FDI is beneficial to India's growth. India needs to create a talent pool and suitable investment climate for the foreign direct investment, and it needs to develop infrastructure that will encourage the investors. That will bring more FDI into India.Government should open doors to foreign companies in the export oriented services which could increase the demand of unskilled workers and low skilled services and also increases the wage level in these services.Finally, it is suggested that the policy makers should ensure optimum utilization of funds and timely implementation of projects. It is also observed that the realization approved FDI into actual disbursement is quite low. It is also suggested that the govt. while pursuing prudent policies must also exercise strict control over inefficient bureaucracy, red-tapism and the rampant corruption, so that investors' confidence can be maintained for attracting more FDI inflows to India. Last but not least, the study suggests that this government ensures FDI quality rather than its magnitude.

REFERENCES

1. Agarwal Pradeep(2000)"*Economic impact of FDI in south Asia* "Indra Ghandhi Institute of Development research Mumbai
2. Ahmad Rais (1997)"*Is foreign direct investment in India really increasing*" Indian economic condations.pp.49
3. Anderson P.S. and Hainaut P. (2004) "*Foreign Direct Investment*" Journal of international business studies
4. B.Devi Kamla (2010)*"FDI the hijack of Indian retail market"* Indian journal of marketing
5. Bhattacharyya Jita, (2002) "*FDI in developing countries special reference to India*" The Management Accountant.pp.370
6. Biswas Supriya,(2010)*"FDI inflows in Indian retailing-growth models and challenges"* Indian journal of marketing
7. Booncharoenpol Boonserm, *"Foreign Direct Investment in Asia : Thailands Experience after 1960"*. Journal of international business studies pp. 3-6.
8. Buklay P.J. and Casson M., *"The Future of the Multinational Enterprise"*.
9. Chandel Rajesh, Natraj Gectanjali, Aug. 2009, "*FDI in India and its growth linkage"* Deptt. of Industrial Policy & Promotion.
10. Ghosh Anirban, Nov. 2011, The Management Accountant, Vol. 46, No. 11, Page No. 987.
11. Ghosh Anirban,2011*"Service sector in India & role of foreign direct investment"* The Management Accountant
12. Goyal Shashank, Kumar Pani K., Rao Sambasia K., *"Trends and Patterns of FDI in India and its economic growth"*.
13. Gupta Sen Debshish, 2011 "*A comparative study of foreign direct investment: A boon or bane"* Indian journal of marketing
14. Hejazi Walid, Safarian Edward A.1999,"*Trade, Foreign Direct Investment and R & D Spillovers*" Journal of international business studies
15. Hymer S.H., "*The International Operations of National Firm*".
16. Iqbal Alam Babar, May 2000, The Management Accountant, Page No. 365 to 369, 373.
17. Iqbal Alam Badar,Hussain Munnir 2006"*FDI inflow in India* "Yojana
18. Iyare Sunday O, K Pradip Bhumika, Arindam Banik,2004 "*Explaining FDI inflows to India ,China and Caribbean: An extended neighbourhood approach*" Economic and poltical weekely
19. Kameshwari P. 2008 "*Foreign Direct Investment and its role in developing Indian economy*" The Management Accountant
20. Kameshwari P., July 2008, The Management Accountant, Page NO. 510.
21. Kidwai Lal Naina 1998,"*Globalization, foreign investment and the corporates*"in the monthly magazine,The Management Accountant.
22. Kishore Nawal, 2003"*FDI in post globalization era- India's strategy and prospect*" Business Prospectives
23. Kumar Sumon, Bhaumik, Driffield Nigel and Pal Sarmistra,2010"*Does ownership structure of emerging market firms affect their outwards FDI- The case of the Indian automotive pharmaceutical sectors"* Journal of international business studies
24. Mahajan Vibha, Aggrwal Poonam 2005"*Foreign Investment-need for a more competitive and open policy*" The Management Accountant
25. Mishra Pulak, Ramakanta ,2002 "*Why FDI flows needs to improve*" Yojana
26. Nayak D.N. 2004 "*Canadian foreign direct investment: Some observations*" Political Economy Journal of India
27. Prakash Neetu, 2004 "*Foreign Direct Investment in India*" The Management Accountant
28. Rao Hanumantha C.H., Bhatacharya B.B., Siddharthan N.S., 2005, "*Indian Economy and Society in the Ero of Globalisation and Liberalisation"*
29. Rivoli Pietra, Salori Eugene,1996,"*Foreign direct investment and investment uncertainty*"Journal of international business
30. Roy Anjan,2011*"Foreign Direct investment in the service sector"* Yojana
31. Te Velde D.W. 2001"*Policies towards FDI in developing countries- emerging issues and outstanding issues*" Landon,Overseas Development Institute
32. The Association chamber of commerce and industry of India, Jan. 2012, "*India's experience with FDI : Role of a game changer*". Page No. 4 to 6.
33. Vernon R. "*International Investments and International Trade in the Product Life Cycle*" Journal of Economics May 1966, PP. 190-207.
34. Yadagiri M. 2006 "*Foreign capital and investment in India* " The Management Accountant

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce and Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail i.e. **infoijrcm@gmail.com** for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail infoijrcm@gmail.com.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals