INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS AND MANAGEMENT

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We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the area of Computer, Business, Finance, Marketing,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; Business 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; 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 addresses, infoijrcm@gmail.com or info@ijrcm.org.in.

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION**:

DATED: _____________

THE EDITOR

IJRCM

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

(e.g. Computer/IT/Finance/Marketing/HRM/General Management/other, please specify).

DEAR SIR/MADAM

Please find my submission of manuscript titled '____' for possible publication in your journal.

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 anywhere.

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

NAME OF CORRESPONDING AUTHOR:

Designation:

Affiliation with full address & Pin Code:

Residential address with Pin Code:

Mobile Number (s):

Landline Number (s):

E-mail Address:

Alternate E-mail Address:

2. **INTRODUCTION**: Manuscript must be in British English prepared on a standard A4 size paper setting. 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 the every page.
3. **MANUSCRIPT TITLE**: The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.
4. **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.
5. **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.
6. **KEYWORDS**: Abstract must be followed by 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.
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 be in a 8 point Calibri Font, single spaced and justified.
10. **FIGURES &TABLES**: These should be simple, centered, separately numbered & self explained, and titles must be above the tables/figures. 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. It must be single spaced, and at the end of the manuscript. 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 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.

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.

WEBSITE

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Economic and Political Weekly, Viewed on July 05, 2011 http://epw.in/user/viewabstract.jsp

TRENDS IN FDI INFLOWS IN INDIA

LAILA MEMDANI
ASST. PROFESSOR
BADRUKA INSTITUTE OF MANAGEMENT STUDIES
KACHIGUDA, HYDERABAD

ABSTRACT
The article discusses the trends in Foreign Direct Investment (FDI) since the initiation of reform process in India i.e. since 1990-91. It starts with the policy of the government towards foreign capital, discusses the advantages and disadvantages of FDI and then finally it analyzes the trends in FDI by using graphical method as well as least squares method.

KEYWORDS
FDI, Finance.

INTRODUCTION
Since Independence India started with planned economic development for the overall and balanced development of the country but Indian planners were apprehensive of foreign capital. Foreign capital was looked upon with suspicion. The aim of planning was to achieve a Socialistic pattern of society. Public sector expanded by leaps and bounds and private sector was supposed to play a limited role. Our trade policy was also inward looking. We followed the policy of Import substitution and then slowly moved towards Export promotion.

The push towards liberalization, privatization and globalization in India came in eighties when India faced severe balance of payments crisis. To this crisis fuel was added by oil shocks, which pushed up import bill significantly while exports lagged behind. This led to considerable increase in trade deficits. Remittances from gulf countries also flattened out. The problems multiplied by gulf war in 1990-91. FOREX reserves declined to $1.1 billion in June 1991, which was hardly sufficient for two weeks of import requirement. During this period government had no option but to take loan from IMF, which comes with its conditionalities. One of the condition was external sector liberalization and relaxing restrictions on international flow of goods, services, technology and capital, which is considered as globalization. Thus we started with giving increasing emphasis to foreign capital. The foreign direct investment was allowed under the new regime in almost all sectors of the economy. The economy was opened up to bring it in tune with the global economy. And changes were effected in industrial and trade policies which were substantially liberalized .In the liberalized atmosphere the change in the attitude of the government was inevitable.

Foreign investments can be of two types direct and Portfolio. The direct foreign investment which is also known as **FDI** and includes investments from non-Resident Indians and Overseas Corporate Bodies (OCB) These are parts of the government efforts to supplement the domestic resources for the economic development of the country. Now FDI is permitted in all sectors including service sector with some sectoral caps. Even foreign investments are allowed in the SSI sector. Similarly such investments are allowed for trading activities with a cap. There are other modes of FDI like Global Depository Receipts, American Depository Receipts, Foreign Currency Convertible Bonds etc. Although India is endeavouring to catch up with China in attracting foreign capital but it is still way behind it.

FDI VERSES OTHER FLOWS OF FOREIGN CAPITAL
FDI is defined as a form of long term international capital movement made for the purpose of productive activity and accompanied by the intention of managerial control or should not be confused with portfolio investment which does not seek management control, but is motivated by short term speculative profits.

