CHAPTER I

1.1 INTRODUCTION:-

Investment is "the flow of funds from one destination to another" for any activity, including industrial development, infrastructure, and manufacturing. When the investment goes from the home country to another country, it is defined as 'investment outflow' and when foreign investment comes in from other countries to the home country, it is termed 'investment inflow'. Both inward and outward movements are encouraged in the majority of countries across the world. All developing countries produce primary goods, and to exploit them, financial resources are necessary. Developed countries are also in need of Foreign Direct Investment (FDI) for modernization and the further development of technology.

1.2 PATTERN OF INVESTMENT:-

An investment is the use of capital to create more money through the acquisitions of a security that promises the safety of the principal and generates a reasonable return. Any purchase that fails to meet the safety and returns criteria is not an investment. It could either be speculation or gambling.

Investment has been defined by different authors in different word i.e.:-

1. **Investment**: the act of investing laying out money or capital in an enterprises with the expectation of profit
2. Money that is invested with an expectation of profit.
3. Outer layer of covering of an organ or part or organism
4. The act of putting on robes or investments
5. The use of money for the purpose of making more money, to gain income, increase capital, or both.
6. Where money is laid out for income or profit.
7. Purchase of stocks, bonds, shares, real property, annuities, collectibles etc, with the expectation of obtaining income or capital gain, or both.
8. An item of value purchased for income or capital appreciation.
9. Money spent now in order to make the economy grow and have more money-or goods and services-later.
10. The use of capital to create more money. Usually includes the idea that safety of principal is important.

11. Money put into a form that earns a return or profit. In essence, the money is being used to make money.

12. The use of money for the purpose of making more money, to gain income or increase capital, or both.

13. The utilization of money in the expectation of future returns in the form of income or capital gain.

14. The creation of more money through the use of existing capital.

15. Investment is a key factor of economic growth and development; every economy tries to invest more to create all types of capital to achieve economic development. But some undeveloped / developing economies can not succeed to invest adequate due to the creative vicious circle. At this point these economies also want to cross vicious circle & become a developed. In this situation one path is before then to attract foreign capital for bridging saving investment gap.

16. Securities Market is an indicator of any countries economic growth. The Investment Play a very important role in regard with these. A security market not only has becomes Vehicles of Economic progress but also have become an apparatus of welfare administration in their areas of operational a role which could not be expected in last centuries.

1.3 FUNDAMENTALS OF INVESTMENTS:-

There are three fundamentals of investments namely:

1. Safety
2. Liquidity
3. Returns

The order is quite clear Safety – always first, Liquidity – next and Returns – third. A lot of people fall prey to lure of high returns and usually this has resulted in loss.

There must be enough emphasis given on the safety aspect of investment. As an investor one must be aware of this, no legitimate business can promise an unbelievably high return in the investment without taking undue risk with money.

All investments are no doubt involving a trade-off between the three fundamentals – Safety, Liquidity & Returns – to match short-term and long-term goals.
Safety is a relative term. It depends on the size of the investor’s portfolio as well as the time when the investment is made. What is clear though is that one cannot make investments and sit back and relax.

1.4 FINANCE:-

In finance, investment is the commitment of funds by buying securities or other monetary or paper (financial) assets in the money markets or capital markets, or in fairly liquid real assets, such as gold, real estate, or collectibles. Valuation is the method for assessing whether a potential investment is worth its price. Returns on investments will follow the risk-return spectrum.

Types of financial investments include shares, other equity investment, and bonds (including bonds denominated in foreign currencies). These financial assets are then expected to provide income or positive future cash flows, and may increase or decrease in value giving the investor capital gains or losses.

Trades in contingent claims or derivative securities do not necessarily have future positive expected cash flows, and so are not considered assets, or strictly speaking, securities or investments. Nevertheless, since their cash flows are closely related to (or derived from) those of specific securities, they are often studied as or treated as investments.

Investments are often made indirectly through intermediaries, such as banks, mutual funds, pension funds, insurance companies, collective investment schemes, and investment clubs. Though their legal and procedural details differ, an intermediary generally makes an investment using money from many individuals, each of whom receives a claim on the intermediary.

Within personal finance, money used to purchase shares, put in a collective investment scheme or used to buy any asset where there is an element of capital risk is deemed an investment. Saving within personal finance refers to money put aside, normally on a regular basis. This distinction is important, as investment risk can cause a capital loss when an investment is realized, unlike saving(s) where the more limited risk is cash devaluing due to inflation.

In many instances the terms saving and investment are used interchangeably, which confuses this distinction. For example many deposit accounts are labeled as investment accounts by banks for marketing purposes. Whether an asset is a saving
or an investment depends on where the money is invested: if it is cash then it is savings, if its value can fluctuate then it is investment.

1.5 REAL ESTATE
In real estate, investment money is used to purchase property for the purpose of holding or leasing for income and there is an element of capital risk.

1.5.1 RESIDENTIAL REAL ESTATE
The most common form of real estate investment as it includes property purchased as a primary residence. In many cases the buyer does not have the full purchase price for a property and must engage a lender such as a bank, finance company or private lender. Different countries have their individual normal lending levels, but usually they will fall into the range of 70-90 Percent of the purchase price. Against other types of real estate, residential real estate is the least risky.

1.5.2 COMMERCIAL REAL ESTATE
Commercial real estate consists of multifamily apartments, office buildings, retail space, hotels and motels, warehouses, and other commercial properties. Due to the higher risk of commercial real estate, loan-to-value ratios allowed by banks and other lenders are lower and often fall in the range

1.6 FOREIGN DIRECT INVESTMENT (FDI):
Foreign Direct Investment (FDI) is normally defined as a form of investment made in order to gain unwavering and long-lasting interest in enterprises that are operated outside of the economy of the shareholder/depositor. In FDI, there is a parent enterprise and a foreign associate, which unites to form a Multinational Corporation (MNC). In order to be deemed as a FDI, the investment must give the parent enterprise power and control over its foreign affiliate. The relationship between the inflow of foreign direct investment (FDI) and economic growth in the host country has become one of the most debated issues in the empirical literature. The question bears upon whether FDI promotes economic growth or it is only being attracted by favorable economic conditions in the host country and by profits.
Proponents of a positive impact of FDI on economic growth have advanced a number of Theoretical justifications to believe that FDI inflows would be beneficial to economic growth in the host country According to these justifications; there are a number of channels through which FDI contributes to economic growth. The first
channel is through the spillover effect; FDI with modern technology and new production and management techniques would benefit domestic industries through on-the-job training of domestic labor force and joint ventures with local producers. The second channel is through investing in economic sector that lack sufficient domestic investments due to high costs, the need for advanced technology, and the need for high-skilled labor. The third channel is when FDI inflows can be used to promote a balanced-company economic growth and that by directing these investments to deficient sector of the economy. The fourth channel works through attracting more and more FDI inflows and, hence, the accumulation of productive capital in the future. Finally, the presence of FDI from politically powerful countries helps in increasing political stability in the host country thereby improving the quality of the business environment, which in turn promotes economic growth.

