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   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

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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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UNPUBLISHED DISSERTATIONS AND THESES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.

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WEBSITES

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

CLASSIFIED ROUTES OF FOREIGN DIRECT INVESTMENT IN INDIA

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ABSTRACT

In India, FDI has increased significantly over the past two decades. However, it has been concentrated in a few sectors. The Government of India has put in its practice a liberal and more transparent FDI policy with a view to attract more FDI inflows into its economy. The study has summarized the emerging patterns and trends in inflows of FDI in India in the wake of policy reforms initiated since 1991. While the magnitudes of inflows have recorded impressive growth, they are still at a small level compared to the country's potential. The aims of the present study are to analyze the FDI inflows in various sectors attracting highest FDI inflows in India from 1991-2009 and the major ten source countries contributing highest FDI inflows in the above said period. For ensuring higher FDI inflows and the planned performance of economy, government should opt for "controlled liberalization". Policy controls should be made in such a manner that FDI would be able to contribute in up gradation of technology and the development of economy.

KEYWORDS
FDI, India.

INTRODUCTION
Foreign Direct Investment is a process of integrating an economy with rest of the world. The Government of India (GOI) has identified the key role of the FDI in its process of economic development, not only as an addition to its own domestic capital but also as an important source of technology and other global trade practices. In order to attract the required amount of the FDI, it has brought about a number of changes in its economic policies and has put in its practice a liberal and more transparent FDI policy with a view to attract more FDI inflows into its economy. These changes have heralded the liberalization era of the FDI policy regime in India and have brought about a structural breakthrough in the volume of the FDI inflows into the economy. All this has led to a deep emphasis being placed on attracting large sums of FDI to India in the post-liberalization period. The same perception has led to different sectors to compete with each other for the foreign investment. They have been making intense efforts to attract investment, in general, and foreign investment, in particular.

Most of the studies on FDI inflows during the post-liberalization period in India, have dealt with aggregate level data and that too of approvals only. Because of the substantial gap between FDI approvals and actual inflows, home country-wise concentration and varying modes of entry, there is a need for taking a closer look at the official data on approvals and inflows to gain better insights into the sector wise distribution of FDI, especially in large manufacturing ventures in the post liberalization period. This paper aims at such an analysis to the extent available date permit, to study the emerging patterns and trends in inflows of FDI in India in the wake of policy reforms initiated since 1991. While the magnitudes of inflows have recorded impressive growth, they are still at a small level compared to the country's potential.

REVIEW OF LITERATURE
FDI contributes to higher economic growth by incorporating new inputs and techniques (Feenstra and Markusen, 1994). But it is important to note that the growth consequences of FDI depends upon what types of sectors receive the same and that change in sectoral flows strengthen the positive effects and weaken the negative ones (Wei, 1996; Dutt, 1997; and Kathurla,1998). In short, FDI induces economic growth, and hence, the issue of economic prosperity is always linked with massive FDI inflows in the economy. There is twin linkage between the two. Firstly, a healthy inflow of FDI is a vital factor in accelerating higher economic growth in the economy (Jackson and Markowski, 1995; Aitken and Harrison, 1999; Cheng and Yum, 2000; and Coughlin and Segev, 2000). Secondly, a healthy economic growth is also an imperative factor in attracting high FDI inflow into the economy (Goldberg, 1972; Lunn, 1980; Schneider and Frey, 1985; Grubaugh, 1987; Lucas, 1993; Aziz, 1999; Zhang, 2001; and Globerman and Shapiro, 2003).

Mundelld (1957), Hymer's (1976) are considered as earliest contributors in the theory of capital movements for FDI. Earlier it was considered as a part of portfolio investment. The development impact of foreign investment on host countries has always aroused great deal of controversy. But this controversy has reduced greatly in recently years (Lall, S., 1993). Hymer (1976) has regarded FDI quite beneficial for the host country. It can transfer knowledge as well as tangible and tacit assets of the firm to organize in host country without having adverse impact on the ownership and control of the firm.

