

PROPER UTILIZATION OF FDI_s IN VARIOUS SECTORS WAY TO IMPROVE ECONOMIC CONDITIONS OF OUR COUNTRY

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Abstract: Foreign Direct Investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Direct Investment also includes investment associated with that relationship, including investment in indirectly influenced or controlled enterprises, investment in fellow enterprises, debt and reverse investment. The origin of the investment does not impact the definition as an FDI, i.e., the investment may be made either 'inorganically' by buying a company in the target country or "organically" by expanding operations of an existing business in that country. Foreign Direct Investment usually involves participation in management, joint-venture, transfer of technology and expertise. FDI is not only a growing source of investment for developing countries like India, but it also offers significant benefits through enhancing competitiveness, raising productivity, strengthening infrastructure, producing new employment opportunities and reviving technology. In this paper, some highly promising and attractive sectors where foreign investors prefer to invest may be both State and Central Government sponsored project sectors like healthcare, education, telecommunication, tourism, business are discussed. With the available and enhanced technology, it was extremely essential to expand the Indian education sector and other needed sectors so that, stable economic growth in the country can be possible, maintained and sustained. Also, the Government of India has taken several initiatives in order to attract investment from foreign investors for the expansion of different sectors.

Keywords: Foreign direct Investment, Healthcare, Education, Telecommunication, Tourism, Business.

Introduction

Foreign Direct Investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Direct Investment also includes investment associated with that relationship, including investment in indirectly influenced or controlled enterprises, investment in fellow enterprises, debt and reverse investment. The origin of the investment does not impact the definition as an FDI, i.e., the investment may be made either 'inorganically' by buying a company in the target country or "organically" by expanding operations of an existing business in that country. Foreign Direct Investment usually involves participation in management, joint-venture, transfer of technology and expertise. FDI is not only a growing source of investment for developing countries like India, but it also offers significant benefits through enhancing competitiveness, raising productivity, strengthening infrastructure, producing new employment opportunities and reviving technology. Some highly promising and attractive sectors where foreign investors prefer to invest include pharmaceutical, power, infrastructure, telecommunication, mining, hotel and tourism and many more. They can also invest in State and Central Government sponsored projects in different sectors like healthcare, education, pharmaceutical and construction of lucrative returns. The funds were one of the important aspects to achieve growth in education sector of India. With the available and enhanced technology, it was extremely essential to expand the Indian education sector in order to maintain stable economic growth in the country.

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Objectives

1. To know about the proper and the extent of utilization of FDI_s in various sectors.
2. To study if FDI_s in real, help our country to improve economic conditions.

Types of FDI

There are three types of FDI.

1. Horizontal FDI: Horizontal FDI takes place when a firm duplicates its home country-based activities at the same value chain stage in a host country through FDI.
2. Platform FDI: Platform FDI takes place when the FDI from a source country into a destination country for the purpose of exporting to a third country.

3. Vertical FDI: Vertical FDI takes place when a firm through FDI moves upstream or downstream in different value chains i.e., when firms perform value-adding activities stage by stage in a vertical fashion in a host country.

FDI is the primary source of non-debt creating asset to bridge gap between savings- investment is less developed as well as developing countries. It is expected to enhance the total factor productivity and efficient allocation of the factors of production. Foreign MNCs are held as major sources to facilitate the transfer of technology through FDI to the host economies. FDI is less volatile and the cheapest means of technology transfer as the recipient firm normally does not have to finance the acquisition of new technology. It transfers newer technology faster than licensing agreements and international trade. FDI plays a vital role in human capital information, trade integration, creating competitive business environments and enterprise development. All these factors can generate long run economic growth. FDI promotes economic growth. FDI promotes economic growth in developing countries by increasing total domestic investment and by increasing productivity.

The Honorable Union Minister of Commerce and Industry, Government of India, stated that, India has consistently been classified as among the most attractive destinations by a slew of reputed international organizations, With its highly skilled and cost effective man-power, it offers immense opportunities not only for business process outsourcing but increasingly for the higher end of the value chain in knowledge process outsourcing and engineering process outsourcing. The policy of government of India is to strive to maximize the developmental impact and spinoffs of FDI. While the Government encourages and indeed welcomes FDI in all the sectors where it is permitted, it is looking for large inflows in the development of infrastructure, technological upgradation of Indian industry through green field investments in manufacturing and in projects having the potential for creating employment opportunities on a large scale. Government has set up Special Economic Zones and is manufacturing units there in.

In recent years, India has attained almost a notable position on the world canvas as a key international trading partner, majorly because of investor's friendly FDI policy. At the same time, the global view for India is highly positive. Global leaders of various companies of India said that, India is a developed country with respect to intellectual capital, some are thinking to expand their presence to take advantage of the ample R&D talent available and some are looking to capitalize on human capital. This all is because of some definite competitive strength that India possesses. India has a vast pool of highly skilled man-power and entrepreneurial expertise. India is having millions of knowledge workers in the software industry and more universities, colleges and engineering graduates that continue to be surplus in working population for a long period of time.

