



Performance of Foreign Direct Investment in India

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Abstract: *An attempt is made in this paper to know Foreign Direct Investments (FDI) performance in India in terms of Merger and Acquisition (M&A), Technology transfer and Research & Development (R&D). Beginning of the sections is done with FDI policy in India. Initially, India has many restrictive policies but it is favorable after liberalization period to attract FDI in India. Another section of the Paper discussed performance of M&A in terms of number, volume, country and industry wise, Technology Transfer with suggested government policy and FDI inflow in R&D from the year 2000-2011(post liberalization period). At the end of the paper, it has been concluded that growth of FDI Inflows is quite positive in above mentioned area.*

I. INTRODUCTION

Normally, objectives to invite FDI in India have to nurture cottage and small scale industries, technological growth of medium and large scale industries to fulfill local content requirement and to correct Balance of Payments. Performance requirement has a rationale, which include objective of measures and role of such requirement to manage form of market. There are opportunities and threats prevailing in the markets by the multinational's FDI performance, which are related with local content, exports, joint ventures, R&D, training and development, technology transfer and other requirements so as to remove restrictive business practices in the form of market allocation, price fixing, exclusive dealing and collusive tendering (Puri and Brusick, 1989). There are countries, those who are invited FDI for import substitution purpose but export enhancement development becomes subsidiary goal. In emerging market economy like India, it has a goal to bring knowhow and technological collaboration to diversify the trade by viewing the performance of the FDI, it helps to get information about strength of industrial base, to know opportunities of export generation and its performance; · trade balancing process; regional development promotion; technology transfer; avoidance of restrictive business practices by the Government.

II. BACKGROUND OF FDI POLICY IN INDIA

The government of India has declared some of the important industrial policies during the periods of pre-liberalization. These include 1948 policy, 1956 policy and 1969 industrial policy, which were very restrictive for FDI and foreign collaboration. These policies created assets as technology, skill and entrepreneurship were limited but FDI helped local ownership and foreign investors were given security for foreign ownership of industrial enterprises. After four decade of varying degree of selectivity of FDI, the limits on foreign shares fostered joint ventures with Indian entrepreneurs. These policies continued until the policy of creeping liberalization of the Indian economy was initiated in the 1980s. The fast-tracked liberalization of the Indian economy introduced in 1991, which brought with it a radical shift in the policy towards FDI. In fact, FDI policy reform formed part of the first package of industrial reforms in July 1997 and was reflected in the Industrial Policy announced in 1991:

Foreign investment would bring attendant advantages of technology transfer, marketing expertise, introduction of modern managerial techniques and new possibilities for promotion of exports. The government will therefore welcome foreign investment, which is in the interest of the country's industrial development. India declared new Industrial policy with reforms in 1991 for integration with global economy. The policy had prominent role of FDI for strategic investment.

Kumar and Das (2011) reviewed, the government of India has made major shift in FDI policies along with economic reforms. FDI regulations and liberalization were one of them. Gradually, the government continuously revised and liberalized the policy. Most of the changes are found in FDI through the automatic approval route. Still, however, there are some sectors in which restriction are there. Foreign Investment Promotion Board (FIPB) has taken care for automatic route of FDI. For this, the government has made exclusive change in economic and industrial policies. Such as, repatriation of Investment capital and profits, change in labor laws, establishment of special economic zones and taxation policies helped India to attract a destination of FDI.

FDI policy was highly regulated before 1991. India had Foreign Exchange Regulation Act (FERA) was enforced and violation of the act was a minimal offence. However, under the deregulated period, FERA was revised as foreign Exchange Management ACT (FEMA1990). The new act helped to improve capital account Management of foreign exchange Management in India. The act facilitated external trade and external payments so as to achieve heights of foreign exchange market in India. The provision of the act allowed users to make use of foreign exchange with increased quotas. The government of India established Foreign Investment Promotion board (FIPB), Department of Economic Affairs, whereas, Ministry of finance is the nodal single window to



manage FDI. Under the foreign Investment policies, the RBI manages FDI by two routes: 1. by automatic route and 2. by government route.

