FROM THE EDITOR'S DESK

Greetings!

Foreign Direct Investment (FDI) plays a key role in the development of the nation. FDI flows comprise capital provided by foreign investors, directly or indirectly to enterprises in another economy with an expectation of obtaining profits derived from the capital participation in the management of the enterprise in which they invest. The objective behind allowing FDI is to harmonize and complement domestic investment for achieving a higher level of economic development and providing more opportunities for upgradation of technologies as well as to have an access to global managerial skills and practices.

In India FDI inflow made its entry during the year 1991-92 with the aim to bring together the intended investment and the actual savings of the country. To pursue a growth of around 7 percent in the Gross Domestic Product of India, the net capital flows should increase by at least 28 to 30 percent on the whole. But the savings of the country stood only at 24 percent. The gap formed between intended investment and the actual savings of the country was lifted up by portfolio investments by Foreign Institutional Investors, loans by foreign banks and other places, and foreign direct investments.

The actual FDI inflows in India is welcomed under the following heads: Foreign Investment Promotion Board's (FIPB) discretionary approval route for larger projects, Foreign Investment Promotion Council, Foreign Investment Implementation Authority, Investment Commission, Reserve Bank of India's (RBI) automatic approval route, acquisition of shares route (since 1996), RBI's non-resident Indian (NRI's) scheme and external commercial borrowings (ADR/GDR) route, Cabinet Committee of Foreign Investment (CCFI) deserves special mention.

India's major policies to attract FDI since 1991

- The abolition of industrial licensing, privatization of the public sector, and the opening of many sectors, with 100% foreign equity, for foreign participation.
- The revamping of FERA into the Foreign Exchange Management Act (FEMA) in 1999 to facilitate foreign-exchange management in the capital account.
- The introduction of an automatic approval channel for 100% foreign equity in priority sectors and automatic permission for high-technology agreements or technological collaborations in priority sectors.
- The abolition of high local-content requirements, dividend balancing requirements, and export obligation conditions.
- The establishment of major institutions to promote and facilitate FDI inflows, such as the Foreign Investment Promotion Board (FIPB), Foreign Investment Implementation Authority (FIIA), and Secretariat for Industrial Assistance (SIA).
- The aggressive signing of bilateral investment and double tax avoidance agreements (currently with more than 70 countries) to benefit and assure foreign investors.
- Fiscal incentives such as tax subsidies and concessions offered by both central and state governments to attract foreign investment.
- Reforms at the state government level, and the establishment of institutions to help implement FDI projects.

The opening of major sectors with huge potential, such as multi-brand retail, civil aviation, defence, railway, insurance, banking, and pension to foreign investors in recent years, with plans to open up many more sectors in the near future would assist in broaden the market accessibility and make India to mark its presence as one of the fastest growing economies of the world.

This issue presents a good number of articles on the cover story theme 'FDI & Economic Growth' by distinguished experts and authors and an interview from industry stalwart. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers enjoy the articles.