VIDYABHARATI
INTERNATIONAL INTERDISCIPLINARY
RESEARCH JOURNAL

www. viirj.org

ISSN 2319-4979

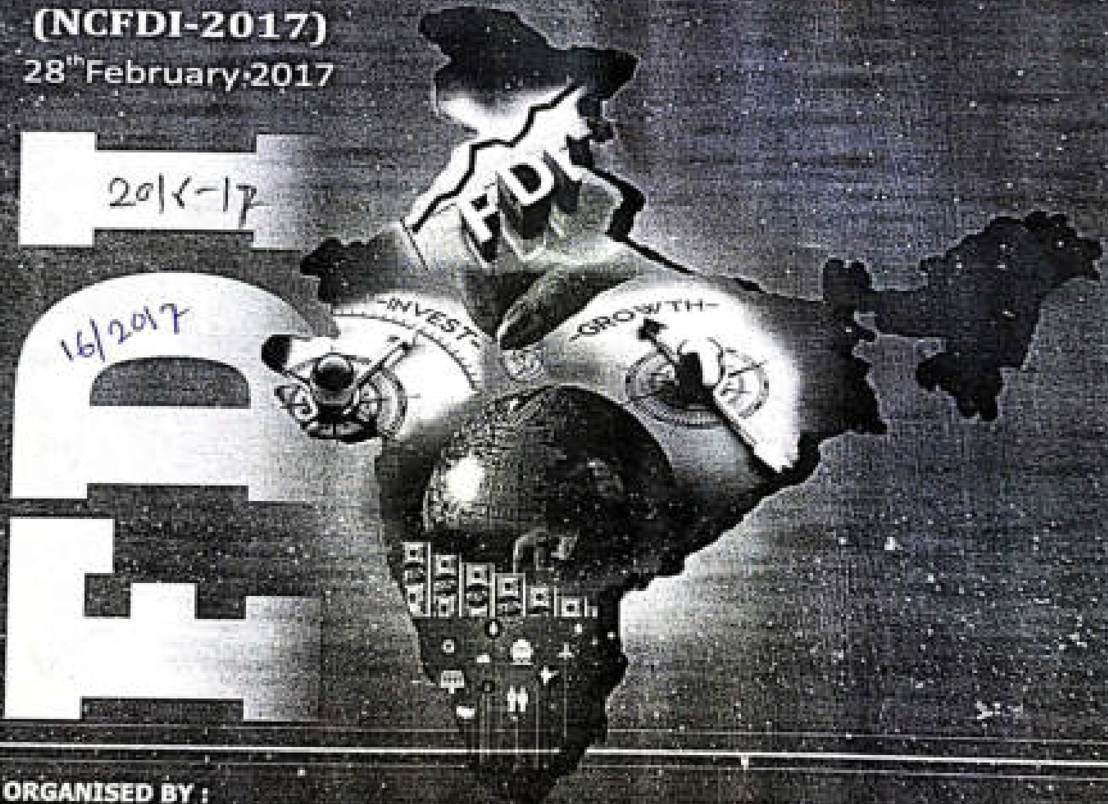
PROCEEDINGS

UGC Sponsored National Conference on

FOREIGN DIRECT INVESTMENT RELATED GROWTH OF INDIAN ECONOMY

(NCFDI-2017)

28th February 2017



2016-17

16/2017

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REACCREDITED AT LEVEL 'A' GRADE BY NAAC (CGPA 3.24) &
CPE STATUS THRICE BY UGC NEW DELHI

IN COLLABORATION WITH :

VIDYABHARATI MAHAVIDYALAYA, AMRAVATI
ACCREDITED WITH 'A' GRADE BY NAAC (CGPA 3.26) &
CPE STATUS THRICE BY UGC &
STAR COLLEGE STATUS BY DBT, GOVT. OF INDIA