The government of India has made change in liberal and investor-friendly policy for FDI. The policy has allowed 100% FDI by automatic route in almost all sectors. However, from time to time policy has changed and there are certain prohibited activities such as retail trading, lottery business, gambling, betting, business of chit chat fund, Nidhi companies and real estate business or construction of farm house. FDI in the case of toxic activities are strictly prohibited including atomic technology and railway transportation. Government of India issued several circulars for change in/or relaxation in certain activities like pricing of convertible instruments, issues of fresh shares, introduction of provision of on passing of shares and opening of non-interest bearing accounts in specified condition . So far as pharmaceutical sector is concerned, up to 100% investment is permitted in existing companies in Greenfield and Brownfield investment through automatic and govt. approval routes. Moreover, exception of construction-development activities in education sector is permitted. The policies have included basic and applied R&D on biotechnology, pharmaceutical science and life science, as Industrial activities for National Parks. FDI limit is revised in broadcasting g/FM radio up to 26%. FDI in the form of liberalization of conversion of capital-good/machinery and related expenses to equity investment are allowed. In 2012, Department of Industrial policy and Promotion (DIPP) has issued liberalization of the policy in single brand retail trading and increases the cap from 51% to 100%, however, it will be routed through government of India. FDI beyond 51% and mandatory sources of at least 30% of value of product sold in the case of small and village industries.

Looking to the aggregate level, FDI equity inflows were revised worth of Rs 112019 mn (US\$24.2bn) during the financial year 2011-12. FDI under the automatic route, it does not require approval but only involves to intimate RBI within 30 days of periods. Regarding sector-wise distribution of FDI, equity flows 19% of the total in service sector followed by drug and pharmaceutical 13%, telecommunication 8%, construction activities 7%, metal and power sector 6%, miscellaneous engineering products 5%, hotel and tourism 3% are found at the end of December 2012.

FDI Promotion activities are progressively rationalized ongoing basis. The RBI has also issued new guidelines for Foreign Direct Investment contained under FEMA (Foreign External Monetary Affairs) along with regulatory framework. It is largely due to dissemination of FDI measures to develop investment climate to grab opportunities in India. DIPP has made special effort for business reforms aimed at improving the business like setting up of single windows; computerize information, online registration, simplification of taxes and payments along with reduction of documents for FDI.

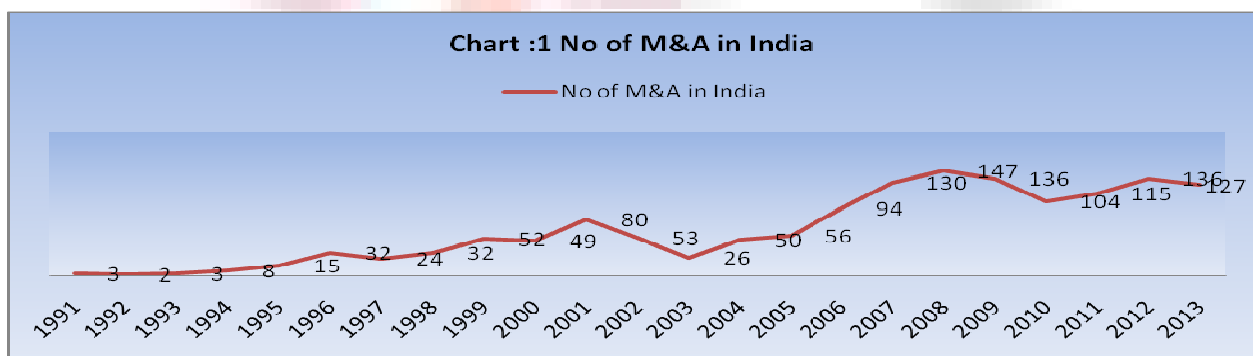
The National Manufacturing Competitiveness Council (NMCC) has been setup to provide policy dialog and sustain the growth of manufacturing industries. Moreover, NMCC helps apex industry association such as (FICCI, CCI and ASSOCHAM) in their activities of globalization of trade along with bilateral and multilateral initiatives. Such policy actions have highly encouraged not only the FDI but also FDI dependent domestic economic condition, global economic trend and improvement of infrastructure as an emerging investment destination for India. The policy is highly appreciated by UNCTAD 2011 and other forums.

III. MERGER & ACQUISITION IN INDIA

Mergers and Acquisitions are linked with FDI inflows. Here, an attempt is made to know volume of M & A, their cross-border value and India’s M & A ranking of industrial sectors.

Ramakrishna (2008) analyzed financial data pertain to 87 pairs of merged firm: the mergers were executed 1996 to 2002, he found that 64% of the merger belonged to related industries, while the remaining were in unrealistic industry. As per profile of cross border M&A investment in the case of India, UNCTAD World Investment Report 2013 observed that numbers of deals in 1991 was only 1 which with substantial rise in 2007 as 167 at present it is 127 in year 2012, in terms of amount it increased from US\$ 34 mn to US\$ 5580mn during the 2010. The increase in average purchase deal size was extremely large from US\$40.7mn in 2006 to US\$156.8 mn in 2007.

