JOURNAL OF
GENERAL MANAGEMENT RESEARCH

Foreign Direct Investment (FDI) Inflows in India

A Review

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Abstract

Indian economy is one of the top emerging markets of the world. Five years ago it was considered as part of the fragile five, but no longer. Since 2014, it has emerged as of the one top foreign destination in the world with a significant rise in FDI. The journey of attracting foreign investments started way back in 1991 with New Economic policy and India has unprecentedly scaled new heights in the level of FDI during 2000's. The paper focuses on secondary data based Sectoral analysis of the inflow of FDI in India from 2000 to 2018. The paper also aims to look at different facets of positive FDI spill overs in the country.

Keywords: *Foreign Direct Investment, India, Sectors, Economic Growth, Development*

JEL classification: *E2, E6, F21, F43*

ISSN 2348-2869 Print

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Journal of General Management Research, Vol. 6, Issue 1, January 2019, pp. 41–53

INTRODUCTION

The new industrial revolution, driven by frontier technologies, robotization and digital advancements have made investments and production across the world better, economical and faster than before. This has

offered vast opportunities for economic growth and sustainable development. World Economy has seen a rapid rise in foreign direct investment (FDI) for more than three and half decades. Singh et.al (2012) explains that one of the significant contributions of globalisation in the past is the growing and spreading FDI amongst the countries, contributing significantly to positive effects on the labour productivity of domestic firms. The Heckscher-Ohlin–Samuelson model suggests that FDI and international trade can be substitutes under assumption that labour and capital can move freely between countries and no transportation cost apply. This suggests for an indirect linkage between international trade and exchange production factors between the two as explained by Liu (2001). Most of the emerging economies and those in transition phase view FDI as an important source of financing. Miteshi & Stefanova (2017) consider FDI as a supplement to insufficient domestic capital. They believe that FDI finances both ownership change and capital formation. At the same time it helps in the replacement of the huge volumes of out-dated capital accumulated during years of central planning for transition economies. Attracting FDI inflows with favourable policies has therefore become a key battleground in the transition and emerging markets as pointed out by Singh (2009). The New Growth theory states that in order to have higher economic growth, productivity per person should be higher. This will, in turn raise the real gross domestic product (GDP) and thereby help in satisfying people's pursuit for profits. Therefore, FDI helps the economies by bringing new growth opportunities and massive profits having spill overs effect across various sectors of the economies in terms of: technical and managerial know how, skill up gradation, better and improved infrastructure, employment opportunities, increased competitiveness and opportunity for local markets to expand globally. This is one facet of FDI other one being negative on the host economies if it leads to repatriation of profits and gives stiff competition to the domestic and local players thereby stealing their markets. Thus, FDI may have both positive and negative effects on the host economies and it is important to look at their Sectoral decomposition and type as that can significantly impact the future growth and performance of the economy.

World Investment Report (2018) stated that there has been a decline in global FDI by 23 per cent, i.e. $1.43 trillion. Even with this decline the FDI to developing economies remained stable at $671 billion in 2017. Asia was the largest recipient of FDI in the World with a total of $476 billion inflows in 2017. Iqbal (2007) point out India has emerged as a major recipient of FDI in South Asia. It is a resourceful country having an adequate market for both capital and consumer goods. Large amount of natural resources in the country as well as excellent market surroundings provide a better platform for investments as stated by Singh (2009). FDI has been a major driver of economic growth in India. It is also a major source of non-debt financial resource for the development of the country. Ever since the New Economic Policy of 1991, foreign investments have been flowing into the economy. Gori (2015) explains that the liberalization phase in Indian economy has paid rich dividends to the country. Foreign companies are eager to invest in India in order to take advantage of lower wages, tax exemptions etc. This has generated employment and has helped the economy in upgrading to higher and better technology. A favourable investor friendly policy regime with

