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 1771 Cities in 148 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We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the area of Computer, Business, Finance, Marketing,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

THE EMPIRICAL EVIDENCES OF SLOWDOWN OF FDI INFLOW IN INDIA SINCE 2009

PEARLY JERRY
HEAD
DEPARTMENT OF MANAGEMENT STUDIES
ST. ALOYSIUS COLLEGE (AUTONOMOUS)
JABALPUR

ABSTRACT

Foreign Direct Investment inflow in India has played a major role in the recent past. The fall of stock market in the month of May 2012 can be seen as a reason of the portfolio pull out of the FII's from the market. The paper is an attempt to gather the empirical evidences to see the slow down of the FDI investments in India since 2009. The statistics published by the Department of Industrial Policy and Promotion (DIPP) and Reserve bank of India manual reveals that the Foreign Direct Investment has moderated since 2009. The paper attempts to study this fallout in the light of the potential India has for the investment. This paper has tried to analyse the Direct investment and the Portfolio investment from 2009-12 and collect the evidences to prove the moderation in the FDI inflow in India. In 2010-11 the FDI inflow has been US $ 32,901; which is a warning bell for the nation's economy. But so far 2011-12 is seeing again an increase in the FDI inflow compare to the previous year. By February 2012 the FDI inflow had been US $ 41,891 million as compared to the US $ 32,901 million last year till April 2011. This can be seen as a positive sign for the economy's growth. The reforms needed to attract the FDI inflow must be taken strongly and quickly; at a time when the world economy is experiencing the jitters of recession. The Indian economy has strong foundations and thus has the capacity to endure for a longer period any strong effects of external factors.

KEYWORDS

Foreign Direct Investment, Direct Investment, Portfolio Investment.

INTRODUCTION

India opened its doors for the FDI inflow in the year 1991 with the Government's liberalization and economic reforms programme which aimed at rapid and substantial economic growth and integration with the global economy in a harmonized manner. The industrial policy reforms reduced the industrial licensing requirements, removed restrictions on investment and expansion, and facilitated easy access to foreign technology and foreign direct investment. The role of Foreign Direct Investment in an economy goes beyond simply easing financial constraints. FDI inflows are associated with multiple benefits such as technology transfer, market access and organizational skills. Foreign Direct Investment (FDI) is considered as an important agent in the process of accelerated economic growth in the developing countries. FDI is more attractive in comparison to other forms of external finance since it is non-debt creating, non-volatile and the returns depend on the performances of the projects financed by the investors (Planning Commission, 2003). FDI can be defined as an investment made by a resident of one economy in another economy and it is of long term nature or of lasting interest. The second aspect of FDI investment is that the investor has a significant degree of influence on the management of the enterprise; thus managerial expertise and organizational skills are learnt.

Since the reforms of 1991, the inflow of FDI in India has been growing and its impact can be seen on the growth of the economy on the whole. The government has defined two routes for attracting Foreign Direct Investment inflows in India.

FDI ROUTES

FDI entry in India can be done through two routes:

i. Automatic Route

FDI up to 100 per cent is allowed under the automatic route in all activities/sectors except where the provisions of the consolidated FDI Policy, on **'Entry Routes for Investment'** issued by the Government of India from time to time, are attracted.FDI is banned in the following sectors:

1. Retail Trading (except single brand product retailing);
2. Atomic Energy;
3. Lottery Business including Government / private lottery, online lotteries etc;
4. Gambling and Betting including casinos etc.;
5. Business of chit fund;
6. Nidhi Company;
7. Trading in Transferable Development Rights (TDRs);
8. Activities/sector not opened to private sector investment;
9. Agriculture (excluding Floriculture, Horticulture, Development of seeds, Animal Husbandry, Pisciculture and cultivation of vegetables, mushrooms etc. under controlled conditions and services related to agro and allied sectors) and Plantations (Other than Tea Plantations);
10. Real estate business, or construction of farm houses; Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco or of tobacco substitutes.

FDI in sectors /activities to the extent permitted under the automatic route does not require any prior approval either of the Government or the Reserve Bank of India.

ii. Government **Route**

FDI in activities not covered under the automatic route requires prior approval of the Government which are considered by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, Ministry of Finance. Indian companies having foreign investment approval through FIPB route do not require any further clearance from the Reserve Bank of India for receiving inward remittance and for the issue of shares to the non-resident investors.

NEED AND IMPORTANCE OF THE STUDY

India has been ranked at the second place in global foreign direct investments in 2010 and will continue to remain among the top five attractive destinations for international investors during 2010-12 , according to United Nations Conference on Trade and Development (UNCTAD) in a report on world investment prospects titled, 'World Investment Prospects Survey 2009-2012'.

The 2010 survey of the Japan Bank for International Cooperation released in December 2010, conducted among Japanese investors, continues to rank India as the second most promising country for overseas business operations.

A report released in February 2010 by Leeds University Business School, commissioned by UK Trade & Investment (UKTI), ranks India among the top three countries where British companies can do better business during 2012-14.

