Findings, Conclusions and Suggestions

In academic field the research is an ongoing process that knows no limits and no full stops. However, a single study is always in conclusive with its findings. Even than the main findings emerging out of the present study have been listed in this chapter.

Investment or creation of capital is an important determinant of economic growth. In general, investment may lead to creation of physical capital, financial capital and human capital. Coupled with other factors of production and technology, investment determines the levels and growth of industrial development through changes in production and consumption of goods and services. Other things being the same, it has been well established that less investment leads to lower economic growth with attendant consequences such as reduction in income, consumption and employment. Further, foreign investment has been found effective in reducing domestic savings gap. Hence, notwithstanding, the domestic savings gap, economic growth can be augmented in an open economy with the inflow of foreign investment. While foreign capital consists - private foreign capital and public foreign capital. Public foreign capital is termed as foreign aid and private foreign capital has been defined as foreign direct investment or indirect foreign investment. Further, indirect foreign investment is also known as portfolio investment, i.e. investment in the equity and debt securities of companies abroad in the secondary market, simply for the sake of returns and not for the benefit of a company. To materialize Foreign Direct Investment (FDI), the private foreign investor of FDI sets up a branch or a subsidiary in the recipient country.

Summary of Findings

FDI Policy overview: An appraisal of the FDI Policy frameworks in India dealing with FDI inflows could be studied in four phases.

Phase I: India lacked a policy of its own on foreign capital before independence because it derived its faith in total laissez faire from the British government. Resultantly, foreign enterprises found it convenient to export products to India and were justified by local circumstances to setup branches or wholly owned subsidiaries. This phase is “cautions
welcome policy” from independence to the emergence of crisis in the late sixties (1948-66).

Phase II: In this phase, under the new industrial licensing policy announced in 1970, the larger industrial houses and foreign enterprises were permitted to setup industries in the ‘core’ and the heavy investment sectors except industries reserved for the public sector. It is called ‘Selective and Restrictive Policy’ from 1967 till the second oil crises in 1979.

Phase III: In this phase, liberalized facilities were extended to overseas companies, partnership firms, trusts societies and other corporate bodies in which at least 60 percent of the ownership / beneficial interest were vested in non-resident individuals of Indian nationality or origin. NRIs were allowed to invest (i) upto 100 percent of the equity capital in sick industrial units. (ii) In new issues of Indian shipping companies under the 40 percent scheme and (iii) In diagnostic centres in India, under 40 percent or 74 percent scheme. It is “Partial liberalization policy” from 1980 to 1990 with progressive attenuation of regulations.

Phase IV: In this phase FDI is allowed almost in all areas, except multibrand retailing sector, gambling, lottery. It is “Liberalization and open door policy” since 1991 onwards signifying liberal investment environment. Liberalization of FDI policy has been responsible for a changing sectoral composition of FDI stock and inflow in India.

**FDI and Total Foreign Investment**

The percentage share of direct foreign investments inflow is found to be more than 27 percent of total foreign investment throughout the study period, except the years 1994 and 1995. The total foreign direct investment of US $129 million in 1992 to inflow of US $35168 million in 2009 is a long journey of 18 years representing a whopping increase of 272.62 times. In 1997 inflow of FDI increased by 21 times touching the figure of US $2821 million, just within its existence of six years, representing 46 percent of total foreign investment of this year. In the year 2000 FDI inflow declined to US $2155 millions due to slow FDI inflow in India. Within a period of next six years its FDI reached the figure of US $5035 million in the year 2003 which was nearly seven times increase. After this, inflow of FDI increased year after year except the year 2004, touching the figure of US $22826 million in the year 2007 representing 76.52 percent of its total foreign investment. During the period of five (1999 to 2004) years inflows of FDI
started declining, fluctuating, in different years and ultimately touching the low amount of US $2135 million representing the 41.59 percent of its total foreign investment. From the year 2005, inflow of FDI again started increasing and touched the figure of US $35168 million in 2009. The CAGR of FDI is 36.56 percent. In the case of foreign investment the CAGR is 32.58 percent. In 2005 government announced the SEZ Act, SEZs scheme was launched with the specific intend of providing an internationally competitive and hassle free environment for exports. SEZs are being increasingly perceived as a major source of attracting FDI across the globe. In the year 1999 and 2009 inflow of FDI has been increased to the level of US $2462 million and US $35168 million and its percentage is 102.54 and 165.00 of total foreign investment respectively. In these years indirect foreign investment has moved in negative direction because the total foreign investment was found less than foreign direct investment.