INDEXED WITH ADVANCED SCIENCES INDEX GERMANY

CONTENTS

Sr. No.	Title of Research Paper	Name of Author	Page No.
71	प्रत्यक्ष विदेशी गुंतवणूक व विमुद्रिकरण	शंकर मारोती सावंत	209-210
72	थेट परकीय गुंतवणूक आणि भारत एक संशोधनात्मक अभ्यास	एच.डी. जाधव	211-213
73	थेट परकीय गुंतवणुकीचे भारतीय अर्थव्यवस्थेवरील परिणाम	केशव सुर्यभानसा गुल्हाने	213-214
74	भारतीय अर्थव्यवस्थेवर प्रत्यक्ष विदेशी गुंतवणूकीचे परीणाम	दिपक एन. काळे	215-216
75	थेट परकिय गंतवणूक व भारतीय महिलाचे सक्षमीकरण	शुभांगी दिलीप कोंडोलीकर	217-218
76	प्रत्यक्ष विदेशी गुंतवणूक : एक दृश्टिक्षेप	प्रा.डॉ.मोहोकार एच.एस	219-221
77	विदेषी गुंतवणूकीचा भारतीय अर्थव्यवस्थेवरील परिणाम	प्रा. सौ. हर्शदा एस. वाघोने	221-223
78	भारतीय अर्थव्यवस्थेत विदेशी व्यापाराचे महत्व	जयमाला एल. रामटेके	223-225
79	एफडीआची भारती अर्थव्यवस्थेतील वृद्धी	डि. पी. महाजन	226-229
80	FOREING DIRECT INVESTMENT AND THE ECONOMIC DEVELOPMENT OF HOST COUNTRIES	J.S. Sawaithul	229-232
81	FOREIGN DIRECT INVESTMENT IN INDIA	M. N. Moharil	232-233
82	विदेशी प्रत्यक्ष गुंतवणूक व भारताचा आर्थिक विकास	आर. एच. माथुरकर	234-235
83	विमुद्रीकरण आणि अमेरीकन राष्ट्रध्यक्ष डोनाल्ड ट्रम्प यांच्या निवडीने भारतीय विदेशी प्रत्यक्ष निवेशावर होणाऱ्या प्रभावाचे अध्ययन	वाय. वि. हरणे	235-236
84	भारतीय अर्थव्यवस्थेत परकीय प्रत्यक्ष आणि अप्रत्यक्ष गुंतवणुकीचे महत्व	आर. एस. पाटील	237-238
85	F.D.I. IN VARIOUS SECTOR OF INDIAN ECONOMY	B. P. Adhau	238-241
86	भारताच्या आर्थिक विकासात प्रत्यक्ष	जे. डी. पोरे	241-242
87	रोजगाराच्या दृष्टीकोणातून प्रत्यक्ष विदेशी गुंतवणूकीचे भारतीय अर्थव्यवस्थेतील महत्व	के.जी.राजपूत	243-244
88	FDI IMPACT ON INDIAN ECONOMY	D. P. Bele and M. M. Pimple	244-247
89	GROWTH OF FDI	K. V. Dhawale	248-249
90	ग्रामगीता आधारीत शतोन्नती करीता थेट परकीय गुंतवणूकीचे महत्व	ए. ए. नांदगावंकर	249-250
91	RURAL DEVELOPMENT AND DIGITAL VILLAGE	S.B.Kadu and S.K.Rodde	250-253
92	IMPACT ON FOREIGN DIRECT INVESTMENTS IN INDIA	S. T. Kute	253-256
93	F.D.I. IN VARIOUS SECTOR OF INDIAN ECONOMY	G.N. Gajbhiye and B. R. Oberoi	257-258
94	IMPACT OF FDI ON GDP	P. V. Pohare	259-262

Objectives of Digital Village

- To prevent distress migration from rural to urban areas, which is a common phenomenon in India's villages due to lack of opportunities and facilities that guarantee a decent standard of living.
- To make the model village a "hub" that could attract resources for the development of other villages in its vicinity.
- To Provide easier, faster and cheaper access to urban markets for agricultural produce or other marketable commodities produced in such villages
- To contribute towards social empowerment by engaging all sections of the community in the task of village development.
- To Create and sustain a culture of cooperative living for inclusive and rapid development.
- To connect villagers to main stream of development.
- To make villagers smart by providing digital knowledge

