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Pre and Post 1991 era for Indian FDI Framework Proposal

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Abstract: -*The regulatory framework in India has progressively transitioned from being constraining to being facilitative for investors following the implementation of the Liberalization, Privatization, and Globalization (LPG) Policy in 1991. India has become an attractive location for international investments due to the adoption of liberalization, privatization, and globalization (LPG) reforms. Nevertheless, the level of investment in India continues to be inadequate in meeting the country's extensive requirements. There are several issues, such as bureaucratic delays in company licenses, the presence of several procedures and laws, regulatory and legal limits, and structural constraints, that hinder the full realization of the potential benefits of foreign direct investment (FDI). Investors are need to through extensive and intricate procedures, which can be time-consuming, so serving as a deterrent to their investment in the Indian markets. This article aims to provide a thorough examination of the legislation and procedures pertaining to investments in India, while also addressing the existing gaps within this system. The proposed system will also provide recommendations for enhancing performance in areas of concern, thereby facilitating an increase in FDI) inflows to India. The policy framework on Foreign Direct Investment Outflows in India demonstrates the government's commitment to fostering and facilitating Indian companies' investments abroad. This is achieved through the establishment of a Foreign Investment Facilitation Portal, which aims to minimize obstacles and maximize the advantages associated with FDI.*

Keywords:-fdi,trades,stakeholders, UNCTAD, ODI

I. INTRODUCTION

The influx of foreign investment in Asian nations, including developing countries like India, can be attributed to the implementation and enforcement of policies by successive administrations, as well as the adoption of liberal trade practises by these countries. The government's relaxation programmes have led to a seamless integration with the global economy, while also facilitating rapid and significant economic growth within the country[1]. There are certain uncertainties that investors may encounter. However, local governments currently present a favourable opportunity for international stakeholders to engage in market speculation and investment. A significant portion of investors have already made financial contributions in India, while others are actively seeking opportunities to allocate their funds in our market. In the contemporary era, businesses and economic processes are experiencing significant growth and expansion on a global scale. Instead of distinguishing between domestic and global words, corporations and the international community have embraced a new concept known as "global," which represents a harmonious fusion of both local and global elements. The global phenomenon of privatisation and globalisation has become so pervasive that it has facilitated the expansion of businesses on a global scale, resulting in mutual benefits. Based on the latest UNCTAD World Investment Report 2018, there was a decline of twenty-three percent in global foreign direct investment (FDI) flows in 2017 when compared to the previous year, 2016. However, conversely, the indices of political economy such as GDP and trade demonstrated a more favourable representation of expansion [2]. India was ranked eleventh among the top twenty economies that received the biggest amount of Foreign Direct Investment (FDI). The factsheet further emphasizes that the primary industries involved in most outward direct investment (ODI) are the Manufacturing sector. A comprehensive examination of the current patterns in foreign direct investment (FDI) inflows globally and within different regions and countries reveals that Asian nations, including India, have consistently garnered significant FDI inflows.

II. LITERATURE REVIEW ON INDIAN MARKET OPPORTUNITIES FOR FDI

India is recognized as the fifth-largest economy globally and stands out as one of the select countries worldwide that presents significant potential for growth and profitability across all sectors of its economy. The presence of a trained workforce is a crucial factor in guaranteeing a favourable return on investment for foreign investors in any given economy. Foreign investors consistently evaluate and assess the potential and associated risks presented by the Indian markets, in addition to considering the ease of conducting business and the policy framework of the host country, prior to making investments in such market. If India's core factors continue to exhibit strength, it is likely to witness a significant increase in foreign direct investment (FDI) in the foreseeable future. This flood of FDI is likely to provide numerous benefits to India in a variety of areas. According to the government, 'Make in India' was launched in September 2014 with the goal of enhancing the manufacturing sector, creating more jobs, and increasing confidence among both domestic and foreign investors. The Indian government's efforts have resulted in the country ranking 63rd out of 190 countries in the Ease of Doing Business (EoDB) Index 2020. However, India continues to lag behind its competitors in a lot of areas, and it has a long way to go before it can call itself a manufacturing powerhouse. The current article looks at the campaign's accomplishments and weaknesses, as well as how the government may help with import substitution through this programme [4]. Performance analysis to better understand the trend of FDI inflows into the Indian telecommunications industry. It is a comprehensive time series analysis of FDI in the telecommunications sector, as well as a basic statistical study. In his study, the researcher attempted to determine the overall trend of FDI influx as well as subsector-