**Analysis of Approved and Actual Inflows of FDI**

Analysis of approvals and actual inflows discloses that the approvals of foreign investment increased from US $ 527 millions in 1992 to US $ 19791 millions in 2009. These have increased significantly from 1993 onwards, the second year of economic reforms and reached to US $ 1976 million, which amounts for 274.95 percent increase over 1992. They aggregated to a total of US $ 148350 million during the study period. Compound average growth rate of approvals is found 22.32 percent during the above said period. A close observation of actual inflows of Foreign Direct Investment reveals that they increased from US $ 129 million in the year 1992 to US $ 35168 million in the year 2009. Cumulative inflows during this period amounted to Rs. 142383 millions. Compound average growth rate of actual inflows is found 36.56 percent in the above said period.

However, by comparing the actual inflows of FDI to that of the approved amount, we find that, there is a significant increase in the ratio at 24.48 percent in the year 1992 due to implementation of reforms in foreign investment. A notable feature is that the inflows as percentage of total approvals has declined in the subsequent year i.e. 1993. Further, an interesting aspect is that, there was an increasing trend in the ratio of inflows to approvals from the year 1997, which is found at 193.99 percent in 2002. As the coverage of FDI revised by the government during 2001 on par with the international best practices by
including re-investment earnings and other capital flows. 305.50 and 319.50 percentage of approved FDI was realized in 2003 and 2004. Similarly a steep increase in the ratio at 177.70 percentage of actual inflows of approvals was observed during the study period. This is significant, for after a steady rise for three consecutive years up to 2003, the actual inflow of FDI had declined in 2004. The reversal of the trend now will not only raise industrial investment, but will also indicate a revival of the confidence of foreign investors in Indian industry. Thus, the aggregated actual FDI inflows were 95.98 percent of FDI approvals during the period under study.

The analysis correlation coefficient between the selected variables i.e. FDI approvals and actual inflows is 0.83 indicates positive high significant correlation and its coefficient of determination is 0.69 which indicates that the independent variable (FDI approvals) shall influence the dependent variable (FDI actual inflows) to the extent of 69 percent. Since the coefficient of correlation is found more than six times of probable error, so it can be regarded as significant.

**Route wise Analysis of FDI**

The amount of Foreign Direct Investment in India has been approved by various routes such as Government route (FIPB/SIA) RBI automatic route and other routes. It is observed that US $ 108065 millions of total foreign direct investment was received through all the three routes during the period from 1992 to 2009 under review. Out of the total amount, RBI accounted for US $49419 millions, forming 45.7 percent of total investment claiming a giant share. The Government route (FIPB/SIA) and other route accounted for 25.3 percent and 29 percent respectively. However, the share of FIPB route in total investment is 51.2 percent in 1992, leaving 48.8 percent to other route. At the overall level, RBI automatic route is found contributing the maximum share of 45.7 percent to the total FDI inflows followed with a gap by government’s FIPB route (25.30 percent) and other route (29.00 percent). Hence RBI’s automatic route is the most popular route during the study period.

**State wise Analysis of FDI**

A close examination of the state wise inflows of FDI reveals that the Mumbai region has attracted largest amount of foreign direct investment of US $ 30700.4 million that is the 36 percent of the total foreign direct investment flows during the period 2000-09. New
Delhi region has attracted the total of US $12716.9 million which is 15 percent of the total foreign direct investment inflows during the same period. Bangalore region and Ahmedabad region have received foreign direct investment of US $5867.9 million and US $5624.8 million which are the 7 percent and 7 percent of the total inflows of foreign direct investment during the study period.