Conclusion

Smart Villages are the need of the hour as development is needed for both rural and urban areas for better livelihood and Information technology will offer effective solution. There are successful technologies available, which have been implemented in urban areas. There is tremendous pressure on urban landscapes due to migration of rural people for livelihood. Smart Villages will not only reduce this migration but also irrigate the population flow from urban to rural area. ICT/ IT and GIS are the unbreakable pillars to support the whole process of village development. Smart village

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IMPACT ON FOREIGN DIRECT INVESTMENTS IN INDIA

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Introduction

Foreign direct investment (FDI) or foreign investment refers to the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, other long-term capital, and short-term capital as shown in the balance of payments. It usually involves participation in management, joint-venture, transfer of technology and expertise. There are two types of FDI: inward foreign direct investment and outward foreign direct investment, resulting in a net FDI inflow (positive or negative) and "stock of foreign direct investment", which is the cumulative number for a given period. Direct investment excludes investment through purchase of shares. FDI is one example of international factor movement.

IMF Definition of FDI: FDI is the category of international investment that reflects the objective of a resident entity in one economy (—direct investorl or parent enterprise) obtaining a lasting interest' in an enterprise resident in the notion of —lasting interestl are:

□ The existence of a long-term relationship between the direct investor and the enterprise and

□ The significant degree of influence that gives the direct investor an effective voice in the management of the enterprise.

Types

A foreign direct investor may be classified in any sector of the economy and could be any one of the following:

- an individual;
- a group of related individuals;
- an incorporated or unincorporated entity;
- a public company or private company;
- a group of related enterprises;
- a government body;
- an estate (law), trust or other social institution; or
- any combination of the above.

Foreign Direct Investments in India

Starting from a baseline of less than $1 billion in 1990, a recent UNCTAD survey projected India as the second most important FDI destination (after China) for transnational corporations during 2010-2012. As per the data, the sectors which attracted higher inflows were services, telecommunication, construction activities and computer software and hardware. Mauritius, Singapore, the US and the UK were among the leading sources of FDI.

FDI in 2010 was $24.2 billion, a significant decrease from both 2008 and 2009. Foreign direct investment in August 2010 dipped by about 60% to aprox. $34 billion, the lowest in 2010 fiscal, industry department data released showed. In the first two months of 2010-11 fiscal, FDI inflow into India was at an all-time high of $7.78 billion up 77% from $4.4 billion during the corresponding period in the previous year.

The world's largest retailer WalMart has termed India's decision to allow 51% FDI in multi-brand retail as a "first important step" and said it will study the finer details of the new policy to determine the impact on its ability to do business in Indi

Impact on 51% FDI on India

The decision to hold back FDI in multi-brand retail will have a strong impact on the domestic and foreign investor sentiment, another chamber, the Confederation of Indian Industry (CII), said in a release. "We firmly hope that this would not be a rollback and a quick consensus is reached," CII Director General Chandrajit Banerjee said.

Describing the volte face as a case of "missed opportunity", Assocham Secretary General D S Rawat said, "It will send a very negative message to foreign investors."

Rawat said FDI in multi-brand retail could have created over 10 million jobs in three years, curbed wastage of farm products and benefited farmers through better prices for their produce. FICCI urged the government to move ahead with this progressive reform and proposed solutions like considering a maximum of 49 per cent FDI in multi-brand retail and increasing the percentage of sourcing from the small scale sector, which was proposed to be fixed at a minimum 30 per cent. The government was forced to put its decision to allow FDI in multi-brand retail on hold in view of stiff opposition from UPA ally Trinamool Congress and other political parties.

Current Indian Market Situation

Retailing in India is one of the pillars of its economy and accounts for about 15% of its GDP. The Indian retail market is estimated to be US$ 450 billion and one of the top five retail markets in the world by economic value.

Organized retailing, absent in most rural and small towns of India in 2010, refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the publicly-traded supermarkets, corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local mom and pop store, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.

Supermarkets and similar organized retail accounted for just 4% of the market in 2008. Until recently, regulations prevented most of the foreign investment in retailing. Some retails faced complying with over thirty regulations such as "signboard licences" and "anti-hoarding measures" before they could open doors. There are taxes for moving goods to states, from states, and even within states in some cases. However, the Indian government has been opening the retail market and simplifying regulations. In November 2011, Indian central government announced major reforms paving way for giants such as Wal-Mart, Carrefour and Tesco, as well single brand majors such as IKEA, Nike, and Apple to enter one of the fastest growing retail market of 1.2 billion people. This announcement immediately caused intense activism – both in opposition and in support – within India. On 7 December 2011, Indian government conceding to the opposition, announced it is suspending the retail reforms till it reaches a consensus.