On the other hand, there are points of view for which FDI inflows do not contribute to Economic growth of the host country. Rather, FDI is being attracted by economic growth and the favorable economic conditions in the host countries. In addition, these points of view generally attribute the inflows of FDI to a specific country to two major reasons. One major reason is the size of the economy. Many research findings show that the size of the economy is a major determinant of FDI inflows. A second reason is that rapidly growing economies attract more FDI as they need to fill gaps in sectors where they lack the necessary resources to prosper. In addition to this diversity, the findings of the empirical literature aiming at identifying the impact of FDI on growth mainly show that there is no universal answer to the question of how FDI impacts growth in its host country. The impact of FDI is found to depend on a multitude of factors, such as the level of technology used in domestic production in the host country, the level of education of the host country workforce, the level of financial company and institutional development, etc. All these factors and more contribute to the question of whether the host country in question can attract and, therefore, benefit from FDI.

1.7 Profile of both countries India and United Arab Emirate (UAE)

The countries covered in the study are India and Arab Oil Exporting Countries. This region comprises a group of Asian countries including India which situated in the Indian Sub-continent and some selected Arab countries which are the chief producers and exporters of crude oil. Among the Arab Oil Exporting countries Bahrain, Kuwait,
Oman, Qatar, Saudi Arabia and United Arab Emirates (UAE) are situated in the Arabian Peninsula. But I have selected only United Arab Emirates (UAE). India a part of Indian sub continent is located in the south central Asia while all the Arab Oil Exporting countries are situated in the near Eastern part of Asia. The gross surface land area of this Indo-Arab region is 67, 25,669 Sq.Kms. nearly half of the total area of this region is accentuated for by the single more of India. The remaining half is divided into a number of Arab oil exporting countries which are separated from the Indian Sub-continent by the Arabian Sea. The Arab oil exporting countries are also known as the "Gulf Countries" These countries are bounded by the Red sea and the Gulf of Aquba on the west by the Persian Gulf and the Gulf of Oman on the east and by the Gulf of Aden and the Arabian Sea on the south. However, the Arabian Peninsula and the Indian Subcontinent are connected by the sea route of Arabian Sea, which is lying between the Arabian Peninsula and the India sub-continent. The picture will be clearer only with the examination of the physical situations of these two different territories.

1.8 Section “A”INDIA

India is a country in South Asia. It is the seventh-largest country by geographical area, the second-most populous country, and the most populous democracy in the world. Bounded by the Indian Ocean on the south, the Arabian Sea on the west, and the Bay of Bengal on the east, India has a coastline of 7,517 kilometers (4,700 mi). It is bordered by Pakistan to the west; People’s Republic of China, Nepal, and Bhutan to the north; and Bangladesh and Myanmar to the east. India is in the vicinity of Sri Lanka, and the Maldives in the Indian Ocean. Home to the Indus Valley Civilisation and a region of historic trade routes and vast empires, the Indian subcontinent was identified with its commercial and cultural wealth for much of its long history Four major religions, Hinduism, Buddhism, Jainism and Sikhism originated here, while Zoroastrianism, Judaism, Christianity and Islam arrived in the first millennium CE and shaped the region's diverse culture. Gradually annexed by the British East India Company from the early eighteenth century and colonised by the United Kingdom from the mid-nineteenth century, India became an independent nation in 1947 after a struggle for independence that was marked by widespread non-violent resistance.
India is a republic consisting of 28 states and seven union territories with a parliamentary system of democracy. It has the world's twelfth largest economy at market exchange rates and the fourth largest in purchasing power. Economic reforms since 1991 have transformed it into one of the fastest growing economies; however, it still suffers from high levels of poverty, illiteracy, disease, and malnutrition. A pluralistic, multilingual, and multiethnic society, India is also home to a diversity of wildlife in a variety of protected habitats.

1.8.1 HISTORY:

Stone Age rock shelters with paintings at the Bhimbetka rock shelters in Madhya Pradesh are the earliest known traces of human life in India. The first known permanent settlements appeared over 9,000 years ago and gradually developed into the Indus Valley Civilisation, dating back to 3300 BCE in western India. It was followed by the Vedic period, which laid the foundations of Hinduism and other cultural aspects of early Indian society, and ended in the 500s BCE. From around 550 BCE, many independent kingdoms and republics known as the Mahajanapadas were established across the country.

In the third century BCE, most of South Asia was united into the Maurya Empire by Chandragupta Maurya and flourished under Ashoka the Great. From the third century CE, the Gupta dynasty oversaw the period referred to as ancient "India's Golden Age." Empires in Southern India included those of the Chalukyas, the Cholas and the Vijayanagara Empire. Science, technology, engineering, art, logic, language, literature, mathematics, astronomy, religion and philosophy flourished under the patronage of these kings.

Following invasions from Central Asia between the 10th and 12th centuries, much of North India came under the rule of the Delhi Sultanate and later the Mughal Empire. Under the rule of Akbar the Great, India enjoyed much cultural and economic progress as well as religious harmony. Mughal emperors gradually expanded their empires to cover large parts of the subcontinent. However, in North-Eastern India, the dominant power was the Ahom kingdom of Assam, among the few kingdoms to have resisted Mughal subjugation. The first major threat to Mughal imperial power came from a Hindu Rajput king Maha Rana Pratap of Mewar in the 14th century and later from a Hindu state known as the Maratha confederacy that dominated much of India in the mid-18th century.
From the 16th century, European powers such as Portugal, the Netherlands, France, and the United Kingdom established trading posts and later took advantage of internal conflicts to establish colonies in the country. By 1856, most of India was under the control of the British East India Company. A year later, a nationwide insurrection of rebelling military units and kingdoms, known as India's First War of Independence or the Sepoy Mutiny, seriously challenged the Company's control but eventually failed. As a result of the instability, India was brought under the direct rule of the British Crown.

