

ISSN : 0025-0422

JOURNAL
OF
THE MAHARAJA SAYAJIRAO UNIVERSITY OF BARODA



सत्यं शिवं सुन्दरम्
Estd. 1949

Accredited Grade 'A' by NAAC
(SCIENCE & TECHNOLOGY)
VADODARA
2022



**JOURNAL
OF
THE MAHARAJA SAYAJIRAO UNIVERSITY OF BARODA**

Vice-Chancellor
Parimal Vyas

Pro-Vice-Chancellor
Vacant

Editorial Board

C. N. Murthy
(Editor)

A. C. Sharma
(Physical Sciences)

A. N. Misra
(Biological & Pharmaceutical Sciences)

Arun Pratap
(Physical Sciences)

A. V. Bedekar
(Chemical Sciences)

H. M. Patel
(Engineering Sciences)

K. Muralidharan
(Mathematical Sciences)

L. S. Chamyal
(Environmental & Geological Sciences)

Rasheedunnissa Begum
(Biological & Pharmaceutical Sciences)

**JOURNAL
OF
THE MAHARAJA SAYAJIRAO
UNIVERSITY OF BARODA**

EDITOR
Prof. C. N. MURTHY



Accredited Grade 'A' by NAAC

**Volume-56, No.2 (V) 2022
(SCIENCE & TECHNOLOGY)
VADODARA**

CONTENTS

Sr. No.	Topic	Page No.
1	AN EVALUATION STUDY OF FISCAL REFORMS AND GST Dr. Yogesh M. Kulkarni, Mr. Satish A. Gonde	1-3
2	ROLE OF FDI IN INDIAN ECONOMY Mr. Satish Ashinath Gonde, Dr. Yogesh M. Kulkarni	4-8
3	'AN ANALYTICAL STUDY OF FINANCIAL VIABILITY AND DEVELOPMENT OF SELECTED NEWLY FORMED URBAN LOCAL BODIES: A LITERATURE REVIEW.' Mr. Swapnil Laxman Phad, Dr. Parag Prakash Saraf	9-12
4	"AN EXPLORATORY STUDY OF NEWLY INTRODUCED AGRI TOURISM POLICIES BY THE GOVERNMENT OF MAHARASHTRA." Pratibha Dilip Galande, Dr. Abhijit Mancharkar	13-21
5	AWARENESS LEVEL ABOUT EMOTIONAL COMPETENCE AMONG MBA STUDENTS Dr. Rijwan M. Shaikh	22-26
6	AN EMPIRICAL STUDY OF DESIGNING SIMPLICITY FOR MOBILE APPLICATION INTERACTION Prof. Renuka Subhash Tanpure, Dr. Manojkumar S. Langote, Prof. Rutuja Vilas Kotkar	27-32
7	A STUDY OF VARIOUS METHODS FOR DETECTING FAKE NEWS Prof. Rutuja Vilas Kotkar, Dr. Manojkumar S. Langote, Prof. Renuka Subhash Tanpure	33-37
8	ROLE OF INTERNET OF THINGS (IOT) IN INDUSTRY 5.0 Dr. Niraj C. Chaudhari, Mr. Shriganesh Adamane, Mr. Someshwar Jagtap	38-42
9	A STUDY OF CREDIT APPRAISAL PROCESS IN BANK OF MAHARASHTRA AND RELATIONSHIP BETWEEN CREDIT APPRAISAL AND BAD BANKS Ms. Kanchan Jatkar, Ms. Shruti Nashikkar	43-54
10	"INVESTMENT TREATY ARBITRATION WITH REFERENCE TO THE SOUTH AFRICA: OVERVIEW OF THE WHOLE BALL GAME" Mr. Ganeshappa R. Deshmane	55-60
11	STRUCTURAL EQUATION MODELLING OF TEACHER'S INTENTION TOWARDS GIG ECONOMY Alok Sharman, Dr. Anand B. Dadas, Dr. Shrikant Waghulkar	61-74

12	A STUDY OF CONSUMER AWARENESS TOWARDS GREEN PRODUCTS AND ITS INFLUENCE ON PURCHASE INTENTIONS Mona Chaudhary, Namrata Pancholi	75-88
13	INVESTIGATION INTO ATTITUDE TOWARDS THE ADOPTION OF ON-DEMAND CAR-SHARING SERVICES Shailesh Kasande, Parag Kalkar	89-99
14	PROMOTION OF TRANSFORMATION AND DIGITALISATION FOR ENTREPRENEURIAL ECOSYSTEMS Mr. Ritesh Suresh Tondase, Dr. Ghodake Shamrao Parashram Mr. Nilesh Uttam Bhalerao	100-109
15	FINANCIAL LITERACY FOR MICROFINANCE CLIENTS: A STEP TOWARDS FINANCIAL INCLUSION Dr.Vinod Sayankar, Vedashree Mali	110-115