a robust business environment has ensured regular and smoother flow of foreign capital into the country. Various governments have taken measures to relax FDI norms across a range of sectors like telecommunication, power exchanges, stock market, defence, oil refineries in the public sector, etc. As per the Economic Survey (2017-18) reforms in the FDI policy announced in 2016 have brought maximum number of sectors under the automatic approval route, with a few exceptions in the negative list. There was a growth in FDI by 8 per cent, i.e. US$ 60.08 billion in the 2016-17. This is a very high growth rate for any financial year. Countries like 'Mauritius, Singapore and Japan have been top three countries in India contributing 36.17 per cent, 20.03 per cent and 10.83 per cent of the total FDI Equity Inflows during 2016-17.' Netherlands and United Kingdom also got added in the list for the year 2017-18 with the contributions of nearly 7 per cent and 5 per cent respectively. The Sectors receiving highest FDI Equity inflows during the same year are Services (Finance, Banking, and Insurance), Telecommunications and Computer Software & Hardware. They have received highest FDI with a share of 19.97 per cent, 12.80 per cent and 8.40 per cent respectively. Other sectors catching up fast are Power and Trading with 8 per cent and 11 per cent share respectively in terms of FDI inflows. Thus, in the recent years various governments have been proactive in making profound changes in the investment policies of India and this has helped the country to build and upgrade its industries with more global connect. Government policies since 2014 can be applauded for understanding the global economic landscape well in advance and making deep structural changes in the economy. The investment climate has changed in the country. India's rank has moved by 53 position in the World Bank's annual 'ease of doing business index'. India currently ranks 77th in the list of 190 countries.

The paper reviews the current FDI policy regime in India with an analysis of changes in FDI policy over the years. Remaining part of the paper is covered as follows Section II looks at the related literature on FDI policy and its impact on economies including, India. Section III reviews and discusses the FDI policy in India. The section is subdivided into trend analysis from 2000-2018 for the FDI inflows with a focus on sector wise analysis. Section IV looks at the policy suggestions and conclusion.

RELATED LITERATURE

Various governments have been responding to globalisation in a positive and comprehensive way. Significant divergent changes are made in the investment policies to make them adaptable, acceptable and sustainable. This has attracted a number of researchers across the globe to have a deeper look at the investment policies especially FDI in both developed and developing countries. Various researches like Carkovic & Levine (2002), Alfaro (2003), Johnson (2006), Lyroudi et al. (2004), Sapienza (2009), Melynyl et al. (2014) have been able to establish a positive relationship between FDI and Economic growth and development for the developing economies. World Investment report (2018) states that the developing economies have transformed their policy structures to accommodate the foreign players in manufacturing sector, as this sector has high potential to create jobs in the formal sector thereby raising and improving the standard of living conditions along with a improvement in productivity levels. At the

outset Herzer (2010) paper suggests positive effects of outward FDI on 50 countries. The study uses cross section growth regression approach and system cointegration method to show a positive relationship between FDI and economic growth. The long run causality shows that due to increases in GDP and the associated rise in productivity levels of firms helps them to make investments abroad thus having positive and significant ripple effects. Mora & Singh (2013) examined empirically the role of FDI in manufacturing and its contribution to trade productivity and fragmentation in ten Asian countries. Their results indicate a positive correlation between exports and imports with FDI. A greater trade fragmentation was observed in imported intermediate goods. However, both exports and intermediate imports have a positive correlation with per capita GDP. Foster (2011) examines the FDI scenario in emerging nations like India, U.K, brazil along with China. The author observed that China is one of the top nations in the world to receive FDI. Surprisingly the FDI is unevenly distributed in the country. The richer regions like those in east China have been able to attract high FDI as compared to western region. The author also highlights various regulatory problems in the country leading to execution of FDI projects. Fereidouni et al. (2011) point out that MENA (middle east and North Africa) region has not been able to benefit much from FDI except for sectors like energy and construction. They made observations on 19 MENA countries for eight years' time period from 2000 to 2008 on particular level of voice and accountability (VA). Their results indicate no relation between FDI and VA. Wang (2009) examines the impacts of different sector-level FDI inflows on host country's economic growth. The author uses data from 12 Asian economies from 1987-1997. The empirical results show a strong positive relationship between FDI in manufacturing sector and economic growth. FDI inflows in non-manufacturing sectors do not play a important role in augmenting economic growth. Ramaswamy et al. (2017) analyse the regional productivity across 28 Indian states from 1993 – 2013 w.r.t to FDI spill over. Using a panel data, they observed that factors like research and development, technology import, human capital, and various specifications of FDI have a substantial effect on the regional productivity in India except technology gap. Khachoo & Sharma (2017) observe closely the behavior of Indian and foreign Manufacturing firms for the research and development (R&D) when the FDI flows in. The authors stress that FDI inflows raise the competition level in the country thereby raising the R&D requirements by both domestic and foreign firms. The study uses Heckman's two-step estimation strategy to analyze this impact from 2000 to 2012. Their results indicate a remarkable increase in the investment budgets of both domestic and foreign firms on R&D and further suggests opening of the domestic economy for higher FDI. Programs like Make in India are working in the direction of bringing transformation into the economy thus making it a global manufacturing hub.