On 15 August 1947, India gained independence from British rule, but at the same time the Muslim-majority areas were partitioned to form a separate state of Pakistan. On 26 January 1950, India became a republic and a new constitution came into effect.

1.8.2 GOVERNMENT:–

The Constitution of India, the longest and the most exhaustive constitution of any independent nation in the world, came into force on 26 January, 1950. The preamble of the constitution defines India as a sovereign, socialist, secular, democratic republic. India has a bicameral parliament operating under a Westminster-style parliamentary system. Its form of government was traditionally described as being 'quasi-federal' with a strong centre and weaker states, but it has grown increasingly federal since the late 1990s as a result of political, economic and social changes.

The President of India is the head of state elected indirectly by an electoral college for a five-year term. The Prime Minister is the head of government and exercises most executive powers. Appointed by the President, the Prime Minister is by convention supported by the party or political alliance holding the majority of seats in the lower house of Parliament. The executive branch consists of the President, Vice-President, and the Council of Ministers (the Cabinet being its executive committee) headed by the Prime Minister. Any minister holding a portfolio must be a member of either house of parliament. In the Indian parliamentary system, the executive is subordinate to the legislature, with the Prime Minister and his Council being directly responsible to the lower house of the Parliament.

The Legislature of India is the bicameral Parliament, which consists of the upper house called the Rajya Sabha (Council of States) and the lower house called the Lok Sabha (House of People). The Rajya Sabha, a permanent body, has 245 members serving staggered six year terms. Most are elected indirectly by the state and territorial
legislatures in proportion to the state's population. 543 of the Lok Sabha's 545 members are directly elected by popular vote to represent individual constituencies for five year terms. The other two members are nominated by the President from the Anglo-Indian community if the President is of the opinion that the community is not adequately represented.

India has a unitary three-tier judiciary, consisting of the Supreme Court, headed by the Chief Justice of India, twenty-one High Courts, and a large number of trial courts. The Supreme Court has original jurisdiction over cases involving fundamental rights and over disputes between states and the Centre, and appellate jurisdiction over the High Courts. It is judicially independent, and has the power to declare the law and to strike down Union or State laws which contravene the Constitution. The role as the ultimate interpreter of the Constitution is one of the most important functions of the Supreme Court. Administrative divisions

India consists of twenty-eight states and seven Union Territories. All states, and the two union territories of Pondicherry and the National Capital Territory of Delhi, have elected legislatures and governments patterned on the Westminster model. The other five union territories are directly ruled by the Centre through appointed administrators. In 1956, under the States Reorganisation Act, states were formed on a linguistic basis. Since then, this structure has remained largely unchanged. Each state or union territory is further divided into administrative districts. The districts in turn are further divided into tehsils and eventually into villages.

1.8.3 STATES:-

1. Andhra Pradesh
2. Arunachal Pradesh
3. Assam
4. Bihar
5. Chhattisgarh
6. Goa
7. Gujarat
8. Haryana
9. Himachal Pradesh
11. Jharkhand
12. Karnataka
13. Kerala
14. Madhya Pradesh
15. Maharashtra
16. Manipur
17. Meghalaya
18. Mizoram
19. Nagaland
20. Orissa
21. Punjab
22. Rajasthan
23. Sikkim
24. Tamil Nadu
25. Tripura
26. Uttar Pradesh
27. Uttarakhand
28. West Bengal
1.8.4 UNION TERRITORIES:-

A. Andaman and Nicobar Islands  
B. Chandigarh  
C. Dadra and Nagar Haveli  
D. Daman and Diu  
E. Lakshadweep  
F. National Capital Territory of Delhi  
G. Pondicherry

1.8.5 POLITICS:-

India is the most populous democracy in the world. For most of the years since independence, the federal government has been led by the Indian National Congress (INC). Politics in the states have been dominated by several national parties including the INC, the Bharatiya Janata Party (BJP), the Communist Party of India (Marxist) (CPI (M)) and various regional parties. From 1950 to 1990, barring two brief periods, the INC enjoyed a parliamentary majority. The INC was out of power between 1977 and 1980, when the Janata Party won the election owing to public discontent with the state of emergency declared by the then Prime Minister Indira Gandhi. In 1989, a Janata Dal-led National Front coalition in alliance with the Left Front coalition won the elections but managed to stay in power for only two years. As the 1991 elections gave no political party a majority, the INC formed a minority government under Prime Minister P.V. Narasimha Rao and was able to complete its five-year term.

The years 1996–1998 were a period of turmoil in the federal government with several short-lived alliances holding sway. The BJP formed a government briefly in 1996, followed by the United Front coalition that excluded both the BJP and the INC. In 1998, the BJP formed the National Democratic Alliance (NDA) with several other parties and became the first non-Congress government to complete a full five-year term. In the 2004 Indian elections, the INC won the largest number of Lok Sabha seats and formed a government with a coalition called the United Progressive Alliance (UPA), supported by various Left-leaning parties and members opposed to the BJP. The UPA again came into power in the 2009 general election; however, the representation of the Left leaning parties within the coalition has significantly reduced. Manmohan Singh became the first prime minister since Jawaharlal Nehru in 1962 to be re-elected after completing a full five-year term.
1.8.6 GEOGRAPHY:-

India, the major portion of the Indian subcontinent, sits atop the Indian tectonic plate, a minor plate within the Indo-Australian Plate. India's defining geological processes commenced seventy-five million years ago, when the Indian subcontinent, then part of the southern supercontinent Gondwana, began a northeastswards drift—lasting fifty million years—across the then unformed Indian Ocean. The subcontinent's subsequent collision with the Eurasian Plate and subduction under it, gave rise to the Himalayas, the planet's highest mountains, which now abut India in the north and the north-east. In the former seabed immediately south of the emerging Himalayas, plate movement created a vast trough, which, having gradually been filled with river-borne sediment, now forms the Indo-Genetic Plain. To the west of this plain, and cut off from it by the Aravalli Range, lays the Thar Desert.