The chart1 shows number of Merger and Acquisition are taken place during the last two decades. It has been observed from the chart that announced M&A in India during 1991 to 1998 were very low as 24. Whereas, from 1999 to 2013 it increased 32 to 127 numbers. This has happened largely due to liberal provision and institutional support for M&A process. Largest share among this were occupied by manufacturing sectors and service sectors.



Source: UNCTAD (various years) world Investment report 2014

CHART-2

India M&A Volume

Chart shows M&A in India in terms of value in US\$. The chart shows that there is fluctuating trend of Inbound Outbound and domestic M&A. In terms of value the M&A had transaction of 15 bl USD\$ in 1999 which increased to 55 billion dollars in 2007. Again it declined to 30 billion dollars in 2013. Value and volume depends upon business environment and number of industry.

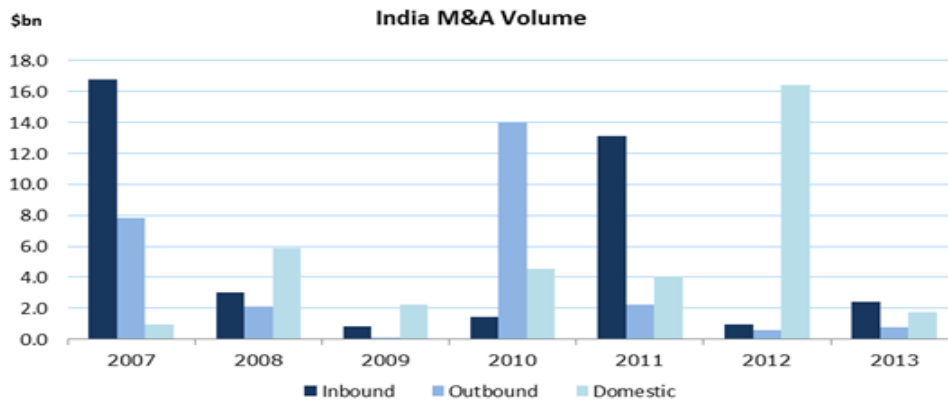


TABLE-1

India M&A Industry ranking year Feb 2012-Feb2013

Rank	Industry	Value US \$ mn	No deals	% share
1	Food and Beverage	4,119	53	13.2
2	Finance	3,864	110	12.4
3	Health care	3803	90	12.2
4	Technology	2,667	195	8.5
5	Consumer Products	2,571	43	8.2
6	Telecommunications	2,355	16	7.5
7	Professional services	2,167	97	6.9
8	Metal & steel	2,025	46	6.5
9	Utility and Energy	1,681	30	5.4
10	Construction/building	759	51	2.4
	Total	26,011	731	100.0

Source: <http://wsj.dealogic.com/indiarankings.htm>

Looking to Industrial ranking of India M&A between February 2012 to February 2013 total no. of deals were 731 with total value of US\$ 26011mn. During this period, share of food and beverages, finance and health care remained dominant with their share 13.2%, 12.4% and 12.2% respectively. However, in case of technology consumer product and telecommunication their share remains 8.5%, 8.2% and 7.5% respectively. The government of India opened new avenues for new Industries and sectors.

As per RBI report 2012, it is observed that at aggregate level, inflow through acquisition of existing share as on 30-11-12 was worth of US\$ 5183.404 through automatic route, whereas, US\$ 181.432 through acquisition. The inflow through acquisition of share registered an average growth was 55.7% from 2001 to 2008. It noticed that the positive growth rate throughout the period except the year 2003 & 2007.

Considering M&A deals, in top five companies targeted industries are found as Energy and Power, having share of US\$ 20 billion in 2010, whereas, in 2011 it reduce by US\$10.8 billion. In the case of Industries in 2010, it was US\$ 2.0 billion which increased US\$ 6.5 billion, which recorded 122% higher growth rate. So far as materials are concerned M&A deals stood US\$ 10.5 billion, which declined to US\$ 6.4 billion during the period. Transfer of technology is very important considering the role of FDI, M&A deals for high technology increased from US \$2.0 billion to 24% growth during period. (The Economic Times Dec: 2011).

This means that FDI provided a vital boost to M&A deals for various types of companies with different segment of Industrial sectors between year 2010 and 2011. These companies include, Vedanta with cairn having US\$ 8.6 billion the biggest M&A deal in Industrial sector. Reliance remained the second dealt with BP having US\$7.2 billion. GVK power dealt with worth of US \$ 1.26 billion for acquisition with Han Cock coal. Adani enterprise comprised US\$ 2.00 billion acquisition with Abbot Australian Company benefited. i GATE acquisition with Patni computer another very important example of M&A during the year. (The Economic Times Dec: 2011).