India is ranked as the 4th most attractive foreign direct investment (FDI) destination in 2010, according to Ernst and Young's 2010 European Attractiveness Survey. However, it is ranked the 2nd most attractive destination following China in the next three years.

Moreover, according to the Asian Investment Intentions survey released by the Asia Pacific Foundation in Canada, more and more Canadian firms are now focusing on India as an investment destination. From 8 per cent in 2005, the percentage of Canadian companies showing interest in India has gone up to 13.4 per cent in 2010.

In the light of these facts the present study on the evidences of the FDI inflow moderation is of great importance as the nation needs to rethink and refocus its attention to the one of the best ways of developing the economy and developing competency in the market.

STATEMENT OF THE PROBLEM

The Empirical Evidences Of Slowdown Of Foreign Direct Investment Inflow In India since 2009.

OBJECTIVES OF THE STUDY

The objective of the study is to collect and analyse the statistical evidences for the slowdown of the Foreign Direct Investment inflow in India during the period 2010-11.

HYPOTHESIS

The null hypothesis that the FDI inflow in India since 2009 has not moderated.

RESEARCH METHODOLOGY

The data collected is of secondary in nature. The major statistical information will be collected from "The Handbook of Statistics on Indian Economy, RBI"(various issues), "Economic Survey , Government of India(various issues)"Department of Industrial Policy and Promotion(DIPP), Department of Commerce and Industry, Government of India(fact sheet on FDI), issues of SIA newsletter, FDI India.com. A comparative study of the data of 2010 and 2011 will be done. Graphs and charts will be utilized to comparatively study.

LITERATURE REVIEW

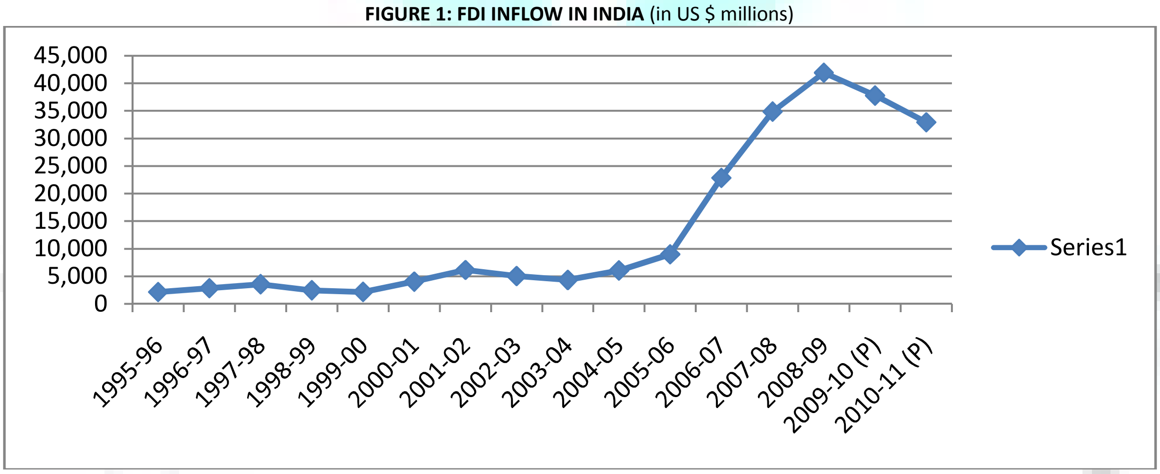
Despite serious debate over the concept of FDI particularly in respect of developing countries, it has been getting increasing importance in the developing countries in recent times. The basic reasoning behind the advocacy of FDI lies in the fact that these countries are lacking in domestic saving and investment, which leads to lower economic growth, lower income, consumption and low level of employment. Thus to bridge the gap between investment need of a country and its domestic savings, FDI is considered as an important tool. Moreover, FDI can compensate the need of investment deficiency complementing local savings and by supplying more effective management, marketing and technology to improve productivity (Moran, 1999). Besides, FDI helps transfer and update technology; improve skills and managerial capabilities; provide the competitive edge to country's exports; improve efficiency; provides quality services and goods and helps in creating additional jobs. The UNCTAD (1999) notes that transnational corporations (TNCs) can complement local development efforts by: (a) Increasing financial resources for development; (b) boosting export competitiveness; (c) generating employment and strengthening the skills base; (d) protecting the environment and social responsibility; and (e) enhancing technological capabilities (transfer, diffusion and generation of technology). Technology transfer operates via four related channels: (i) vertical (backward and forward) linkages with suppliers or purchasers in the host countries; (ii) horizontal linkages with competing or complementary companies in the same industry; (iii) migration skilled labour; and (iv) the internationalization of R&D (OECD, 2002,Chapter 1).

THE FINDINGS & ANALYSIS

In 2008-09 the total FDI inflow was a US $41,874 millions which was more than 2007-08 inflow. The increase in the FDI inflow in 2006-07 was 146% compared to the previous year, which was highest so far. But from the year 2009 there has seen a fall in the FDI inflows in the country. In 2010-11 the FDI inflow has been US $ 32,901; which is a warning bell for the nation's economy.