The great advantages that works for India are: Information communication and Technology (ICT), Telecommunications, oil and natural gas industry, infra- structure, power sector, food processing, Healthcare industry, Automobile industry etc.,

The general Key drivers attracting foreign investment in India w.r.to any sector are:

The Indian Workforce which is less costly from economic point of view.

Their skills are at par with the international standards.

More branches are established from across the World to outsource most of their technical work.

Good satisfaction with price and utilization rate.

Information communication and Technology (ICT)

The ICT sector in India has demonstrated dramatic growth in the last one decade. India is recognized as a global leader in ICT sector by virtue of its low operation cost, availability of large talent pool and remote delivery model. ICT has concentrated on two areas especially, one is Information Technology while the other is communication. IT sector in India played an important role to transform the country's image to a territory of rational entrepreneurs.

The ICT sector of India has been attracting significant amount of foreign investment in the last few years. Investment is being done in four key sectors which are software merchandise, information technology based services, information technology services and online businesses. With highly attractive industrial and investment policies, the ICT sector of India has preferred choice for foreign (NRIs) and domestic investors. All the major fortune companies of the world are clients of Indian firms. As India has R&D basis of a number of companies, it provides great opportunity for research in ICT and joint Software development in a variety of applications.

Telecommunications

Telecommunications industry in India possesses a vast potential for FDI. India is among the fastest growing telecommunications markets of the world. As India has the lowest tariff rates in the world, lakhs of kilometers of optical fibre already laid, more million number of cellular phone connections are added every month. With the announcement of new broad band policy, the number of connections still increased and the number of internet subscribers has surpassed millions. A lot of scope still exists in setting up of manufacturing facilities and supply of handsets and other equipments.

The significant amount of foreign investment in Indian telecom sector was at bay before the government released the new FDI norm. The permission of 100 percent FDI in Indian telecom sector will help to attract a foreign investment of more than \$10 billion in the coming years. An increase in FDI cap will also help some major players to enter into Indian telecom industry and this will make overall competition in the sector extremely furious. The important initiative taken by the Government of India will open investment

doors for many reputed global firms. In coming time, Indian government will provide more flexibility to foreign players in telecom sector, especially for those who prefer to invest for long term perspective. As a result of that one of the rapidly growing but debt laden telecom sector of India will receive great relief in coming time.

Healthcare Industry

Health care industry sector in India has demonstrated amazing entrepreneurial initiative over the last few years. The different areas such as life science, bio-technology, pharmaceutical and diagnostics within the healthcare industry have been playing important roles in attracting foreign players to India to establish various allied health industries in partnership with domestic players. This is also offering Indian entrepreneurs several opportunities to invest in the Indian healthcare sector. The way the current healthcare sector is shaping up, a foreign entrepreneur who wants to penetrate the Indian healthcare industry has to think out of the box before making any investment decision.

Both the industry and the Government have taken initiatives to increase investments and employment of skilled personnel which has enhanced the quality of healthcare services without increasing the price. India has the potential for medical tourism, as the cost of treatment is much lower than other developed countries.

Apart from this, identifying the most appropriate business model and suitable sector are key to growth and survival in the Indian healthcare sector at present.

Growth Drivers of Healthcare Sector in India

Affordable treatment costs

Rising population of the country and awareness among people about healthcare disorders

Quicker diagnosis, leading to timely treatments

Initiatives such as wellness check-ups and medical insurance taken by corporate houses

Education

Indian education sector is considered one of the prime areas of investments as the education system of India has been going through a strong phase of revolution. The entry of foreign universities will not only boost the competition but will also create an international platform for Indian students to achieve world class education. With the availability of enhanced technology, it was extremely essential to expand the Indian education sector in order to maintain stable economic growth in the country. However, funds were one of the important aspects to achieve growth in education sector of India. Considering this, the Government of India has allowed 100 percent FDI in the expansion of education sector and taken several initiatives in order to attract investment from foreign investors.

Growth Drivers of Education Sector in India

Constantly rising awareness- The awareness and importance of education among Indian people has created several opportunities in the education sector of India.

Demographics Advantage – According to recent analysis, more than 35 percent of Indian population is under the age of 15 which will create strong demand for education in coming years in India.

Technology Oriented Education – Constant increase in importance of technology has also created revolution in the education sector of India.

The Human Resource Driven Economy is also considered as one of the important growth drivers of education sector in India. Indian government has opened several doors for reputed foreign universities by introducing the Foreign Educational Institution (Regulation of Entry and Operation) Bill which has brought foreign investment in India and transformed the overall structure of education industry in India.

