

## Does Industry Friendly enough to Get More FDI into the States of India?

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**Abstract:** Capital is an important element of business even for economic development too. The availability of capital very is high in developed countries than developing ones. Potential investors who are delighted with good returns on their investments search for business friendly environment and pour their money as a form of Foreign Direct Investments. India faced a situation of massive balance of payment crises with low foreign exchange reserves, One of the reason behind introduction of liberalization, privatization and globalization policy popularly known as LPG. LPG uplifts FDI flow to India for integrated development. However, this Flow of FDI is not equal to all Indian states. Six states have been receiving greater part of share in FDI inflows with their industry friendly environment. This research identifies regional inequalities presented in FDI inflows to Indian states and identifies that few factors influenced to get FDI. Data were collected from secondary sources such as documents produced by Government of India, Industrial policy and promotion (DIPP), Reserve Bank of India, World Bank reports, UNCTAD and State government Industrial promotional bodies and founded that States like Maharashtra, Delhi, Tamilnadu, Karnataka, Gujarat Telengana and Andhra Pradesh are holding major share in FDI inflow by maintaining industry friendly environment.

**Key Words:** Foreign Direct Investment, Inflows, Industry friendly environment.

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### I. Introduction:

There is no fixed abode for capital to transfer funds, technology, tap new markets, get cheap production and to utilize global resources, Investors use the tool called Foreign Direct Investment. FDI Is a tool for Economic growth through its Strengthening of domestic capital productivity & Employment. India is one of the fastest growing economies in the world, attracting greater part of FDI. Investment is a process of sacrificing money today for prospective gain of tomorrow. For investments investor is being influenced by a few factors called investment factors like infrastructure, Tax benefits, Stable Government, Market Size, Cheapest Human resources, & Macro Economic factors. Beside these factors recently state governments liberalized their policies and introduced single window system to provide all permissions under one roof.

#### Types of FDI

**Greenfield Investment:** A Form of FDI where a parent company starts a new venture in a foreign country by constructing new factors and/or stores

**Mergers & Acquisition:** It occurs when a transfer of existing assets from local firms takes place.

#### Forms of FDI

##### Automatic Route

FDI is allowed under the automatic route without prior approval either of government of the reserve bank of India in all activities/ sectors up to 100%.

##### Government Route

FDI in activities not covered under the automatic route requires prior approval of the Government which are considered by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, ministry of Finance.

### II. Review of Literature

According to International Finance Corporation (2001) “identifies size of the market and it’s growth potential; linkage and proximity to the other important markets; availability of trained manpower and wages structure; as well as Industrial and institutional infrastructure as the factors that influence FDI inflows”.

Indian Institute of Foreign Trade (1994) identifies “General law and order, Infrastructure, Congenial industrial relations, trained and productive workforce, availability of social infrastructure, investor friendly environment, political stability, timely FDI clearance and approvals, minimum bureaucracy and incentives and concessions” as key determinants to attract FDI.

### III. Objectives

- To compare inequalities` in FDI inflows in between states of India.
- To examine business environmental factor’s/policy’s influence over FDI’s Disparities

### IV. Methodology of Research

Methodology is an approach adopted for preparation of any report, dissertation, research paper and thesis. For present paper data have been collected from secondary resources only, such as ministry of commerce and industry reports, Department of industrial policy and promotion, RBI documents, Various state Government Industrial promotion reports and Journals.

### V. Theoretical Framework for Discussion

This research is a fundamental research in Foreign Direct Investment disparities in distribution to the states of India.

#### Inter State Disparities

It was observed that only six states are receiving Greater part of of FDI. Out of total 100 percent 70per cent was concentrated with in six states namely Maharashtra, New delhi, Tamilnadu, Karnataka, Gujarat, Telangana and Andhara Pradesh. It is also stated that Maharashtra alone receiving 30 per cent (3,36,169 crore) of FDI.(Refer table no 1)Special Economic Zones policy was announced in 2000, to make faster economic growth supported by quality of infrastructure, attractive fiscal policy, promotion of investments from domestic and foreign with minimum possible regulations.