Caves (1971) in his study have observed that FDI is a way of exploiting ownership advantages. Kogut (1983) concludes that FDI can prove very helpful in transfering organizational assets and knowledge. Further, Buckley and Casson (1976) have explained the logic for internalizing transactions within the MNCs. Knickerbocker (1973) has concluded in his empirical study that FDI results in to a number of negative and positive impacts on the economy of a host country. When MNCs enter in to new market to excel their former competitors of home markets; the competition gets toughened and host country is benefited.

The study by Dunning (1980, 1993) explains that the multinational companies should invest to get the benefits of ownership, location and internalization with the help eclectic paradigm. Such investments can be to seek natural resource, market, efficiency or strategic assets. Johanson and Vahlne (1977) have proposed the Upasala model to invest FDI. Here, MNCs should invest in an incremental manner by making small investments in such countries which are closely related to the culture of home country. Then the countries which are geographically suitable should be opted. Later, when MNCs becomes experienced they can make large FDI investments in other countries also.

Nagraj (2003), in his study mention that foreign firms seem to use a larger proportion of their total funds for such acquisition than for capital formation, compare d to Indian own firms in the private corporate sector, the ratio of fixed capital formation to total uses of funds by foreign firms is lower than that by the domestic companies. The studies by economists like Chenery and Strout (1966) show that foreign capital inflows have a favorable effect on economic efficiency and growth. The authors have mentioned if surplus funds are be available for investment in the host country from internal sources these can increase the growth potentials. In this way external financial inflow is expected to results virtuous circle of growth. But in an earlier study Haavelmo (1965), has given contrasting views that domestic savings in recipient countries could be negative, if capital inflows are very large. In this way external finance will not necessarily supplement, but might actually replace domestic savings.

Experts like Dunning and Norman (1983) have contended that foreign direct investment creates ancillary production units. As a result, domestic industry flourishes and therefore increases the amount of trade. Numerous factors have compelled many developing economies to change their earlier versions of trade, Government and investment policies. For instance India has come out with new policies relating to trade, industrialization and foreign direct investment. This has been because, FDI inflows do not have many of the costs previously associated with them and many developing countries have managed to industrialize successfully with FDI. The most appropriate examples are of East Asian economies or newly industrialized economies (NIEs) of Hong Kong, Thailand and Malaysia. The benefits of FDI can be maximized only in an open and market oriented environment where private economic decisions are more concerned with social responsibility (Asian Development Review, ADB, Manila, Philippines, No. 1, 1993).

RESEARCH METHODOLOGY

The FDI had become important in India in the backdrop of the adoption of the economic reforms initiated in the year 1991. Raising the inflows of the FDI substantially into the country was considered as one of the key objectives of the new changed industrial policy and that of the trade reforms (Rashmi Baga, 2004).The process of economic reforms initiated in 1991 to liberalize and globalize the economy has gradually opened up many of the domestic sectors to the foreign investors (Sanjay, 2001). Further, it led to the substantial increase in the volume of FDI inflows into the economy.

SPECIFIC OBJECTIVES OF THE STUDY

The specific objectives of the study are listed as:

- To study the growth pattern in FDI in India during the study period.
- To study the relationship between approvals and inflows of FDI.
- To study and analyze the route wise FDI inflows.

DATA COLLECTION AND ANALYSIS

The present study makes use of secondary source of data collected from the publications of Government of India, Reserve Bank of India, Ministry of Industry and Commerce, World Bank, and IMF, UNCTAD, Journals and Periodicals. The reference period of this study relates from 1991 to 2009. Relevant statistical techniques such as growth rate, compound growth rate and t-test have been applied to establish the relationship between foreign direct investment and selected variables.

SECTION I

TRENDS AND PATTERNS OF FDI INFLOWS INTO INDIA

Foreign direct investment is that investment, which is made to serve the business interests of the investor in a company, which is in a different nation distinct from the investor's country of origin. A parent business enterprise and its foreign affiliate are the two sides of the FDI relationship. Together they comprise an MNC. The parent enterprise through its foreign direct investment effort seeks to exercise substantial control over the foreign affiliate company. The trends in FDI inflows in India are presented in Table 1.