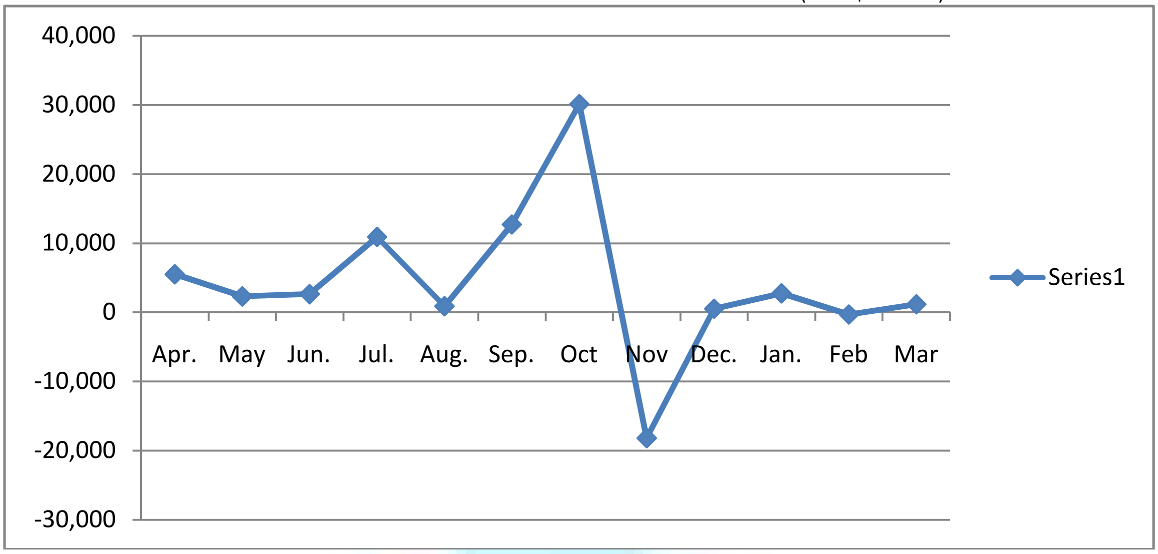
FDI inflows to India witnessed significant moderation in 2010-11 while other EMEs in Asia and Latin America received large inflows. This had raised concerns in the wake of widening current account deficit in India beyond the perceived sustainable level of 3.0 per cent of GDP during April-December 2010[i] But so far 2011-12 is seeing again an increase in the FDI inflow compare to the previous year. By February 2012 the FDI inflow had been US $ 41,891 million as compared to the US $ 32,901 million last year till April 2011. This can be seen as a positive sign for the economies growth. The reforms needed to attract the FDI inflow must be taken strongly and quickly; at a time when the world economy is experiencing the jitters of recession.

FIGURE 1: FDI INFLOW IN INDIA (in US $ millions)



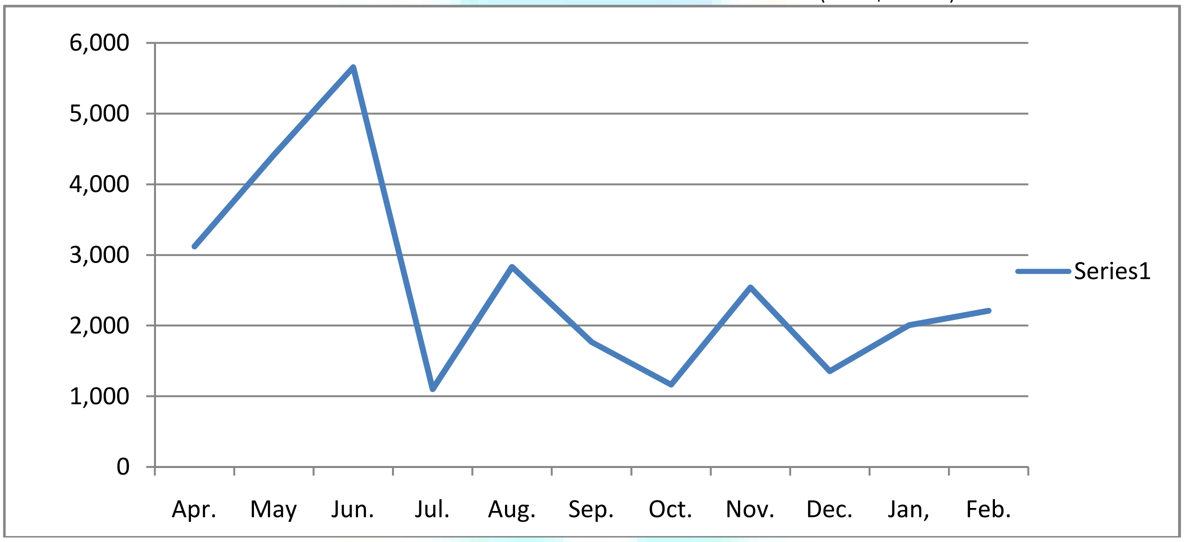
The breakup of the 2011 FDI inflow from April 2010 to March 2011 is given below:

FIGURE 2: FDI INFLOW IN INDIA DURING APRIL 2010-MARCH 2011 (in US $ millions)



FDI inflow from April 2010 to March 2011 has shown tremendous volatility.

