



FDI IN INDIA: A CASE STUDY OF JAMMU AND KASHMIR

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Abstract

Foreign direct investment is considered to be the life blood for developing nations. Foreign direct investment is needed for achieving the economic reforms and growth and development of the economy. In India FDI is considered as the developmental tool, which helps in achieving self-reliance in various sectors and in overall development of the economy.

The study tries to find out the FDI inflow in India during 2000-01 to 2014-15. The main purpose of the study is to find out the FDI inflow in Jammu and Kashmir State from 2012-13 to 2014-15. The study is based on the secondary data.

Key words: foreign direct investment (FDI), development, economy.

INTRODUCTION

Foreign Direct Investment is a level of control which a firm of home country gets through direct investment on host country. Foreign direct investment is distinguished from portfolio foreign investment, a passive investment in the securities of another country such as public stocks and bonds, by the element of control. FDI is the tool for economic growth through it is strengthening of domestic capita, productivity and employment. FDI provides opportunities to host countries to improve their economic development and opens several new opportunities to home countries.

FDI adds a great deal to India's economy. The continuous inflow of FDI, which is now allowed across several industries, clearly shows in the faith that overseas investors have in the country's economy; FDI inflows to India increased 17% in 2013 to reach US \$ 28 billion, as per a United Nations report. The Indian government's policy regime and a robust business environment have ensured that foreign capital keeps flowing into the country. The government has taken many initiatives in recent years such as relaxing FDI norm in 2013, in sectors such as defence, PSU oil



refineries, telecom, and power sector, among others, the same year, big global brands such as Tesco, Singapore Airlines and Etihad lined up to invest in India as the government opened more sectors to foreign investment.

In last decades the importance of FDI has increased significantly due to globalization process, which offers huge opportunities for mostly developing countries to reach faster economic growth through trade and investment. FDI assists foreign investors in utilizing their assets and resources more efficiently as well as host countries in acquisition of better technologies and getting involved in international production and trade networks. Developing countries have started to see FDI as a source of economic development and modernization, income growth and employment.

In any state, investors will be interested to invest only when there is growth potential and administration and law and order are in place. Lower investments have been slowdown in the growth rate of the state. There is not only low FDI inflow in J&K but the domestic investment also being weak in view of its troubled history. The FDI inflow in Jammu and Kashmir State is low as compared to other states of India. The state also ranks poorly in attracting domestic investment. As reported by World Bank on Assessment of State Implementation of Business Reforms 2015, Jammu and Kashmir was among the worst performers with a rank 29 out of 32 states and union territories.

REVIEW OF LITERATURE:

Devajit (2012) indicated that FDI is an important cause of change to the Indian economic growth. It encourages the domestic investment, increase human capital formation and also facilitate the technology transfers. The main objective of this study was to investigate the impact of FDI on economic growth in India and concluded that FDI is needed by India for its sustained economic growth and development through creation of jobs, expansion of existing manufacturing industries, short and long term project in the field of health care, education, research and development etc.

Anitha (2012) studied that for the countries development FDI plays an important role, not only for a source of capital but also for enhancing competitiveness of the domestic economy through transfer of technology, strengthening infrastructure, raising productivity and generating new employment opportunities. The factors that enable India to attract FDI were the huge market size, availability of



highly skilled human resources and sound economic policy. It was found that even though there has been increased flow of FDI into the country during the post liberalization period, the global share of India is very less when it is compared to other developing countries.

Gola and Dharwal, et.al. (2013) investigated the impact of FDI on economic growth in India from the period of 1990-2011. From this study it has been found that FDI plays a crucial role in enhancing the growth and development of the country. Moreover, FDI as a strategic component of investment is needed by India for achieving the objectives of its second generation of economic reforms and maintaining pace of growth and development of the country. Although India's share in FDI has increased but the pace of FDI inflows has been slower than China, Singapore, Brazil and Russia.

Suresh and Ramakrishna (2013) find out that FDI is seen as an important economic catalyst of Indian economic growth. The objective of the study was to investigate the impact of FDI on economic growth in India. FDI as a strategic component of investment is needed by India for its sustained economic growth and development through creation of jobs, expansion of existing manufacturing industries, short and long term project in the field of healthcare, education, research and development (R&D) etc.

Fayza Z (2013) focused on foreign direct investment and its importance to the economy of J&K, and recognized that most countries including India and also J&K state are constantly working to attract it for economic growth and development. The objectives of the study were to access the determinants of FDI inflows in the state and to evaluate the impact of FDI on the economy of the state. The study reveals that the indigenous private corporate sector is the major source of investments. The state is not only cost effective but also hot destination for R&D activities. The study also finds out that R&D is a significant determining factor for FDI inflows for most of the industries in state.

Malhotra (2014) examined the impact of FDI on the Indian economy, particularly after two decades of economic reforms, and analyses the challenges to position itself favorably in the global competition for FDI. India's FDI policy has been gradually liberalized to make the market more investor friendly. FDI inflow supplements domestic capital, as well as technology and skills of existing companies. All of these contribute to economic growth of the Indian economy.