TABLE 1: FDI INFLOWS IN INDIA

Years	FDI Inflows (Rs in Crore)	Yearly Growth (%)
1991-92	408	
1992-93	1094	168.14
1993-94	2018	84.46
1994-95	4312	113.68
1995-96	6916	60.39
1996-97	9654	39.59
1997-98	13548	40.34
1998-99	12343	-8.89
1999-00	10311	-16.46
2000-01	12645	22.64
2001-02	19361	53.11
2002-03	14932	-22.88
2003-04	12117	-18.85
2004-05	17138	41.44
2005-06	24613	43.62
2006-07	70630	186.96
2007-08	98664	39.69
2008-09	98860	0.20
CAGR (% age)	**25**	
t test	**27.00***	

Source: Fact Sheet, Department of Industrial promotion, Ministry of Finance, GOI.

FDI inflows have also shown very unusual trends. But the position regarding the actual inflows was slightly better when we consider the CAGR which worked out at 25 percent for the period 1991-92 to 2008-09. Until the end of 2009 the annual growth rate has been positive. But there has been the presence of the growth at a decreasing rate. When the absolute figures of amount are taken in consideration it is inferred that there has been a gradual rise in the FDI inflows from Rs.408 crore in 1991-92 to Rs.13548 crore in 1997-98 followed by a decline at Rs.10311 crore in 1999-00. The recovery to Rs.12645 crore to place in 2000-01 which ended up at Rs.19361 crore by the end of financial year 2002-03. Having seen a dip to Rs.12117 crore in 2003-04, the actual FDI inflows started rising and by capturing this trend the amount reached to Rs.98860 by 2008-09. The trends in FDI inflows discussed here resulted into a CAGR of 25 percent which is significant as indicated by the t-test (27.00) as well.

FDI INFLOWS IN INDIA: THE APPROVALS AND THE ACTUAL

An important feature of the FDI inflows into India is the huge gap between the approvals and the actual inflows. As a direct response to the liberal policy measures introduced by the Government since 1991, the FDI inflows into India increased progressively in the post-reform period, both in terms of the number of approvals and the actual inflows. Table 2 presents the trends in the approvals of the FDI proposals and the trends in the actual FDI inflows.

TABLE 2: FDI INFLOWS TO INDIA-APPROVALS VS ACTUAL INFLOWS (Rs in crore)

Year	Amount Approved	Growth rate in amount approved	Actual Inflows	Growth rate in actual inflows	Realization Ratio	Change in realization ratio
1991-92	1345	---	408	---	30.33	---
1992-93	5546	3.12	1094	1.68	19.73	-10.60
1993-94	7469	0.35	2018	0.84	27.02	07.29
1994-95	9971	0.33	4312	1.14	43.25	16.23
1995-96	36608	2.67	6916	0.6	18.89	-24.36
1996-97	40206	0.1	9654	0.4	24.01	05.12
1997-98	40033	0	13548	0.4	33.84	0.9.83
1998-99	30324	-0.24	12343	-0.09	40.7	06.66
1999-00	17976	-0.41	10311	-0.16	57.36	16.66
2000-01	25207	0.4	12645	0.23	50.16	-07.20
2001-02	14465	-0.43	19361	0.53	133.85	83.69
2002-03	7904	-0.45	14932	-0.23	188.92	55.07
2003-04	6224	-0.21	12117	-0.19	194.68	05.76
2004-05	8728	0.4	17138	0.41	196.36	01.68
2005-06	8591	-0.02	24613	0.44	286.5	90.14
2006-07	NA	0	70630	1.87	-	--
2007-08	NA	0	98664	0.4	-	-
2008-09	NA	0	98860	0.25	-	-
CAGR (%age)	**13.16**		**25.00**		**16.14**	

Note CAGR- Compound Annual Growth Rate.

Sources: Compiled from the statistics released by : Secretariat for Industrial Assistance, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry & Monthly Newsletter, Indian Investment Centre, Govt. of India.

Approvals granted for FDI have shown very unusual trends since the year 1991. The yearly growth rate has been positive in the earlier years but the subsequent few years showed a downward trend leading to the negative yearly growth rates. But the position regarding the actual inflows was slightly better than we considered. Until the end of 2010 the annual growth rate has been positive.