To quote the --report “FDI flows to developing and transition economies in 1998 declined by about 5% from the peak in 1997, a modest reduction in relation to the effects on other capital flows of the spread of the Asian Financial Crisisto global proportions. FDI flows are generally less volatile than portfolio flows.” FDI is considered as superior to other types of flows for following reasons:

- Foreign direct investors have longer term perspective when investing in host country. Hence they are less volatile and easier to sustain even during times of crisis.
- Other types of foreign capital may finance consumption rather than investment in the host country while FDI is used more productively.
- FDI provides more than just capital. Foreign direct investors bring with them internationally available technologies and management know-how

ADVANTAGES OF FDI
FDI is universally accepted as an essential element for achieving sustainable development. FDI provide a strong stimulus to income growth in host country. Developing countries are strongly advised these days to rely on FDI in order to supplement national savings by capital inflows and thereby promote economic development. FDI has following benefits for the host countries:

1. **Increasing the Level of Investment**: In less developed countries since incomes are low, savings are also very low, therefore, foreign investment can fill the gap between required investment and locally mobilized savings. Local capital markets are often not well developed. Besides access to hard currency needed to purchase investment goods for development purposes may not be locally available. Foreign investment can give a push to domestic investment through both forward and backward linkages
2. **Upgradation of Technology:** FDI normally comes with managerial experience, organizational and technological skills etc. Along with machinery and equipment required foreign direct investors also bring with then advanced technological knowhow. Industries in under developed countries use old and out dated technology and therefore their product will not be competitive in global markets. FDI solves this problem because it comes with advanced technologies.
3. **Improvement in Export Competitiveness**: FDI increases competition in the domestic market and thus domestic companies will have to improve quality and therefore it will promote efficiency. It can help host country improve export competitiveness as well. Export competitiveness will also improve with improvement in technology. Thus it will also lead to increase in exports.
4. **Employment Generation:** Foreign direct investment increases employment opportunities in the country. Foreign investors employ local people in large number of jobs and therefore more and more employment opportunities are created in the economy. In the host country mainly developing countries it also provides training to entrepreneurs in the operation of new businesses.
5. **Resilence Factor:** FDI has proved to be resilient during financial crisis. FDI was significantly stable during currency crisis in South East Asia.
6. **Economic Development of the host country:** FDI through all the above mentioned advantages helps in overall economic development of the country. It increases employment opportunities, increases national and percpita income, increases investment and capital formation and hence accelerates the economic development of the country.
7. **Helps In Improving The Balance Of Payments Situation:** FDI helps in improving Balance of Payments position and increases the FOREX reserves in the host country.

8. **Revenue to the Government:** FDI also increases the government's tax revenues also because profits generated by the foreign companies contribute to corporate tax revenue.
9. **Benefits to the consumers:** Finally consumers also gain through increased availability of world class consumer goods at competitive prices.

DISADVANTAGES OF FDI

1. Crowding out of domestic industry may take place.
2. It has been observed that the contribution by foreign firms to government tax revenue will be very negligible because of liberal tax concession given to in order to attract them.
3. They are responsible for creating dualistic socio economic structure in udder developed countries. They also increase inequalities in income in the economy. They create a class of highly paid executives. They also create imbalance between rural and urban areas.
4. In long run they may lead to outflow of Foreign Exchange Reserves in the form of repatriation of profits and dividends by the investors.
5. They exploit natural resources and cause environmental damage.

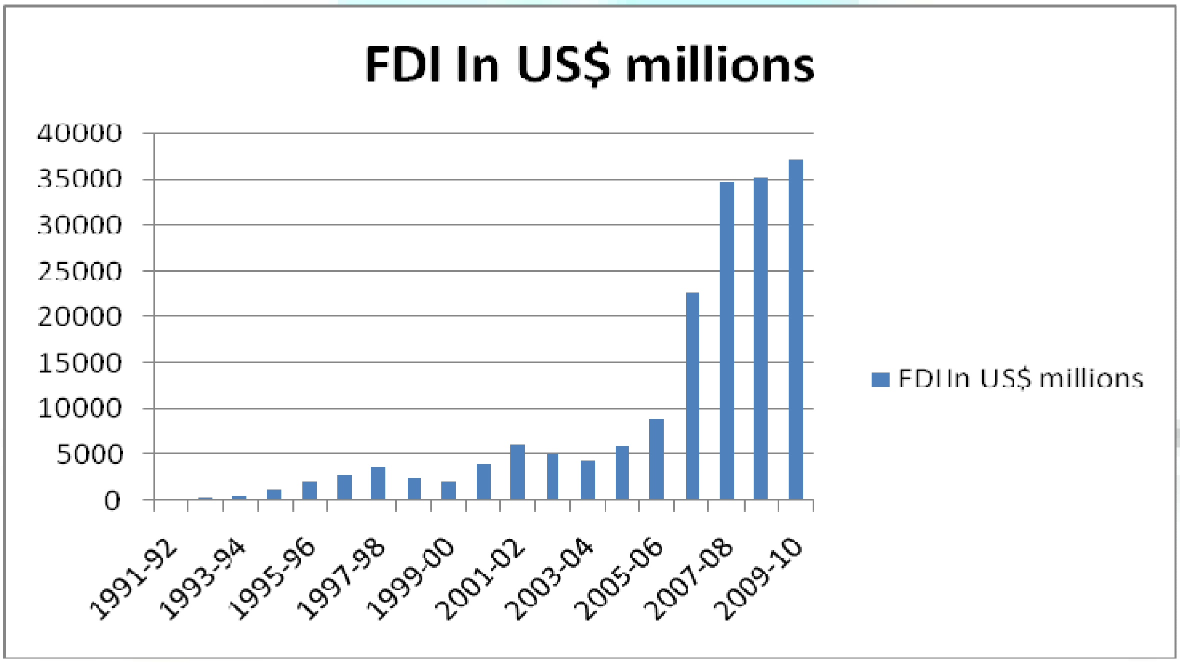
TRENDS IN FDI AND FPI SINCE THE REFORM PROCESS IN INDIA