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by-subsector FDI inflow. The findings show that FDI inflows into the telecommunications industry are not rising at a sustainable rate, despite the fact that there is no significant difference between FDI inflows into the various subsectors of the Indian economy's telecommunications sector. This also means that stronger FDI policies in the telecommunications industry are required in view of the evolving global economy [5].In a variety of ways, FDI contributes to the overall growth of host economies. Increased inflows of foreign investment will assist the economy in maintaining a high rate of growth indefinitely. Because FDI accounts for less than 8% of total investment in the country, domestic investment must take the lead. To move 'Make in India' initiatives forward, not only the quantity but also the quality of FDI is critical [6].IT stated that an investment is the movement of money from one location to another in exchange for a profit. In a global economy, the country with fundamental competencies has faster economic growth. His study's key goals are to analyse the relationship between FDI and numerous economic parameters [7]. The motto 'Make in India' takes on a broader and deeper meaning and writing style, as if the country has been revealed to have incredible employees who would quickly transform productive talents in India. The study is looking into whether the campaign can persuade global players and local business champions to set up shop in India by establishing manufacturing units [8]. The Hon'ble Prime Minister of India's 'Make in India' initiative has inspired new vigour and excitement in India's young people. This plan would create various chances for India's youth in the industrial and manufacturing sectors. It will help to reduce India's unemployment rate. The GDP growth rate of the Indian economy will be accelerated [9]. Social marketing is more usually used for social good than for economic gain. Digital India, Swatch Bharat Abhiyan, and Make in India were all launched in 2014, however their effectiveness is still being contested. The purpose of this study is to determine the popularity of various social marketing efforts aimed at youths in Punjab [10]

III. EVOLUTION OF FDI REGULATION IN INDIA OVER A PERIOD OF TIME

Foreign Direct Investment (FDI) is widely acknowledged as a vital source of non-debt financial resources that help to drive economic development. Following the introduction of liberalisation, privatisation, and globalisation (LPG) reforms, foreign direct investment (FDI) inflows into India have shown a constant growth pattern. Foreign direct investment (FDI) is regarded as a critical component of foreign capital since it injects long-term financial resources into the economy and generates a variety of economic benefits. These benefits include facilitating knowledge transfer, promoting strategic sector growth, stimulating innovation and competitiveness, and creating job opportunities across several industries. As a result, the Government of India's mission and purpose is to attract and encourage Foreign Direct Investment (FDI) to supplement the domestic economy. Capital acquisition, technology improvements, and talent cultivation are critical components for supporting quick economic expansion and development. The World Bank defines Foreign Direct Investment as "investment made by a foreign entity in the form of capital, technology, or skills into a distinct from Foreign Portfolio Investment, the term "forming a" bears a meaning. The development of long-term interest and investment in any given country demands the deployment of effective strategies. The policy framework in any country that wants FDI is an important factor of investment inflows. Foreign direct investment (FDI) is heavily influenced by a country's policy framework, which plays a critical role in either allowing or inhibiting the entrance of foreign investments. This section examines India's foreign direct investment (FDI) policy framework and its evolution over time. This analysis seeks to distinguish two separate periods of evolution: the pre-1991 LPG reform era and the post-1991 era.

1. Pre 1991 reform Era

Because our country has been under foreign rule for a long time, it has always taken a careful and discerning approach when creating policy in numerous fields. This is also evident in our FDI policy, where progress has been made through the implementation of several policies and acts over time. With the passage of the Foreign Exchange Regulation Act (FERA) in 1973, the regulatory framework was consolidated. This act allowed for up to 40% foreign equity participation in joint ventures. Following that, additional exemptions were provided to foreign businesses involved in export-oriented operations, high-tech sectors, and other priority areas, allowing them to hold equity shares more than 40%. Furthermore, drawing inspiration from the achievements and experiences of numerous countries around the world, the Government of India not only established special economic zones (SEZs), but also formulated a liberal policy and offered incentives to encourage foreign direct investment (FDI) within these zones, with the overarching goal of increasing exports. Following that, the Industrial Policy announcements of 1980 and 1982, as well as the Technology Policy of 1983, introduced a more open approach to foreign investment, as evidenced by changes in policy orientations. The project was distinguished by the elimination of licences for numerous industrial rules and the encouragement of Indian manufacturing exports, while simultaneously promoting industry enhancement through the liberalisation of commodity and technology imports. This phenomenon was supported by the adoption of trade liberalisation measures, which included tariff reductions and the transfer from import licencing to Open General Licencing (OGL) for a wide range of commodities and services. Despite numerous developments, the year 1991 saw the recurrence of Balance of Payments (BOP) crises. As a result, the implementation of Liberalisation, Privatisation, and Globalisation (LPG) reforms became necessary, allowing for a more substantial and genuine contact with the worldwide community. As a result, the groundwork was laid for an increase in Foreign Direct Investment (FDI) and foreign investments within the Indian economy.