The key sectors attracting FDI to the Mumbai-Maharashtra region are energy, transportation services, telecommunications and electrical equipment. Delhi attracts FDI inflows in sectors like telecommunications, transportation, electrical equipment and services. The states of Uttar Pradesh and Haryana have also performed really well in recent years due to their abundance of natural resources. Uttar Pradesh attracts FDI in chemical, pharmaceuticals and minerals whereas Haryana attracts FDI in the electrical equipment, transportation and food processing sectors. Tamil Nadu has done well in sectors related to automotive and auto components. Andhra Pradesh and Karnataka have attracted FDI mainly in areas associated with software and to a lesser extent, hardware for computer and telecommunication.

**Sectoral Analysis of FDI**

The services sector has attracted largest amount of foreign direct investment which has increased from US $1361.02 million to US $19173.76 million during the study phase. In the entire period of 1992-2009 this sector has attracted the foreign direct investment of US $20534.78 million that equals 19.42 percent of the total foreign direct investment flows. It is followed by computer software and hardware sector whose share has been increased from US $2799.34 million to US $8953.83 million during the same period. This sector has attracted the total of US $11753.17 million which is the 11.12 percent of the total foreign direct investment flows. The telecommunication sector has received foreign direct investment of US $7827.50 million which is the 7.40 percent of the total flows of foreign direct investment. While sector wise, this growth rate in services sector, computer software, telecommunication, construction activities, housing real estates, automobile industry, power, chemicals, metallurgical industries and drugs and pharmaceuticals turns out to be 14.08, 3.20, 4.48, 2.71, 4.90, 1.57, 1.98, 1.79, 9.84 and 5.43 times respectively during the study period.
Country wise analysis of FDI

The analysis of country-wise inflows of FDI in India during 1992 to 2009 adds to a total amount of US $105.73 billion received from various countries. Among all the countries, Mauritius has been the largest direct investor in India. Firms based in Mauritius invested over US $40 billions in India between 1992 to 2009 or over two fifth approximately of total FDI inflows during this period. Mauritius has low rates of taxation and an agreement with India on double tax avoidance regime. To take advantage of that situation, many companies have set up dummy companies in Mauritius before investing in India. The United States of America (USA) is the second largest investor in India. The total capital flows from USA was around US $8 billion, which accounted for 8.24 percent of the FDI inflows. Singapore and United Kingdom are India’s third and fourth largest FDI inflows. Netherlands, Japan, Germany, Cyprus, France, and Switzerland keep the fifth, sixth, seventh, eighth, ninth and tenth positions with share figures of 3.97, 3.13, 2.64, 2.62, 1.43 and 1.33 percent respectively.

India’s Position in Asian Country in Relation to FDI

Inflows of FDI in Asian countries, in this region, in aggregate accounted for US $24354 million in 1992 and figure escalated to US $130473 million in 2000. The Asian countries experienced 20.50 percent compound average growth rate during this period of nine years. The highest growth of FDI inflows with CAGR of 46.03 percent is found in case of Hongkong. South Korea and India both have also experienced a significant growth of FDI inflows 32.71 percent and 30.92 percent CAGR during this period. Negative growth has been detected in case of Malaysia and Pakistan i.e. -3.42 percent and -1.04 percent. Average percent share in total FDI inflows to Asian countries has been detected highest i.e. 52.55 percent in case of China. Hongkong, Singapore and India hold the second, third and seventh position respectively during the above said period. This region in aggregate accounted for US $91902 million in 2001 and the amount escalated to US $300594 million in 2009. These Asian countries experienced 14.07 percent CAGR during the period of 2001 to 2009. Pakistan is found having highest growth of FDI inflows with CAGR of the order of 39.84 percent. Malaysia and India both have also experienced significant growth of the order of 36.40 percent and 30.06 percent respectively. China has been found with 11.34 percent CAGR during this period. Least growth has been detected
in case of Philippines i.e. 3.95 percent. Average percent share in total FDI inflows to Asian countries has been detected highest i.e. 47.22 percent in case of China. Hongkong, Singapore and India hold the second, third and fourth position respectively during the above said period.