IV. TECHNOLOGY TRANSFER IN INDIA

An attempt is made to know the government of India’s Transfer of Technology Policy. Technological collaborations promotion, and its terms & condition of payment. Country-wise and sector-wise transfer of technology in India has been studied.



Technology is an important aspect to bridge the international economic gap is the technological gap. Technological backwardness and a slow-moving progress generally characterize the developing countries. As such, the advanced countries boast a rich stock of technology and fast technological progress. Technology transfer is the term used to enlighten the processes. A technological knowledge moves within or between many organizations. International technology transfer refers occurs between countries. Transfer of technology is normally from the developed to the developing countries, it is helping to measure speed and the pace of the economic development. As such, transformation process is low in the fewer developing countries (LDCs).

Technology Transfer under the FDI is an important means in order to obtain total gain of the technology. It is useful for cost-effective production in competitive markets. Acquisition of new technology involves not only the transfer of technology but also domestic technical learning (knowhow). It helps capacity building of a nation for rapid technological and innovative economic development. Technology transfer is the strength of a nation, which helps to achieve huge market, high & middle-income group people and easily adoptable nature of the consumers. Knowhow and technology depends upon availability of technically qualified human capital. Technological transfer include, foreign licensing, turn-key projects, technical consultancy, capital-goods acquisition, International subcontracting. By and large, FDI is associated with first Transferring technology in terms of commercial transfer, an initial organization usually a multinational subsidiary and then further diffusing it to other firm in the local economy, spillover and other condition.

Transfer of technology has created a debate in country like India. As such, most technology transfer is capita intensive and India is labor surplus country in search of new job opportunities and unemployment is a large mass problem. As a result, use of new technology depends upon ability of the country to make use of technology transfers to develop their domestic capabilities as it involves sizeable capital investment. This may help to reap the social and economic benefits.

TECHNOLOGY TRANSFER POLICY BY GOVERNMENT OF INDIA:

Indian industry has been started to developed technological capability and competitiveness by acquisition of foreign technology, which is encouraged through foreign technology collaboration agreements. The authorization for such collaborations has legitimate either through automatic route or with prior Government approval. The RBI permission is required as payment is to make in foreign exchange. Sometimes global level agencies like United Nations Industrial Development Organization (UNIDO) and World Bank are helping developing countries.

TECHNOLOGY COLLABORATION:

There are certain terms and conditions for technological collaborations. these terms of payment is made under foreign technology collaboration, which are eligible for approval through the automatic route and by the Government approval route, These include, technical knowhow fees, payment for design and drawing, payment for engineering services and royalty. Payments for hiring of foreign technicians, deputation of Indian technicians aboard, and testing of indigenous raw material, products, and indigenously developed technology in foreign countries has governed by separate RBI procedures and rules pertaining to current account transactions and are not covered by the foreign technology collaboration approval.

AUTOMATIC ROUTE: Payment for foreign technology coloration by Indian companies is allowed under the automatic route subject to the following limits:

- I. The lump sum payments not exceeding US\$2 million
- II. Royalty payable was being limited to 5 per cent for domestic sales and 8 per cent for exports, without any restriction on the duration of the royalty payments.

Authorized dealers appointed by the Reserve bank of India (RBI) allow remittances for royalty payment of lump-sum fee and remittance for use of Trademark or Franchise in India within the limits prescribed under the automatic route. RBI's prior approval is must required for remittance towards purchase of trade mark or franchise.

GOVERNMENT APPROVAL – PROJECT APPROVAL BOARD (PAB): Royalty payment in the following cases requires prior Government approval because PAB allow only technical collaboration is proposed and FIPB where both financial & technical collaboration are proposed.

- I. Sectors/activities which are not on the automatic route for FDI, or
- II. Proposals not meeting any of the parameters for automatic approval

Proposals for foreign technology transfer and collaboration not covered under the automatic route shall be considered by the PAB in the department of Industrial Policy and Promotion. Application in such cases has submitted in Form FC-IL to the secretary for industrial Assistance.

PROMOTION AND REGULATION OF TECHNOLOGY TRANSFER IN INDIA:



It is widely recognized that has properly regulated and promoted it can play a positive role in spite of the problems or shortcomings of foreign technology, particularly in the technologically deficit countries. The Government of India has taken a number of regulatory and promotional measures to take advantage of foreign technology devoid of sacrificing national interests.

REGULATION:

A number of regulatory measures have taken by different countries to ensure that the technology selected is the best available, suitable to domestic environment and that disorganized and unnecessary import of foreign technology is not undertaken. The aspects of technology commonly regulated are discussed below.