FIGURE 3: FDI INFLOW IN INDIA DURING APRIL 2011- MARCH 2012 (in US $ million)



DIRECT INVESTMENT

Direct investment motive is to have a long term relationship with the foreign companies by investing sufficient financial capital in the equities of those companies to enable them to have a significant influence on their management. Direct investment in a foreign country is generally more difficult to liquidate quickly. FDI represents investments largely in wholly owned affiliates with capital locked into fixed assets. By definition, FDI refers to a long term relationship between the direct investor and the invested enterprise in the foreign country. Direct investment enterprises have access to the resources of foreign parent companies and their international networks for capital financing. They also take advantage of other sources of international financial such as bonds, borrowings in foreign market(portfolio investment) and loans from foreign bank(other investment). The direct investment enterprises [ii]After a very volatile phase of FDI inflow observed in 2010-11; the next phase of 2011-12 reflected a more stable and continuous inflow.

- **Portfolio Investments:** The portfolio investors are concerned about the security of their investments in the foreign country. They are primarily interested in the rate of return on their investment in the form of dividends on equities and or interest on debt. Other reasons motivating portfolio investors to invest in another country could be capital appreciation or the desire to diversify investment with respect to currency, country and industry. Portfolio investment may be liquidated when there is a drop in confidence in the enterprise, government or economy. Although short term instruments are a significant component of the portfolio investment such investments can also include equities and debt instruments, such as bonds and notes which are considered long term securities. Nevertheless it is the tradable characteristics of these instruments that gives portfolio investors the ability to shift from one instrument to another. Financial derivatives are of a short term nature and are hedged against such factors as foreign exchange risk, interest rate risk, equity and commodity price risk and credit risk. Other investments can be considered an investment in financial markets, such as trade credits, currency and deposits and bank loans[iii]. The portfolio investment comprises of GDR's/ADR's raised by the Indian corporates and FII's investment in the country. Portfolio investment has played a major role in the Indian capital market.

Investment by SEBI registered FIIs is regulated under SEBI (FII) Regulations, 1995 and Regulation 5(2) of FEMA Notification No.20 dated May 3, 2000, as amended from time to time. FIIs include Asset Management Companies, Pension Funds, Mutual Funds, Investment Trusts as Nominee Companies, Incorporated / Institutional Portfolio Managers or their Power of Attorney holders, University Funds, Endowment Foundations, Charitable Trusts and Charitable Societies. SEBI acts as the nodal point in the registration of FIIs. The Reserve Bank of India has granted general permission to SEBI Registered FIIs to invest in India under the Portfolio Investment Scheme (PIS).Investment by SEBI registered FIIs and its sub accounts cannot exceed 10per cent of the paid up capital of the Indian company. However, in case of foreign corporates or High Networth Individuals (HNIs) registered as sub accounts of an FII, their investment shall be restricted to 5 per cent of the paid up capital of the Indian company. All FIIs and their sub-accounts taken together cannot acquire more than 24 per cent of the paid up capital of an Indian Company. An Indian company can raise the 24 per cent ceiling to the sectoral cap / statutory ceiling, as applicable, by passing a resolution by its Board of Directors followed by passing a Special Resolution to that effect by their General Body. The Indian company has to intimate the raising of the FII limit to the Reserve Bank to enable the Bank to notify the same on its website for larger public dissemination. The total FDI inflows comprises of Direct investment and the portfolio investment. The months of April, September, October, November, December 2010 and February 2011 saw major inflow and outflows in the Portfolio segment which drastically impacted the Overall FDI inflows.

PORTFOLIO INVESTMENT FOR 2010-11

If the distribution of the FDI flow is seen clearly Portfolio investments reduced to US$88 million in the May 2010 thus reducing the overall investment of FDI. Then a very negative trend was seen the portfolio investment went to negative in the August 2010 i.e. US$(440) million thus the overall FDI inflow became as low as US $ 890 million from US $ 10,899 million. FII's pulled out from the Indian markets in May, August, November, December, February and March 2010. FII investment has not been stable , April 2010 saw the inflow and in May 2010 the pull out took place so also every pull had been preceded by the inflow thus reflect inconsistent flow which only helps in the market capitalization. This is not beneficial in the long run for the country.

i. Portfolio investment for 2011-12

In 2011-12 the FDI inflow in the portfolio investment segment again saw the dramatic pull outs in the months of May, August, September and October 2011. And exactly like the previous year the investments inflows were preceded by the outflows. And these pullouts had a drastic effect on the overall investment scene. The similar pattern is being followed in the current financial year too.

