International Journal of Research in Finance and Marketing (IJRFM)
Available online at : http://euroasiapub.org/current.php?title=IJRFM
Vol. 7 Issue 7, July - 2017, pp. 109~112
ISSN(o): 2231-5985 | Impact Factor: 6.397

AMPLIFICATION OF FOREIGN DIRECT INVESTMENT IN INDIA – AN INDICATIVE EVALUATION

Ms. Maheshwari. M

Assistant Professor,

Department of B.Com (e -Commerce),

PSGR Krishnammal College for Women,

ABSTRACT

“FDI is a responsibility for Indians & an opportunity for the world. My definition of FDI for the people of India is ‘FIRST DEVELOP INDIA’ ” – Narendra Modi

India is the largest democracy and is fourth largest economy in terms of purchasing power parity in the world. India with its consistent growth performance and abundant high-skilled manpower provides enormous opportunity for investment, both domestic and foreign Investment in India and it can be made by both non-resident as well as resident Indian entities. Any non-resident investing in an Indian company is FDI. FDI is an investment made by a company or entity based in one country into a company or entity based in another country. FDI has helped the Indian economy grow and the government continues to encourage more investments of this sort. Attracting FDI has become an integral part of the economic development strategies for India. The study intends to examine the growth of FDI since 2000 with a view to understand the prospects for inflow in future.
KEY WORDS: Foreign Direct Investment, Annual Growth Rate, Economy…

INTRODUCTION

According to the International Monetary Fund (IMF), Foreign Direct Investment, commonly known as FDI, “it refers to an investment made to acquire lasting or long-term interest in enterprises operating outside of the economy of the investor". The investment is direct because the investor, which could be a foreign person, company or group of entities, is seeking to control, manage, or have significant influence over the foreign enterprise.

FDI is the investment made by an enterprise of one country in an enterprise resident in another country. It is considered to be the lifeblood of economic development especially for the developing and underdeveloped countries. It plays an important role in the long – term development of an economy through transfer of technology and innovative ideas, strengthening infrastructure, raising productivity and generating new employment opportunities, improving country’s trade balance, increasing labour standards and skill and the general business climate. In India, FDI is considered as a development tool, which can helps in developing the economy by generating employment to the unemployed, generating revenues in the form of tax and incomes, financial stability to the government, development of infrastructure, backward and forward linkages to the domestic firms for the requirements of raw materials, tools, business infrastructure, and act as support for financial system. Forward and back ward linkages are developed to support the foreign firm with supply of raw and other requirements. It helps in generation of employment and also helps poverty eradication. For this purpose in 1948, the Jawaharlal Nehru government launched a policy to satisfy the foreign investor and gave them assurance that there will be no discrimination between foreign and Indian capital.

OBJECTIVES

The main objective of the study is to analyze the growth of FDI inflows in India from the year 2000-2015.

RESEARCH METHODOLOGY

Research in common parlance refers to a search for knowledge. In this study the data has been collected on the progress of the FDI which has been acquired from secondary data collected from the years 2000-01 to 2014-15. Various tools has been used to establish a basis for the study namely

- Average annual growth rate
- Compound annual growth rate

ANALYSIS & INTERPRETATION

- **ANNUAL AVERAGE GROWTH RATE**

The average annual growth rate (AAGR) is the average increase in the value of an individual investment, portfolio, asset or cash stream over specific interval of time. It is calculated by taking the arithmetic mean of the growth rate over the time periods. AAGR is useful for determining trends. It can be applied to almost any financial measure, including revenue, profit, expenses, cash flow, etc. to give investors an idea of which direction a company is headed for that particular measure. The formula for AAGR is:

AAGR = (Growth Rate in Period A + Growth Rate in Period B + Growth Rate in Period C + ...Growth Rate in Period X) / Number of Periods

- **COMPOUND AVERAGE GROWTH RATE**

The compound annual growth rate (CAGR) is the mean annual growth rate of an investment over a specified period of time longer than one year. The compound annual growth rate (CAGR) is a useful measure of growth over multiple time periods. It can be thought of as the growth rate that gets you from the initial investment value to the ending investment value if you assume that the investment has been compounding over the time ' CAGR is a relatively simple metric, since it merely

International Journal of Research in Finance and Marketing (IJRFM)
Available online at : http://euroasiapub.org/current.php?title=IJRFM
Vol. 7 Issue 7, July - 2017, pp. 99~91
ISSN(o): 2231-5985 | Impact Factor: 6.397

measures the average rate of an investment's growth over a variable period of time. Because of this simplicity, this metric is a flexible one and thus has a variety of uses. CAGR can be used to calculate the average growth of a single investment. Because of market volatility, the year-to-year growth of an investment may be difficult to interpret.