**Impact of FDI on Industrial Development of India**

**FDI and GFCF**

The correlation results disclose that the correlation (r) between FDI and trade sector is found to be as high as .95 and its co-efficient of determination (r²) is .90, which represents a positive high significant correlation and the dependent variable (i.e. GFCF of trade, hotels, transport and communication sector) shall be expected to have influenced to the extent of 90 percent in response to the change in the independent variable (i.e. FDI). Correlation co-efficient between FDI and manufacturing, electricity, gas and water supply, construction sectors found at .43 with r² of .18, also positive low significant correlation and the independent variable (FDI) shall influence the dependent variable (i.e. GFCF of manufacturing, electricity, gas and water supply construction factor) to the extent of 18 percent. Correlation between FDI and other sector being .87, .79 and .91 respectively in case of agriculture and allied activities sector, financing, insurance and business services sector and its co-efficient of determination (r²) are .76, .62 and .83 respectively which represents a positive high significant correlation and the dependent variable (i.e. GFCF of agriculture and allied sector; financing, insurance, business activities and community and social, personal services sector) shall be expected to have influenced to the extent of 76, 82 and 83 percent in response to the change in the independent variable (i.e. FDI). Since the co-efficient of correlation is found more than six times of probable error except the manufacturing sector, so it can be regarded as significant.

**FDI and GDP by the Industry**

The correlation result of FDI and share of GDP by the industry discloses that the correlation (r) between FDI and manufacturing, electricity, gas and water supply construction sector is found to be as high as .93 and its co-efficient determination (r²) is .86, which represents a positive high significant correlation and the independent variable (FDI) shall influence the dependent variable (i.e. GDP of manufacturing, electricity gas
and water supply, construction sector) to the extent of 86 percent. Correlation co-efficient between FDI and trade, hotels, transport and communication sector is found at .92 with $r^2$ of .85, also positive high significant. Correlation co-efficient between FDI and financial, insurance, real estate and business services sector is .90 indicates positive high significant correlation and its co-efficient of determination is .81, which indicates that the dependent variable (i.e. GDP of financing, insurance, real estate and business service sector) shall be expected to have influenced to the extent of 81 percent in response to the change in the independent variable (i.e. FDI). Whereas, correlation between FDI and other sector being .88, .89 and .90 respectively in case of agriculture and allied activities sector, mining and quarrying sector, and community, social and personal services sector and its co-efficient of determination ($r^2$) are .77, .79 and .81 respectively, which represents a positive high significant correlation and the dependent variable (i.e. GDP of agriculture and allied sector, mining and quarrying sector and community, social and personal service sector) shall be expected to have influenced to the extent of 77, 79, 81 percent in response to the change in the independent variable (i.e. FDI). Since the co-efficient of correlation is found more than six times of probable error, so it can be regarded as significant.

**FDI And Foreign Exchange Reserve**

The Foreign Exchange Reserves have been increasing gradually on par with hike in Foreign Direct Investment inflows in India during 1992 to 2009. As Foreign Direct Investment is the major sources of accretion to Forex Reserves, Government of India has been liberalizing its policy regime with regard to foreign investment. correlation co-efficient between the selected variable i.e. FDI and Forex Reserve is .93 indicates positive high significant correlation and its co-efficient of determination ($r^2$) is .86 which indicates that the independent variable (FDI) shall influence the dependent variable (Forex Reserve) to the extent of 86 percent. Since the coefficient of correlation is found more than six times of probable error, so it can be regarded as significant.

The calculated value (ANOVA) between the two variables (i.e. FDI and Forex Reserve) 17.36 is greater than the table value 4.45 at 5 percent level of significant. Hence, the (H₀) hypothesis is rejected and H₁ is accepted, it means there is a significance relationship between FDI and Forex Reserves. The calculated value within the years 1.59 is less than
the table value 2.22 at 5 percent level of significance. Therefore, the \( H_0 \) hypothesis is accepted and \( H_1 \) is rejected. It means there is no \( H_0 \) significant relationship within years.

