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NEED/IMPORTANCE OF THE STUDY
STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESES
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
CONCLUSIONS
LIMITATIONS
SCOPE FOR FURTHER RESEARCH
REFERENCES
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- 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.

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

TRENDS IN FOREIGN DIRECT INVESTMENT INFLOWS IN INDIA

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ABSTRACT

With the initiation of new economic policy in 1991 and subsequent reforms process, India has witnessed a change in the flow and direction of foreign direct investment (FDI) into the country. This is mainly due to the removal of restrictive and regulated practices. Foreign direct investment in India increased from US $ 129 million in 1991-92 to US $ 6051 million in March, 2005, and to US$ 36,860 million in 2012-13. However, the country is far behind in comparison to some of the developing countries like China. In so far as growth trend of FDI is concerned, there has been quite impressive growth of FDI inflow into the country during this period. However, negative growth rate is noticed during the period 1998-2000 primarily due to falling share of major investor countries, steep fall of approval by 55.7% in 1998 compared to 1997 and slackening of fresh equity. However, traditional industrial sectors like food processing industries, textiles, etc. which were once important sectors attracting larger FDI, have given way to modern industrial sectors like electronics and electrical equipments, etc. This paper analyzes the FDI flows in the country as a percent of total foreign investment inflows.

KEYWORDS
Economic growth, FDI, Capital, Financial markets, reforms.

INTRODUCTION
If a backward and underdeveloped country is interested in rapid economic development, it will have to import machinery, technical knowhow, spare parts and even raw materials,. Here it worth to mention the statement quote by A.K. Cairncross - "It is not possible to buy development so cheaply. The provision of foreign capital may yield a more adequate infrastructure but rarely by itself generates rapid development unless there are already large investments opportunities going a-begging". for this purpose all developing nations accepted FDI as a sole visible panacea for all their scarcities. Further, the integration of global financial markets paves ways to this explosive growth of FDI around the globe.

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. India has recognized FDI as an important driver for economic growth and development and has introduced a new industrial policy- 1991, which allowed 51% automatic approval for foreign investment in 34 industries.

AN OVER VIEW OF FDI IN INDIA
The historical background of FDI in India can be traced back with the establishment of East India Company. British capital came to India during the colonial era of Britain in India. After Second World War, Japanese companies entered Indian market and enhanced their trade with India, yet U.K. remained the most dominant investor in India.

Further, after Independence issues relating to foreign capital, operations of MNCs, 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. With time and as per economic and political regimes there have been changes in the FDI policy too. The industrial policy of 1965, allowed MNCs to venture through technical collaboration in India. Therefore, the government adopted a liberal attitude by allowing more frequent equity participation to foreign enterprises, and to accept equity capital in technical collaborations. But due to Significant outflow of foreign reserves in the form of remittances of dividends, profits, royalties etc, and the government has to adopt stringent foreign policy in 1970s. During this period the government adopted a selective and highly restrictive foreign policy as far as foreign capital, type of FDI and ownerships of foreign companies was concerned.

Government setup Foreign Investment Board and enacted Foreign Exchange Regulation Act in order to regulate flow of foreign capital and FDI flow to India. The soaring oil prices continued low exports and deterioration in Balance of Payment position during 1980s forced the government to make necessary changes in the foreign policy. This brings partial liberalization in Indian Economy. The government introduces reforms in the industrial sector and announced New Industrial Policy 1991, with an aim of competency, efficiency and growth in industry through a stable, pragmatic and non-discriminatory policy for FDI inflow.

SIGNIFICANCE OF THE STUDY
The period under study is important for a variety of reasons.

1. First of all, it was during July 1991 India opened its doors to private sector and liberalized its economy.
2. The experiences of South-East Asian countries by liberalizing their economies in 1980s became stars of economic growth and development in early 1990s.
3. India's experience with its first generation economic reforms and the country's economic growth performance were considered safe havens for FDI which led to second generation of economic reforms in India in first decade of this century.
4. There is a considerable change in the attitude of both the developing and developed countries towards FDI. They both consider FDI as the most suitable form of external finance. 5) Increase in competition for FDI inflows particularly among the developing nations. The study is appropriate in understanding inflows during 1991- 2013.

STATEMENT OF THE PROBLEM
Since 1991 India recognized significant role of FDI in the economic development of the Indian Economy and opened the gates to private sector and invited large amount of foreign direct investment in different Indian industries. Hence, the present study tries to discuss the FDI trends in India.

OBJECTIVES
The objectives of the present paper are,

- To study the trend in FDI inflows in India.
- To study the FDI inflows as a percentage of total foreign investment inflows.

METHODOLOGY

This study is based on secondary data. The required data have been collected from varioussources i.e, , various Bulletins Reserve Bank of India, publications from Ministry of Commerce, Govt. of India, Economic Survey, and various research papers published standard journals for the period 1992-2013.and this paper used analytical tools like simple arithmetic percentages and averages to find out the trend in FDI inflows in India .

