International Journal of Computing and Corporate Research

ISSN (Online) : 2249-054X

Volume 3 Issue 6 November 2013

International Manuscript ID : 2249054XV3I6112013-08

FOREIGN INVESTMENTS IN INDIA - AN SURVEY BASED ANALYSIS

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Abstract

This present paper discourse Foreign Investment in India. In the given paper we would elaborate the foreign investment in the various sectors of India and we would also discourse about the interest of non-resident investors in Indian market. This paper also contains the guidelines required to invest in Indian market which has to be considered by foreign.

Introduction

Foreign investments allow a great impulsion for growth to Indian economy. The uninterrupted upsurge in foreign direct investments (FDI), appropriated across the industries and sectors, has proven that foreign investors have faith in the resiliency of Indian markets. A impudent policy authorities and positive business environment have also played catalytic role to assure the uninterrupted influx of foreign capital in the Indian markets.

Flows of capital from one nation to another in exchange for significant ownership stakes in domestic companies or other inland assets. Generally, foreign investment denotes that foreigners take a somewhat active role in management as a part of their investment. Foreign investment generally works both ways, especially between countries of comparatively equal economic height.

Presently there is a course toward globalization whereby large, transnational firms often have investments in a great sort of countries. Many assure foreign investment in a country as a positive sign and as a source for future economic growth.

Why doing Investment in India:

India has come forth as one of the most attractive terminus not only for investment but also for doing business in the last few years. One of the fastest developing economies in the world which has not only affirmed global downturn of 2008-09, India is intended to grow at systematically higher rates during next few decades. Some of the reasons which make India as a tycoon of investments are:

- Large and fast arising middle class & graduation of poor to middle class and hence growing domestic expenditure
- Indian Government's invariably acquiring investor favorable policy
- Lower cost of production due to Cheap labour rates
- Numerous skilled manpower
- ample natural resources
- English as one of the major business languages
- Government's stress on infrastructure improvement
- India's location, close to markets of South East Asia, Middle East and also Europe.

India is possibly become one of the largest economies of the world by the year 2025 as per protrusions made by internationally renowned consultants and IMF. Businesses around the world do not like to miss the growth opportunities offered by Indian markets and hence some of them are already stepping up their investments and rest eying India for investments in coming years.

Emplacement advantage:

India has its border countries as China, Bhutan and Nepal on north-west side, Myanmar and Bangladesh on East side and Afghanistan & Pakistan on its North-West side, as its situated in south Asia. The great Himalaya Mountains divide India from rest of Asia in its North side. Some of the coming forth and conventional markets such as Middle-East and South East countries are also closely located.

India is environed by Bay of Bengal, Arabian Sea and Indian Ocean which facilitates most its overseas trade in all directions, naturally connected via the sea path from the other three sides.

Total area of the country is about 3.3 million square kilometers, 90% of which is land area. India is the seventh largest country in the world in area. India's coast line spreads over a length of 7,517 kilometers on three sides.

Resource:

Population and work force:

India's population is figured at 1.21 Bllion people in 2011, as Compared to the total world population which is 6.9 Billion. Furthermore, India's biggest asset is huge size of its young and working population class. The proportionality of population in the working age-group 15-59 years is anticipated to rise from 57.7 percent in 2001 to 64.3 percent in 2026. This is going to positively affect India's growth in the coming years. According to the National Population Commission, India will add 173 Million people in working-age population by the year 2026. In fact, by this time, India will have the largest working age population in the world. This will act as a vital point in making India a world leader in coming years.

Education layers and manpower resource:

India can boast of outstandingly strong manpower resources with one of the most developed higher education systems across the globe. India's size of education system ranks third in the world, after US and China.

The literacy rate in India is 74 percent in 2011, with English being understood and used commonly as a medium of spoken and written communication.

India had 409 university level institutions in 2008-09. The total number of colleges is 25,990 and that of polytechnics was 1742.

Total number of annual enrolment for various postgraduate courses is as high as 18.6 Million in the nation.

India has 1522 degree-granting engineering colleges with an annual student intake of 582,000.

The number of student enrolled each year to become doctors is as large as 273,366 in India.

The number of graduates from other courses like management, law, architecture, hotel, travel and tourism management are also growing fast.

Who can invest in India?

- A non-resident entity can invest in India, subject to the FDI Policy except in those sectors/ activities which are prohibited. However, a citizen of Bangladesh or an entity incorporated in Bangladesh can invest only under the Government route. Further, a citizen of Pakistan or an entity incorporated in Pakistan can invest, only under the Government route, in sectors/activities other than defence, space and atomic energy and sectors/ activities prohibited for foreign investment.
- NRIs resident in Nepal and Bhutan as well as citizens of Nepal and Bhutan are permitted to invest in the capital of Indian companies on repatriation basis, subject to the condition that the amount of consideration for such investment shall be paid only by way of inward remittance in free foreign exchange through normal banking channels.
- OCBs have been derecognized as a class of investors in India with effect from September 16, 2003. Erstwhile OCBs which are incorporated outside India and are not under the adverse notice of RBI can make fresh investments under FDI Policy as incorporated non-resident entities, with the prior approval of Government of India if the

investment is through Government route; and with the prior approval of RBI if the investment is through Automatic route.