**Statement about the ownership and other particulars about newspapers
JOURNAL OF THE MAHARAJA SAYAJIRAO UNIVERSITY OF BARODA**

(To be published in the first issue every year after the last day of February)

FORM IV

(See Rule 8)

1. Place of the Publication : The Maharaja Sayajirao University of Baroda
The Maharaja Sayajirao University of Baroda,
Vadodara - 390 002.
2. Periodicity of its Publication : Science & Technology
two times in a year.
3. Printer's Name : Shri Jatin H. Somani
Nationality : Indian
Address : Manager, The Maharaja Sayajirao University
of Baroda Press (Sadhana Press),
Vadodara - 390 001.
4. Publisher's Name : Prof. C. N. Murthy
Nationality : Indian
Address : The Maharaja Sayajirao University of Baroda
Vadodara - 390 002.
5. Editor's Name : Prof. C. N. Murthy
Nationality : Indian
Address : The Maharaja Sayajirao University of Baroda
Vadodara - 390 002.
6. Names & Addresses of Individuals : The Maharaja Sayajirao University of Baroda
who own the newspaper and
partners or shareholders holding
more than one percent of the
total capital
Vadodara - 390 002.

I, C. N. Murthy declare that the particulars given above are true to the best of my knowledge and belief.

Prof. C. N. Murthy

ROLE OF FDI IN INDIAN ECONOMY

Mr. Satish Ashinath Gonde

Head and Assistant Professor , Department of Economics
Arts, Science & Commerce College, Kolhar , Savistribai Phule Pune University
Email: tushar.gonde@gmail.com

Dr. Yogesh M. Kulkarni

Head & Assistant Professor, Department of Business Economics,
Sonopant Dandekar Arts, V. S. Apte Commerce & M. H. Mehta Science College, Palghar

Abstract:

Foreign direct investment is the investment made by foreigners in the form of setting up an industry body for a direct product. Foreign direct investment has a direct relationship between an institution or company in a developing country and a foreign institution or company. This type of investment is a form of investment in the primary capital market. Investment made by multinational companies is a form of foreign direct investment. Foreign direct investment (FDI) boosts the industrial development of the country, helps in building infrastructure and large scale industries in the country, increases the quality and quantity of goods, increases wage rates, provides various facilities to employees, increases foreign exchange due to increase in exports.

Kay Words: Foreign direct investment, FDI, Indian Economy

1. Introduction:

When large and multinational companies in developed countries acquire management by purchasing shares of companies in developing and underdeveloped countries or make long term capital investments by starting a new company, it is called foreign direct investment. In any country of the world, when a company is newly established, expanding the company, modernizing the company's securities, diversifying its production, it sells new shares, debentures in the primary securities market to raise capital, foreign big and multinational companies buy new shares, debentures. Directly invest capital by buying. This investment leads to a long-term transfer of ownership. There was a net increase in capital assets in the country. The gift is made by buying securities like foreign investment. Similarly, long-term capital investment is made by partnering with companies in developing and underdeveloped countries, establishing new companies, subsidiaries through technical cooperation agreements. This investment is private and it is driven by profit.

2. Objective and Method of Study

This Study is an attempt to highlight meaning and objectives of Foreign Direct Investment, Significance of FDI, India's Foreign Direct Investment Policy & FDI inflows into India. This Study is of descriptive method. Secondary data collected form Internet, Government Documents, newspaper, books, Research paper and Research report.

3. Analysis & Conclusion

3.1. Foreign Direct Investment Objectives

(FDI) have a purpose when investing in large, developing and underdeveloped countries. They are as follows:

1) Management and Ownership: Companies from developing and underdeveloped countries purchase more than 26% stake in the company and go to the Board of Directors, acquire ownership of the company by purchasing more than 51% stake, FDI for the purpose of acquiring the company is done.

2) Expanding the company: MNCs invest in FDI to expand their company, to capture the global market, to enter the market of a country, to expand the company and gain notoriety.

3) Maximizing Profits: The main purpose of private investment is to make a profit. Investments are made with the aim of maximizing profits by setting up branches in different countries of the world, setting up sub-companies, partnering, acquiring company ownership and maximizing production with the help of modern machinery and technology.