**FDI and Export**

The impact of foreign direct investment on the Export performance of Indian industry has been significant to analyse, as the various policy pronouncements of the Government in recent years are based on the belief that FDI helps in technological upgradation of the industrial sector and resolving foreign exchange contribution to increased Exports apart from bringing in net resources, inflows on the capital account of the Balance of Payments. The result shows that the correlation co-efficient between the selected variables i.e. FDI and exports is .96 indicates positive high significant correlation and its co-efficient of determination \( (r^2) \) is .92 which indicates that the independent variable (FDI) shall influence the dependent variable (export) to the extent of 92 percent. Since the co-efficient of correlation is found more than six times of probable error, so it can be regarded as significant

The calculated value (ANOVA) between FDI and export 33.67 is greater than the table value 4.45 at 5 percent level of significance. Therefore the \( (H_0) \) hypothesis is rejected and \( H_1 \) is accepted. It means there is a significant relationship between two variables. It indicates that there is a highly significance relationship between Foreign Direct Investment and Export. The calculated value (ANOVA) within the years 2.35 is greater than the table 2.22 at 5 percent level of significant. Hence, the \( H_0 \) hypothesis is rejected and \( H_1 \) is accepted. It means there is a significant relationship within years.

**FDI and BOP**

FDI’s effect on a country’s Balance of Payments Account is an important policy issue for most of the host governments. The result shows correlation co-efficient between the selected variable i.e. FDI and BOP is .45 indicates low positive low significant correlation and its co-efficient of determination \( (r^2) \) is .20 which indicates that the independent variable (FDI) shall influence the dependent variable (BOP) to the extent of 20 percent.

The calculated value (ANOVA) between the two variables (i.e. FDI and BOP) (2) is less than the table value (4.45) at 5 percent level of significance. Hence, the \( H_0 \) hypothesis is accepted, it means that there is no significant relationship between FDI and BOP. The
calculated value (ANOVA) within the years 2.65 is greater than the table value 2.22 at 5 percent level of significance. Therefore, the \( H_0 \) hypothesis is rejected and \( H_1 \) is accepted. It means there is a significant relationship within the years.

**Challenges faced by company in attracting FDI**

Out of total 72 respondents 45 have been identified in this category. From the ranking of the mean score fourteen parameters could be identified in this category. Control / ownership decision of management and lack of physical infrastructure have been identified most important factors which are responsible for challenges. Next important parameter which ranked at number 3 is lack of secured national resources in India. Next important parameters identified according to rank wise are: lack of industrial environment, policy of government is not liberal / easy for foreign investors, Indian trade policy regime is not encouraging, Indian products are not globally competitive, internal disturbances / instable social system, investment incentives are not emerging for foreign investors, stringent industrial laws, lack of stability in political scenario, less / no scope of technology absorption, no possibilities of market expansion in India, high cost of production.

**Critical factors for attracting FDI**

Out of total sample of 72, all the respondents have been identified in this category. From the ranking of the mean score in the table seven parameters have been identified for attracting FDI. Skilled labour and India's image are identified as most important factors which are responsible for attracting FDI. Next important parameter which ranked at number 3 is labour laws. Next important factors identified according to rank wise are: political stability, infrastructure, economic reforms, and business climate.