FDI POLICY FRAMEWORK IN INDIA: REVIEW AND DISCUSSION

Last few decades have seen significant changes in approaches and policies related to FDI in India along with developmental changes in industrial policy and foreign exchange position of the country. The early liberalisation efforts began in 1980 with

Table 1: Major Features of FDI Policy in India

Phase I *1950-67*	*Phase II* *1967 -1980*	*Phase III* *1980-1990*	*Phase IV* *1990-Onwards*	*Phase V* *2014 Onwards*
Receptive Attitude	Restrictions	Pro-business approach: gradual liberalization	Open door policy	Open door policy and promotion of selective sectors of National interest
Non-discriminatory treatment to FDI No restrictions on remittances Indians having ownership and control	Restrictions on FDI without technology. More than 40 percent not allowed. FDI controlled by FERA (foreign exchange regulation act)	Export oriented units allowed higher FDI Liberalization in the procedure of remittance and royalty in technical fees. Faster channels for FDI clearance created.	Liberalized policy framework for foreign trade, foreign exchange and technical collaborations. Core and infrastructure sectors: FDI was welcomed FERA replaced with FEMA (Foreign exchange management act). It was not necessary for FDI to be accompanied with technology. FDI was encouraged through mergers and acquisitions in services and financial sector, non-banking financial companies and insurance, etc.	Promoting FDI selectively in several sectors. Focus on FDI for job creation and domestic manufacturing. Raising FDI in defense sector from 26 percent to 49 percent. Full Indian Management and control through FIPB route. Development of smart cities and reduction in FDI from 50,000 square meters to 20,000 square meters with a three year post completion lock in. FDI in manufacturing through automatic route. Manufacturers allowed to sell through retail including e commerce platforms. Raising for FDI in the insurance sector from 26 % to 49 %., Civil aviation raised from 74 % to 100 %. FII/FPI allowed to invest in Power exchanges through primary market. Overseas investment up to 49% in the insurance and pension sectors under the automatic route. 100% FDI in asset reconstruction companies through the automatic route. Construction development eligible for 100 % FDI under the automatic route. Limit for investment by foreign portfolio investors (FPIs) in central public sector enterprises, other than banks, listed in stock exchanges raised from 24 % to 49 %. Investment limit for foreign entities in Indian stock exchanges will be enhanced from 5% to 15%

Source: Compiled by the author from various sources: 1. Uma Kapila (2015-16), Indian Economy Performance and policies, Academic Foundation.2. Government of India Ministry of Commerce & Industry Department of Industrial Policy & Promotion 3. RBI bulletins

industrial policy statements in 1980, 1982 and 1983. There was a sizeable reduction in tariffs and many import items were shifted to open general license (OGL) category. In 1990s when the economy was under a critical phase and needed macro-economic stabilization and structural adjustment, FDI emerged as the most preferred route for mobilisation of financial resources. Hence FDI upto 51 percent equity in specified industries was permitted under the automatic approval route by the Reserve Bank of India (RBI). Further as pointed out by Sharma and Khurana (2013) under the new foreign investment policy FIPB (Foreign Investment Promotion Board) was constituted by Government of India. Its main function was to invite and facilitate foreign investment through single window system from the Prime Minister's Office. India also became the member of MIGA (Multilateral Investment Guarantee Agency) for protection of foreign investments. Since 1991 a lot of work has been done in this direction to make the environment investor friendly in the country. Table 1 gives an overview of the features of FDI policy followed over the years in India thus making FDI as a huge source of external financing in the country.