The original Indian plate now survives as peninsular India, the oldest and geologically most stable part of India, and extending as far north as the Satpura and Vindhya ranges in central India. These parallel ranges run from the Arabian Sea coast in Gujarat in the west to the coal-rich Chota Nagpur Plateau in Jharkhand in the east. To their south, the remaining peninsular landmass, the Deccan Plateau, is flanked on the left and right by the coastal ranges, Western Ghats and Eastern Ghats respectively; the plateau contains the oldest rock formations in India, some over one billion years old. Constituted in such fashion, India lies to the north of the equator between 6°44' and 35°30' north latitude and 68°7' and 97°25' east longitude.

India's coast is 7,517 kilometers (4,700 mi) long; of this distance, 5,423 kilometers (3,400 mi) belong to peninsular India, and 2,094 kilometers (1,300 mi) to the Andaman, Nicobar, and Lakshadweep Islands. According to the Indian naval hydrographic charts, the mainland coast consists of the following: 43% sandy beaches, 11% rocky coast including cliffs, and 46% mudflats or marshy coast.

Major Himalayan-origin rivers that substantially flow through India include the Ganga (Ganges) and the Brahmaputra, both of which drain into the Bay of Bengal. Important tributaries of the Ganga (Ganges) include the Yamuna and the Kosi, whose extremely low gradient causes disastrous floods every year. Major peninsular rivers whose steeper gradients prevent their waters from flooding include the Godavari, the Mahanadi, the Kaveri, and the Krishna, which also drain into the Bay of Bengal; and
the Narmada and the Tapti, which drain into the Arabian Sea. Among notable coastal features of India are the marshy Rann of Kutch in western India, and the alluvial Sundarbans delta, which India shares with Bangladesh. India has two archipelagos: the Lakshadweep, coral atolls off India's south-western coast; and the Andaman and Nicobar Islands, a volcanic chain in the Andaman Sea.

India's climate is strongly influenced by the Himalayas and the Thar Desert, both of which drive the monsoons. The Himalayas prevent cold Central Asian Katabatic wind from blowing in, keeping the bulk of the Indian subcontinent warmer than most locations at similar latitudes. The Thar Desert plays a crucial role in attracting the moisture-laden southwest summer monsoon winds that, between June and October, provide the majority of India's rainfall. Four major climatic groupings predominate in India: tropical wet, tropical dry, subtropical humid, and montane.

1.8.7 ECONOMY:-

From the 1950s to the 1980s, India followed socialist-inspired policies. The economy was shackled by extensive regulation, protectionism, and public ownership, leading to pervasive corruption and slow growth. Since 1991, the nation has moved towards a market-based system. The policy change in 1991 came after an acute balance of payments crisis, and the emphasis since then has been to use foreign trade and foreign investment as integral parts of India's economy.

With an average annual GDP growth rate of 5.8 percent for the past two decades, the economy is among the fastest growing in the world. It has the world's second largest labour force, with 516.3 million people. In terms of output, the agricultural sector accounts for 28 percent of GDP; the service and industrial sectors make up 54 percent and 18 percent respectively. Major agricultural products include rice, wheat, oilseed, cotton, jute, tea, sugarcane, potatoes; cattle, water buffalo, sheep, goats, poultry; fish. Major industries include textiles, chemicals, food processing, steel, transport equipment, cement, mining, petroleum, machinery, software. India's trade has reached a relatively moderate share 24 percent of GDP in 2006, up from 6 percent in 1985. India's share of world trade has reached 1 percent. Major exports include petroleum products, textile goods, gems and jewelry, software, engineering goods, chemicals, leather manufactures. Major imports include crude oil, machinery, gems, fertilizer, and chemicals. India’s GDP is US$1.237 trillion, which makes it the twelfth-largest economy in the world or fourth largest by purchasing power adjusted exchange rates.
India's nominal per capita income US$1,068 is ranked 128th in the world. In the late 2000s, India's economic growth has averaged 7½ percent a year, which will double the average income in a decade.

**1.8.8 DEMOGRAPHICS:-**

With an estimated population of 1.2 billion, India is the world's second most populous country. The last 50 years have seen a rapid increase in population due to medical advances and massive increase in agricultural productivity made by the green revolution. India's urban population increased 11-fold during the twentieth century and is increasingly concentrated in large cities. By 2001 there were 35 million-plus population cities in India, with the largest cities, with a population of over 10 million each, being Mumbai, Delhi and Kolkata. However, as of 2001, more than 70 percent of India's population continues to reside in rural areas.

India is the world's most culturally, linguistically and genetically diverse geographical entity after the African continent. India is home to two major linguistic families: Indo-Aryan (spoken by about 74 percent of the population) and Dravidian (spoken by about 24 percent). Other languages spoken in India come from the Austro-Asiatic and Tibeto-Burman linguistic families. Hindi, with the largest number of speakers, is the official language of the union. English is used extensively in business and administration and has the status of a 'subsidiary official language;' it is also important in education, especially as a medium of higher education. In addition, every state and union territory has its own official languages, and the constitution also recognises in particular 21 other languages that are either abundantly spoken or have classical status. While Sanskrit and Tamil have been studied as classical languages for many years, the Government of India has also accorded classical language status to Kannada and Telugu using its own criteria. The number of dialects in India is as high as 1,652.

India's literacy rate is 64.8 percent (53.7 percent for females and 75.3 percent for males). The state of Kerala has the highest literacy rate at 91 percent while Bihar has the lowest at 47 percent. The national human sex ratio is 944 females per 1,000 males.
1.9 Section “B” UNITED ARAB EMIRATES

The United Arab Emirates (UAE) is a federation of seven emirates situated in the southeast of the Arabian Peninsula in Southwest Asia on the Persian Gulf, bordering Oman and Saudi Arabia. The UAE consists of seven states, termed emirates, which are Abu Dhabi, Dubai, Sharjah, Ajman, Umm al-Quwain, Ras al-Khaimah and Fujairah. The capital and second largest city of the United Arab Emirates is Abu Dhabi. It is also the country's center of political, industrial, and cultural activities.

Before 1971, the UAE was known as the Trucial States or Trucial Oman, in reference to a 19th-century truce between the United Kingdom and several Arab Sheikhs. The name Pirate Coast was also used in reference to the area's emirates in the 18th to early 20th century.

The political system of the United Arab Emirates, based on the 1971 Constitution, comprises several intricately connected governing bodies. Islam is the official religion and Arabic is the official language.