**Infrastructure available in India**

Out of total sample of 72, all the respondents have been identified in this category. From the ranking of the mean score in the table seven parameters have been identified for infrastructure available in India. Among the various parameters, telecommunication and insurance services are identified most important factors. Next important parameters identified according to rank wise are banking services, transportation and port, power, water.
Conclusion

An appraisal of the FDI policy frameworks in India dealing with FDI inflows would be studied in four phases. Cautions welcome policy from independence to the emergence of crisis in the late sixties (1948-66). Selective and restrictive policy from 1967 till the second oil crises in 1979. Partial liberalization policy from 1980 to 1990 with progressive attenuation of regulations and liberalization and open door policy since 1991 onwards signifying liberal investment environment. The percentage share of direct foreign investments inflow is found to be more than 27 percent of total foreign investment throughout the study period, except the year 1994 and 1995. The CAGR of FDI is 36.56 percent. The aggregated actual FDI inflows were 95.98 percent of FDI approvals during the period under study. A positive high co-efficient of correlation is found between the selected variables i.e. FDI approvals and actual inflows. At the overall level, RBI automatic route is found contributing the maximum share of 45.7 percent to the total FDI inflows followed with a gap by government's FIPB route (25.30 percent) and other route (29.00 percent). Hence, RBI's automatic route is the most popular route during the study period. State wise inflows of FDI reveals that the Mumbai region has attracted largest amount of foreign direct investment of US $ 30700.4 million that is 36 percent of the total foreign direct investment flows during the period 2000-09. The key sectors attracting FDI to the Mumbai-Maharastra region are energy, transportation services, telecommunications and electrical equipment. Delhi attracts FDI inflows in sectors like telecommunications, transportation, electrical equipment and services. The states of Uttar Pradesh and Haryana have also performed really well in recent years due to their abundance of natural resources. Among all the countries Mauritius has been the largest direct investor in India. Firms based in Mauritius invested over two fifth approximately of total FDI inflows during the period. Mauritius has low rates of taxation and an agreement with India on double tax avoidance regime. In entire period of 1992-2009 the services sector has attracted largest amount of foreign direct investment of US $ 20534.78 million that is the 19.42 percent of the total foreign direct investment flows. Average percent share in total FDI inflows to Asian countries has been detected in case of China. India hold the seventh position during the 1992-2000. India hold the fourth position during the 2001-09. The positive high significant co-efficient of correlation is
found among the FDI and share of GFCF except the manufacturing sector. The positive high significant co-efficient of correlation is found among the FDI and share of GDP. Correlation co-efficient among the selected variable i.e. FDI and Forex Reserve. The calculated value between the two variables (i.e. FDI and Forex Reserve) 17.36 is greater than the table value 4.43 at 5 percent level of significance. Hence, the (H₀) hypothesis is rejected and H₁ is accepted, it means there is a significant relationship between FDI and Forex Reserves. The calculated value within the years 1.59 is less than the table value 2.22 at 5 percent level of significance. Therefore, the (H₀) hypothesis is accepted and H₁ is rejected. It means there is not significant relationship within years. The result shows that the correlation co-efficient between the selected variables i.e. FDI and exports is .96 indicates positive high significant correlation. The calculated value between FDI and export 33.67 is greater than the table value 4.45 at 5 percent level of significance. Therefore, the (H₀) hypothesis is rejected and H₁ is accepted. It means there is a significant relationship between two variables. The calculated value within the years 2.33 is greater than the table 2.22 at 5 percent level of significant. Hence, the H₀ hypothesis is rejected and H₁ is accepted. It means there is a significant relationship within years. It is found that correlation co-efficient between the selected variable i.e. FDI and BOP is .45 indicates low positive low significant correlation. The calculated value between the two variables i.e. FDI and BOP 2 is less than the table value 4.43 at 5 percent level of significance. Hence, the H₀ hypothesis is accepted, it means that there is no significant relationship between FDI and BOP. The calculated value within the years 2.65 is greater than the value 2.22 at 5 percent level of significance. Therefore, the (H₀) hypothesis is rejected and H₁ is accepted. It means there is a significant relationship within the years.