Evaluation of FDI inflows in India 2000-2018

The Investment climate in India has changed and improved considerably since the opening up of the economy in 1991 and more progress was achieved under it from 2014 onwards. Easing of FDI norms played a pivotal role in raising the FDI in different sectors of the economy. The Indian economy is currently part of the 100 club on Ease of Doing Business (EoDB) and globally ranks first in the Greenfield FDI ranking. India received the record FDI of $ 60.1 bn in 2016-17.[1] Under the current framework of FDI there are two routes to enter the country by Multinational companies: the government route and the automatic route. Under the government route there is a prior permission for investment required and need to be approved by the respective administrative Ministry or department. Under the Automatic route, the investor requires no approvals from the Government of India for investment. Under both routes FDI can be permitted up to 100 percent.

Table 2 shows the FDI inflows in the country from 2000-01 to 2018-19. Since the year

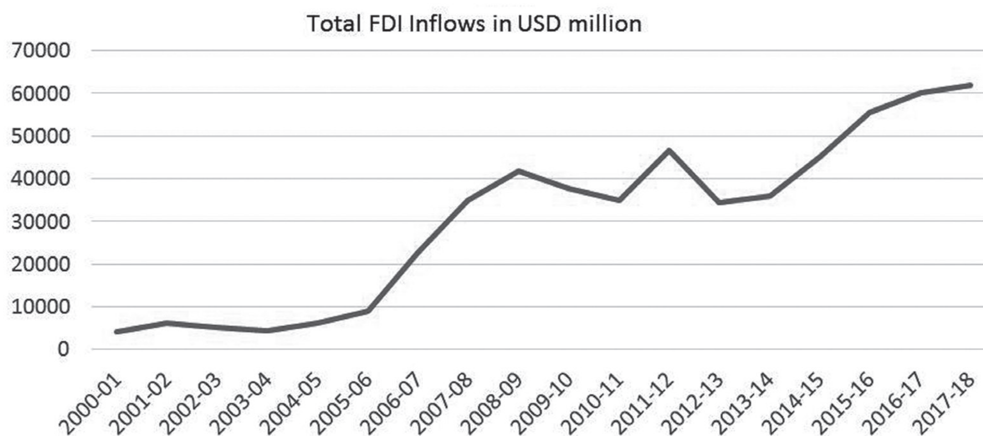

Figure 1: Financial Years from 2000-01 to 2018-19 FDI in flows in India (upto June 2018)

Source: Compiled by the author from various RBI and DIPP bulletins.

[1] https://www.investindia.gov.in/foreign-direct-investment

Table 2: FDI Inflows in the Country during the Financial Years from 2000-01 to 2018-19 (upto June 2018) Value in USD Million

S. No.	*Financial Year (April-March)*	*Equity*		*Re-invested Earnings +*	*Other Capital +*	*Total FDI Inflows*	*%age Growth over Previous Year*
		FIPB Route/ RBI's Automatic Route/ Acquisition Route	*Equity Capital of Unincorporated Bodies #*				
1	2000-01	2,339	61	1,350	279	4,029	–
2	2001-02	3,904	191	1,645	390	6,130	(+) 52 %
3	2002-03	2,574	190	1,833	438	5,035	(-) 18 %
4	2003-04	2,197	32	1,460	633	4,322	(-) 14 %
5	2004-05	3,250	528	1,904	369	6,051	(+) 40 %
6	2005-06	5,540	435	2,760	226	8,961	(+) 48 %
7	2006-07	15,585	896	5,828	517	22,826	(+) 155 %
8	2007-08	24,573	2,291	7,679	300	34,843	(+) 53 %
9	2008-09	31,364	702	9,030	777	41,873	(+) 20 %
10	2009-10	25,606	1,540	8,668	1,931	37,745	(-) 10 %
11	2010-11	21,376	874	11,939	658	34,847	(-) 08 %
12	2011-12	34,833	1,022	8,206	2,495	46,556	(+) 34 %
13	2012-13	21,825	1,059	9,880	1,534	34,298	(-) 26 %
14	2013-14	24,299	975	8,978	1,794	36,046	(+) 5 %
15	2014-15	30,933	978	9,988	3,249	45,148	(+) 25 %
16	2015-16	40,001	1,111	10,413	4,034	55,559	(+) 23 %
17	2016-17 (P)	43,478	1,223	12,343	3,176	60,220	(+) 8 %
18	2017-18 (P)	44,857	816	12,370	3,920	61,963	(+) 3 %
19	2018-19 (P) (upto June 2018)	12,752	155	2,924	1,037	16,868	–
Cumulative Total (from April, 2000 June 2018)		391,286	15,079	129,198	27,757	563,320	–