The United Arab Emirates has the world's sixth largest oil reserves and possesses one of the most developed economies in the Middle East. It is currently the thirty-sixth largest economy at market exchange rates, and has a high per capita gross domestic product, with a nominal per capita GDP of $54,607 as per the IMF. The country is fourteenth largest in purchasing power per capita and has a relatively high Human Development Index for the Asian continent, ranking 35th globally. The United Arab Emirates is classified as a high income developing economy by the IMF.

The United Arab Emirates is a founding member of the Cooperation Council for the Arab States of the Gulf, and a member state of the Arab League. It is also a member of the United Nations, Organisation of the Islamic Conference, the OPEC, and the World Trade Organization.

1.9.1 HISTORY:-

The earliest known human habitation in the United Arab Emirates dated from the Neolithic period, 5500 BCE. At this early stage, there is proof of interaction with the outside world, particularly with civilizations to the north in Persia. These contacts persisted and became wide-ranging, probably motivated by trade in copper from the Hajar Mountains, which commenced around 3000 BCE. Foreign trade, the recurring
motif in the history of this strategic region, flourished also in later periods, facilitated by the domestication of the camel at the end of the second millennium BCE. By the first century CE overland caravan traffic between Syria and cities in southern Iraq began. Also, there was seaborne travel to the important port of Omana (perhaps present-day Umm al-Qaiwain) and then to India. These routes were an alternative to the Red Sea route used by the Romans. Pearls had been exploited in the area for millennia but at this time the trade reached new heights. Seafaring was also a mainstay and major fairs were held at Dibba, bringing in merchants from as far as China.

1.9.2 ADVENT OF ISLAM:-
The arrival of envoys from the Islamic prophet Muhammad (pbuh) in 630 heralded the conversion of the region to Islam. After Muhammad's death, one of the major battles of the Ridda Wars was fought at Dibba resulting in the defeat of the non-Muslims and the triumph of Islam in the Arabian Peninsula. In 637, Julfar (today Ra's al-Khaimah) was used as a staging post for the conquest of Iran. Over many centuries, Julfar became a wealthy port and pearling center from which dhows traveled throughout the Indian Ocean.

1.9.3 PORTUGUESE CONTROL:-
Portuguese expansion into the Indian Ocean in the early sixteenth century following Vasco da Gama's route of exploration saw them battle the Safavid Persia up the coast of the Persian Gulf. The Portuguese controlled the area for 150 years, in which they conquered the inhabitants of the Arabian Peninsula. Vasco da Gama was helped by Ahmad Ibn Majid, a navigator and cartographer from Julfar, to find the route of spices from Asia.

1.9.4 BRITISH AND OTTOMAN RULE:-
During the 16th century, portions of the nation came under the direct influence of the Ottoman Empire. Thereafter the region was known to the British as the "Pirate Coast", as raiders based there harassed the shipping industry despite both European and Arab navies patrolling the area from the 17th century into the 19th. British expeditions to protect the Indian trade from raiders at Ras al-Khaimah led to campaigns against that headquarters and other harbours along the coast in 1819. The next year, a peace treaty was signed to which all the sheikhs of the coast adhered. Raids continued intermittently until 1835, when the sheikhs agreed not to engage in
hostilities at sea. In 1853, they signed a treaty with the United Kingdom, under which the sheikhs (the "Trucial Sheikhdoms") agreed to a "perpetual maritime truce." It was enforced by the United Kingdom, and disputes among sheikhs were referred to the British for settlement.

Primarily in reaction to the ambitions of other European countries, the United Kingdom and the Trucial Sheikhdoms established closer bonds in an 1892 treaty, similar to treaties entered into by the UK with other Persian Gulf principalities. The sheikhs agreed not to dispose of any territory except to the United Kingdom and not to enter into relationships with any foreign government other than the United Kingdom without its consent. In return, the British promised to protect the Trucial Coast from all aggression by sea and to help in case of land attack.

1.9.5 THE RISE AND FALL OF THE PEARLING INDUSTRY

During the nineteenth and early twentieth centuries, the pearling industry thrived in the relative calm at sea, providing both income and employment to the people of the Persian Gulf. It began to become a good economic resource for the local people. Then the First World War had a severe impact on the pearl fishery, but it was the economic depression of the late 1920s and early 1930s, coupled with the Japanese invention of the cultured pearl, that all but destroyed it. The industry eventually faded away shortly after the Second World War, when the newly independent Government of India imposed heavy taxation on pearls imported from the Arab states of the Persian Gulf. The decline of pearling resulted in a very difficult era, with little opportunity to build any infrastructure.

1.9.6 BEGINNING OF THE OIL ERA:-

At the beginning of the 1960s, the first oil company teams carried out preliminary surveys and the first cargo of crude was exported from Abu Dhabi in 1962. As oil revenues increased, Ruler of Abu Dhabi, Sheikh Zayed bin Sultan Al Nahyan, undertook a massive construction program, building schools, housing, hospitals and roads. When Dubai’s oil exports commenced in 1969, Sheikh Rashid bin Saeed Al Maktoum, the de facto ruler of Dubai, was also able to use oil revenues to improve the quality of life of his people.

In 1955, the United Kingdom sided with Abu Dhabi in the latter's dispute with Oman over the Buraimi Oasis, another territory to the south. A 1974 agreement between Abu Dhabi and Saudi Arabia would have settled the Abu Dhabi-Saudi border dispute;
however, the agreement has yet to be ratified by the UAE government and is not recognised by the Saudi government.

1.9.7 SHEIKH ZAYED AND THE UNION:-
In the early 1960s, oil was discovered in Abu Dhabi, an event that led to quick unification calls made by UAE sheikdoms. Sheikh Zayed bin Sultan Al Nahyan became ruler of Abu Dhabi in 1966 and the British started losing their oil investments and contracts to U.S. oil companies. The British had earlier started a development office that helped in some small developments in the emirates. The sheikhs of the emirates then decided to form a council to coordinate matters between them and took over the development office. They formed the Trucial States Council, and appointed Adi Bitar, Sheikh Rashid bin Saeed Al Maktoum’s legal advisor, as Secretary General and Legal Advisor to the Council. The council was terminated once the United Arab Emirates was formed.

In 1968, the United Kingdom announced its decision, reaffirmed in March 1971, to end the treaty relationships with the seven Trucial Sheikhdoms which had been, together with Bahrain and Qatar, under British protection. The nine attempted to form a union of Arab emirates, but by mid-1971 they were still unable to agree on terms of union, even though the British treaty relationship was to expire in December of that year.