Actual inflows which were merely Rs. 408 crore in 1991 reached to Rs. 13548 crore in 1997, but from 1992 to 1997, only 20 to 30 percent of the total FDI approved actually flowed into India, though the quantum of both FDI approvals and inflows increased steadily in this duration. Considering the entire period of 1991-92 to 2005-06 the compound growth rate worked out at nearly 0.034 percent. The analysis shows that the approval policy in India has not been very encouraging, reflecting unfavorable attitude towards the FDI inflows.

In 1997 while the approved FDI was Rs. 40032.6 cores, only Rs. 13548 cores (33.84%) actually flowed in. When the absolute figures of amount are taken in consideration it is inferred that there has been a gradual rise in the FDI inflows from Rs.408 crore in 1991-92 to Rs.13548 crore in 1997-98 followed by a decline at Rs.10311 crore in 1999-00. The recovery to Rs.12645 crore to place in 2000-01 which ended up at Rs.19361 crore by the end of financial year 2002-03. Having seen a dip to Rs.12117 crore in 2003-04, the actual FDI inflows started rising and by capturing this trend the amount reached to Rs.100539 by 2009-10. The trends in FDI inflows discussed here resulted into a CAGR of 25 percent which is significant as indicated by the t-test (27.00) as well. The realization ratio however, improved significantly during this period: during 2000, 2002 and 2003, the realization ratio climbed to 133.84, 188.9 and 194.69 percent respectively.

The realization ratio has shows fluctuations from 1991-92 to 1995-96, but underwent a constant rise thereafter. It increased from 18.89 in 1995-96 to 286.50 in 2005-06. The CAGR of realization ratio worked out at 16.14 percent which is higher than 13.16 percent CAGR of amount approved.

SECTION II

FDI INFLOWS INTO INDIA CLASSIFIED ACCORDING TO THE DIFFERENT ROUTES OF APPROVAL

Before the introduction of the economic reforms in the 1990s; FDI inflows were concentrated in the manufacturing activities in India, which was due to the import substituting industrialization programs that encouraged the tariff-jumping investments to capture the protected domestic market.Because India liberalized its policy regime during the period of dramatic expansion of global FDI outflows, it is unclear if the rise in absolute inflows to India from major source countries is in response to liberalization alone.An analysis of the origin of the FDI inflows into India reveals that the new policymeasures introduced broadened their sources.

There are four routes through which the FDI inflows into the Indian economy could be approved: namely, (i) Government approvals (Secretariat for Industrial Assistance (SIA) or the Foreign Investment Promotion Board (FIPB)); (ii) Reserve Bank of India (RBI) automatic approvals; (iii) Non Resident Indian (NRI) investments; and (iv) through acquisition of shares. The SIA or the FIPB route of approval implies that it is not necessary to get the approval from the RBI for the inflows if it is more than 51% of its holdings. Instead, it is enough if permission is secured from the SIA or the FIPB. The FDI inflows could be approved either through the automatic route or through the government route. Table 3 presents the actual flows of the FDI into India through the different routes of approval.

TABLE 3: FDI APPROVALS FROM DIFFERENT ROUTES FOR THE YEARS OF 1991-2009 (Amount in US $)