To calculate compound annual growth rate, divide the value of an investment at the end of the period in question by its value at the beginning of that period, raise the result to the power of one divided by the period length, and subtract one from the subsequent result.

This can be written as follows:

$$=\{\text{ENDING VALUE/ BEGINNING VALUE}\}^{[1/\text{ no.of years}]}-1$$

. **TABLE - YEAR WISE GROWTH OF TOTAL FDI INFLOW**

SL NO	**YEAR**	**FDI INFLOWS**		
		RS (CRORE)	**AGR**	**CAGR**
1	**2000-01**	4029		
2	**2001-02**	6,130.00	52.15%	
3	**2002-03**	5035	-17.86%	
4	**2003-04**	4322	-14.16%	
5	**2004-05**	6051	40.00%	
6	**2005-06**	8,961.00	48.09%	
7	**2006-07**	22,826.00	154.73%	
8	**2007-08**	34,843.00	52.65%	
9	**2008-09**	41,873.00	20.18%	
10	**2009-10**	37,745.00	-9.86%	
11	**2010-11**	34,847.00	-7.68%	
12	**2011-12**	46,556.00	33.60%	
13	**2012-13**	34,298.00	-26.33%	
14	**2013-14**	36,046.00	5.10%	
15	**2014-15**	44,877.00	24.50%	
AAGR			**25.36%**	
CAGR				82.69%

The above table depicts the annual growth rate, average annual growth rate and compound annual growth rate of FDI inflows. The annual growth rate of FDI inflows shows a fluctuating rate from the year 2000-01 to 2014-15. The Annual growth rate in the year 2000-2001 was 52.15% and it has been decreased to 24.50% in the year 2014-15 showing a decreasing rate. The annual growth rate was highest in the year 2006-2007 with 154.73% and lowest of -26.33% was found in the year

2012-13. The average annual growth rate was 25.36% and the compound annual growth rate computed for the years 2000-01 to 2014-15 was found to be 82.69%.

SUGGESTION

It is suggested that the policy makers should ensure optimum utilization of funds and timely implementation of projects. It is also observed that the realization of approved FDI into actual disbursement is quite low. It is also suggested that the government while pursuing prudent policies must also exercise strict control over inefficient bureaucracy, red-tapism, and the rampant corruption, so that investor's confidence can be maintained for attracting more FDI inflows to India. Last but not least, the study suggests that the government ensures FDI quality rather than its magnitude.

CONCLUSION

FDI in India has contributed effectively to the overall growth of the economy in the recent times. FDI Policy permits FDI up to 100 percent from foreign/NRI investor without prior approval in most of the sectors including the services sector under automatic route. FDI in sectors/activities under automatic route does not require any prior approval either by the Government or the RBI. In this study we have found that there is a significant increase in the amount of FDI inflows into India.

REFERENCES

1. Pradeep ,(2013), " Foreign Direct Investment and Industrial Development in India" Thesis submitted to Maharshi Dayanand University Rohtak for the degree of doctor of philosophy in Department of commerce.
2. Shilpi, Nalsar and Priti Prasad (2007); "Foreign Direct Investments and the LegalProfession in India"; Delhi Business Review X Vol. 8, No.1, January-June. 30.
3. Parag Pateria (2007); "*The Economies of* Foreign Direct Investments -*Incentives*"; Delhi Business Review X Vol. 8, No.1, January-June.
4. Singh, R.K. and Kulkarni, V.S (2006); "Foreign Direct Investments and Economic Development"; Abhijeet Publications, New Delhi.
5. Pradhan, J P (2006); "Rise of Service Sector and Outward Foreign Direct Investment from Indian Economy: Trends, Patterns and Determinant"; Gitam Journal of Management, Vol.4,No.1, pp. 70-97.