1.9.8 GEOGRAPHY:-
The United Arab Emirates is situated in Southwest Asia, bordering the Gulf of Oman and the Persian Gulf, between Oman and Saudi Arabia; it is in a strategic location along southern approaches to the Strait of Hormuz, a vital transit point for world crude oil.

The UAE lies between 22°50’ and 26° north latitude and between 51° and 56°25’ east longitude. It shares a 530-kilometer border with Saudi Arabia on the west, south, and southeast, and a 450-kilometer border with Oman on the southeast and northeast. The land border with Qatar in the Khawr al Udayd area is about nineteen kilometers in the northwest; however, it is a source of ongoing dispute. The total area of the UAE is approximately 77,700 square kilometers. The country’s exact size is unknown because of disputed claims to several islands in the Persian Gulf, because of the lack of precise information on the size of many of these islands, and because most of its land boundaries, especially with Saudi Arabia, remain undemarcated. Additionally, island
disputes with Iran and Qatar remain unresolved. The largest emirate, Abu Dhabi, accounts for 87 percent of the UAE’s total area (67,340 square kilometers). The smallest emirate, Ajman, encompasses only 259 square kilometers.

The UAE coast stretches for more than 650 kilometers along the southern shore of the Persian Gulf. Most of the coast consists of salt pans that extend far inland. The largest natural harbor is at Dubai, although other ports have been dredged at Abu Dhabi, Sharjah, and elsewhere. Numerous islands are found in the Persian Gulf, and the ownership of some of them has been the subject of international disputes with both Iran and Qatar. The smaller islands, as well as many coral reefs and shifting sandbars, are a menace to navigation. Strong tides and occasional windstorms further complicate ship movements near the shore. The UAE also has a stretch of the Al Batinah coast of the Gulf of Oman, although the Musandam Peninsula, the very tip of Arabia by the Strait of Hormuz is an enclave of Oman within the UAE.

South and west of Abu Dhabi, vast, rolling sand dunes merge into the Rub al-Khali (Empty Quarter) of Saudi Arabia. The desert area of Abu Dhabi includes two important oases with adequate underground water for permanent settlements and cultivation. The extensive Liwa Oasis is in the south near the undefined border with Saudi Arabia. About 100 kilometers to the northeast of Liwa is the Al-Buraimi oasis, which extends on both sides of the Abu Dhabi-Oman border.

Prior to withdrawing from the area in 1971, Britain delineated the internal borders among the seven emirates in order to preempt territorial disputes that might hamper formation of the federation. In general, the rulers of the emirates accepted the British intervention, but in the case of boundary disputes between Abu Dhabi and Dubai, and also between Dubai and Sharjah, conflicting claims were not resolved until after the UAE became independent. The most complicated borders were in the Al-Hajar al-Gharbi Mountains, where five of the emirates contested jurisdiction over more than a dozen enclaves.

1.9.9 GOVERNMENT AND POLITICS:-

The politics of the United Arab Emirates take place in a framework of a federal, presidential, elective monarchy. The UAE is a developed country and federation of seven absolute monarchies: the emirates of Abu Dhabi, Ajman, Fujairah, Sharjah, Dubai, Ras al-Khaimah and Umm al-Qaiwain. The President of the United Arab Emirates is its head of state, and the Prime Minister of the United Arab Emirates is its
head of government, including foreign affairs, security and defense, nationality and immigration issues, education, public health, currency, postal, telephone and other communications services, air traffic control, licensing of aircraft, labor relations, banking, delimitation of territorial waters and extradition of criminals. All responsibilities not granted to the national government are reserved to the emirates.

The UAE government comprises three branches: the executive, legislature, and judiciary. The executive branch consists of the President, Vice President, Prime Minister, Federal Supreme Council, and a Council of Ministers (the cabinet). The Federal Supreme Council is composed of the emirs of the seven emirates. It elects the president, vice president, members of the Council of Ministers, and judges of the Federal Supreme Court. The Supreme Council also formulates government policy, proposes and ratifies national laws, and ratifies treaties. Although elected by the Supreme Council, the president and prime minister are essentially hereditary. The emir of Abu Dhabi holds the presidency, and the emir of Dubai is prime minister. All but one prime minister served concurrently as vice president. The political influences and financial obligations of the emirates are reflected by their respective positions in the federal government. While each emirate still retains autonomy over its own territory, a percentage of its revenue is allocated to the UAE’s central budget.

Sheikh Zayed bin Sultan Al Nahyan was the UAE's president from the nation's founding until his death on November 2, 2004. On the following day the Federal Supreme Council elected his son, Sheikh Khalifa bins Zayed Al Nahyan, to the post. Abu Dhabi's crown prince, Mohammed bin Zayed Al Nahyan, is the heir apparent.

The legislature is the Federal National Council, which consists of 40 members drawn from all the emirates. Half are appointed by the rulers of the constituent emirates, and the other half are indirectly elected to serve two-year terms. The first indirect elections took place in 2006, and the goal is a wholly elected council. The council carries out the country’s main consultative duties and has both a legislative and supervisory role provided by the constitution. The council scrutinizes and amends proposed legislation, but cannot prevent it from becoming law. A constitutionally independent judiciary includes the Federal Supreme Court. However, Dubai and Ras al-Khaimah do not belong to the national judiciary. All emirates have their own secular and Islamic law for civil, criminal, and high courts.
1.9.10 POLITICAL DIVISIONS:-
The United Arab Emirates is divided into seven emirates, with Abu Dhabi the largest of all seven emirates with an area of 67,340 square kilometers, equivalent to 86.7 per cent of the country’s total area, excluding the islands. It has a coastline extending for more than 400 kilometers and is divided for administrative purposes into three major regions. The Emirate of Dubai extends along the Persian Gulf coast of the UAE for approximately 72 kilometers. Dubai has an area of 3,885 square kilometers, which is equivalent to 5 per cent of the country’s total area, excluding the islands. The Emirate of Sharjah extends along approximately 16 kilometers of the UAE’s Persian Gulf coastline and for more than 80 kilometers into the interior. The northern emirates which include Fujairah, Ajman, Ras al-Khaimah, and Umm al-Qaiwain all have a total area of 3,881 square kilometers. There are two areas under joint control. One is jointly controlled by Oman and Ajman, the other by Fujairah and Sharjah.

