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   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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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.

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- 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.

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

ONLINE RESOURCES

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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

FOREIGN DIRECT INVESTMENT IN INDIA: AN OVERVIEW

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ABSTRACT
India as a diversified economy has shown rapid growth and remarkable resilience since 1991, when economic reforms were introduced with the progressive opening of the economy to international trade and investment. Foreign direct investment (FDI) has proved helpful to enhance productivity and efficiency of the economy through technology transfer (in the form of knowledge, technical and marketing skills organization and management systems, new materials, products and market) and effective promotion of comparative advantage through Exports. This paper attempts to study the conceptual and historical background, various modes of FDI and recent sectoral trends of FDI in India.

KEYWORDS
Developing Economies, Export, FDI, Growth, Productivity.

INTRODUCTION
One of the most striking developments during the last two decades is the spectacular growth of FDI in the global economic scenario. FDI is an important non-debt financial resource for the economic development of the country like India. Besides, it is a means of achieving technical know-how and employment generation. The unprecedented growth of global FDI in the 1990s around the world made FDI an important component of the development strategy in both developed and developing countries and the policies are designed to stimulate inward FDI inflows. In fact, both the developed and developing countries are directly interested in inviting FDI, because they benefit a lot from such type of investment. The 'home' countries want to take advantage of 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.
Besides, the developing countries accepted FDI as a sole visible panacea for scarcity of resources such as financial, capital, entrepreneurship, technical know-how, managerial skill, access to market abroad, in their economic development. Moreover, the emerging market economies consider FDI as one of the easiest means to fulfill their financial, technical knowhow, employment generation and competitive efficiency requirements. This created opportunities for locational advantages and thus facilitated strategic alliances, joint ventures and collaborations over R&D. The world economy has observed a remarkable change in volume and pattern of FDI flow from developed countries to emerging market economies (EMEs). FDI has been fostered by liberalization and market based reforms in EMEs. The financial sector deregulation and reforms in the industrial policy further paved the way for global investments[1].
In addition, the developing countries had substantially eased restrictions on FDI inflows and operations of MNCs in the early 1980s. This trend became even more wide spread in the 1990s which brought a substantial inflow of FDI into the developing countries. Since 1992, China has been the largest recipient of FDI among the developing countries and India has emerged as the second most attractive destination for FDI after China and received nearly 57 percent global FDI inflows in 2011-12 compared to 25 percent in 1980-81[2].
In fact, India opened up its economy and allowed MNCs in the core sectors as a part of reforms process in the beginning of the 1990s. Since then it has attracted a big share of FDI inflows among the developing countries and has become profitable investment locations for the foreign investors. The net FDI inflow increased from 408 crores in 1991-92 to Rs 1,22,307 crores in 2011-12 resulting in the annual average growth rate as high as 14 percent.
Emphasizing the role of FDI the developing countries, Moran (1998) observes that FDI is a method of transmission of the package of managerial resources from one country to another country. The package of managerial resources may include specialized and technological knowledge in the areas of patents, knowhow, sales techniques, managerial expertise and ability to obtain funds and credit. Since the productivity of such transferred managerial resources is very high in the recipient country, they make a big contribution to the development of industry to which they are made available in host country[3].
Foreign Direct investment is the investment activity undertaken by the companies in the host country. It means investing the money in various projects or a particular project in foreign country with the prior approval of host country government.

OBJECTIVES OF THE STUDY
1. To provide a conceptual understanding of FDI.
2. To provide details of Sectoral limits of FDI.
3. To study the impact of FDI in India.
4. To study the contribution of FDI in various Sectors.

TYPES OF FOREIGN DIRECT INVESTMENT
To easily understand the concept of FDI we have to classify it broadly into three categories; namely (a) By Direction (b) By Target (c) By Motive.