	Govt's Approval (FIPB,SIA Route)	RBI's Automatioc Approval (under delegated power)	Amount of inflows on acquisition of shares	RBI's various NRI's schemes	Total I to IV	stock swapped	Closing balance of advance	Grand Total
Years	**Amount**	**Amount**	**Amount**	**Amount**	**Amount**	**Amount**	**Amount**	**Amount**
	%	(%)	(%)	(%)		(%)	(%)	**(%)**
1991-92	1911.8			1623	3534.8	---	-----	3534.8
	(54.08)			(45.91)				(100)
1992-93	4906.9	475.1		1530	6912	----	------	6912
	(70.99)	(6.87)		(22.14)				(100)
1993-94	10414.4	2411		5794.2	18619.6	---	-----	18619.6
	(55.93)	-12.95)		(31.11)				(100)
1994-95	16043.9	3625.8		11452.6	31122.3	----	-----	31122.3
	(51.55)	(11.65)		(36.68)				
								(100)
1995-96	39673.6	5301.6		19878.4	64853.6	-----	-----	64853.6
	(61.17)	(8.17)		(30.65)				
								(100)
1996-97	57667	6196.3	3038	20620.6	87521.9	-----	-----	87521.9
	(65.89)	(7.08)	(3.47)	(23.56)				
								(100)
1997-98	101283.8	8677.2	9540.4	10396.2	129897.6	-----	-----	129898
	(77.97)	(6.68)	(7.34)	(8)				
								(100)
1998-99	82397.4	6106.6	40593.5	3594.8	132692.3	------	-----	132692
	(62.1)	(4.6)	(30.59)	(2.71)				
								(100)
1999-00	61894.5	7608.3	19608.3	3488.3	92599.4	-----	9067.7	101667
	(60.88)	(7.48)	(19.29)	(3.43)			(8.92)	
								(100)
2000-01	63368	16974.7	20580.5	3488.2	104411.4	------	19125.9	123537
	(51.29)	(13.74)	(16.66)	(2.82)			(15.48)	
								(100)
2001-02	96386.2	32410.7	29622	2292.5	160711.4	-----	7066.1	167777.5
	(57.45)	(19.32)	(17.65)	(1.37)			(4.21)	
								(100)
2002-03	69580.1	39030.4	52623.1	110.8	161344.4	840	19771.2	181955.6
	(38.24)	(21.45)	(28.99)	(0.06)		(0.46)	(10.86)	
								(100)
2003-04	42955.8	23399.6	29283.7	----	95639.1	1725	18807.6	116171.7
	(36.98)	(20.14)	(25.21)			(1.48)	(16.19)	
								(100)
2004-05	48516.9	54221.1	45075.8	----	147813.7	----	24851.5	172665.2
	(28.1)	(31.42)	(26.11)				(14.39)	(100)
2005-06	49728.4	68686.6	74292.2	----	192707.2	283.7	------	192990.9
	(25.77)	(35.59)	(38.49)			(0.15)		
								(100)
2006-07	69683.2	321758.3	112130.6	-----	503572.1	----	-----	503572.1
	(13.84)	(63.89)	(22.27)					(100)
2007-08	107872.9	361000.6	186075.4	----	654949.8	142405.8	----	797356.6
	(13.53)	(45.27)	(23.34)			(17.86)		(100)
2008-09	129037.2	978033.7	244674.3	----	1351452	219.1	-----	1351671.3
	(9.55)	(72.36)	(18.1)			(0.02)		(100)
Total	**1053322**	**1935918**	**867137.8**	**84269.6**	**3940355**	**145473.6**	**98690**	4184519
		(46.26)	**(20.72)**	**(20.14)**		**(34.76)**	**(2.36)**	
	(25.17)							(100)

Source: Compiled from the statistics released by: Secretariat for Industrial Assistance, Department of Industrial Policy Promotion, Ministry of Commerce & Industry & Monthly Newsletter, Indian Investment Centre, Government of India.

ROUTE WISE FDI

The route wise yearly approvals of FDI from 1991-92 2008-09, are presented in Table 3. It is evident from the table that FDI inflows through FIPB/SIA route have been always the highest among the various routes since the adoption of the new economic policy in 1991 except 2004-05 when the highest amount of FDI came through automatic approvals of RBI. The size of the FDI received was Rs. 3534.8 million in 1991, which came through only two routes i.e. (i) FIPB/SIA (54.09%), (ii) RBI's in various schemes (45.91%). To facilitate more convenient entry to foreign investors, one more route (RBI's automatic approval), was introduced in 1992-93. In the same year, inflows of FDI received through this route amounted to 6.86 percent of the total FDI, whereas the share of FDI inflows through RBI's various NRI schemes remained only 22.14 percent, one half of what it was in the previous year (1991).