1.9.11 DEMOGRAPHICS:-
The UAE’s high standard of living and economic opportunities have attracted workers from India, the Philippines, Egypt, Jordan, Yemen, Pakistan, Sri Lanka and Bangladesh. In 2007, there were approximately 1.4 million Indian nationals residing in the UAE, making them the single largest expatriate community in the oil-rich nation. Thousands of Palestinians, who came as either political refugees or temporary employment, also live in the United Arab Emirates. There is also a sizable population of people from Egypt, Somalia and Sudan who migrated to the UAE before its formation. The UAE has also attracted a small number of expatriates from developed countries in Europe, North America, Asia, and Oceania.

The population of the UAE has a skewed sex distribution consisting of more than twice as many males as females. The 15–65 age groups have a male/female sex ratio of 2.743. The UAE’s gender imbalance is only surpassed by other Arab countries in the Persian Gulf region. The most populated city is Dubai, with approximately 1.6 million people. Other major cities include Abu Dhabi, Al-Ain, Sharjah, and Fujairah. About 88 percent of the population of the United Arab Emirates is urban.

The remaining inhabitants live in tiny towns scattered throughout the country or in one of the many desert oilfield camps in the nation.
The average life expectancy is 78.24 years, higher than any other Arab country.

<table>
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<tr>
<th>Rank</th>
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<th>Emirate</th>
<th>Population</th>
<th>Metro area Rank</th>
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<td>Ajman</td>
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</tr>
</tbody>
</table>

Source: [www.uaeinteractyearbook.com](http://www.uaeinteractyearbook.com)

1.9.12 ECONOMY:-

The United Arab Emirates (UAE) is one of the most developed countries in the world, based on various socioeconomic indicators such as GDP per capita, energy consumption per capita, and the HDI.

The GDP per capita is currently the 14th in the world and 3rd in the Middle East after Qatar and Kuwait as measured by the CIA World Fact book, or the 17th in the world as measured by the International Monetary Fund; while at $168 billion in 2006, with a small population of 4 million, the GDP of the UAE ranks second in the CCASG (after Saudi Arabia), third in the Middle East — North Africa (MENA) region (after Saudi Arabia and Iran), and 38th in the world (ahead of Malaysia).

There are various deviating estimates regarding the actual growth rate of the nation’s GDP. However, all available statistics indicate that the UAE currently has one of the fastest growing economies in the world. According to a recent report by the Ministry of Finance and Industry, real GDP rose by 35 percent in 2006 to $175 billion, compared with $130 billion in 2005. These figures would suggest that the UAE had the fastest growing real GDP in the world, between 2005 and 2006.

Although the United Arab Emirates is becoming less dependent on natural resources as a source of revenue, petroleum and natural gas exports still play an important role in the economy, especially in Abu Dhabi. A massive construction boom, an
expanding manufacturing base, and a thriving services sector are helping the UAE diversify its economy. Nationwide, there is currently $350 billion worth of active construction projects. Such projects include the Burj Dubai, which is slated to become the world's tallest building, Dubai World Central International Airport which, when completed, will be the most expensive airport ever built, and the three Palm Islands, the largest artificial islands in the world. Other projects include the Dubai Mall which is the world's largest shopping mall, and a man-made archipelago called The World which seeks to increase Dubai’s rapidly growing tourism industry. Also in the entertainment sector is the construction of Dubai land, which is expected to be twice the size of Disney World, and of Dubai Sports City which will not only provide homes for local sports teams but may be part of future Olympic bids.

Major increases in imports occurred in manufactured goods, machinery, and transportation equipment, which together accounted for 80 percent of total imports. Another important foreign exchange earner, the Abu Dhabi Investment Authority--which controls the investments of Abu Dhabi, the wealthiest emirate-manages an estimated $360 billion in overseas investments & an estimated $900 billion in assets.

More than 200 factories operate at the Jebel Ali complex in Dubai, which includes a deep-water port and a free trade zone for manufacturing and distribution in which all goods for re-export or transshipment enjoy a 100 percent duty exemption. A major power plant with associated water desalination units, an aluminum smelter, and a steel fabrication unit are prominent facilities in the complex. The complex is currently undergoing expansion, with sections of land set aside for different sectors of industry. A large international passenger and cargo airport, Dubai World Central International Airport, with associated logistics, manufacturing and hospitality industries, is also planned here.

Except in the free trade zones, the UAE requires at least 51 percent local citizen ownership in all businesses operating in the country as part of its attempt to place Emiratis into leadership positions.

As a member of the Gulf Cooperation Council (GCC), the UAE participates in the wide range of GCC activities that focus on economic issues. These include regular consultations and development of common policies covering trade, investment, banking and finance, transportation, telecommunications, and other technical areas, including protection of rights. The currency of the United Arab Emirates is the Emirati Dirham.
1.9.13 INFRASTRUCTURE:-

The UAE has been spending billions of dollars on infrastructure and is the biggest projects market in the region, accounting for 37 percent of total project value within the construction, oil and gas, petrochemicals, power and water and waste sectors. Many huge investments have been poured into real estate, tourism and leisure. These developments are particularly evident in the larger emirates of Abu Dhabi and Dubai. In the former, Masdar City and Saadiyat Island highlighted the status as an emerging market. Dubai World Central, a 140-square kilometer multi-phase development under construction near Jebel Ali, will create 900,000 jobs, and will include Al Maktoum International Airport, which will be the largest airport in the world by 2020. Property developer Emaar’s Burj Dubai is a Dh3.67 billion (US$1 billion) tower that is destined to be the world’s tallest skyscraper.

Governments in the northern emirates are rapidly following suit, providing major incentives for developers of residential and commercial property. In addition, UAE President Sheikh Khalifa bin Zayed Al Nahyan has allocated Dh16 billion (US$4.4 billion) for infrastructure projects in the northern emirates. The allocation will be used to fund the construction of road networks, new housing communities, drainage networks and other projects, providing integrated solutions to some infrastructure deficits in these areas.