FOREIGN DIRECT INVESTMENT

By Direction	**By Target**	**By Motive**
Inward FDI	Greenfield Investment	Resource Seeking
Outward FDI	Brownfield Investment	Marketing Seeking
	Horizontal FDI	Efficiency Seeking
	Vertical FDI	Strategic-Asset-Seeking

INWARD FDI: Different economic factors encourage inward FDIs. These include interest loans, tax breaks, grants, subsidies, and the removal of restrictions and limitations. Factors detrimental to the growth of FDIs include necessities of differential performance and limitations related with ownership patterns.
OUTWARD FDI: An outward-bound FDI is backed by the government against all types of associated risks. This form of FDI is subject to tax incentives as well as disincentives of various forms. Risk coverage provided to the domestic industries and subsidies granted to the local firms stand in the way of outward FDIs, which are also known as 'direct investments abroad.'
GREENFIELD INVESTMENT: Greenfield investments are the primary target of a host nation's promotional efforts because they create new production capacity and jobs, transfer technology and know-how and can lead to the linkage to the global marketplace.
Criticisms of Greenfield investments include the loss of market share for competing domestic firms. Another criticism is that profits are perceived to bypass local economies and instead flow back entirely to the multinational's home economy.

BROWNFIELD INVESTMENT: Brownfield investment occurs when the assets and operations of firms from different countries are combined to establish a new legal entity (Cross-border mergers).It can also occur when the control of assets and operations is transferred from a local company to a foreign company where local company becomes an affiliate of the foreign company.

HORIZONTAL FDI: Horizontal FDI occurs when the multinational company undertakes the same production activities in multiple countries.

VERTICAL FDI: There are two types of vertical FDI, Backward and forward. Backward FDI occurs where an industry abroad provides inputs for a firm's domestic production process and forward FDI occurs where an industry abroad sells the output of a firm's domestic production.

RESOURCE SEEKING INVESTMENT: Investment which seeks to acquire factors of production those are more efficient than those obtainable in the home economy of the firm. In some cases, these resources may not be available in the home economy at all e.g. cheap labor and natural resources.

MARKET SEEKING INVESTMENT: Investment which aims at either penetrating new markets or maintaining existing one. FDI of this kind may also be employed as defensive strategy; it is argued that businesses are more likely to be pushed towards this type of investment out of fear of losing a market rather than discovering a new one.

EFFICIENCY SEEKING INVESTMENT: Investment which, firms hope, will increase their efficiency by exploiting the benefits of economies of scale and scope and also their common ownership. This type of FDI comes either through the resource seeking or market seeking investment that have been realized with the expectation that it will further increase the profitability of the firm.

STRATEGIC-ASSET-SEEKING INVESTMENT: It is a tactical investment to prevent the loss of resource to a competitor. Easily compared to that of the oil producers, who may not need the oil at present, but look to prevent their competitor from having it.

FOREIGN DIRECT INVESTMENT IN INDIA

The historical background of FDI in India can be traced back with the establishment of East India Company of Britain. British capital came to India during the colonial era of Britain in India. However, researchers could not portray the complete history of FDI pouring in India due to lack of abundant and authentic data. Before independence major amount of FDI came from the British companies. British companies setup their units in mining sector for their economic and business interests. 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 attracted attention of the policy makers. Keeping in mind the national interests the policy makers designed the FDI policy which aimed FDI as a medium for acquiring advanced technology and to mobilize foreign exchange resources. The first Prime Minister of India Pandit Jawaharlal Nehru considered foreign investment as necessary not only to supplement domestic capital but also to secure scientific, technical, and industrial knowledge and capital equipments. With the passage of 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. However, the country faced two severe crises in the form of foreign exchange and financial resource mobilization during the Second Five Year Plan (1956 -61).

Therefore, the government adopted a liberal attitude by allowing more frequent equity participation to foreign enterprises, and to accept equity capital in technical collaborations. The government also provided many incentives such as tax concessions, simplification of licensing procedures and dereserving some industries such as drugs, aluminum, heavy electrical equipments, fertilizers, etc in order to further boost the FDI inflows in the country. This liberal attitude of government towards foreign capital lured investors from other advanced countries like USA, Japan, and Germany, etc. But due to significant outflow of foreign reserves in the form of remittances of dividends, profits, royalties etc, the government had 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, FDI and ownerships of foreign companies were concerned.

Government setup Foreign Investment Board and enacted Foreign Exchange Regulation Act, 1973 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 the 1980s forced the government to make necessary changes in the foreign policy. During this period the government encouraged FDI, allowed MNCs to operate in India. This resulted in the partial liberalization of Indian economy and the government introduced reforms in the industrial sector that aimed at increasing competency, efficiency and growth in industry through a stable, pragmatic and non-discriminatory policy for FDI flow.

