

A STUDY OF TRENDS AND CHALLENGES OF FDI FLOW IN INDIA

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INTRODUCTION : A foreign direct investment (FDI) is a controlling ownership in a business enterprise in one country by an entity based in



another country. The Foreign Direct Investment means “cross border investment made by a resident in one economy in an enterprise in another economy, with the objective of establishing a lasting interest in the investee economy.

FDI is also described as “investment into the business of a country by a company in another country”. Mostly the investment is into production by either buying a company in the target country or by expanding operations of an existing business in that country”. Foreign direct investment (FDI) plays a complementary role in overall capital formation by filling the gap between domestic savings and investment. Foreign direct investment (FDI) is a direct investment into production or business in a country by a company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. FDI brings better technology and management, marketing networks and offers competition, the latter helping Indian companies improve, quite apart from being good for consumers. Foreign technology induction can be encouraged through FDI and through foreign technology collaboration agreements. The sectors which have resources but do not have the required technology acquire foreign technology collaboration through RBI or Government approvals.

An Indian company may receive Foreign Direct Investment under the two routes as given under:

D). Automatic Route

FDI is allowed under the automatic route without prior approval either of the Government or the Reserve Bank of India in all activities/sectors as specified in the consolidated FDI Policy, issued by the Government of India from time to time.

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