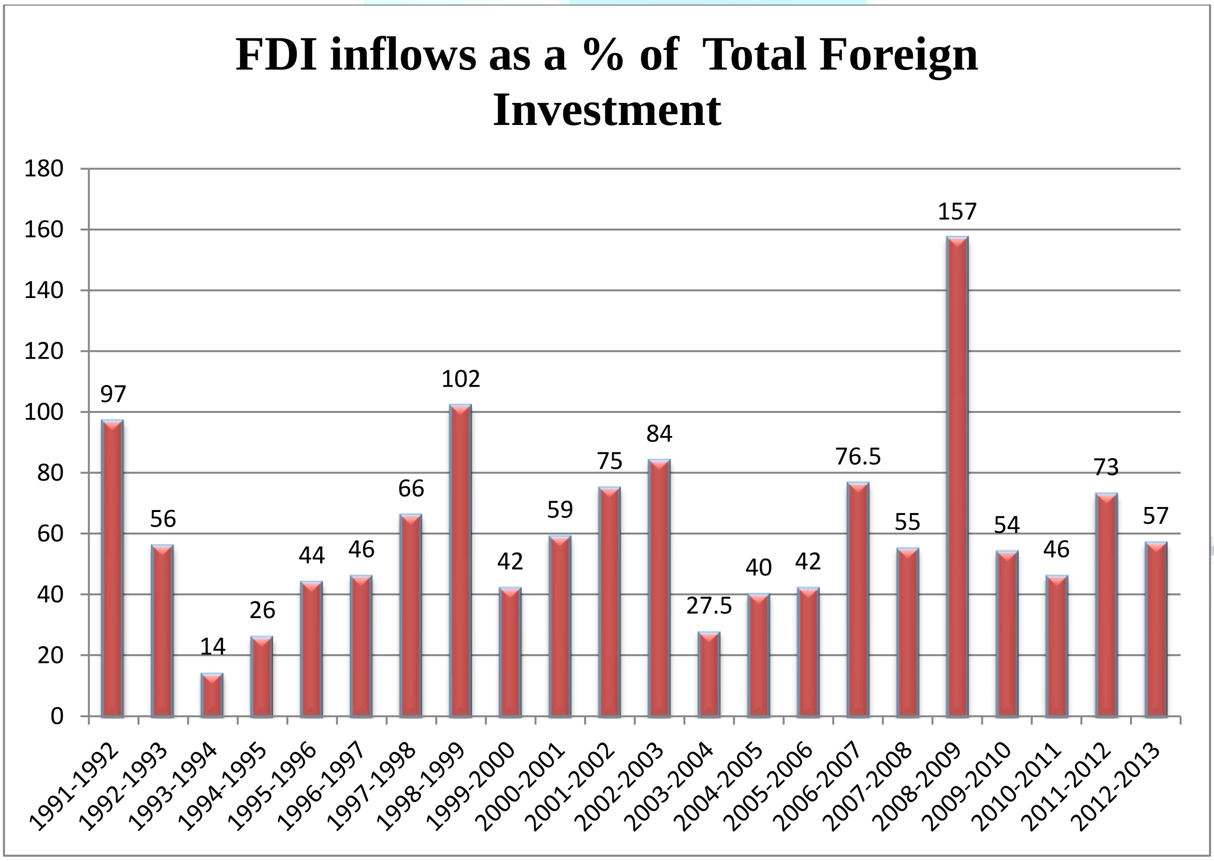
FDI FLOWS IN INDIA

TABLE 1: FDI FLOWS IN INDIA *(in US $ million)*

Year	*Foreign Direct Investment*	*Total Foreign Investment*	*FDI as a % of Total Foreign Investment*
1991-1992	129	133	97
1992-1993	315	559	56
1993-1994	586	4153	14
1994-1995	1314	5138	26
1995-1996	2144	4892	44
1996-1997	284	6133	46
1997-1998	3557	5385	66
1998-1999	2462	2401	102
1999-2000	2155	5181	42
2000-2001	4029	6789	59
2001-2002	6130	8151	75
2002-2003	5035	6014	84
2003-2004	4322	15699	27.5
2004-2005	6051	15366	40
2005-2006	8961	21453	42
2006-2007	22826	29829	76.5
2007-2008	34335	62106	55
2008-2009	37838	23983	157
2009-2010	37763	70139	54
2010-2011	27024	58495	46
2011-2012	46553	63724	73
2012-2013	36860	64630	57
Total	**270195(59.1%)**	**456858(100%)**	**59.1**

(Economic Survey-2013)