In fact, in the early Nineties again, Indian economy faced severe balance of payment crisis. Exports began to experience serious difficulties. There was a marked increase in petroleum prices because of the gulf war. The crippling external debts were debilitating the economy. India was left with that much amount of foreign exchange reserves which could finance its three weeks of imports. The outflow of foreign currency which was deposited by the NRI's gave a further jolt to Indian economy. The overall Balance of Payment reached at Rs. (-) 4471 crore. Inflation reached at its highest level of 13 per cent[4].

Foreign reserves of the country stood at Rs.11416 crore. The continued political uncertainty in the country during this period added further to worsen the situation. As a result, India's credit rating fell in the international market for both short- term and long-term borrowing. All these developments put the economy at that time on the verge of default in respect of external payments liability. In this critical face of Indian economy the then finance Minister of India Dr. Manmohan Singh, with the help of World Bank and the IMF introduced the macro – economic stabilization and structural adjustment programme. As a result of these reforms India opened its door to FDI inflows and adopted a more liberal foreign policy in order to restore the confidence of foreign investors[5].

Further, under the new foreign investment policy, Government of India constituted FIPB (Foreign Investment Promotion Board) whose main function was to invite and facilitate foreign investment through single window system from the Prime Minister's Office. The foreign equity cap was raised to 51 percent for the existing companies. Government had allowed the use of foreign brand names for domestically produced products which was restricted earlier. India also became the member of MIGA (Multilateral Investment Guarantee Agency) for protection of foreign investments. Government lifted restrictions on the operations of MNCs by revising the FERA Act 1973. New sectors such as mining, banking, telecommunications, highway construction and management were open to foreign investors as well as to private sector.

FOREIGN DIRECT INVESTMENT IN INDIA IS APPROVED THROUGH TWO ROUTES

FDI can be divided into two broad categories; investment under automatic route and investment through prior approval of government and foreign Investment Promotion Board route. The Reserve Bank of India accords automatic approval within a period of two weeks to all proposals involving: Foreign equity up to 50% in 3 categories relating to mining activities. Foreign equity up to 51% in 48 specified industries. Foreign equity upto 74% in 9 categories. Investments in high-priority industries or for trading companies primarily engaged in exporting are given almost automatic approval by the RBI[6].

FDI up to 100% is now permitted on the automatic route in all sectors/activities except; activities requiring industrial license under the industries (Development and Regulation Act),proposals where the foreign investor had an existing joint venture/technical collaboration /trademark agreement in the same field of activity, proposals for acquisition of shares in Indian company in the financial services sector and where SEBI (Substantial Acquisition of Shares and Takeovers) Regulations,1997 is attracted and all proposals falling outside notified sectoral political/caps or under sectors in which FDI is not permitted.

FIPB Route: Foreign Investment Promotion Board (FIPB) is a competent body to consider and recommend foreign direct investment, which do not come under the automatic route. Normal processing time of an FDI proposal in FIPB is 4 to 6 weeks. FIPB is located in the Department of Economic Affairs, Ministry of Finance, and Government of India[7].

Some of the important ways in which FDI can enter a host country are:

(i) Incorporation of new companies for setting up new projects;
(ii) Incorporation of new companies for taking over operations of existing companies which could be locally owned or in turn FDI companies themselves;
(iii) Acquiring stakes in existing host country companies;
(iv) Infusing fresh capital from abroad in existing FDI companies by the same foreign investor either for maintaining his percentage share or to increase it;
(v) The new ones can also be having a project on hand or of a holding company nature which would further promote subsidiaries and joint ventures, and engage in local acquisitions, franchise arrangements;

(vi) Capitalization of reserves; and
(vii) Setting up of branches[8].
There are some main bodies and boards that have been set up for the purpose of foreign Direct Investment, such as: Project Approval Board(PAB), licensing Committee(LC), District Industries Centers, Investment Promotion and Infrastructure Development Cell, Foreign Investment Promotion Board(1991), Foreign Investment Promotion Council(1996) , Foreign Investment Implementation Authority(1999), Investment Commission(2004).