Tourism

Tourism is considered as an important sector for any country from both social as well as economic point of view. Tourism sector is one of the key drivers of economic progress of a country through infrastructure development and creation of employment opportunities. Indian tourism sector possesses a wide range of tangible as well as intangible natural, man-made and cultural resources, most of which are world famous. The real competitive strength of Indian tourism sector is in its ancient destinations which demonstrate the diverse religions and philosophies of country. The rural and natural landscape of India also gives indication of its ancient and modern structures. The real potential of Indian tourism sector is reflected from its culture diversity which is achieved through its wide range of customs, traditions, cuisines, languages, dance, music, festivals and religious practices.

- Indian tourism industry is one of the highly vibrant among all sectors and the country stands 40th in the overall world ranking in terms of Foreign Tourist Arrival (FTAs). According to the World Travel and Tourism Council (WTTC), Indian tourism will be one of the rapidly growing industries in next couple of decades. Indian tourism sector is the fourth largest contributor to foreign exchange earnings of the country.

Growth Drivers of Tourism Sector in India

The Indian government has declared tourism as a high priority sector in recent times.

Recent economic liberalization and the stable social and political environment in India, has given a strong helping hand to the Indian tourism industry. Foreign investors can see better opportunities available in Indian tourism sector.

100 percent FDI is also allowed in tourism construction projects including development of hotels, resorts and recreational facilities.

In order to uphold rural tourism in the country, the Indian government has also entered into an agreement with the United Nations Development Program (UNDP). Indian ministry has approved more than 100 rural tourism projects in order to promote rural tourism and to identify sites which have significant tourism potential.

The five year tax holiday is also extended to foreign organizations which establish resorts, hotels and conventional centers at designated destinations in India. Apart from this, the government of India has initiated some important visa provisions on arrivals of tourists from countries like the US, the UK, Singapore, New Zealand, Japan, Finland and many more.

Tourism Industry - Foreign Investors

The main intention of foreign investors to invest here is:

- The Indian tourism sector has significant connection with other important sectors such as construction, handicrafts, transportation, horticulture, agriculture and many more that helps investors to expand their presence in multiple sectors after getting proper hold on tourism business in India.
 - The rapidly growing middle class and availability of natural resources have boosted the prospect of the Indian tourism sector that helped foreign investors to tap hidden potential available in the Indian tourism sector.
 - India boasts about more than 25 world heritage sites which are divided into eco-tourism and bio-geographic zones. India possesses more than 7,000Km of coastline and more than 25 famous beaches. The country's ethnic diversity reflects into its variety of culture and cuisine. This will attract foreign investors to invest in Indian tourism industry by creating their presence in selected areas.

Business

Globalization and liberalization in the Indian economy has brought about strong foreign direct investment inflows in the Indian business sector in recent time. The FDI contribution is mainly done by Persons of India Origin (PIOs), Non Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs). The Indian government also provides liberal policy regime and positive reforms along with easy availability of resources which make the country the most preferred business destination for foreign players.

Foreign Investors got attracted to Invest in Indian Businesses

The intention of the foreign investors to invest here is:

- Availability of a wide range of natural resources
- Availability of manpower proficient in English and technical skills

- A well organized banking and financial system, including public, private banks and financial institutions
- Large population with disposable income
- Investment friendly policies and competitive workforce
- Modern infrastructure to facilitate business performance
- Competitive edge in Information Technology (IT), which can be utilized to enhance productivity in businesses.

Government Provided Initiatives for Foreign Investments

- The Indian government provides several facilities to PIOs, NRIs and OCBs to set up business in India to help foreign investors in terms of location, technology usage and non-complication in entry process along with import & export.
- All these reforms have produced investment-friendly environment which encourages more and more foreign investors to set up their business in India.
- NRIs can open a bank account in India which helps them to remit funds from abroad and the Reserve Bank of India has given permission for them through automatic route.

Literature Review

K.Durai Raj and V. Nirmala revealed mixed results, but mostly supporting the substitution relationship with her trade partners. They observed that, most FDI inflows in India are domestic market-oriented and market-seeking. The results of substitute's relationship outweigh complementary relationship between FDI inflow and foreign trade of India with the thirteen trade partners. These are so traditional that, step by step sequences of servicing foreign markets indicates that most FDI inflows in India are domestic market oriented with the benefits from international differences in factor endowments. Besides, the result revealed complementary relationship between FDI inflow and foreign trade in India for seven trading partners.