Source: Reserve Bank of India (RBI) bulletins and DIPP (Department of Industrial policy and promotion).

2000, significant changes have been made in the FDI policy regime by the government ensuring that the country becomes an increasingly attractive and investor friendly destination. The FDI inflows in the country grew tremendously post the 1991 reforms and were remarkable with a 52 per cent increase in the year 2001-02. From 2001-02 to 2000-04 the FDI inflows did not see much growth and were inconsistent declining to 18 percent and 14 per cent in 2002-03 and 2003-04. There were number of reasons for the decline in FDI inflow post 2001 like Gujarat earthquake (January 2001), the terrorist attack on the Indian Parliament (December 2001) and the terrorist attack on the World Trade Centre (WTO) (September 2001) (Singh, 2009). However, from 2004-05 to 2006-07

the percentage growth in FDI inflows was enormous. As pointed out by Singh (2009), an inclusive review was done for the FDI policies in 2006 adopting a more rationalized approach. The procedures were simplified, equity caps were raised to 100 percent and restrictive conditions were removed. This resulted in a positive impact on the civil aviation sector. Economic Survey (2007-08) pointed out that the government organized events like Destination India in association with CII (Confederation of Indian Industry) and FICCI (Federation of Indian Chambers of Commerce and Industry). This was to attract more investments, bringing into force the Foreign Investment Implementation Authority (FIIA) for investment-related problems, setting up of National Manufacturing Competitiveness Council (NMCC) to offer an ongoing forum for policy discussions. Department of Industrial Policy & Promotion (DIPP) made efforts to make the website user-friendly with online chat facility. In relation to this 4,500 investment-related queries were answered during 2007-08. However, in 2009-10 till 2013 the FDI investments could not grow much owing to the financial instability triggered by the United States subprime crisis in 2008 and further the Euro crisis in 2012-13. There was a decline in World growth prospects as well as investors' confidence leading to a negative impact worldwide. In India also FDI inflows declined as indicated in Table 2. Its only in 2014 that the revival signs started emerging for FDI with a positive growth in inflows. (see Table 2). 'The changes in the FDI Policy 2017 showcases the hard work and efforts of the Indian Government to remove of several layers of bureaucracy, and to process proposals for FDI under the government approval route in a more streamlined, positive and expeditious manner. The Government has eased 87 FDI rules across 21 sectors in the last 3 years, opening up traditionally conservative sectors like rail infrastructure and defence.'2

Sectoral Composition of FDI Inflows

Several indicators can reflect the quality of FDI inflows into the country, changes in Sectoral composition is one of them. Kapila (2016) states that it's very important for a country to analyse the FDI is going to which of its respective sectors. Whether it's going to modern and advanced technology intensive sectors or helping to build productive capabilities thereby crowding out domestic investments. There has been a drastic shift in the composition of FDI inflows since 1991. The FDI's have gradually shifted from manufacturing to services sector. Also, different sectors have been opened up for FDI at different points of time. That partly explains the difference in FDI received in various sectors. (see table 3).