IMPACT OF FOREIGN DIRECT INVESTMENT ON THE ECONOMIC GROWTH
Several studies have been conducted to determine whether FDI impacts positively on the economic growth. Some authors found some evidences of crowding-in effect, i.e., that FDI is complementary to domestic investment. A related set of literature attempts to draw a distinction between positive, "crowding-in" effects of FDI, and negative ,"crowding-out" effects. Among the former are the positive technology and trade effects alluded to above country reputation. The latter draws attention to a range of possible outcomes: anticompetitive impacts(e.g., displacement of domestic firms or investment),bidding scarce resources (e.g. ,skilled labor, credit) away from domestic firms, or squeezing out domestic supply networks as new foreign entrants bring with them integrated upstream and downstream supply chains[9].
More recent studies, however, assert that the results of such macro studies are flawed. Nair-Reichert and Weindhold (2001) argue that traditional panel and time series estimators often impose homogeneity assumptions across countries in studies of the relationship between FDI and growth. Meanwhile their findings, show strong evidence of considerable heterogeneity across countries. This indicates that incorrectly imposing the homogeneity assumption on the data estimation to test for causality between FDI and economic growth in developing countries.

THE IMPACT OF FDI ON THE HOST COUNTRY EMPLOYMENT
Firms attempt to capitalize on abundant and inexpensive labor.
Host countries seek to have firms develop labor skills and sophistication.
Host countries often feel like least desirable´ jobs are transplanted from home countries.
Home countries often face the loss of employment as jobs move

FDI IMPACT ON DOMESTIC ENTERPRISES
Foreign investment companies are likely to be more productive than local competitors. The result is uneven competition in the short run, and competency building efforts in the longer term. It is likely that FDI developed enterprises will gradually develop local supporting industries and supplier relationships in the host country.

BENEFITS OF FOREIGN DIRECT INVESTMENT

Attracting foreign direct investment has become an integral part of the economic development strategies for India. FDI ensures a huge amount of domestic capital, production level, and employment opportunities in the developing countries, which is a major step towards the economic growth of the country. FDI has been booming factor that has bolstered economic life of India, but on the other hand it is also being blamed for ousting domestic inflows.[10] FDI is also claimed to have lowered few regulatory standards in terms of investment patterns. Some of the main advantages of FDI enjoyed by India have been listed as under:

ECONOMIC GROWTH- This is one of the major sectors, which has enormously benefited from foreign direct investment. A remarkable inflow of FDI in various industrial units in India has boosted the economic life of the country.

TRADE-Foreign Direct Investments have opened a wide spectrum of opportunities in the trading of goods and services in India both in terms of import and export production. Products of superior quality are manufactured by various industries in India due to greater amount of FDI inflows in the country. The superior quality Indian goods are much in demand in foreign countries, including the developed nations and through exports a lot of scarce foreign exchange is earned which, in turn, is used for further development of the country.

EMPLOYMENT AND SKILL LEVELS- FDI has also ensured enormous employment opportunities by aiding the setting up of industrial units in various corners of India.

TECHNOLOGY DIFFUSION AND KNOWLEDGE TRANSFER-FDI apparently helps in the outsourcing of knowledge from India especially in the Information Technology sector. It helps in developing the know-how process in India in terms of enhancing the technological advancement of India.

LINKAGES AND SPILLOVER TO DOMESTIC FIRMS- Various foreign firms are now occupying a position in the Indian market through Joint Ventures and collaboration concerns. The maximum amount of the profits gained by the foreign firms through these joint ventures is spent on the Indian market[11].

TABLE-1: SECTORS ATTRACTING HIGHEST FDI EQUITY INFLOWS

Amount in Rs. crores (US$ in millions) Ranks	*Sector*	*2009-10 (April-March)*	*2010-11 (April-March)*	*2011-12 (for April 2011)*	*Cumulative Inflows (April '00 - April '11)*	*% age to total Inflows (In terms of US$)*
1.	**SERVICES SECTOR** (financial & non-financial)	20,776 **(4,353)**	15,539 **(3,403)**	2,922 **(658)**	123,706 **(27,668)**	**21 %**
2.	**COMPUTER SOFTWARE & HARDWARE**	4,351 **(919)**	3,571 **(784)**	425 **(96)**	48,135 **(10,821)**	**8 %**
3.	**TELECOMMUNICATIONS** (radio paging, cellular mobile, basic telephone services)	12,338 **(2,554)**	7,546 **(1,665)**	205 **(46)**	48,313 **(10,611)**	**8 %**
4.	**HOUSING & REAL ESTATE**	13,586 **(2,844)**	5,149 **(1,127)**	167 **(38)**	43,288 **(9,655)**	**7 %**
5.	**CONSTRUCTION ACTIVITIES** (including roads & highways)	13,516 **(2,862)**	5,077 **(1,125)**	1,381 **(311)**	42,160 **(9,491)**	**7 %**
6.	**AUTOMOBILE INDUSTRY**	5,754 **(1,208)**	6,008 **(1,331)**	1,182 **(266)**	28,037 **(6,199)**	**5 %**
7.	**POWER**	6,908 **(1,437)**	5,709 **(1,252)**	1,136 **(256)**	27,848 **(6,156)**	**5 %**
8.	**METALLURGICAL INDUSTRIES**	1,935 **(407)**	5,055 **(1,105)**	229 **(52)**	18,724 **(4,286)**	**3 %**
9.	**PETROLEUM & NATURAL GAS**	1,328 **(272)**	2,621 **(574)**	28 **(6)**	13,763 **(3,159)**	**2 %**
10.	**CHEMICALS** (other than fertilizers)	1,707 **(362)**	1,810 **(398)**	152 **(34)**	13,234 **(2,927)**	**2 %**