FIGURE 4: COMPARISON OF DIRECT INVESTMENT AND PORTFOLIO INVESTMENT IN 2010-11 (in US $ million)

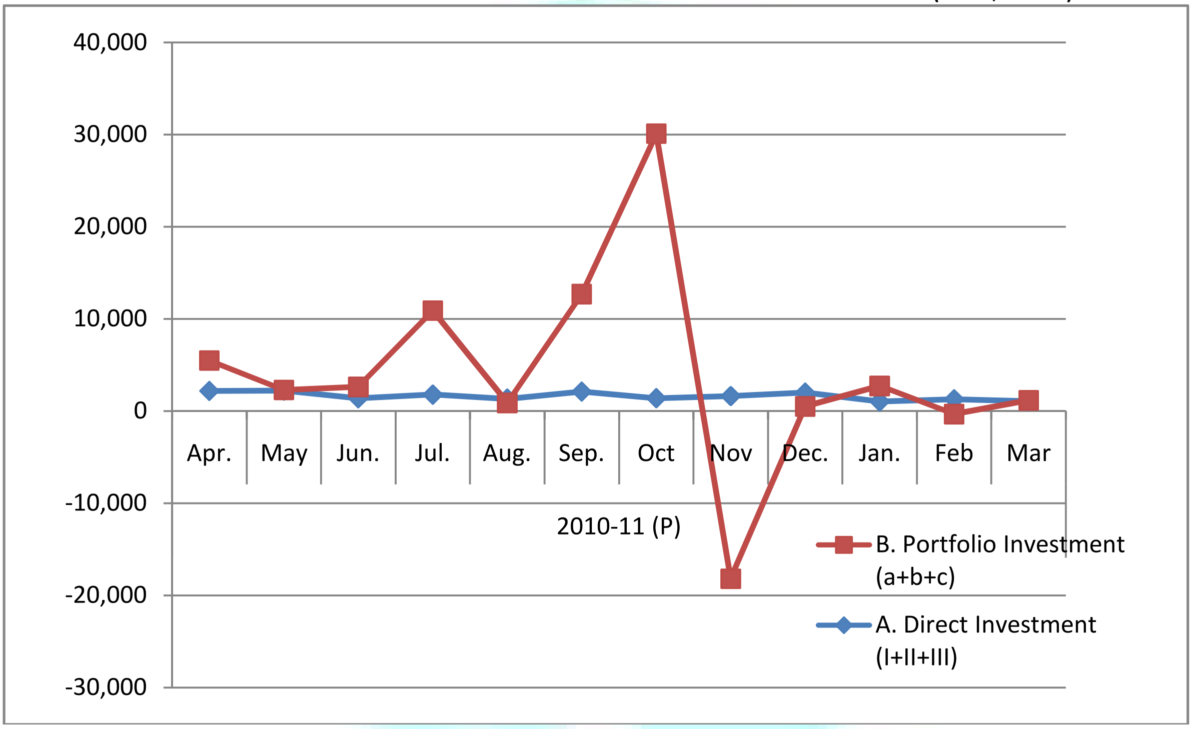
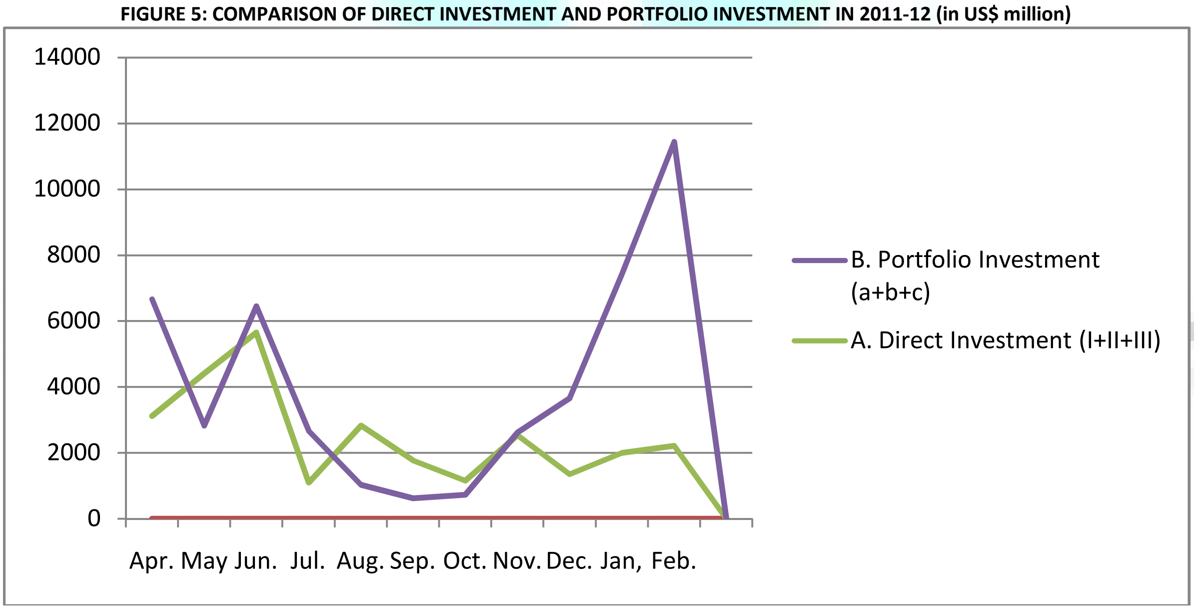
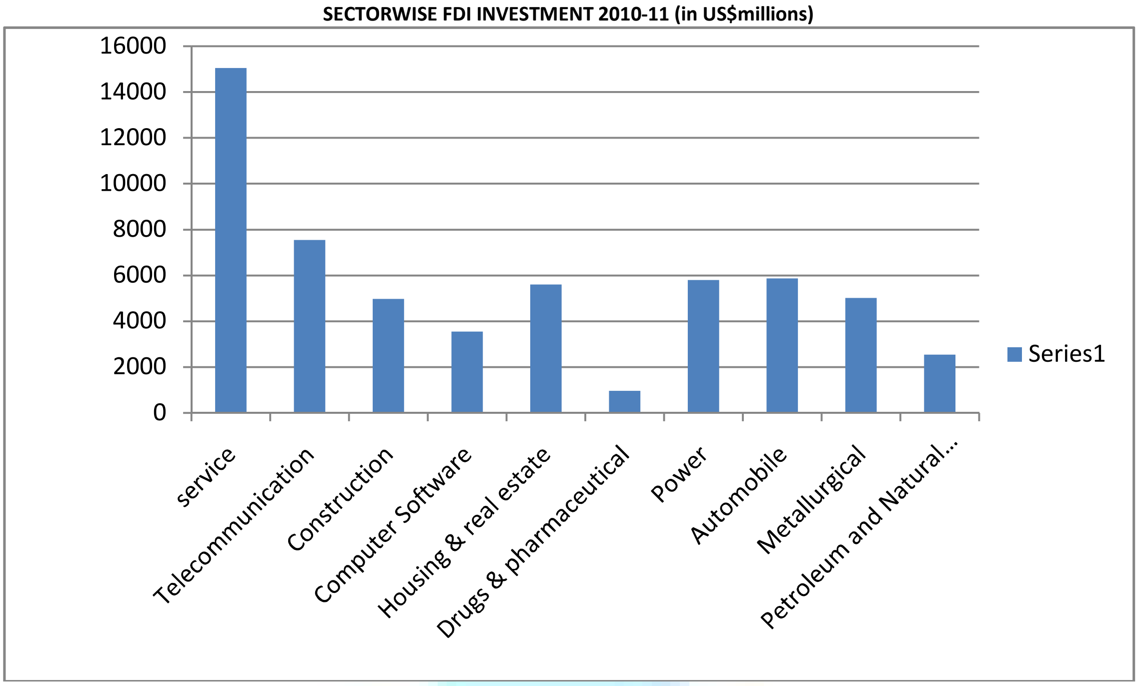