THE EXTENT AND TERMS OF EQUITY PARTICIPATION:

This is one of the aspects of technology that commonly regulated; these are in generally determined by the priorities of the technology-using industry in the nation's economy, supply conditions of the technology and its type and nature. Foreign equity has usually allowed only in high priority, high technology and export oriented industries. Foreign equity participation has been normally limited to 40 %, while in certain cases like export-oriented industries, a larger participation has permitted. The Government of India's policy towards foreign capital and technology broadly categorised industries into three types, namely, industries where both foreign equity and technology has allowed, industries where only foreign technology has allowed and industries where neither foreign equity nor technology has allowed.

PHASING OF DOMESTIC MANUFACTURING:

Government of India has been insisted upon indigenisation on a phased manner as and when the foreign technology has employed. The Government of India, in the past also insisted that suitable provisions made for training of Indians in the field of production and management. In additional, there should be adequate arrangements for research and development, engineering design, training of technical personnel and other measures for the absorption, adaptation and development of the imported technology.

PAYMENT TERMS AND FOREIGN EXCHANGE OUTFLOW:

Government take measures to ensure that disproportionately high payments have not paid for any technology. Boundaries were imposed also on dividend payments and pricing. The Government of India's guidelines clearly laid down that there should be no requirement for the payment of minimum guaranteed royalty, regardless of the quantum and value of production. Royalty payments were subject to restrictions in terms of amount, period of payment and Indian tax laws.

THE APPROPRIATENESS OF THE TECHNOLOGY:

According to the guidelines issued by the Government of India, the entrepreneurs should, to the fullest extent possible, explore alternative sources of technology, evaluate them for a techno-economic point of view and furnish reasons for preferring the particular technology and source of import. Permission to import a particular technology has generally based on considerations such as fitness of the technology to the socio-economic and ecological conditions in the country and right of way of the technology using industry in the national economy.

PROMOTIONAL MEASURES:

To take full advantage of the positive role of foreign technology, it is necessary to take certain promotional measures. These include:

1. Assessing technological requirements in a variety of sectors and identifying areas where foreign technology is required.
2. Dissemination of information in foreign countries regarding foreign investment potentials and scope for technical collaboration in the domestic economy, government policy and regulation in respect of foreign capital and technology, institutional assistance and infrastructural and other facilities for industrial development. The Indian investment centre, established in 1961, has been playing such a role.
3. Government has to provide advisory services to Indian entrepreneurs, in respect of foreign technology including the techniques and process of technology transfers.

TABLE-2
Country-Wise Technology Transfer Approvals

Ranks	Country	No. of Technical Collaborations approved	%age with total tech. approvals
1.	U.S.A.	1,841	22.71
2.	Germany	1,116	13.77
3.	Japan	880	10.86
4.	U.K.	876	10.81
5.	Italy	489	6.03
6.	Other Countries	2,904	35.82
Total of all Country		8,106	100.00

Source: RBI Annual Report year 2010 by website of SIA Newsletter

It can be observed from the above table that foreign Technology transfer number of cumulative approval increased from August 1991 to December 2009 were 98 to 8106 (RBI report 2010). Whereas, 46 number of approval got during the year 2009-10. Among these USA has highest number of technical collaboration approval 1841 with their percentage share of approval 22.% followed by Germany 1116 and 13.77% and Japan 880 and 10.86% shares respectively. In the case of UK and Italy approval numbers were 876 and 489 with 6% of shares other country had 2904 approvals with 35.82% of shares.

TABLE-3
Sector wise Technology Transfer Approved

Rank	Sector	No. of Technical Collaborations approved	%age with total tech. approvals
1.	Electrical Equipments(including computer software & electronics)	1,263	15.58
2.	Chemicals (other than fertilizer)	905	11.16
3.	Industrial Machinery	872	10.76
4.	Transportation Industry	760	9.38
5.	Misc. Mach. Engineering Industry	444	5.48
6.	Other Sectors	3,862	47.64
Total of all Sectors		8,106	100.00

