FOREIGN DIRECT INVESTMENT (FDI)

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ABSTRACT

With the initiation of globalization, developing countries, particularly those in Asia, have been witnessing an immense surge of FDI inflows during the past few decades. Even though India has been a latecomer to the FDI scene compared to other East Asian countries, its considerable market potential and a liberalized policy regime has sustained its attraction as a favourable destination for foreign investors. Trade and FDI policies have become the focus of liberalization efforts in recent times. The industrial policy of 1991 and the subsequent amendments have provided a very liberalized framework to attract foreign direct investment into the country. The current foreign direct investment regime of India compares favourably with those of several Asian countries which have been quite successful in augmenting FDI inflows. The current FDI policy contains a wide variety of incentives to promote policy objectives like industrial estates, special economic zones, bonded areas, export processing zones and technology parks. The prospects for increase in FDI to India in the future is also affected by favourable changes in policies governing trade and FDI in the host countries. To attract more investment from foreign countries in the future, it is important to focus on small and medium sized business and selected services sector.