- Only SEBI registered FII and NRIs as per Schedules 2 and 3 respectively of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000, can invest/trade through a registered broker in the capital of Indian Companies on recognised Indian Stock Exchanges.

- 3.1.6 A SEBI registered Foreign Venture Capital Investor (FVCI) may contribute up to 100% of the capital of an Indian Venture Capital Undertaking (IVCU) and may also set up a domestic asset management company to manage the fund. All such investments can be made under the automatic route in terms of Schedule 6 to Notification No. FEMA 20. A SEBI registered FVCI can invest in a domestic venture capital fund registered under the SEBI (Venture Capital Fund) Regulations, 1996. Such investments would also be subject to the extant FEMA regulations and extant FDI policy including sectoral caps, etc. SEBI registered FVCIs are also allowed to invest under the FDI Scheme, as non-resident entities, in other companies, subject to FDI Policy and FEMA regulations.

Entry routes for investments:

Investments can be made by non-residents in the equity shares/fully, obligatorily and compulsorily transformable debentures/ fully, compulsorily and obligatorily transformable orientation shares of an Indian company, through the Automatic Route or the Government Route. Under the Automatic Route, the non-resident investor or the Indian company does not require any approval from Government of India for the investment. Under the Government Route, prior approval of the Government of India is required. Proposals for foreign investment under Government itinerary, are considered by FIPB.

(i) An Indian company is being established with foreign investment and is not owned by a resident entity or

(ii) The control of an existing Indian company, currently owned or controlled by resident Indian citizens and Indian companies, which are owned or controlled by resident Indian citizens, will be/is being transferred/passed on to a non-resident entity as a consequence of transfer of shares and/or fresh issue of shares to non-resident entities through amalgamation, merger/demerger, acquisition etc. or

(iii) The ownership of an existing Indian company, currently owned or controlled by resident Indian citizens and Indian companies, which are owned or controlled by resident Indian citizens, will be/is being transferred/passed on to a non-resident entity as a consequence of transfer of shares and/or fresh issue of shares to non-resident entities through amalgamation, merger/demerger, acquisition etc.

(iv) It is clarified that these guidelines will not apply to sectors/activities where there are no foreign investment caps, that is, 100% foreign investment is permitted under the automatic route.

(v) It is also clarified that Foreign investment shall include all types of foreign investments i.e. FDI, investment by FIIs, NRIs, ADRs, GDRs, Foreign Currency Convertible Bonds (FCCB) and fully, mandatorily & compulsorily convertible preference shares/debentures, regardless of whether the said investments have been made under Schedule 1, 2, 3 and 6 of

FEMA (Transfer or Issue of Security by Persons Resident Outside India) Regulations.

Sectors in India for investment:

There is big range of diverse sectors in India where foreign investor would most preferably like to invest their money. The wide range of sectors for investment is enlisted below:

- Agriculture
- Mining
- Manufacturing
- Defense
- Power
- Civil Aviation Sector
- Banking-Public Sector
- Broadcasting
- Commodity exchange
- Real Estate
- Industrial parks
- Insurance
- Print-media
- Telecommunication
- Trading
- Petroleum and Natural Gas Sector
- Non-Banking Finance Company
- Courier Services

Top 10 Investment Companies in India

Sr. No.	Name	TurnOver	Corporate office	Employee
1	Microsoft	$74 billion	RedMond, Washington, U.S.	97000+
2	IBM	$107 billion	Armonk, Newyork, U.S.	434246+

3	Nokia	$39 billion	Espoo, Finland	97800+
4	PepsiCo	$67 billion	Newyork, U.S.	297050+
5	Ranbaxy Laboratories Ltd.	$2 billion	Gurgaon, Haryana, India	10000+
6	Nestle	$86 billion	Vevey, Switzerland	325000+
7	CocaCola	--	Midtown Atlanta, Georgia	150500+
8	Procter & Gamble	$84 billion	Cincinnati, Ohio, USA	125000+
9	Sony Corporation	$80 billion	Minato, Tokyo, Japan	162000+
10	Citigroup Inc	$70 billion	Manhattan , New York, U.S.	258500+

Conclusion:

As per the above study and facts, we concluded that Indian market is a lucrative and diverse platform for any foreign investor whose prototype is running adorably good in their country. Indian market seems mine of gold for all those investors who have rich interest in expanding their business worldwide and making it more productive in all manners.

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