2. Post 1991 reform Era

As previously said, a notable development occurred within our country when it commenced an economic relief and reform initiative in 1991. The primary aim of this initiative was to augment the nation's capacity for economic expansion and promote harmonisation with the international market. Over the course of time, there has been a progressive implementation of industrial policy reforms that have resulted in the removal of limitations on investment and company expansion. These reforms have also played a role in permitting increased accessibility to foreign technology and money. Multiple initiatives were implemented in order to facilitate the liberalisation of foreign investment.

(i) This article presents an overview of the two distinct pathways by which Foreign Direct Investment (FDI) is approved in our nation, specifically the automatic route administered by the Reserve Bank of India and the approval route overseen by the Government.

(ii) The plan involves the provision of automatic authorisation for technology agreements in industries of significant importance, and the removal of limitations on foreign direct investment (FDI) in sectors with lower technological advancements, aligning with the liberalisation of technology imports.

(iii) The plan provides authority for Non-resident Indians (NRIs) and Overseas Company Bodies (OCBs) to participate in investment activities up to a maximum of 100 percent in areas that hold substantial importance.

(iv) The plan recommends a modification to the existing foreign equity participation limitations for established firms, with the aim of raising it to 51 percent. Additionally, it proposes the relaxation of restrictions on the use of foreign brand names.

(v) Finally, it is crucial to underscore the necessity of ratifying the Convention that aims to protect foreign investments through the Multilateral Investment Guaranty Agency (MIGA).

IV. ANOTHER MEASURE TO PROMOTE FDI IN INDIA

In addition to the regulatory framework aimed at facilitating foreign direct investment (FDI) in India, the government has implemented various measures and observed emerging patterns in FDI that serve to directly or indirectly enhance its attractiveness to potential investors. In order to attract foreign investment, the government has introduced initiatives such as the production-linked incentive (PLI) scheme for electronics manufacture in the year 2020. In 2019, the government made amendments to its Foreign Direct Investment (FDI) Policy of 2017, allowing for 100% FDI through the automated process in coal mining activities, with the aim of enhancing the inflow of FDI. Furthermore, the government has implemented a policy allowing for a 26% Foreign Direct Investment (FDI) in the digital sector of India. This measure aims to mitigate the digital gap and enhance digital connection throughout the nation. The Foreign Investment Facilitation Portal (FIFP) serves as the exclusive digital platform established by the government of India to engage with investors and streamline foreign direct investment (FDI) processes. It is overseen by the Department for Internal Trade and Industry Promotion, which operates under the Ministry of Commerce and Industry.Foreign investors have demonstrated a keen interest in the government's proposed initiatives, which is expected to result in a notable rise in foreign direct investment (FDI) inflows in India. Moreover, it is noteworthy that significant industries such as defence item production have witnessed a notable policy change by the government. Specifically, the automated route Foreign Direct Investment (FDI) cap has been raised from 49% to 74% in the year 2020. This adjustment is anticipated to attract substantial investments in the forthcoming period.

V. CONCLUSION

It is rational to conclude that foreign direct investment is solution for any country's economic desolations and therefore it is necessary to take multiple market-oriented measures to boost our economy. Moreover, the Indian economy has recently been set to vie within the international market, wherever foreign investors acknowledge the chance for vital returns, as seen by the foreign direct investment success stories that have already been achieved. In rising countries, FDI has become more and more necessary. FDI is actually smart for overall growth of any country. The economy gains vastly from FDI, and also the correct FDI method identifies important economic areas that deliver the most effective come back on investment. By transferrable superior merchandise and services to plug, this investment will increase firm aggressiveness, stimulates innovation and potency, and raises the standard of living of the people in that particular country. Currently, a number of the highest recipients of the FDI flow just like the America and China are reeling underneath the various pressures like trade tensions and COVID like natural events. Taking advantage of this case, other Asian nation or specifically India can attract a lot of FDI inflows by addressing the problems of land acquisitions, taxation and other problems associated with FDI.

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