FDI - A COMPARATIVE STUDY OF INDIA AND CHINA

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ABSTRACT

India and China have common giant markets, huge populations and growth rates. Both the countries have embraced economic reforms and liberalization - China in 1970s and India in 1990s. Both are in a process of liberalizing their economy and they are open for Foreign Direct Investment (FDI). FDI is considered as the catalyst to the market growth for the developing countries like India and China. Besides supplementing capital in the economy, FDI is a principal conduit of technology upgrade, transfer and managing skill exchange. As far as developing countries are considered, global competition and FDI is increasing. India and China, both are aiming for high share of the FDI. The main purpose of conducting that research is to find out the patterns and flow of Foreign Direct Investment and economic growth in Chinese and Indian economies. We conducted an exploratory qualitative research to find out flow, patterns and directions of FDI and Economic Growth in these economies. We examined which country is in better position for attracting more FDI and enhancing their economic growth. We examined which country economy performing well as compare to other in term of FDI and Economic Growth. According to OECD, FDI reflects the objective of obtaining a interest by a resident entity in one country (‘direct investor’) in an entity resident in an economy other than that of the investor (‘direct investor). Sodersten and Reed states that FDI is a essence of a bundle of capital, technology and management skills transmitted by multinational enterprises (MNEs) or transnational corporations (TNCs). Krugman and Obstfeld defined FDI as international capital flows in which a firm in one country creates or expand a subsidiary in another. FDI involves not only the transfer of resources but also the acquisition of control.