A., Jesu kulandairaj expressed that, FDI exactly refers to the net inflows of investment to acquire a lasting management interest (10% or more of voting stock) in an enterprise resource operating in an economy other than that of the investor. He revealed that there is confusion regarding some aspects; like independent stores will close, leading to massive job losses, few thousand jobs may be created, but millions will be lost. Some stores like Walmart may become a monopoly and then raise prices. As our traditional markets may be able to do the job, India doesn't need foreign retailers. Work will be done by Indians, profits will go to foreigners. Some opined that welcoming FDI in retail brings more benefits to our nation. But, there had a confusion regarding handling of FDI even by smaller states. The author found that, FDI, in combination, better infrastructure, will wipeout inefficiencies of our distribution systems. We can prevent labour exploitation. It will curb inflation. Finally, he concluded that both the winners as well as losers will be there. In the case of foreign participation in retail, the winners will dramatically outnumber the losers!

Neerja Dhingra presented in this article that, India possess a long term sustainable competitive advantage-high growth rate economy. They also explored that, whether FDI is likely to accelerate in the near future aided by conducive and positive macro-economic conditions or not. 'What will happen in the future' is the function of 'what happened in the past.' The study revealed that, although the prospects of FDI inflows to India are positive in the ensuing decade but the overall expectations for short term FDI inflows can be best described as cautiously optimistic. Through their survey, it make clear that, India's medium term growth prospects remain strong. The mood of the economy is upbeat and signals strong.

Sreelata Biswas and Anup Kumar Saha discussed that, FDI as a mode of technology transfer is considered to be the cheapest way to transfer technology. Such transfer has both positive as well as negative externalities. Host countries can acquire the benefits of newer technology on the basis of their absorptive capacity. They also did the empirical studies regarding the transferred technologies to the domestic firms of the host countries and analyzed the spillover effects generated by categorizing them into different sectors.

Sreelata Biswas and Byasdeb Das Gupta said that, FDI were allowed in India primarily for the infusion of new technology to minimize the technological gap in comparison with the industrialized nations. The reform policy has played a crucial role to make India a preferred destination for foreign investment and it gradually rises as high that today India ranks second on the basis of FDI turning it into more growth oriented. India's successful growth is basically service- driven following the new economic reform. Again the service sector is the largest recipient of FDI during the same time period. Higher FDI inflows are towards many of the business services; have created larger employment opportunities and facilities to improve infrastructure. The availability of highly skilled, low cost and educated workers serving best quality service in India has attracted several foreign investors in the country. FDI provided a major boost in the country's service sector which in turn has contributed towards higher GDP growth.

Source: The data is a gathering, mainly from Secondary Sources, i.e., through journals, internet and author's opinions.

Findings

Throughout the data gathering it has been observed that, FDI is being encouraged by foreign investors because of:

- The availability of vast natural resources,
- Skilled workforce,
- Lower cost of man-power and equipment,
- The investor-friendly environment,
- Liberalized policies,
- Maintaining of good relationships,
- The improving of education, technology and
- Quick diagnoses and timely responses to the health- affected persons.

Our Government might welcome FDI's assuming that they are

- Providing employment opportunities.
- Helping to improve the infrastructure.
- Sharing their knowledge and technology.

Conclusion

It is only the positive thinking that might be protecting us even if we might have been in case, assessed by others differently. But, for Indians the attitude we have while donating or providing things to others also play a very important role. We think good intentions bring good outcomes. "As you sow so you reap". Here, if money is the seed been sowed, and expecting reap is something different, might be using our innocence or trapping our attitudes or playing mind games like our ancient Kauravas, we may be thrown off into a pit. So one must take care regarding the pros and cons of utilizing the FDI facility in our country.

Suggestions

- Just providing monetary benefits should not be the main criteria. The intention behind allocating or providing those funds is also important for both the giver and the receiver.
- There should be no misconception or wrong connotation in their thinking that, more benefits can be retrieved from our labour as they are highly skilled and are available for lower wages.
- Demographic factors should not play important roles while retrieving the works or at the payment time. One must concentrate only on the work done.
- By mistakenly thinking that, the citizens are being benefitted with some earnings and are provided with profits, they are again being put to slavery in one way, though, not representing directly.
- It is better to think twice before you act and at the same time one should remember, recollect and re-implement the sayings of our great Mahatmas and great leaders.
- It is suggestible to remember the proverb in Telugu,"Appuchesi pappukudu thinadaanikante, unnadantlo ganjineellu thragadam uttamam." It means, instead of eating well with borrowed money, being alive by drinking starch is appropriate and utilizing properly what we have is far better.
- Another proverb in Telugu is good to recollect. It is,"Antya nishturam kante adi nishturame melu."i.e., instead of getting into unnecessary conflicts at later stages, it is better to get the blame (for an action or for help asked) earlier (at the beginning) than later.
- One must always remember the proverb, "All that glitters is not gold. "Distant hills appear smooth." (Telugu proverb for that is – "Durapu kondalu nunupu"). It means that, people or things appear fascinating from a distance, as distance lends them charm. One should not be lured by false charms but should judge people or technology after observing them closely

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