It is also found in the study that control/ownership decision of management and lack of physical infrastructure have been identified most important factors which are responsible for challenges. Among the various reasons that found skilled labour and India's image are identified as most important factors which are responsible for attracting FDI. Among the various parameters, telecommunication and insurance services are identified most important factors.
Suggestions given by respondents for attracting more FDI

As per the suggestions offered by the respondents with regard to attracting more FDI. From the ranking of the mean score in the table five suggestions have been identified for attracting more FDI. Stemming the tide of corruption in public life and good corporate governance are identified most important factors for attracting more FDI. Next two important suggestions which ranked at number 3 and 4 are to make the product globally competitive and the government should introduce reforms in public administration to cut short bureaucratic delays and to improve efficiency. Remaining two suggestions which ranked at number 5 and 6 are to reduce the rate of inflation, further liberalization of its FDI policy to increase the share of FDI inflows in the global context. It is also found that further liberalization of its FDI policy to increase the share of FDI inflows in the global context is least important suggestion for attracting FDI, whereas stemming the tide of corruption in public life is found most important suggestion for attracting more FDI.

Other Suggestions

The following suggestions have been placed for consideration on the basis of the present study.

- Foreign investors are given national treatment at the time of initial investment or after the investments are made. However, in certain consumer goods industries export obligations and local context requirements are imposed on foreign investors. So, there is need to address this type of issues also.

- According to some of the foreign companies operating in India the deluge of corruption lies in the lack of transparency in the rules of governance, extremely cumbersome official procedures and excessive and unregulated discretionary power in the hands of politicians and bureaucrats. Clusters have developed however, in areas such as in the New Delhi, suburb of Gurgaon, where the business climate is relatively free of corruption, officials of foreign businesses say that local political and bureaucratic machinery, leave them generally alone.

- India should have her focus immediately on the infrastructure of airports, telecommunications, ports and roads in selected areas to make the country more attractive to foreign investors. In fact, in contrast to China, Indian governments have been concentrating more on link roads or local route in rural areas in place
of highways, airports and railways joining various states and business centres in India. So, it is high time to have a change in focus.

- Sectoral FDI caps should be reduced to the minimum and entry barriers eliminated. Also, the special economic zones should be developed as the most competitive destination for export related FDI in the world.
- Initiate the perception-changing and image-building exercises as well as concrete and tangible steps towards further reforms. To achieve this objective all wings of government have to be made responsible and accountable for increasing private investment in general and FDI in particular. Aggressive marketing strategy focused on changing the investors attitude towards India is the need of the hour.
- Simplification of tariff and taxation structure, focusing on the potential markets and sectors, decentralization of authority to states and their active involvement, monitoring regularly the activities of foreign affiliates to avoid excessive reliance on outside advice and to formulate policies on one's own experience are the other items making the agenda of reforms unfinished.
- Income-tax rates on foreign company's income are higher than the rates on the domestic company. Therefore, the tax rate shall be same on domestic company and foreign company.
- It is suggested that a policy targeting export-oriented FDI or high technology FDI may be very favourable for the country's BOP rather than one attempting to maximize the magnitude of FDI irrespective of its composition. And to accelerate India's exports, on sustainable basis, the focus has to be centered around "Technology based exports".
- Indo-Mauritius double taxation avoidance treaty, which provides for Mauritius residents to pay capital gains only in Mauritius has been a major factor behind the increasing inflow of foreign investment into India. Actually, a part from the double tax avoidance treaties the recent move by the Mauritius government, permitting Mauritius-based offshore funds to allocate their capital between various cells should also lead to a sharp spurt in investments into the country through Mauritius. Thus, double tax avoidance treaties have improved the
investment climate favourable for foreign investors in general. To what extent they have influenced the inflow of FDI, is uncertain.

**Further scope of the study**

In this study some issues are analyzed briefly which can be explored in detail for future research. In addition, there are various dimensions of foreign investment reforms in which a new research study can be initiated. Some of the future research areas are as follows:

- Study of Foreign Institutional Investors- their role in the economic development;
- Impact of Foreign Portfolio Investment on the Industrial performance;
- Foreign Currency Reserves position in India (with special reference to FDI);
- Balance of payments position in India (with special reference to FDI).
- Foreign direct investment and growth of manufacturing sector an empirical study in post reforms India.
- Study of foreign direct investment in an emerging market economy.