Source: RBI Annual Report year 2010 by website of SIA Newsletter

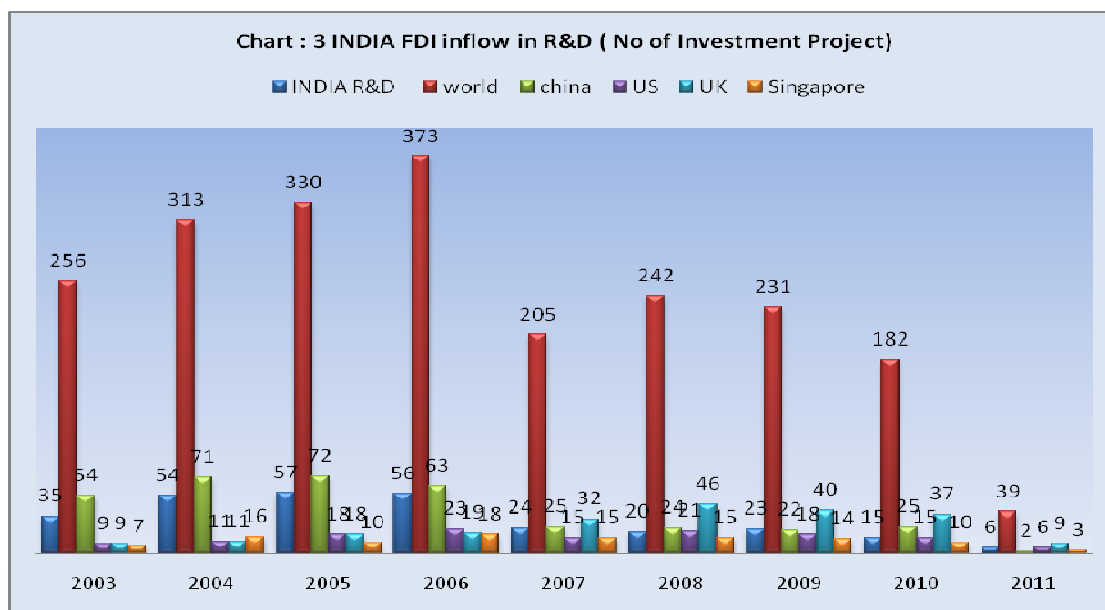
Considering sector-wise foreign technology transfer approvals, they were 1263 for electrical equipment's with their share 15.58%. In the case of chemical other than fertilizer had 905 approvals with 10.76% of shares. Transportation industry had 780 approvals with 9.38% shares and miscellaneous Mechanical Engineering industries 444 approval with 5.48% shares, whereas, other sector had 38.62 approvals with 47.64% share, Maharashtra, Tamil Nadu and Gujarat had benefited a lot with foreign technology transfer. Subsequently, FIPB gave new opportunity on the basis of technical feasibility and economic viability.

V. RESEARCH AND DEVELOPMENT IN INDIA

R&D so far was treated as the least fragmentable activity of the TNCs. In recent times, situation has been changing worldwide as a greater dispersion of TNCs' R&D has become marked. This outcome is not only of the increasing liberalisation in various developing countries and changing nature of technology but also because of shortage of highly skilled S&T human resources. India has not remained untouched with this phenomenon and a discernible change has been observed in India during the period 1998-2007. During the five-year period 1998-2003, a major FDI inflow in R&D worth of US \$ 1.13 billion had been approved and a much higher level planned. These companies have filed at least 415 patents from India in the US. Nearly half the FDI companies have relocated their in-house R&D in home country to offshore location in India Though TNCs from US, Germany, UK and France figure prominently, a number of firms from China, Republic of Korea, and Taiwan have also appeared with noticeable R&D activities in India (Academy of Business Studies, 2006).

More than 50 percent of the companies that have invested in R&D sector in India are from the US and account for about 72 percent of the total FDI. These companies have also filed an overwhelming portion of the patents filed in US, Some of these companies have domestic partner from developed country TNCs like Korean companies Hyundai has Dailmer Chrysler and Tyco Electronics has Siemens as domestic partners in India. Thus, these efforts are also creating a global R&D network. These companies adding up to support own manufacturing activities were also found to be engaged in exports including R&D exports benefiting the host economy. However, compared to other TNCs from the developed countries, these Asian TNCs have limited capacity building programmes. These programmes could be categorised as training programme for R&D employee, contract research, collaborative research with universities and firms, supporting own manufacturing activity (Agarwal and Sarkar, 2006). None of these companies have so far entered into any research contract with any local research organisation neither that they have felt the need of any training programme for the R&D employee nor that they had any collaboration with any universities. These requirements seem to be varying with the specific sectoral characteristics.

In sectors like Agriculture, Automobile and Chemical, firms in India have not found any need to engage in contract research with Indian patrons. Training programmes were more common in Chemical sector than IT or Automobile sector and the need for training is also gradually reducing in the IT sector. It is also important to make a note of that some of the interviews conducted by ICT sector in which some of the Asian companies had problems in recruiting or retaining middle level technical personnel. This problem could be categorised as the problem of high mobility of the sector or as some of the personnel reported that the management style of these companies did not provide adequate autonomy in decision-making as compared to other western companies. While exploring further the period between 2007 and 2011, the global data on R&D inflows reflect a slowdown in the investment activity and possibly due to global economic crisis. Between January 2003 and April 2011, global FDI markets recorded a total of 2171 investment projects from 1030 companies and the leading sector was Pharmaceuticals, which accounted for 18 percent of projects (See chart no. 3).