Most Indian shopping takes place in open markets or millions of small, independent grocery and retail shops. Shoppers typically stand outside the retail shop, ask for what they want, and cannot pick or examine a product from the shelf. Access to the shelf or product storage area is limited. Once the shopper requests the food staple or household product they are looking for, the shopkeeper goes to the container or shelf or to the back of the store, brings it out and offers it for sale to the shopper. Often the shopkeeper may substitute the product, claiming that it is similar or equivalent to the product the consumer is asking for. The product typically has no price label in these small retail shops;

although some products do have a manufactured suggested retail price (MSRP) pre-printed on the packaging. The shopkeeper prices the food staple and household products arbitrarily, and two consumers may pay different prices for the same product on the same day. Price is sometimes negotiated between the shopper and shopkeeper. The shoppers do not have time to examine the product label, and do not have a choice to make an informed decision between competitive products.

India's retail and logistics industry, organized and unorganized in combination, employs about 40 million Indians (3.3% of Indian population). The typical Indian retail shops are very small. Over 14 million outlets operate in the country and only 4% of them being larger than 500 sq ft (46 m2) in size. India has about 11 shop outlets for every 1000 people. Vast majority of the unorganized retail shops in India employ family members, do not have the scale to procure or transport products at high volume wholesale level, have limited to no quality control or fake-versus-authentic product screening technology and have no training on safe and hygienic storage, packaging or logistics. The unorganized retail shops source their products from a chain of middlemen who mark up the product as it moves from farmer or producer to the consumer. The unorganized retail shops typically offer no after-sales support or service. Finally, most transactions at unorganized retail shops are done with cash, with all sales being final.

Between 2000 to 2010, consumers in select Indian cities have gradually begun to experience the quality, choice, convenience and benefits of organized retail industry.

Growth over 1997-2010

India in 1997 allowed foreign direct investment (FDI) in cash and carry wholesale. Then, it required government approval. The approval requirement was relaxed, and automatic permission was granted in 2006. Between 2000 to 2010, Indian retail attracted about \$1.8 billion in foreign direct investment, representing a very small 1.5% of total investment flow into India.

Single brand retailing attracted 94 proposals between 2006 and 2010, of which 57 were approved and implemented. For a country of 1.2 billion people, this is a very small number. Some claim one of the primary restraint inhibiting better participation was that India required single brand retailers to limit their ownership in Indian outlets to 51%. China in contrast allows 100% ownership by foreign companies in both single brand and multi-brand retail presence.

Indian retail has experienced limited growth, and its spoilage of food harvest is amongst the highest in the world, because of very limited integrated cold-chain and other infrastructure. India has only 5386 stand-alone cold storages, having a total capacity of 23.6 million metric tons. However, 80 percent of this storage is used only for potatoes. The remaining infrastructure capacity is less than 1% of the annual farm output of India, and grossly inadequate during peak harvest seasons. This leads to about 30% losses in certain perishable agricultural output in India, on average, every year.

Indian laws already allow foreign direct investment in cold-chain infrastructure to the extent of 100 percent. There has been no interest in foreign direct investment in cold storage infrastructure build out. Experts claim that cold storage infrastructure will become economically viable only when there is strong and contractually-binding demand from organized retail. The risk of cold storing perishable food, without an assured way to move and sell it, puts the economic viability of expensive cold storage in doubt. In the absence of organized retail competition and with a ban on foreign direct investment in multi-brand retailers, foreign direct investments are unlikely to begin in cold storage and farm logistics infrastructure.

Until 2010, intermediaries and middlemen in India have dominated the value chain. Due to a number of intermediaries involved in the traditional Indian retail chain, norms are flouted and pricing lacks transparency. Small Indian farmers realize only 1/3rd of the total price paid by the final Indian consumer, as against 2/3rd by farmers in nations with a higher share of organized retail. The 60%+ margins for middlemen and traditional retail shops have limited growth and prevented innovation in Indian retail industry.