The share of FDI approvals through RBI's various NRI schemes has been in the decreasing order-starting at peak (45.91) in 1991, with no FDI during 2003-4 to 2008-09, through this route. This roué attracted more than 20 percent each year, of the total FDI inflows to India from 1991-92 to 1996-97. However its share came down to 0.06 percent in 2002-03 from 23.56 percent in 1996-97. In 1994, the government opened the route of ADRs/GDRs/FCCBs turned as the most important route during the year 1999 and 2000 when the share of it obtain the height of 39.73 percent and 36.13 percent respectively. From 1996, FDI inflows on acquisition of shares have also been included. It attracted 3.47 percent and 7.34 percent of the total inflows in 1996-97 and 1997-98 respectively. Since 2000, this route holds more than 20 percent share in the total inflows. It attracted, 38.49 percent, 22.27 percent, 23.34 percent and 18.10 percent of the total inflows in 2005-06, 2006-06, 2007-07 and 2008-09 respectively.

Since 1999-00, the closing balance of advance has also been included in the calculation of total amount of FDI inflows. In March 2003, the government revised the FDI definition in line with international practices. The revised FDI data now includes, “equity capital” including that of unincorporated entities, non cash acquisition against technology transfer plant and machinery, goodwill, business development and similar considerations, control premium and non-competition fee. It also includes ‘reinvested earnings’ including that of incorporated entities, unincorporated entities and reinvested earnings of indirectly held direct investment enterprises. In the year 2008-09, FDI inflows were to the tune of 1351671US $. The biggest share this year, was received through RBIs automatic approvals (72.36%), followed by FIBP/SIA route (9.55%), and in flows on account of acquisition of shares (18.10%).

At the overall level, government approvals is found contributing the maximum shares (43%) to the total FDI inflows followed with a wide gap by ADRs/GDRs/FCCBs (17.3%), acquisition of shares(15.5%) and RBIs automatic approval (12.8%). The remaining three routes-NRIs schemes, stock swapped and closing balance of advance could boast for attracting around 11 percent of total FDI since 1991. Hence government’s FIPB route oat popular route till date.

RESULTS AND DISCUSSION

FDI inflows have shown very unusual trends. But the position regarding the actual inflows was slightly better when we consider the CAGR which worked out at 25 percent for the period 1991-92 to 2008-09. But there has been the presence of the growth at a decreasing rate. The absence of alignment in the FDI approvals and actual inflows indicates that in the initial years, about within a decade, of economic reforms the approvals were granted overwhelmingly, whereas the actual inflows came steadily which shows the wait and watch policy of the foreign investors.

In the period of 1998 to 2003, the approvals went down alarmingly. FDI inflows, however, showed increasing trend in 2001 and 2002 but went down alarmingly in 2003. The realization ratio however, improved significantly during this period: during 2000, 2002 and 2003, the realization ratio climbed to 133.84, 188.9 and 194.69 percent respectively. The ratio infers a relationship in the actual inflows and the amount approved.

CONCLUSION

The above study has examined the trends and patterns in the Foreign Direct Investment inflows into India during the post-liberalization period. It has been observed that the actual inflow of the FDI into the Indian economy had maintained a fluctuating and unsteady trend during the study period. The approvals have been slow in materializing themselves into actual inflows. The reasons are attributable to a host of factors such as procedural disputes regarding land availability, environmental clearance delays, lack of infrastructural facilities. These blockades result in impediments in the commencement of many projects. If India has to achieve its targets in FDI, our economy has to be strong and vibrant and the fruits of development equitably shared. So, we must go ahead to complete our reform program me in the shortest possible time.

The GOI should influence the behavior of foreign investors by offering investment incentives and imposing performance requirements. It should design and implement good governance programs in foreign investment promotion and facilitate it at the state level. Such policies should be devised which encourage a greater inflow of FDI and ensure that it makes the maximum contribution towards the planned performance of economy. Foreign direct investors must be aware of the development objectives and the priorities of the India and understand how their investments fit into its development strategy. On the other hand, gradual loss of managerial control in many industrial firms, decline in competition in some industries, extinction of some leading domestic brand names seem to be signs of concern. Keeping in view, the above issues, government should opt for ‘controlled liberalization’. Policy controls should be made in such a manner that FDI would be able to contribute in the development of technology and economy of the nation.

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