Source: UNCTAD (various years) world Investment report 2014

This period also indicated a negative annual average growth rate of -1.7 percent. It is despite this that China followed by India remained the top two destination markets in the world for inward investment attracting 13 and 11 percent of investment projects respectively. Moreover, both the countries recorded a negative average annual growth rate around -5 percent despite implementing TRIPS compatible IPR laws.

The top three source markets for outward investment were United States, Germany and Japan, providing 46, 9 and 7 percent of investment projects respectively. India and South Korea also figured as one of the top ten investors with 8 percent of the total outward investment projects each. As far as India is concerned, India attracted 290 inward FDI investment projects in R&D during the same period (Table no.4).

TABLE-4
FDI inflow in R&D into India by source country

Source country	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
United states	25	36	34	36	13	8	13	6	3	174
Germany	2	1	5	3		4		1	1	17
UK		3	4	3						10
Switzerland	2	4	1	2		1		1		11
south Korea		1	1	1	3	1	3	2		12
Japan	2	1		1	1	1	1			7
France	1	3	4					1	1	10
Denmark					2	1	2	1		6
Australia				1	1		1			3
Sweden		1	2	1	1		1			6
other countries	3	4	6	8	3	4	3	3	0	34
Overall Total	35	54	57	56	24	20	24	15	5	290

Source: RBI several publications

TABLE-5
National expenditure in R&D (Rs. In mn)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
15683.37	16007.14	16353.72	17575	19991.64	22963	24821	27213	1877.2	12530

Source: RBI several publications

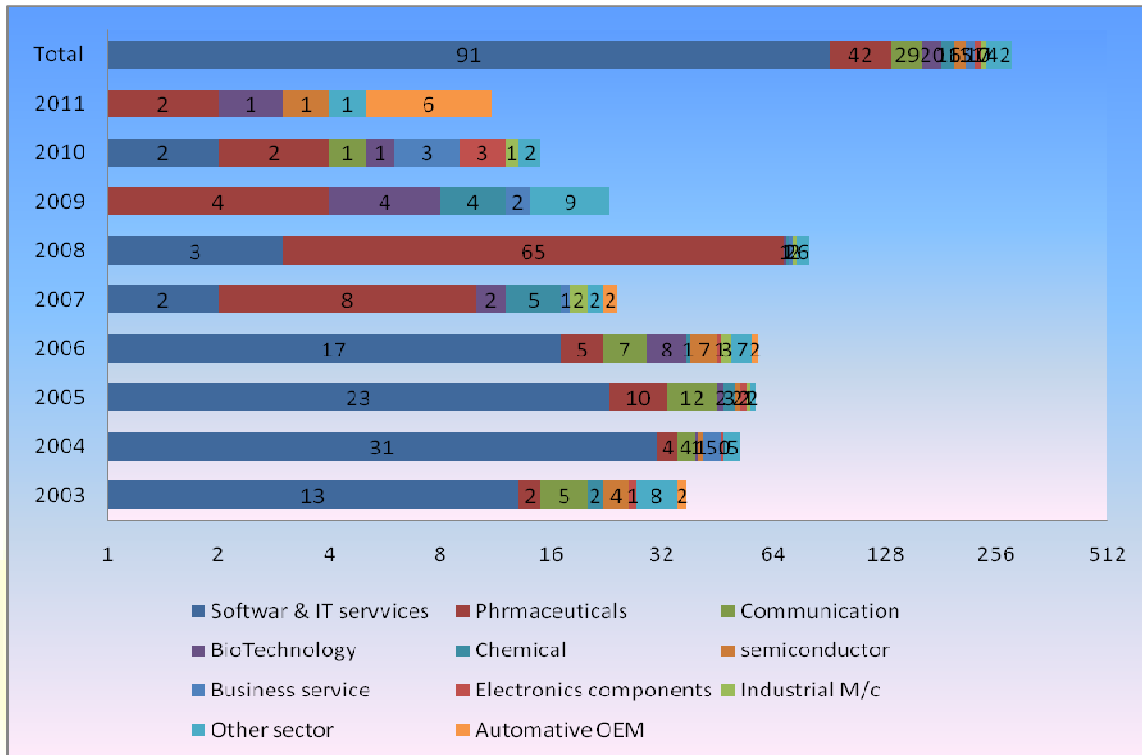
It can be observed from the chart that R&D through FDI flows benefitted Pharmaceuticals and chemical industries benefitted a lot due to entry of FDI in India. However, software industry, bio-technology and business services benefitted in 2003, 2004 and 2005. In percentages, it occupied the share 13%, 31% and 23% respectively. At aggregate level sectoral composition of FDI was found to be 42% Pharmaceuticals. However, the flow is managed by FIPB for sectoral distribution.