India has had years of debate and discussions on the risks and prudence of allowing innovation and competition within its retail industry. Numerous economists repeatedly recommended to the Government of India that legal restrictions on organized retail must be removed, and the retail industry in India must be opened to competition. For example, in an invited address to the Indian parliament in December 2010, Jagdish Bhagwati, Professor of Economics and Law at the Columbia University analysed the relationship between growth and poverty reduction, then urged the Indian parliament to extend economic reforms by freeing up of the retail sector, further liberalisation of trade in all sectors, and introducing labor market reforms. Such reforms Professor Bhagwati argued will accelerate economic growth and make a sustainable difference in the life of India's poorest.

A 2007 report noted that an increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 35 percent annually while growth of unorganized retail sector is pegged at 6 percent.

The Retail Business in India is currently at the point of inflection. As of 2008, rapid change with investments to the tune of US $ 25 billion were being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and according to India Brand Equity Foundation (IBEF), it is valued at about US$ 395.96 billion. Organised retail is expected to garner about 16-18 percent of the total retail market (US $ 65-75 billion) in the next 5 years.

India has topped the A.T. Kearney's annual Global Retail Development Index (GRDI) for the third consecutive year, maintaining its position as the most attractive market for retail investment. The Indian economy has registered a growth of 8% for 2007. The predictions for 2008 is 7.9%. The enormous growth of the retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace and by 2010, 300 malls are estimated to be operational in the country.

Growth after 2011

Before 2011, India had prevented innovation and organized competition in its consumer retail industry. Several studies claim that the lack of infrastructure and competitive retail industry is a key cause of India's persistently high inflation. Furthermore, because of unorganized retail, in a nation where malnutrition remains a serious problem, food waste is rife. Well over 30% of food staples and perishable goods produced in India spoils because poor infrastructure and small retail outlets prevent hygienic storage and movement of the goods from the farmer to the consumer.

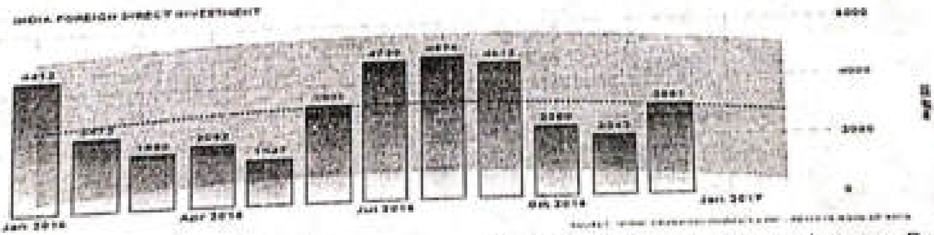
One report estimates the 2011 Indian retail market as generating sales of about $470 billion a year, of which a miniscule $27 billion comes from organized retail such as supermarkets, chain stores with centralized operations and shops in malls. The opening of retail industry to free market competition, some claim will enable rapid growth in retail sector of Indian economy. Others believe the growth of Indian retail industry will take time, with organized retail possibly needing a decade to grow to a 25% share. A 25% market share, given the expected growth of Indian retail industry through 2021, is estimated to be over $250 billion a year: a revenue equal to the 2009 revenue share from Japan for the world's 250 largest retailers.

The Economist forecasts that Indian retail will nearly double in economic value, expanding by about $400 billion by 2020. The projected increase alone is equivalent to the current retail market size of France.

In 2011, food accounted for 70% of indian retail, but was under-represented by organized retail. A.T. Kearney estimates India's organized retail had a 31% share in clothing and apparel, while the home supplies retail was growing between 20% to 30% per year. These data correspond to retail prospects prior to November announcement of the retail reform.

India Foreign Direct Investment Forecast 2016-2020

Foreign Direct Investment in India is expected to be 3139.96 USD Million by the end of this quarter, according to Trading Economics global macro models and analysts expectations. Looking forward, we estimate Foreign Direct Investment in India to stand at 3087.11 in 12 months time. In the long-term, the India Foreign Direct Investment is projected to trend around 3087.24 USD Million in 2020, according to our econometric models.



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