Objectives of the Study:

- To study the FDI inflow in Jammu and Kashmir.
- To study the FDI inflow in India.
- To provide necessary suggestions.

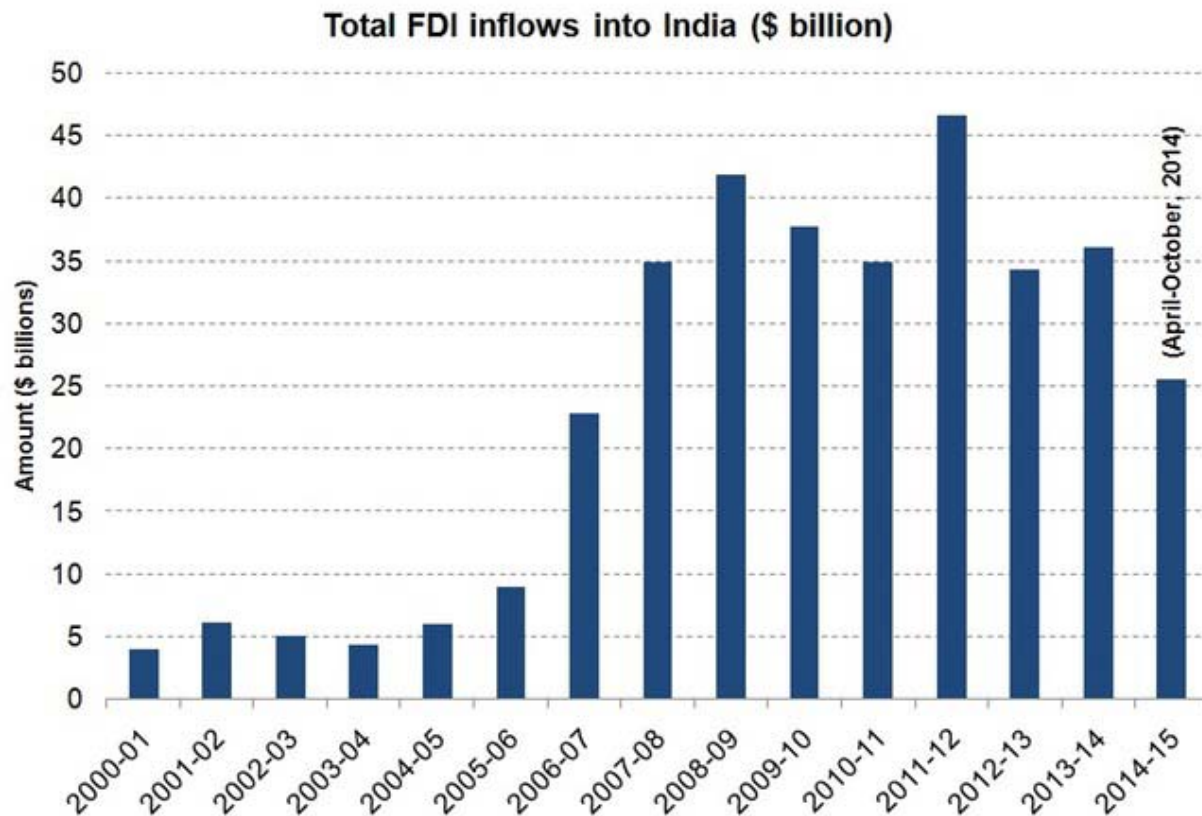
Research Methodology:

Data collection

This study is based on secondary data. The required data have been collected from various search engines available on internet.

Foreign Direct Investment (FDI) in India

Table 1:- Financial year wise FDI inflow from 2000-01 to 2014-15



Market Realist

Source: Department of Industrial Policy and Promotion, Government of India

According to the department of industrial policy and promotion, Government of India, the flow of FDI received in India during April 2000 to October 2014. From 2000-2002 FDI inflow in



India shows an increasing trend. Further it follow negative trend in 2003-2004. But from the year 2004-05 to 2008-09 investment in India once again start growing. But again in the two consecutive years the FDI inflow starts decreasing. The table shows that the highest FDI inflow growth in the country during the period 2000-2001 to 2014-15 follows in the financial year 2011-12. The FDI inflow shows cyclical trends.

Foreign Direct Investment in Jammu and Kashmir

Table 2:-Received FDI Equity Inflows (from April, 2000 to March, 2016):

Amount rupees in crores

<i>RBI's - Regional Office</i>	<i>State covered</i>	<i>2012-13 (April - March)</i>	<i>2013-14 (April - March)</i>	<i>2014-15 (April- March)</i>	<i>2015-16 (April- March)</i>
Jammu	Jammu & Kashmir	0	1	25	11

Source: Reserve Bank of India

According to the reserve bank of India's regional office in Jammu, the cumulative FDI equity inflows received by the state from April 2000 to march 2016 were a dismal Rs. 37 crore (Rs 1 crore in 2013-14) which surged to Rs. 25 crore in 2014-15 to gain dip to just Rs.11 crore in 2015-16.. Keeping in view the FDI inflow of other states, the FDI inflow of Jammu and Kashmir is so less that it is very difficult to count the percentage.