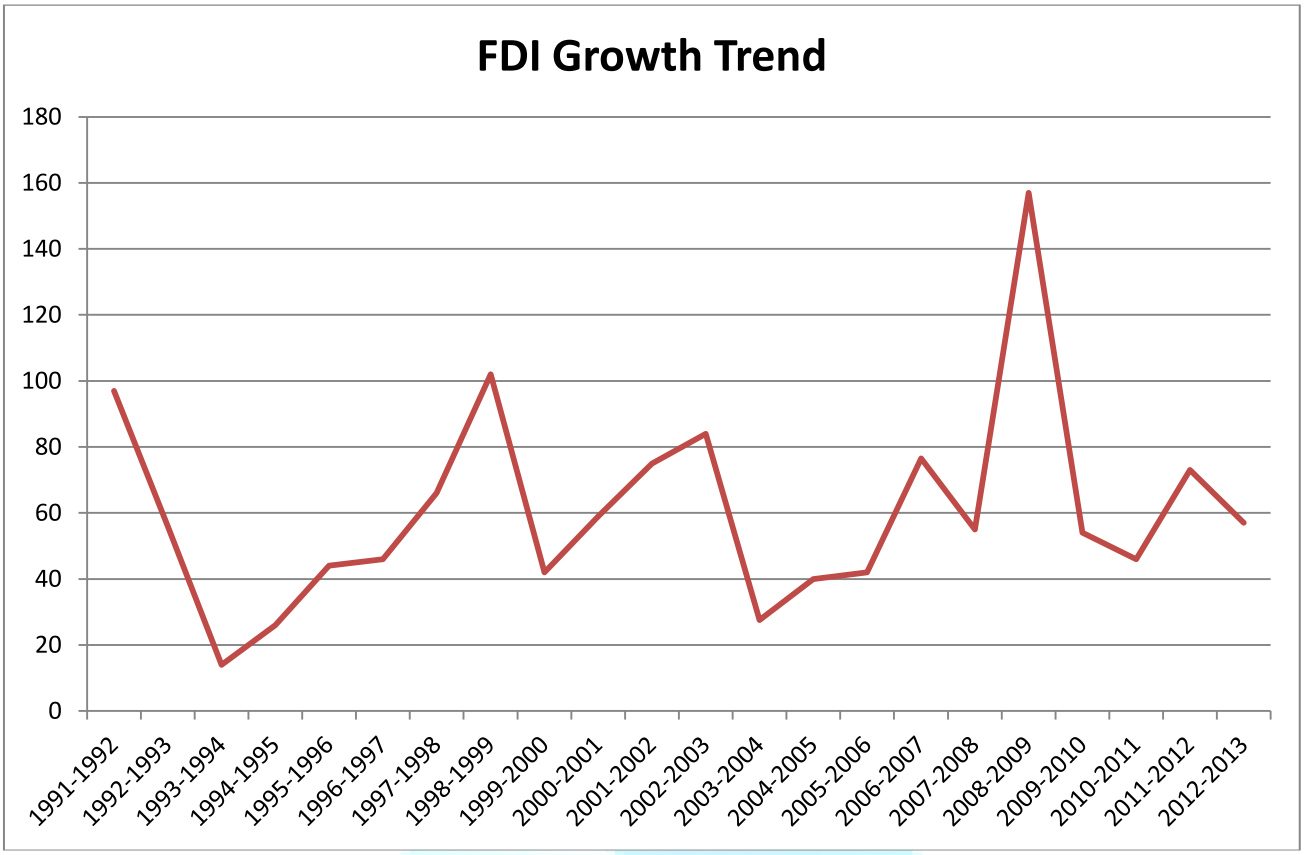
FIG. 1



After announcement of New Industrial Policy (1991), there has been an acceleration in the flow of foreign capital in India. As per data provided by the government of India in economic survey -2013, during 1991-92 to 2012-13,total foreign investment flows were of the order of $ 546.9 billion, out of which about $ 270.2 billion (59.1%) were in the form of FDI and remaining $186.7 billion (40.9%) were in the form of portfolio investment. This data clearly shows that the preference of the foreign firm was more in favour of portfolio investment. In 1991-92 the FDI inflows were about US $ 129 million (i.e., 57% of total foreign investment inflows) which were increased to US $ 36,860 million in 2013(i.e., 57% of total foreign investment inflows). That means the cumulative FDI inflows were increased from US $ 129 million IN 1991-1992 to US $ 2, 70,195 million in 2012-2013.

The foreign direct investment inflows trend has been depicted in this paper shows that there is an increasing tendency in FDI inflows but which is not sufficient for the economic development of Indian economy because the approved amount of FDI inflows are larger than the actual FDI inflows.

FIG. 2



CONCLUSION
Even though global economies are suffering with financial crisis and other economic hurdles, India still stands as a global investment destination. Keeping in view of current requirements and benefits of the nation the government of India comes up with new policies from time to time to increase the foreign direct investment inflows. Because FDI plays a crucial role in enhancing the level of economic growth in the country and also it helps in increasing the trade in the international market, as well as increasing in the exchange rate and foreign exchange reserves of the of hosting country .

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