Table 3 shows the data of Sector wise inflow of FDI in India. The sector showing the highest growth rate in terms of FDI inflows is the services comprising of Financial, Banking, Insurance, Non-Financial/Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis Since 2015, the sector has received Rs 45,415 crores which further increased to Rs 58,214 crores in 2016. In the last eighteen years this sector has registered growth rate of nearly 18 per cent in FDI inflows. The service sector in the country has played an important role in enabling improved economic performance on the domestic

[2] https://corporate.cyrilamarchandblogs.com/2017/09/india-announces-new-foreign-direct-investment-policy-2017-2018/

Table 3: Sector-Wise FDI Inflows in India from 2000-2018 in Rs crore (in US$ million)

Ranks	*Sectors*	*2015-16*	*2016-17*	*2017-18*	*2018-19 (April 2018 – June 2018)*	*Cumulative Inflows (April, 2000–June, 2018)*	*% age to Total Inflows*
1.	Services Sector **	45415 (6,889)	58,214 (8,684)	43,249 (6,709)	16,119 (2,432)	375,937 (68,617)	18 %
2.	Computer Software & Hardware	38351 (5904)	24,605 (3,652)	39,670 (6,153)	9,354 (1,407)	185,813 (32,230)	8 %
3.	Telecommunications	8637 (1324)	37,435 (5,564)	39,748 (6,212)	10,681 (1,593)	180,593 (31,751)	8 %
4.	Construction Development***	727 (113)	703 (105)	3,472 (540)	221 (33)	118,331 (24,865)	6%
5.	Trading	25244 (3845)	15,721 (2,338)	28,078 (4,348)	10,938 (1,625)	123,574 (20,184)	5 %
6.	Automobile Industry	16437 (2527)	10,824 (1,609)	13,461 (2,090)	3,553 (527)	109,232 (19,291)	5 %
7.	Drugs & Pharmaceuticals	4975 (754)	5,723 (857)	6,502 (1,010)	749 (112)	83,071 (15,829)	4 %
8.	Chemicals (Other Than Fertilizers)	9664 (1470)	9,397 (1,393)	8,425 (1,308)	5,311 (786)	82,688 (15,387)	4 %
9.	Power	5662 (869)	7,473 (1,113)	10,473 (1,621)	6,367 (969)	76,926 (14,179)	4 %
10.	Construction (Infrastructure) Activities	29842 (4511)	12,478 (1,861)	17,571 (2,730)	3,769 (562)	81,715 (13,109)	3%

Note: ** Services sector includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis

*** Construction Development Townships, Housing, Built-Up Infrastructure And Construction- Development Projects

Source: DIPP.

growth as well as external fronts during the post reform period. Services have also facilitated India's integration with the World economy through trade and capital flows especially in the Information and technology (IT) and business process outsourcing (BPO) as pointed out Chanda (2012). The share of both telecommunications and computer hardware and software is at 8 % each. Both are also part of the service sector. Thus, overall this sector has nearly 32 per cent of FDI inflows in the country. The figures in table 3 can also be analysed in terms contribution of the manufacturing sector to FDI inflows. The automobile industry has been able to make Rs 16,437 crore worth of FDI inflows in 2015-16 and Rs 10,824 crores in 2016-17. Over the years the sector has able to contribute nearly 5 per cent to total FDI inflows in the country. Over the last decade this sector has seen investments from various countries like U.S (Harley Davidson bike manufacturing, Jeep and Ford in the SUV segment), Korea (Kiya motors), Japan (I Suzu), U.K based Morrison Garage (now taken over by Chinese Firm), Europe (German car makers Mercedes Benz, BMW, Volkwagen; Italian car makers like Fiat) to name a few. All these manufacturers have now set up manufacturing bases in India thus contributing to GDP, employment and infrastructure development in the country. In the power sector FDI has been continuously increasing from Rs 5662 crores in 2015-16 to Rs 10473 crores in 2017.The earlier policy allowed 49 per cent FDI under the automatic route in power exchanges registered with Central Electricity regulatory commission regulations of 2010. They were allowed only in the primary market. With the current amendments the foreign institutional investors (FIIs)/ foreign portfolio investors (FPIs) will be allowed to invest in the secondary market as well. The construction development sector has also seen a high rise in FDI inflows with a 6 per cent rise from 2000 to 2018. The sector has seen a tremendous rise from Rs 727 crores in 2015-16 to Rs 3474 crores in 2017. Recently 100 per cent FDI has been allowed in this sector. This will help to attract global funds and bidders.

Thus in order to promote growth in the Indian Economy through FDI inflows in specific sectors along with promoting employment, infrastructure etc have been taken by the Government constructively since 2014.

