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EVALUATING FOREIGN DIRECT INVESTMENT GROWTH AND ITS POLICY IN INDIA

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Abstract

Foreign investment is of growing importance to global economic growth. For host countries foreign investment acts as a catalyst of augmenting capital, provides access to the superior technology that promote efficiency and productivity of the existing production facilities. After liberalization, privatization and globalization in 1991, India has been able to attract foreign investments across the sectors. The paper examines current Foreign Direct Investment policy and analyses the growth of FDI across the sectors and states in India. The study observed that during the period April, 2000 to February, 2015, Mauritius, Singapore, United Kingdom, Japan, and Netherlands have maximum share of FDI flows into India and ranked top five investing countries during the period of study. Further, the study examined that, out of the total cumulative FDI inflow, the highest amount has gone to services sector. The second largest recipient is construction development, followed by telecommunications, computer software and hardware and pharmaceutical. Lastly, the study concludes that Maharashtra, Delhi, Tamilnadu, Karnataka and Gujarat states have been remained the largest recipients of FDI inflow during the period 2000-15. The recent efforts of government of India to reform FDI policy and simplify investment procedures are expected to make the country most attractive investment destination resulting into increased economic growth of the country.

Keywords: Foreign Direct Investment, Foreign Institutional Investor, Foreign Equity Inflows, Economic Growth, Make in India.