### VI. Data Interpretation and Analysis:

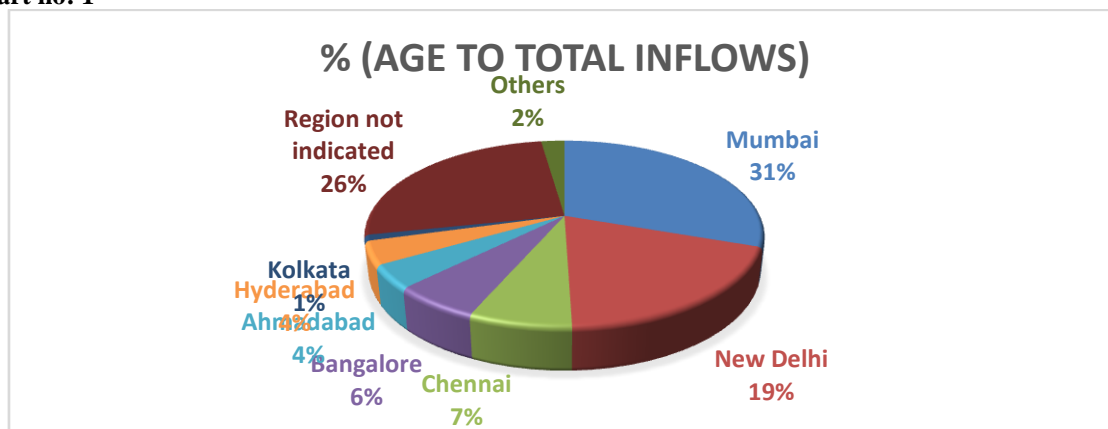
**Table no: 1**

S.No	RBI’s Regional office	States Covered	2014-15 (Apr-Nov)	Cumulative inflows (Apr-’00-aug-’14)	% (age to total inflows in US \$)	Notified SEZ’s
1	Mumbai	Maharashtra, Dadra & Nagar Haveli, Daman & Diu	22,080 (3,657)	336,169 (70,414)	30	52
2	New Delhi	Delhi, part of UP & Haryana	19,606 (3,239)	226,377 (45,775)	19	7
3	Chennai	Tamil nadu& Pondicherry	15,812 (2,607)	81,218 (15,803)	7	51
4	Bangalore	Karnataka	9,132 (1,498)	69,999 (14,174)	6	39
5	Ahmadabad	Gujarat	4,110 (678)	48,492 (10,188)	4	28
6	Hyderabad	Andhra Pradesh, Telangana	6,535 (1,082)	47,449 (9,728)	4	30+42
7	Kolkata	West Bengal, Sikkim, Andaman nicobar,	858 (142)	14,021 (2,884)	1	5
8	Chandigarh	Chandigarh, Punjab, Haryana, Himachal Pradesh ,	218 (36)	6,345 (1,328)	0.6	2+2+25+0
9	Jaipur	Rajasthan	3,212 (537)	6,770 (1,260)	0.5	8
10	Bhopal	Madhya Pradesh, Chhattisgarh,	600 (100)	6,095 (1,215)	0.5	9
11	Kochi	Kerala, Lakshadweep	516 (89)	5,247 (1,066)	0.4	25+NA

12	Panaji	Goa	206 (34)	3,863 (822)	0.3	3
13	Kanpur	Uttar Pradesh, Uttaranchal,	279 (46)	2043 (418)	0.2	22+ NA
14	Bhubaneswar	Orissa	51 (9)	1957 (397)	0.2	4
15	Guwahati	Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura	9 (1)	361 (80)	0	1
16	Patna	Bihar, Jharkhand,	49 (8)	248 (47)	0	NA
17	Jammu	Jammu & Kashmir	265 (4)	26 (4)	0	NA
18	Region not indicated		30750 (5122)	301266 (60861)	25.74	--
Sub total			114047 (18884)	1157944 (236465)	100.00	352

**Source:** Factsheet on Foreign Direct Investment, Department of Industrial Policy and Promotion. Available [http://dipp.nic.in/English/Publications/FDI\\_Statistics/2014/india\\_FDI\\_November2014.pdf](http://dipp.nic.in/English/Publications/FDI_Statistics/2014/india_FDI_November2014.pdf) (accessed on 27<sup>th</sup> Jan 2014).