Most of the inward investment has flowed into high-tech R&D. The following small table reveals rising expenditure on R&D in India. It shows fluctuating trend. However, it is less than 2% of India's GDP, whereas, developed nations spends more than 5% of

their GDP to compete in global market. Not only has that domestic R&D expenditure in Indian companies need to increase, which is very low compared with the developed nations.

CHART-4

Sectoral Distribution of FDI inflows in R&D into India (No. of Investment projects during Jan 2001- April 2011)



Source: UNCTAD (various years) world Investment report 2014

India can support the quality and essentially of its health care, education system, agriculture, trade, industry and services by investing in R&D activities. Now a day's many TNC play a significant role in research and development activities. R&D expenditure increased not in manufacturing sector but also in service sector considerably. In future many Information Technology related companies like General Electric, Microsoft, and IBM are involved in R&D in India.

VI. MAJOR OBSERVATIONS

1. M&A process taught a strategy to Indian firms to become top players in International markets. This is evidenced by steel Industry, aluminum Industry which has changed the rank and market power of Indian Firms. A Substantial portion of the countries' FDI (40%) is contributed by mergers and acquisition in the case of India, which allowed India corporate sector to be stronger in business.
2. The legal environment in India is relatively becoming more sophisticated and refined. This happened largely due to an entry of FII and offices of foreign corporate in general and MNCs in particular as India becomes a main stay of global corporate climate. Today India M&A is a vital part of inbound and out bound economic activity. As targets or acquires, Indian business is increasingly involved in horizontal and vertical integration, and in maximizing the synergies that accompany M&A transactions. New Companies Act 2013 opened new avenues in this regard.
3. Technology transfer through multinationals help Indian companies to diversify their exports, several technologies, knowhow and machineries became possible to import so as to boost R&D at individual industry levels. Thus, foreign collaboration provided a vital boost to the export earnings, GNP, employment avenues opportunities and higher level of living to the Indian people
4. India has emerged as one of the top destination for R&D off shoring. These activities are not restricted to supporting domestic manufacturing or market seeking but are extended to capacity building programmes like exports including R&D exports, training and contract research and have generated significant R&D employment.
5. As far as FDI investment inflow in R&D is concerned, companies from the USA, Germany and UK were the major investor. Some of the developing countries have also emerged as new actors in India. Software & IT services and Pharmaceuticals were the major sectors that attracted FDI investment followed by Communications, Biotechnology and Chemicals.



6. India might require greater level of coordination and policy interventions to translate the technological capabilities into higher level of high-tech exports by taking advantage of expanding markets in this sector. This might help to expansion of R&D activities in the industries.
7. One can observe and conclude that 45% of investors cite low cost labour and inexpensive manufacturing as key attractions in India. 1% of investment in India went into the manufacturing sectors. In 2011, 78% of investment in terms of value went to the manufacturing sector in comparison to 14% share of service. There are 34% projects of FDI are manufacturing led. Industrial tend to target the industrial machinery, equipment and tool in which 115 and in automotive 76 projects are targeted
8. Large mass of investors about 50% of total investors believe that the high potential of the domestic market has the most attractive characteristic of growth of the Indian market.

VII. CONCLUSION


The present study of FDI in India reveals that after liberalization period, FDI flow has increased both in terms of value and volume of activities. FDI has engineered in modern technology in our manufacturing sectors. This has helped not only the large scale industries and foreign collaborative industries but also brought knowhow for medium and small sectors. Looking to the earnings from FDI inflows, investment has substantially increased foreign exchange receipts both in terms of US\$ and in Indian Rupee. Indian has achieved notable M&A successes, through strategic investment in telecommunications and, from a private equity perspective, in real estate, construction and property development. Indian exports have succeeded in diversification of products in global market largely due to FDI inflow in India. Moreover, such phenomenon helped to correct Balance of Payment situation and foreign exchange reserves at modest level. The expenditure on R&D activities is rising significantly in the present decade in the India. However, there is a key question for emerging market economy like India to have proactive policies, which can exploit the benefits of FDI inflows in India. As such, FDI helps such countries for capacity building so as to reap the social and economic benefits of existing technologies.

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