As per the UNCTAD's World Investment Report 2010 India is projected as to become second most attractive destination for FDI by 2010-12. The projection is based on the survey conducted among Trans National Corporations. As per the new FDI policy of the Government of India FDI upto 100% is permitted under automatic route in large number of sectors. Table 1 shows inflows of FDI in US$ millions from 1990-91 onwards.
The table shows that FDI inflows are increasing by leaps and bounds in the country. Starting with just 129 million dollars in the 1991-92 it increased to 37182 million dollars by 2009-10. The increase is approximately 28723.26% in period of 20 years. This is remarkable indeed.

TABLE: 1

Foreign Direct Investment in India					
Year	Foreign Direct investment		Year	Foreign Direct investment	
	US $ million	Annual Rate of growth		US $ million	Annual Rate of growth
1991-92	129		2001-02	6130	52.1469
1992-93	315	144.186	2002-03	5035	-17.863
1993-94	586	86.0318	2003-04	4322	-14.161
1994-95	1314	124.232	2004-05	6051	40.0046
1995-96	2144	63.1659	2005-06	8961	48.0912
1996-97	2821	31.5765	2006-07	22826	154.726
1997-98	3557	26.09	2007-08	34835	52.6111
1998-99	2462	-30.784	2008-09	35180	0.99038
1999-00	2155	-12.47	2009-10	37182	5.69073
2000-01	4029	86.9606			
Source: RBI Website- www.rbi.org.in					

The following diagram shows increase in FDI over the years.



The diagram clearly shows the increase in FDI in India after the reform process. The average annual rate of growth of FDI is around 46.7%. This is remarkable indeed.

LEAST SQUARES ANALYSIS OF FDI AND FPI

The results of linear trend for FDI as dependent variable and time as independent variable are given below:

R	R Square	Adjusted R Square	Std. Error of the Estimate
.801	.642	.622	7707.533

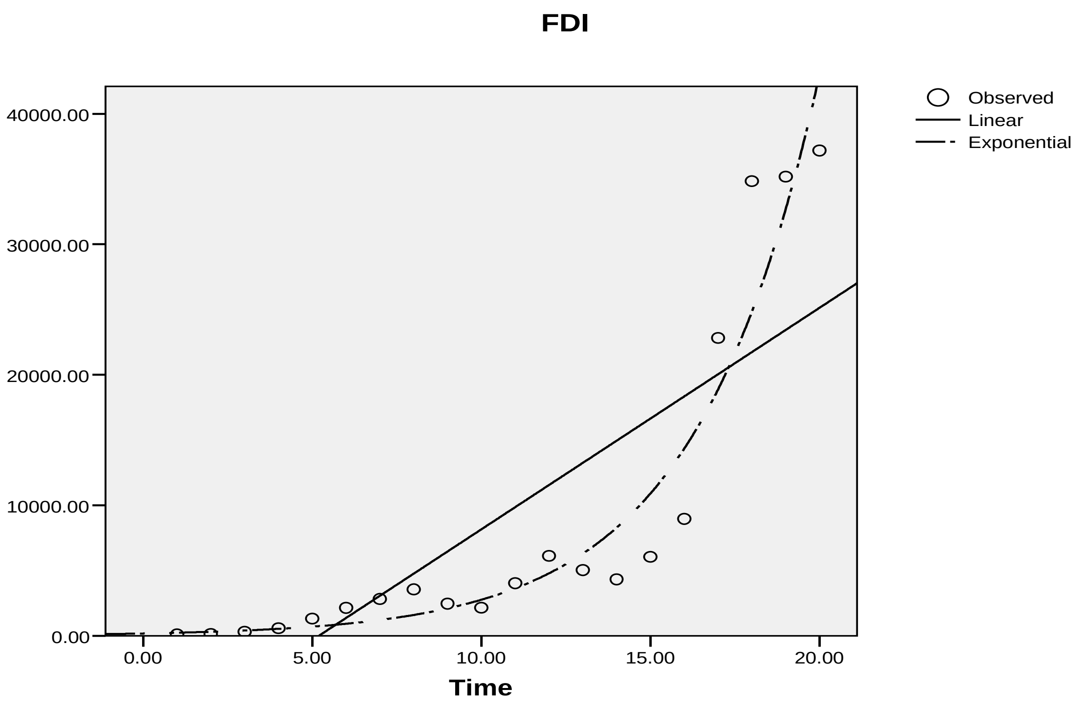
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	B	Std. Error
Time (Constant)	1697.336 -8815.479	298.885 3580.391	.801	5.679 -2.462	.000 .024