Jammu and Kashmir has the highest unemployment in the north India, around 6.01 lakh youth have registered themselves with the employment exchange in order to get job. The unemployment is more prevalent in the urban areas of the state as compared to rural areas. Lack of infrastructure and peace in the state is coming in the way of tapping the states tourist potential. Flow of domestic and foreign investment and other sources are not forthcoming in the state, which has made the state poor and deprived the people of opportunities to employment and industrialization. No investment came to the state, as a result of which the youth of the state were compelled to leave the state in search of livelihood. This has contributed to large scale frustration among general sections of the society. The FDI in Jammu and Kashmir is affected due to the government trade barriers and policies for the foreign investments and leads to less or more effective towards contribution in the economy.



The three biggest employment generators in the region - handicraft, horticulture and tourism are facing their own challenges. While the handicrafts of Kashmir are facing a serious threat from cheap machine-made imitations and counterfeits, which has affected the livelihood of around 2.5 lakh artisans of the state, hotel and tourism has been severely hit by the recent prolonged shutdown.

There is an urgent need to upgrade the techniques of artisans and craftsmen. Improvement in means of transport and communications can do wonders to the lives of the people of the state. Today youth of J&K is aspiring for development and integrate with rest of India. The Kashmiri's want development of infrastructure and industry, but this development is not possible unless Jammu & Kashmir integrates with rest of the world. Lack of development in the state has caused havoc for the youth in the state. It is true that today Kashmir valley houses the finest craftsmen of India, enjoying huge demand not only in India but also overseas. However absolute technology is coming in the way of improving the lives of these craftsmen. Corporate hospital chains like Fortis, Max Apollo, etc. are discouraging from opening their hospital in the state including Kashmir valley. Due to this, large numbers of patients from the state are forced to go Delhi and Chandigarh for treatment. Need of hour is to make Jammu and Kashmir stand on its own feet integrating with the rest of India.

Jammu and Kashmir has been accorded special status, which is providing space and empowering people, in matters of governance, when they felt deeply insecure and vulnerable about their identity and future. Additionally this has played role in increasing the accountability of public institutions and services, decentralization and devolution of power.

Investment Opportunities in Jammu and Kashmir

Agro based industry and Food processing	A vast natural resource base has helped the predominantly agrarian state to develop its base for cultivation of major fruits such apples, walnut, walnut kernels, bitter apricot nuts, pears, almond, plum, cherries and saffron.
Floriculture and Horticulture	There is scope for increasing the horticulture produce that are marketed in export markets. The state has ideal climatic conditions for floriculture and is looking forward to the development of the same.
Handicrafts	Handicrafts occupy an important position in Jammu & Kashmir. The handicrafts from Jammu & Kashmir have been in demand the world over.



	Silken Carpets, Wood Carvings, Shawls, Namda, Crewel Costume, Jewelry etc hold a significant share in export of the state.
Hydro Power	The estimated hydro power potential of the state is 20,000 MWs of which 16480 have been identified so far. Out of the identified only 14% i.e. 2318.70 MWs have been exploited so far.
Information Technology	IT is an important emerging sector in the state. Government of Jammu Kashmir has accorded industry status to the IT sector. An Electronic Industrial Park has been set up at Rajbagh in Srinagar and a Software Technological Park (STP) has been established at Rangreth.
Tourism	The state is an important tourist destination and has been an attractive destination for tourists, the world over. Large number of tourists visits the beautiful Kashmir valley, Leh and Ladakh every year. There is vast scope for adventure tourism, pilgrim tourism, spiritual tourism, and health tourism leaving aside the traditional recreational tourism.

Source: PHD Research Bureau, Compiled from various policy papers of the Government of Jammu & Kashmir

Suggestions

- To remove the barriers of FDI in Jammu and Kashmir state to boost growth.
- To improve globalization in the state.
- To provide land on lease to start own ventures and industrial unit.
- Foreign investors meet.
- To start Medical Tourism like Kerala.
- To start industrial units with the participation of Kashmiri people.
- Both Central and State Govt. should take significant steps to accelerate Industrial development of the state and boost Investor's confidence.
- The society should maintain a peaceful environment in order to develop economic growth and industrialization in the state,

Conclusion

It is concluded that there is a great need of foreign direct investment (FDI) in the state of Jammu and Kashmir. As it plays an important role in economic development. Due to FDI there is a possibility of industrialization and other types of development in the state.



Over the years thousands of unemployed educated youth enter into the growing list of unemployment, largely due to the economic distress and mismatch, the problem is going one of the biggest challenges. It is the FDI which can provide more employment opportunities for the unemployed youth of the state. Hence FDI is the single most important instrument for the globalization of the international economy.

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