**Chart no: 1**



- It was found that top attracting FDI states were also having greater part of total no of SEZ's, 249 (70.73 %) out of 352 notified Special Economic Zones are situated in top six states.
- It is also found that Haryana, Uttar Pradesh and Kerala having a good number of SEZs, However these states remain backward in attracting FDI.

**Table No 2**

Name of the States	Population	Literacy	Sea Ports	Airports (International )	Overall economic Freedom Ranks	Conducting Investors Summit
Soaring states of FDI inflow						
Maharashtra	9.29	82.91	53	3	11	Yes
New Delhi	1.38	86.34	0	1	NA	No
Tamil Naidu	5.96	80.33	15	3	02	Yes
Pondicherry	0.10	86.55	01	-	NA	No
Karnataka	5.05	75.60	10	2	09	Yes
Gujarat	4.99	79.31	40	1	01	Yes

Andhra Pradesh & Telangana	7.00	67.66	12+Nil	1	03	Yes
Moderate FDI inflow						
West Bengal	7.55	77.08	01	1	17	Yes
Rajasthan	5.67	67.06	Nil	1	07	No
Chandigarh	0.09	86.43	Nil	1	NA	No
Madhya Pradesh	6.00	70.63	Nil	2	06	Yes
Chhattisgarh	2.11	71.04	Nil	2	08	No
Kerala	2.76	93.91	13	3	10	No
Lakshadweep	0.01	92.28	10	0	NA	No
Low FDI inflow						
Goa	0.12	87.40	05	0	NA	No
Orissa	3.47	73.45	02	0	15	No
Up	16.49	69.72	Nil	1	16	No
Arunachal Pradesh	0.11	66.95	Nil	2	NA	No
Manipur	0.22	79.85	Nil	0	NA	No
Meghalaya	0.24	75.48	Nil	1	NA	No
Nagaland	0.16	80.11	Nil	0	NA	No
Tripura	0.30	87.75	Nil	0	NA	No
Uttaranchal	0.84	79.63	Nil	0	14	No
Assam	2.58	73.18	Nil	1	19	No
Bihar	8.58	63.82	Nil	1	20	No
Jharkhand	2.72	67.73	Nil	0	18	No
INDIA	100	74.04	187	0		

NA-Not Available

Source: Website of Airport Authority of India, Economic Freedom Rankings for the states of India 2013, The Economic survey

<http://www.indiaonlinepages.com/population/india-current-population.html>(accessed 30.1.2015)

<http://www.indiaonlinepages.com/population/literacy-rate-in-india.html>(accessed on 30.1.2015)

<http://www.aai.aero/allAirports/airports.jsp> (accessed on 30.1.2015)

<http://indiabudget.nic.in/survey.asp>(accessed on 30/1/2015)

- Top soaring states are having good market in the terms of population 33 per cent were living, but it is not advantage one to Uttar Pradesh, Bihar and West Bengal.
- The factor of literacy indicates that states having higher FDI inflow are above national average except Andhra Pradesh and also it is found that these states have good infrastructure and other resources.
- In overall economic freedom except Maharashtra and Karnataka, other states secured top rankings, at the same time Madhyapradesh, Chhattisgarh and Rajasthan having good ranks but are unable to attract FDI.
- Nowadays “Investors summit” are arranged to attract Investments from both local and global market. Previously Andhra Pradesh followed by Gujart(Vibrant Guajrat), Tamilnadu (global investors meet), Karnataka( Invest Karnataka)were popular for Investors summit. Now West Bengal (global business summit) and Madhya Pradesh (global investors summit) changed their policies to get boost to the state economy.

## VII. Conclusion:

States having good economic policies, framework and Infrastructure facilities get the major share in FDI. These states having a centralized committee to take care of FDI Remaining states have to focus on Investment policies including transparency to get good per cent of FDI inflows. A recent “Make in India” program should concentrate more on backward states then only balance of development will initiated.

**Scope for further research**

Present paper focused on FDI inflows to states and major infrastructural facilities and investment summits only. Further focus on states and investment summits and sector wise investments in these states will have scope for further research.

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