For linear trend R^2 is only 0.642 and adjusted R^2 is 0.622 almost equal. The results of exponential trend are given below:

R	R Square	Adjusted R Square	Std. Error of the Estimate
.950	.902	.897	.550

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	B	Std. Error
Time (Constant)	.275 177.511	.021 45.330	.950	12.878 3.916	.000 .001

For exponential trend R^2 is good it is 0.902 and adjusted R^2 is 0.897. This suggests that FDI is growing exponentially during this period. The diagram given below also shows that exponential curve is good fit for the data.



In the diagram the dotted curve is exponential fit it is closer to observed values which are circles. It implies that FDI inflow is growing exponentially in the country.

CONCLUSION

Thus to conclude we can say that India is the most attractive destination for Foreign Direct Investors. The reasons are many and the most important are a wide market and low labor costs. Increasing FDI has helped the country in solving the problem of deficits in the balance of payments. It has also lead to increase in the growth rate of the economy. Now India is one of the fastest growing economy, next only to China. It has also helped in technological up gradation in the country. Our exports are also increasing by leaps and bounds and the composition of exports is also changing.

BIBILOGRAPHY

1. Itay and Razin (2005): “FDI Vs FPI” NBER Working paper series no.11047
2. Laura Alfaro: Foreign Direct Investment and Growth: Does the Sector Matter?: Harvard Business School, April 2003.
3. Lipsey, R. E. 2002. “Home and Host Country Effects of FDI.” NBER Working Paper 9293.
4. Hanson, G. H. 2001. "Should Countries Promote Foreign Direct Investment?" G-24 Discussion Paper No. 9. New York: United Nations.

5. Singh 2007: India's Economic Growth and FDI, MPRA working paper 6427
6. Consolidated FDI Policy: Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India. Can be viewed on the URL: http://dipp.nic.in/FDI_Circular/FDI_Circular_02of2010.pdf
7. Neeta: Foreign trade and Investment in India, Serial Publications, New Delhi
8. Acharya (2002), 'Macroeconomic Management in the Nineties' Economic and Political Weekly
9. Bailliu, N. J. (2000). Private Capital Flows, Financial Development, and Economic Growth in Developing Countries, *Bank of Canada Working Paper* No. 15, Ottawa.
10. Bosworth, B., and S. Collins (1999). Capital Flows to Developing Countries: Implications for Savings and Investment, *Brookings Papers on Economic Activity*, 1.
11. Rao, M. J. M. (1997). Macroeconomics of Capital Account Convertibility, *Economic and Political Weekly*, December 20, pp. 326-67.
12. Singh, B. (2009). Changing Contours of Capital Flows to India, EPW, XLIV (43), pp. 58-66.
13. Trivedi, P. (1998). Capital Inflows to the Indian Economy: Causes and Consequences, *Journal of Indian School of Political Economy*, October-December, pp. 641-62.
14. UNCTAD (2007). *World Investment Report*, United Nations Conference on Trade and Development, New York.
15. Zhang, X., and H. F. Zou (1995). Foreign Technology Imports and Economic Growth in Developing Countries, *World Bank Policy Research Working Paper* No. 1412, Washington DC.
16. World Investment Prospects Survey: 2009-11: UNCTAD
17. World Investment Prospects to 2011: Economic Intelligence Unit, The Economist
18. Oineetom Ojah Sinha and Debdatta Das "EU crisis hits FDI inflows": NDTV Profit
19. Pravakar Sahoo "Increasing FDI in India: Does Budget go far enough": East Asian Forum
20. B. Sivaramam: "Impact of US melt down on Indian Economy" asia-pacific-action_org.htm
21. Official website of Department of Industrial Policy and Promotion

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce, Economics & 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-mails i.e. **infoijrcm@gmail.com** or **info@ijrcm.org.in** 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