4) Diversification of Risks: Some big companies take the form of multinational companies by investing in different products in different countries instead of investing heavily in a single product in their own country. The purpose behind this is to diversify the risks in production, distribution, etc., investing in the same country and in the same business is risky in times of crisis. Multinational corporations diversify risk by investing in agriculture, industry, trade, transport and transportation, mining and quarrying, research and development, power generation and distribution, banking and insurance business, defence equipment manufacturing, etc.

3.2 Significance of FDI

The benefits or importance of FDI in developing and underdeveloped countries can be summarized as follows.

1) Capital scarcity is eliminated: Developing and underdeveloped countries have low national income and per capita income, saving tendency is ever present. Lack of savings slows down the pace of capital formation. - Lack of capital slows down the economic growth of the country, these countries invite foreign capital to accelerate economic growth. Foreign direct investment helps to alleviate the scarcity of capital.

2) Development of infrastructure: Industrial development of any country depends on the development of infrastructure. A huge amount of capital is required to develop infrastructure such as roads, railways, ports, airports, power generation, telecommunications, banking and insurance. This need of developing countries is met through foreign direct investment. Foreign direct investment in the infrastructure sector accelerates the industrial and economic development of the country.

3) Use of Advanced Technology: Developing countries face difficulties in implementing research and development programs due to lack of capital. Due to lack of research and development, the technology used in production is backward, its productivity is low. Multinational companies bring up-to-date technology with them when investing in gift capital, with huge financial potential, developing research and development programs in developing countries. It benefits other companies in the country. This increases the industrial momentum of the country.

4) Efficient use of resources: Underdeveloped and developing countries have abundant manpower and some natural resources. But due to lack of capital and technology, it is not used enough. Too many tools remain untapped. Foreign direct investment accelerates the industrialization of the country. As a result, the demand for productive resources increases and it becomes more efficient. This leads to an increase in production.

5) Increase in Exports: Some FDI industries are required by the government to export, increase exports and maintain it. Multinational companies strive for export growth. This provides valuable foreign exchange to the country and helps in reducing the trade deficit.

6) Increase in foreign exchange reserves: Foreign exchange arrives in the country through foreign direct investment. Is exchanged for foreign currency. An increase in foreign exchange reserves increases a country's credit in the international market. Necessary machinery, technology, raw materials can be imported with the help of foreign currency.

8) Economic Development: Through foreign direct investment, competition between foreign and domestic companies starts in the country, waste of monopoly is avoided, and the quality of production and productivity is enhanced through competition. An increase in investment leads to an increase in component demand, an increase in employment, an increase in the income of the people of the country. An increase in income increases demand raises living standards and accelerates the country's economic growth.

9) Increase in government revenue: Multinational companies try to increase production, sales and profits by investing directly. The government can increase its revenue by levying excise duty on products of multinational companies, sales tax on sales and tax on profits

10) Balance of transactions: Foreign direct investment is the key to growth in the infrastructure sector. Industrial growth is accelerating. Import substitution is gaining momentum. The combined effect of all this is a reduction in imports and an increase in exports, reducing the trade deficit.

11) Encouragement of Indigenous Entrepreneurs: Some companies in the country provide technical assistance to multinational companies. Partner with them. Indigenous entrepreneurs come in contact with new technologies, machinery, skilled workers and technicians, skilled managers. As a result, their entrepreneurship grows. A generation of new entrepreneurs is coming forward to provide goods and services to the multinational companies, such as raw materials, semi-finished goods, spare parts, means of transportation and transportation, packaging materials, etc. Some multinational companies run education and training programs in the host country along with research and development programs, which helps in creating a generation of new entrepreneurs in the country.

11) Encouragement of capital investment abroad: Investment strategy of multinational companies, product growth and sales growth strategies, huge profits, reputation, etc., motivates companies in the host country. They also have a latent desire to make their company a multinational company and are encouraged to invest in another country.

3.3 India's Foreign Direct Investment Policy:

The Government of India has recently set different ceiling for different sectors in line with its policy on foreign direct investment. Telecom Retail Bullet Train Courier Services Tea Field Orchards Vegetable Closed Goat Farm Medicine Power Generation Transport Airlines Transport Mineral Oil

Extraction Petroleum Sales Pollution Control Roads Highways Ports Special Economic Zone Transport Infrastructure Services Non-banking Institutions Cable Networks etc. Hoto status organization information and broadcasting coal lignite mining private security agency defence materials manufacturing etc. are allowed 74 per cent foreign investment in the sector while multi-brand retail is allowed 51 per cent foreign investment in the sector. Civil Transport Petroleum Purification Energy Exchange Part Market and Depository Private Banks TV Channels FM etc. 49% News Channel Newspapers 26% and Nationalized Banks State Bank of India and State Bank Group BP 20% Foreign Investment Limits