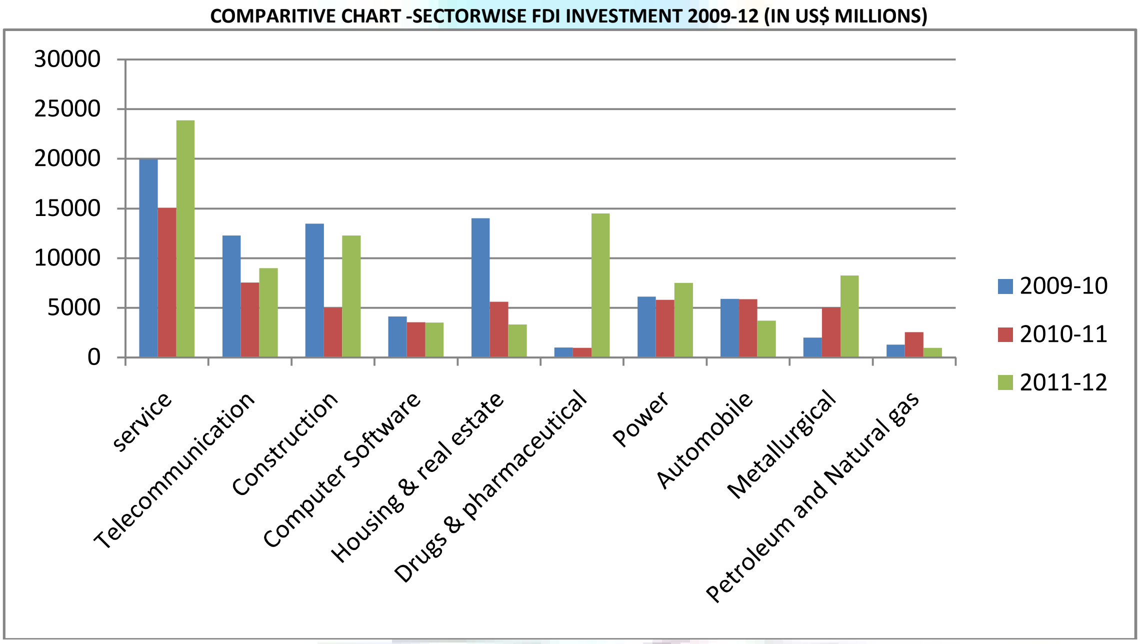
FIGURE 5: COMPARISON OF DIRECT INVESTMENT AND PORTFOLIO INVESTMENT IN 2011-12 (in US$ million)



Portfolio investment has been more than the direct investment. The direct investment is for the long term and for the development of the nation whereas the portfolio investment helps only in giving a ride to the economic picture. And direct investment has been consistent throughout the period. The fluctuations in the portfolio investment reflect the currency fluctuation, instability in the confidence of the government and instability of the economic condition.