Source: SIA newsletter of Department of Industrial Policy and Promotion (DIPP), from April 2000 to April 2011 - Annex-'B

It is evident that FDI flows in various sectors have been witnessing ups and downs. The reason may be the technological advancement or may be infrastructural backwardness in some sectors. The data cited in table 1 reveal that service sector has been attracting highest FDI inflow as the percentage of total inflow; it is 21%, the service sector of India accounts for nearly 60% of the GDP of the country.

There after FDI comes in computer software and hardware secured second position by capturing 8% of total FDI inflow. Telecommunication sector also accounted for 8%of FDI inflow. These two sectors stood second and third because of Telecommunication development taking place in India.

TABLE-2: STATEMENT ON RBI'S REGIONAL OFFICES (WITH STATE COVERED) RECEIVED FDI EQUITY INFLOWS1 ***(from April 2000 to April 2011)***

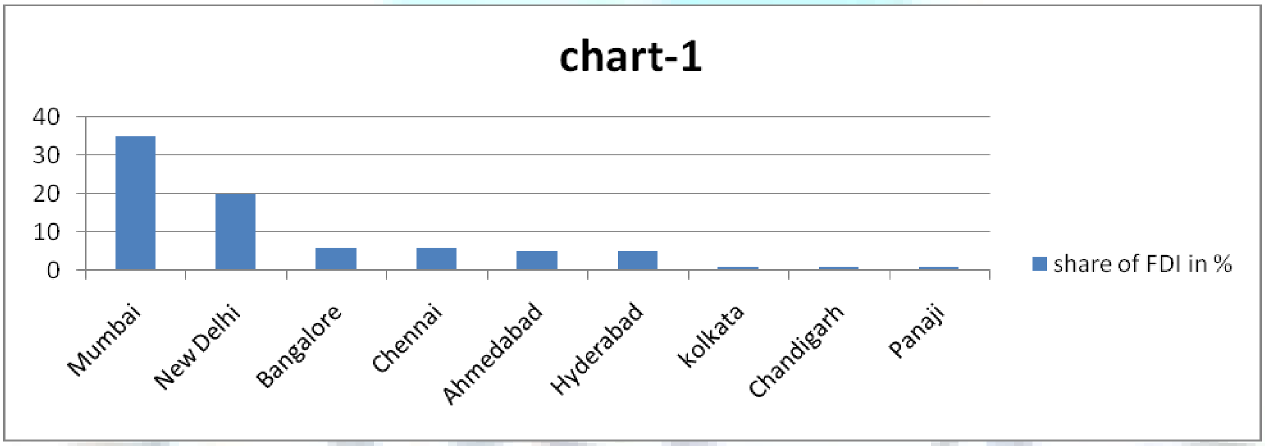
Amount Rupees in crores (US$ in millions) S. No.	*RBI's - Regional Office2*	*State covered*	*2009-10 (Apr.-Mar.)*	*2010-11 (Apr.-March)*	*2011-12 (for April-2011)*	*Cumulative Inflows (April '00 – April '11)*	*%age to total Inflows (in terms of US$)*
1	MUMBAI	**MAHARASHTRA, DADRA & NAGAR HAVELI, DAMAN & DIU**	39,409 **(8,249)**	27,669 **(6,097)**	3,381 **(762)**	204,852 **(45,830)**	35
2	NEW DELHI	**DELHI, PART OF UP AND HARYANA**	46,197 **(9,695)**	12,184 **(2,677)**	4,495 **(1,013)**	118,184 **(26,101)**	20
3	BANGALORE	**KARNATAKA**	4,852 **(1,029)**	6,133 **(1,332)**	576 **(130)**	37,233 **(8,358)**	6
4.	CHENNAI	**TAMIL NADU, PONDICHERRY**	3,653 **(774)**	6,115 **(1,352)**	2,177 **(491)**	33,024 **(7,341)**	6
5	AHMEDABAD	**GUJARAT**	3,876 **(807)**	3,294 **(724)**	559 **(130)**	32,252 **(7,282)**	5
6	HYDERABAD	**ANDHRA PRADESH**	5,710 **(1,203)**	5,753 **(1,262)**	575 **(130)**	27,137 **(6,090)**	5
7	KOLKATA	**WEST BENGAL, SIKKIM, ANDAMAN & NICOBAR ISLANDS**	531 **(115)**	426 **(95)**	550 **(124)**	6,918 **(1,611)**	1
8	CHANDIGARH`	**CHANDIGARH, PUNJAB, HARYANA, HIMACHAL PRADESH**	1,038 **(224)**	1,892 **(416)**	24 **(5)**	4,709 **(1,030)**	1
9	PANAJI	**GOA**	808 **(169)**	1,376 **(302)**	0.08 **(0.02)**	3,326 **(725)**	1
10	BHOPAL	**MADHYA PRADESH, CHATTISGARH**	255 **(54)**	2,093 **(451)**	1 **(0.32)**	3,011 **(654)**	0.5