3.4 FDI inflows into India:

According to the Global Investment Report 2020 presented at the United Nations Conference on Trade and Development, India was the new largest importer of foreign capital in 2019. This year, India received 51 51 billion in foreign direct investment, up from 45 45 billion in 2018. According to the Marathi report, global foreign investment will be 40 per cent lower in 2020 than in 2019. On the background of covid-19, it was estimated that in the year 2019-20, India had the highest FDI inflows in the services sector. Of this, 7.67 billion was invested in computer software and hardware, 4.44 billion in telecommunications and 44.57 billion in trade.

- 1. Year wise FDI in India:** Foreign direct investment (FDI) figures for the current decade stood at USD 5,09,104 million in the last decade. Looking at the inflow of FDI year-on-year, it can be seen that the huge increase in FDI in 2011-12 was 34 per cent as compared to 2010-11. However, in 2012-13, it had dropped by a whopping 26 per cent. It then continued to grow until 2015-16. However, 2016-17 to 2018-19 shows steady growth. But in 2019-20, it has increased to 18 per cent.
- 2. FDI in India by various countries:** Between April 2010 and March 2020, 166 countries of the world have invested Rs 2731910.98 crore in India. Mauritius (30.36%), Singapore (20.78%), Netherlands (7.20%), Japan (7.13%), USA (6.34%), England (6.00%), Germany (2.59%), Cyprus (2.29%), France (1.60 %) the top 10 investors with a total investment of Rs 22, 59,809.53 crore. This investment accounted for 82.71 per cent of the total investment. Mauritius and Singapore accounted for 51.17 per cent of the total investment, indicating that only a handful of countries have invested heavily in India.
- 3. Industry-wise FDI:** A total of 63 FDI inflows have been made in various sectors. In the last two decades, from 2000 to 2020, the investment was Rs 273910.98 crore. Out of this, a total of Rs. 1797165.08 crore has been invested in the top ten industries. This means that 65.51 per cent of the total industry-wise investment was in these ten industries and only FDI in services sector banks, insurance, non-financial institutions, R&D, courier, technology testing and analysis and outsourcing was 17.45 per cent. It is clear from this that foreign investment is concentrated in certain sectors and there is a huge opportunity for growth in many sectors
- 4. State-wise FDI:** From October 2019 to March 2020, the total investment was Rs 175,158.77 crore. Out of this, according to the highest investment rank, the total FDI in ten states was Rs. 163985.33 crores. This proportion was 95.57 per cent. The four states of Maharashtra, Karnataka, Delhi and Gujarat accounted for 75.92 per cent of the total FDI, of which Maharashtra alone accounted for 30.35 per cent. This reflects the regional disparity in

economic development. In the future, prioritizing foreign direct investment (FDI) in Northeast India as well as in Jammu and Kashmir and other backward states will be necessary and important to achieve the goal of balanced regional development.

References:

1. Raravikar Yashvant (2014), Diamond Encyclopaedia of Economics, Diamond Publications, Pune
2. Govilkar Vinayak (2009), Economic Concepts, Diamond Publications, Pune
3. Chavhan N.L. (2017), International Trade and Practices, Prashant Publications, Jalgoan
4. Bhosle S. M., Kadam P.H. & Jadhav C. R. (2021), International Economics, Fadke Prakashan, Kolhapur
5. Datta & Sundaram (2021), Indian Economy, S. Chand Publication, New Delhi
6. Mishra & Puri (2009), Indian Economy, Himlaya Publishing House, Mumbai
7. https://www.ripublication.com/gjbmit/gjbmitv4n1_03.pdf
8. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3130794
9. <file:///C:/Users/Lenovo/Downloads/FDI%20MBA%20Project%20PDF.pdf>



Estd. 1949

Journal of
The Maharaja Sayajirao University of Baroda

Certificate of Publication

Certificate of publication for the article titled:

ROLE OF FDI IN INDIAN ECONOMY

Authored by

Dr. Yogesh M. Kulkarni

Head & Assistant Professor, Department of Business Economics,
Sonopant Dandekar Arts, V. S. Apte Commerce & M. H. Mehta Science College, Palghar

Volume No .56 No.2(V) -2022

Approved in

Journal of The Maharaja Sayajirao University of Baroda

ISSN : 0025-0422

(UGC CARE Group I Journal)



Journal MSU of Baroda