FDI INFLOWS SECTOR WISE

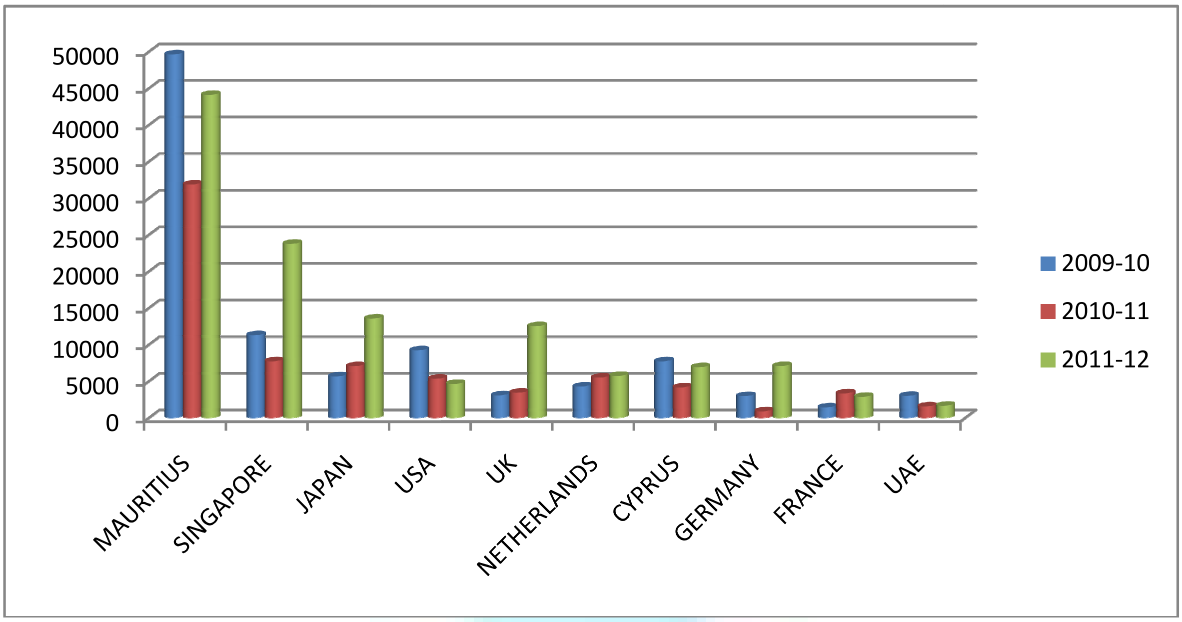




From the table given above we can understand the highest FDI investment is in the service and telecommunication sector respectively. The other infrastructural sectors have not received the expected investments. Even the much need pharmaceuticals and power sector which are high potential sector for the growth has not received the much needed investment. Therefore as a policy matter an initiative must be made to attract the potential investors in these sectors. In 2010 it was observed the FDI inflow even in the Service sector reduced and then again there is improvement in the 2011. The similar trend can seen in all the sectors metallurgical industries and petroleum & natural gas. The petroleum & gas sector has seen a fall in the year 2011. It is seen that as the economy matures the growth pattern sectorwise reflects a two platform growth. On one platform the growth of the industry and service sector increase more than the agriculture sector and on the other platform the service sector grows faster than the rest of the economy thus the its contributory share increases comparatively than the rest of the economy., accompanied by the stagnant or declining share of the industrial sector. These include the availability of highly qualified professionals and people proficient in English; low labor costs; and conducive policies of the government, especially with respect to FDI, taxation, and external trade.[iv]

COUNTRY WISE FDI INFLOW IN THE COUNTRY

COMPARITIVE CHART OF COUNTRY WISE FDI INFLOW FROM 2009-12



Mauritius is the highest FDI investor in the country; leaving behind the developed nations with high potential and capacity to make investments in the country. US and UK lag behind at the 4th and 5th position. Though Mauritius is the highest contributor in the FDI yet in the year 2010 it also pulled out its investment but an improvement has been seen in 2011. Netherlands, Japan, France had shown confidence in investment in India even in 2011. Mauritius is widely considered as the Offshore financial Centre that is used by most foreign investors as an intermediary to reach India, predominantly to capitalize on the tax rebates that the country offers so as to minimize their overall tax burden. Conversely, as Indian companies have become more globalised many have chosen to either use their overseas or have established holding companies and/or special purpose vehicles in OFCs or other regional financial centre's like Singapore or the Netherlands to raise funds in third countries.[v]

A LOOK INTO THE CAUSES OF SLOWDOWN

There has been a moderation in the FDI inflow for two continuous years i.e. 2009-11. The factors that have caused the fall of FDI inflow in India can be traced to the various episodes of corruption and fallout of the global picture of INDIA Inc because of which the lack of confidence of the FII's in INDIA Inc. can be seen. The lack of confidence is due to the: (a.) The fallout of the global picture of INDIA INC. (b.) The Recession in the global economy, (c.) The slackness and slowing pace of the policy matters related to FDI inflow.

