Foreign Direct Investment (FDI) in India Policies, Performance and Prospects

Chandrahas Deshpande,
Welingkar Institute of Management, India.

Abstract

After following policies of economic liberalization and after opening up of the Indian Economy to FDI, India has now emerged as one of the most favorable and durable global FDI destinations. Despite the slowdown in global economic growth, trade and investment witnessed in recent years, the Indian GDP growth has never crossed the floor of 7% and, FDI in India has kept growing consistently. The policy-regime towards FDI has been characterized by ‘progressive and steady liberalization’ over the post-reform period since 1991.

The present Government too has renewed the emphasis on FDI as a vehicle for economic development and employment generation and has been engaged in making suitable changes in the FDI Policy. The “Make in India” drive currently under way, has FDI as a major component in the overall strategy. Almost all the States of India are competing with each other on parameters of “ease of doing business”, in order to attract more FDI and more MNCs to their respective states.

Going forward, the prospects for multiple times of today’s FDI inflows, seem to be bright. The likely implementation of GST, the economy consolidating her growth trajectory and with global economic growth set to recover albeit slowly, there is reason to believe that India remains as a global hot spot for FDI. A key ingredient here could be a concerted policy-effort in the direction of enabling the Indian industry to get into the Global Value Chains (GVCs) and reap the benefits of FDI and export acceleration.

- Our Paper documents the key developments in India’s FDI Policy regime, analyses the FDI trends and their composition and outlines certain key areas of Reforms that need to be undertaken on priority.