DISCUSSION, POLICY SUGGESTIONS AND CONCLUSION

India has become one of the most attractive emerging markets globally. The gross FDI received from April 2000 to June 2018 is USD 563320 million. This inflow of funds over the years has helped the country in advancement of technology, skill upgradation, employment generation, better infrastructure and management (Teli 2014; Sharma & Khurana 2013). Foreign corporations have helped the country in transforming its economic structure, bringing additional investors and has attracted investments in innovative sectors. It is observed that in order to have structural transformation there is a proactive policy formulation by Government of India (GOI) especially from 2014 onwards. This has facilitated high amount of foreign inflows in different sectors. Thus, adding to higher productivity and promoting sustainable and inclusive development. Service Sector especially banking, financial and non-financial, Insurance, Outsourcing, Research and development of India has attracted maximum FDI followed by manufacturing

sector. Higher volumes of FDI have come in electronics, hardware, automobiles, pharma, etc.

A basic question here is what makes India an attractive destination for FDI whether in services or manufacturing sector? Simple answer would be how competitive India is in a particular sector, globally speaking Indian manufacturing is not globally competitive. There are various reasons as per industry experts. Manufacturing in India is basically driven by low labour costs and as such only those type of manufacturing like textiles, generic pharma, etc., are prominent. In the current scenario many countries like Bangladesh, Cambodia, Brazil, Maynamar to name a few have opened their economies as well. Foreign capital is being invested in these countries, for instance European Union and Cambodia free trade agreement. In future, as the labour costs goes up, this type of manufacturing (as mentioned above) will slowly die down in India and can have serious impacts on the investments. Heavy industries in India could never pick up primarily due to lack of skill. For instance, we learn to make cycles, then motorcycles, then cars and then finally jet engines and aeroplanes, but that is not happening in India, the same has already happened in China. So, unless we develop complex manufacturing the sector will not grow and merely flow of FDI will not be very beneficial. To cite an example here, there is huge demand in aviation but neither we make planes or any critical part of it and no industry is investing in it as well. Low adoption of technology is a primary reason why manufacturing is not looked upon in India. Without technology, scale is not possible and without scale industries cannot compete with global behemoths. So, unless companies look for global scale its difficult to raise foreign capital. The 'Make in India' programme was launched on 25th September 2014 by GOI with an objective of making India a global hub for manufacturing, research & innovation. The GOI has even identified ten sectors having high potentials. How much the Make in India delivers is yet to be seen!

Taking a look at service sector, Banga (2005) has stated that this sector has emerged as the largest and fastest-growing sector in the global economy. It has contributed to more than 50 percent of global output and has created sufficient employment. In sync with the global trends, service sector in India has also grown rapidly during the last two decades. Its growth has in fact been higher than the growth in agriculture and manufacturing sector. Looking at Indian service sector, its definitely globally competitive. The growth pattern of India is interesting to look at. The services led growth that Indian Economy has seen is different from what Clark -Kuznets had envisaged. However, growth is not interesting if it is jobless and spread unevenly in the sector. For instance, some services like software and telecommunications services have grown fast in terms of their share in GDP, trade and FDI whereas services like health and education have not be able to witness a fast growth. Even though we climbed notches in ease of doing business index India still has huge amount of infrastructure bottlenecks along with stringent labour laws. This needs to be looked at in a timely manner by the GOI. Also, the fact that other developing countries are competing with India to attract FDI cannot be ignored. For example, India used to be an attractive business process outsourcing (BPO) destination five years back. Not anymore. Philippines is now a favoured destination for BPO.

To sum up, the recent changes in FDI policy regime of 2017 by GOI has helped to remove multiple layers of bottlenecks faced by foreign investors. The investment processes have been rationalized and expedited. "The Government has eased 87 FDI rules across 21 sectors in the last 3 years, opening up traditionally conservative sectors like rail infrastructure and defence. India's agriculture sector has also received FDI worth INR 515.49 crore in 2016-17."[3] The changes in the FDI policy regime exhibits the Government will continue to bring about liberalisation of the FDI regime in India in the months to come. All in all, the efforts should be directed to maintain India's trajectory towards remaining the world's most attractive destinations for foreign investment.

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