The confidence level of the global market investors in India suddenly became shaky when the Indian news was flashing about the various corruptions cases in India. The polity of the politics in India and the upswing of the opposition and the doldrums of the anticorruption movement gave a bad name to the INDIA INC. The deadlocks in the parliament and the infamous display by the opposition of the in competency they portrayed to world caused an enormous damage to the brand INDIA INC. The daily newsrooms being filled with insane debates which ought to have been decorated and heard in the parliament were revealing the nudeness and infirmity of the INDIA INC. The damage has been done The second most important factor is the recession in the global economy. The whole world was suffering from a series of global economy malfunction the need of the hour was to sustain their own economies at the same time capitalize in the best economies; therefore emerging economy like India was a haven for them. Therefore we did not experience the drying up of the FDI inflow but only shrinking to some extent. The Greece crisis has shaken the Indian currency and also led the share market to bleed in a day. The FII and FDI pull out took place in a mammoth way and the currency was devalued. Thirdly the maximum damage control which could have been undertaken by the Indian media was not responsibly undertaken but the vice versa was done which totally hampered the little modesty left of the country. The lack of discretion and the sense of responsibility is found lacking in the Indian media. This reflects the level of immaturity and indecisiveness in the media.

Finally the red tapism slowed down the further investment opportunities. Institutional and Governance quality has been identified as a likely determinant of FDI, particularly for less developed countries, for a variety of reasons. First, good governance is associated with higher economic growth, which should attract more FDI inflows. Second, poor institutions that enable corruption tend to add to investment costs and reduce profits. Third, the high sunk cost of FDI makes investors highly sensitive to uncertainty, including the political uncertainty that arises from poor institutions (Walsh and Yu, 2010). The opportunities that knocked the door of the country for the FDI investment faced hard time getting the sanctions from the government. The policy decisions that had to be urgently passed faced the doldrums of the coalition partners and the opposition and left the government stranded. The government's inability and infirmity to pass the required bills came as a major roadblock in the building the confidence level of the global investors. The stranding of the FDI in the retail sector for the multiple brands also caused a lot of disappointment for the investors. Recently another hurdle the government has proposed is to tax the FDI inflow from Mauritius; Mauritius is the highest investor in India. This has shaken the market confidence and a major dip in the stock market was observed.

CONCLUSION

To pull the FDI inflow towards India, the government has to make all out efforts to attract the FDI investments in the sectors other than Service; secondly the investments should be attracted from the developed nations which will enhance the technological transfer and advancement in the nation. The moderation that had been experienced in the recent two years has experienced positive vibes so as to state with the recent visit of Ms. Hillary Clinton and negotiations for the waitlisted the FDI investments getting a quick addressing is helping in boosting the FDI inflow in the country. On a positive note INDIA INC has the potential to attract the FDI and also grow as a major consumer market.

ENDNOTES

[i]Foreign Direct Investment flows to India; Division of International Trade and Finance of the Department of Economic and Policy Research, Reserve Bank of India

[ii]Source: Based on IMF, 1993, chapters XVIII and XIX.

[iii]Source: Based on IMF, 1993, chapters XVIII and XIX.

[iv]Poonam Gupta, (2005),Understanding The Growth Momentum In India's Services, International Monetary Fund March 2005, IMF Country Report No. 05/87)

[v]Gopalan Sasidaran, Alerts on emerging Policy Challenges, Issue No.5, January 2010.

REFERENCES

1. Blonigen, Bruce A. (2005), "A Review of the Empirical Literature on FDI and Determinants" *NBER Working Paper* No.11299, April.
2. Department of Economic and Policy Research , Reserve Bank of India, " Foreign Direct Investment Flows to India"
3. FDI Statistics, Department of Industrial Policy and Promotion, Government of India, Ministry of Commerce and Industry.
4. International Monetary Fund, Foreign Direct Investment Trends and Statistics, Prepared by the Statistics Department
5. Organisation of Economic Cooperation and Development (OECD) (2002). Foreign Direct Investment for Development: Maximising Benefits, Minimising Costs, Paris: OECD, Chapters 1 and 3.
6. Walsh, James P. and Jiangyan Yu (2010), "Determinants of Foreign Direct Investment: A Sectoral and Institutional Approach", *IMF Working Paper No.*187
7. RBI Statistics Manual.
8. Chadha Alka (January - June 2006), "Destination India the right choice for Pharmaceutical Industry" Delhi Business Review _ Vol. 7, No. 1
9. Sasidaran Gopalan and Ramkishen S. Rajan, (January 2010) "India FDI flow trying to make sense of the numbers" Alerts of Emerging Policy Challenges, Issue 5.
10. Khan R Harun, (April 2012) "Outward India FDI – Recent trends and Emerging Issues", RBI monthly bulletin.

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