SOURCE: Data compiled from various SIA newsletter of DIPP. (Department of industrial policy and promotion)

India has large no of metropolitan cities and hence an examination with regard to concentration of FDI flows to different regions would be significant. The latest data with regard to equity inflow indicate that Mumbai has largest concentration and it accounted 35% of total FDI inflow in country.

Next comes Delhi with a share of 20%. Then comes Bangalore and Chennai both constituted nearly 6%. Some revealing facts can be drawn from table 2 that there have been high degrees of concentration of FDI inflows to those regions, which are highly developed and located near ports. The first two regions namely Mumbai and Delhi accounted 55% of the total FDI inflow in the country.

REGION-WISE BREAK- UP OF CUMULATIVE FDI INFLOW



Source: Constructed on the basis of table 2

SUGGESTIONS

In order to attract more FDI flows, the Government of India should seriously think over the following suggestions.

1. The policy makers should design policies where foreign investment can be utilized as means of enhancing domestic production, saving and exports as medium of technological learning and technological diffusion and also providing access to the external market.
2. The government should be concentrate on the type and volume of FDI that will significantly boost domestic competitiveness, enhance skills and technological learning leading to both social and economic gains.
3. In order to reap optimum benefits from FDI inflows, India needs to establish a transparent, broad and effective policy environment for investment and to implement it appropriately.
4. Government must target to attract specific types of FDI that are able to generate spill-over effects in the overall economy. This could be achieved by investing in human capital, R&D activities, environmental issues, dynamic products, productive capacity, infrastructure and sectors with high income elasticity of demand.
5. FDI must go into infrastructure sector instead of stock market and hence FDI flows must get preference over foreign institutional investment.
6. FDI in agriculture sector should be encouraged. But for the sake of mobilization of foreign funds for development, the issue of food security and interest of small and marginal farmers should not be ignored.
7. There should be Special Tax treatment for FDI and Special Economic Zones (SEZs).

CONCLUSION

Foreign direct investment contributes to a country's economic growth and development. It adds to fixed capital formation and has a positive impact on balance of payments without the risk of debt creation or the volatility associated with short term portfolio capital flows. By investing in the other country companies get required resources, cheap labor, and better technology and customized products. Companies also expand their business and generate handsome profit as well as generate employment opportunities for the people of the host country. FDI can enter in various ways in the host country like International franchising, branch contractual alliances, Equity joint ventures, wholly foreign-owned subsidiaries, investment approaches: Greenfield investment (building a new facility), cross-border mergers, cross-border acquisitions, sharing existing facilities. Mauritius, Singapore and USA are the top investors of FDI in India and the service sector is attracting highest FDI inflow and region-wise, Mumbai secures that place.

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