The UAE contains a number of significant airports. Dubai International Airport (DXB) is the main airport of the country. In 2008, the airport was the 20th busiest airport in the world by passenger traffic and 11th busiest by cargo traffic. The airport also was the 6th busiest airport in the world by international passenger traffic. Other important airports include Abu Dhabi International Airport, Sharjah International Airport, and Al-Ain International Airport. There are also airports in smaller towns, as well as small domestic airstrips in the rural Western region. There are daily flight services between West and East UAE, which is the only convenient option for passengers travelling between the two parts of the country to places such as Sir Bani Yas. The UAE is home to the largest airline in the Middle East, Emirates Airline. It has Dubai as its hub, and flies to over 100 destinations across six continents. The airline was the eighth-largest airline in the world in terms of international passengers carried and fifth-largest in the world in terms of scheduled international passenger-kilometers flown in 2008. The Dh15.5 billion (US$4.2 billion) Dubai Metro project includes a 52-kilometre Red Line viaduct, which stretches the length of Sheikh Zayed
Road between Al Rashidiya and Jebel Ali and was opened in September 2009 after round-the-clock work for three years. The Red Line when fully complete will carry an estimated 27,000 passengers per hour in each direction on 42 trains. Work also on the Green Line, which will link Al Qusais to Dubai Healthcare City, began in 2006 and is scheduled for completion in late 2010. In Abu Dhabi plans are underway for an all metro system and also a country-wide national railway, which will connect all the major cities and is later to connect to the GCC wide network. The cost for the railway will be between Dh25bn and Dh30bn, and will be a total length of 1,100 kilometers, connecting Ghuwaifat, bordering the Kingdom of Saudi Arabia, in the west and the border with the Sultanate of Oman in the east.

The Federal Electricity and Water Authority (FEWA) is the body responsible for overseeing federal utilities, whilst authorities in individual emirates, including Abu Dhabi Water and Electricity Authority (ADWEA), Dubai Water and Electricity Authority (DEWA) and Sharjah Water and Electricity Authority (SEWA), oversee power and water generation in their individual emirates. The UAE plans to build 68 rechargeable dams in the coming five years to augment the 114 dams in existence, all but two of which are rechargeable, to help with providing for the growing population. The UAE is presently serviced by two telecommunications operators, Etisalat and Du. Etisalat operated a monopoly until du launched mobile services in February 2007. However, Etisalat, with over 80 per cent of the market, remains the UAE’s biggest telecom provider and is expanding dramatically internationally and is now the sixteenth largest telecommunications firm in the world between 2002 and 2007, the number of mobile phone subscribers in the UAE grew by an annual average of 25.6 per cent, almost four times its population growth. Forecasts indicate that the UAE mobile market will increase from 7.7 million subscribers in 2007 to 9.2 million in 2008 and to 11.9 million by 2012.
1.10 OBJECTIVE:-

1. To study the Growth and Development of selected sectors from India and UAE.
2. To analyse the financial performance on the basis of profitability and liquidity of individual company for selected sector for India and UAE.
3. To identify investment feasibility for selected sectors of India and UAE.

1.11 SCOPE OF STUDY:-

The present Study Confines its scope to the (7) seven sectors, whose shares are listed in stock exchange of India and United Arab Emirates (UAE) and the Data relating to these sector is derived from Stock Exchange Mumbai and UAE Stock Exchange

1. The Scope of the Study Focuses to show the Investment Opportunities in Both the Countries. i.e. India and United Arab Emirates.
2. A study may helpful to economies cooperation of both countries i.e. India and United Arab Emirates (UAE).
3. The Study may help the future Researchers to continue further investigation on this subject.

1.12 LIMITATION OF STUDY:-

The present Study is subjected to the following limitations:

1. The study mainly deals with period of Seven Year i.e. 2001 to 2007.
2. The study mainly deals with selected seven sectors for both the countries India and United Arab Emirates (UAE).
3. The study is entirely based on secondary data which is published by Stock Exchange Directory for both the countries India and UAE.
1.13 RESEARCH METHODOLOGY:-

The study is entirely based on the secondary data for financial analysis. The Stock Exchange Directory Published by Stock Exchange Foundation is the prime source for both the countries. The financial results from 2001 to 2007, sample 7 sectors from India and 7 sectors for United Arab Emirates (UAE) has taken for application and for statistical techniques in gauging and evaluating the results for selected sectors for both the countries and also to see the investment feasibility. A computer data base is being created to store and analyse the data pertaining to selected sectors for the years 2001 to 2007. The system is designed and developed for the data analysis based on popular financial technique and Statistical tools viz., Ratio Analysis, Mean, Standard Deviation, Coefficient of Variation and $X^2$ etc. Authentic websites is also form a source of secondary data. The selection of the company for Investment analysis has been made very carefully.

1.14 SAMPLE AND SAMPLING METHOD:-

Major seven sectors for both countries India and UAE were focused for study. For each of the selected sectors selected listed companies were initially chosen. These companies were then evaluated on the basis of identified random sampling and on the basis of the best financial performing for selected sample. The financial period for the study was for seven years i.e. from 2001 to 2007 for selected sectors for both the countries they are,

1) Banks, 2) Cements, 3) Insurance, 4) Iron and Steel, 5) Pharmaceuticals Co. 6) Telecommunication, 7) IT India and Construction UAE for both countries i.e. India and United Arab Emirates (UAE), were collected by the researcher for further study.
1.15 CHAPTER SCHEME:-
The thesis is divided into Six Chapter.

1. INTRODUCTION

The first chapter provides a brief form of Investment and profile of both countries India and United Arab Emirates [UAE.]

2. GROWTH AND DEVELOPMENT OF SELECTED SECTORS.

The second chapter covers the progress and development of selected sectors of India and United Arab Emirates (UAE).

3. CONCEPTUAL EXPOSITION

The third chapter contains 2 sections. The first section details with the conceptual exposition of financial statement and analysis and second explains the statistical technique used of the study.

4. INDIVIDUAL COMPANY PERFORMANCE

The fourth chapter presents the individual company analysis and financial performance of the selected 07 sectors of India and 07 sector of UAE for the period 2001 to 2007 and intra- company comparison is made in the chapter.

5. ANALYSIS AND INTERPRETATION OF DATA

The fifth chapter presents the group analysis and to uses of Investment feasibility for the countries. It depicts inter-company comparative position of the companies and examines the financial performance of selected sectors of both the countries.

6. CONCLUSION AND SUGGESTION

The sixth chapter presents conclusions and Suggestion drawn on basis of the Study. The chapter is further appended with detail bibliography.