



FDI & RURAL DEVELOPMENT IN INDIA

Shri Shinde T.N.

Assistant Professor, Department Of History.

ABSTRACT:

The process of globalization is moving very quickly in the 21st century. Every nation makes every effort to reap the full benefits of globalization. It has been established by globalization that those nations will be able to take advantage of all of the globalization's opportunities and will become successful in doing so. One of the most underdeveloped nations is India. It is also exerting a lot of effort to make the most of globalization's opportunities. India is confronted with the issue of capital investment on that path. India needs too much capital, which it lacks. In this circumstance, foreign direct investment plays a significant



role in the country's development, particularly in the country's rural areas. Through the transfer of financial resources, technology, and novel and improved management methods, FDI has the potential to boost productivity and contribute to development. India, a developing nation, requires significant foreign investment to accelerate its economic growth and development. It has the potential to spur domestic industrial growth. In addition, it contributes to the acceleration of economic activity and brings with it other scarce productive factors, such as managerial experience and technical knowledge, which are equally important for economic growth. Here, an attempt has been made to determine the significance of foreign direct investment in India's rural development.

KEYWORDS: *financial resources, technology, and novel.*

1. INTRODUCTION:

The process of globalization is moving very quickly in the 21st century. Every nation makes every effort to reap the full benefits of globalization. It has been established by globalization that those nations will be able to take advantage of all of the globalization's opportunities and will become successful in doing so. One of the most underdeveloped nations is India. It is also exerting a lot of effort to make the most of globalization's opportunities. India is confronted with the issue of capital investment on that path. India needs too much capital, which it lacks. In this circumstance, foreign direct investment plays a significant role in the country's development, particularly in the country's rural areas. Through the transfer of financial resources, technology, and novel and improved management methods, FDI has the potential to boost productivity and contribute to development. India, a developing nation, requires significant foreign investment to accelerate its economic growth and development. It has the potential to spur domestic industrial growth. In addition, it contributes to the

acceleration of economic activity and brings with it other scarce productive factors, such as managerial experience and technical knowledge, which are equally important for economic growth. Here, an attempt has been made to determine the significance of foreign direct investment in India's rural development.

2. DEFINITION OF FOREIGN DIRECT INVESTMENT:-

an investment made by a company or other entity with headquarters in one country in a company or other country. In contrast to indirect investment, such as portfolio flows, in which foreign institutions invest in stocks listed on a nation's stock exchange, foreign direct investment differs significantly. When compared to closed, highly regulated economies, entities that make direct investments typically have a significant amount of influence and control over the company. As a result, they are more likely to attract larger sums of foreign direct investment. "A form of longer term international capital movement, made for the purpose of productive activity and accompanied by the intention of managerial control or participation in the management of foreign firm," is the most common definition of foreign direct investment (FDI).

3. POLICY ON FOREIGN DIRECT INVESTMENT:-

India's policies on foreign direct investment are among the most open and transparent among emerging economies. The entire sector, with the exception of the following, which require prior approval from the government, is open to foreign direct investment of up to 100 percent through the automatic route.

- 1.Areas precluded for Unfamiliar Direct Speculation.
- 2.activities that necessitate a business license.
- 3.proposals in which the foreign collaborator collaborates in India on an exploratory or technical basis in the same field.
- 4.Recommendations for obtaining of offers in a current Indian Organization in monetary assistance area and where SEBI guideline, 1997 is drawn in.
- 5.All proposals outside of the notified sectoral policy prohibiting foreign direct investment.

4. LITERATURE REVIEW:-

Dijkstra (2000), Tybout (2000), and Vachani (2000) discovered that investment policy liberalizations have a significant impact on businesses in less developed countries where the level of protection was high prior to liberalization. Cheng (1993) noted the growing importance of cross-border R&D activities and suggested that additional research on Foreign Direct Investment should be conducted on the reasons why firms internationalize their R&D activities. Not every business is affected equally; Depending on their characteristics, some will lose and others will win. For expert orientation of MNC production, Nagesh Kumar (2001) examines the role that the availability of infrastructure plays in determining countries' attractiveness to foreign direct investment inflows. Anand Virmani and Susan Collins (2007) conducted an empirical study of India's economic growth from 1966 to 2004, focusing on the acceleration after 1973. The investigation focuses on the peculiar aspect of India's experience. They find that India should expand its ongoing development to give produced goods for the global market as well as jobs for the large number of low-skilled workers there.

From 1991 to 2005, the flows of foreign direct investment were analyzed by Kulwinder Singh (2005). According to a sectoral analysis in his study, despite the fact that a steady rise in foreign direct investment has emerged as a cornerstone of India's success, the progress is hollow. The success of infrastructure is due to the power and telecommunications industries. He discovers that the definition of infrastructure has changed in comparative studies. Telecommunications hold back foreign direct investment in particular sectors, and power is not evenly distributed.

Chandand Chakroborty and Peter Munnen Kamp (2006) assessed the growth implications of Foreign Direct Investment in India by conducting causality tests on industry-specific Foreign Direct Investment and output in their study on the investment's economic effects in India. In his paper, Jaya Gupta (2007) attempted to examine how sectoral trends in India have changed as a result of foreign

direct investment inflows since liberalization. In addition, the changes in policy's effects on sectoral growth and India's overall economic development are examined in this paper.

In his book, Jayashree Bose (2007) investigated the sectoral challenges India and China faced in relation to FDI inflows. This book discusses new issues, globalization, foreign factors, trends, and issues affecting foreign direct investment inflows, as well as foreign direct investment inflows in particular sectors. Foreign direct investment outflows from China and India have also been the subject of a comparative study. This book also discussed the opportunities and potential in various Indian sectors that would surpass China's FDI inflows into India. In their work, Tanay Kumar Nandi and Ritankar Saher (2007) attempted to investigate foreign direct investment in India, with a focus on retail trade. This paper emphasizes the requirement for foreign direct investment in India's retail sector and makes use of the fact that foreign direct investment is permitted in multiple sectors and has had positive effects without affecting the domestic economy. Additionally, the study suggests that retail foreign direct investment must be permitted.

5. IMPORTANCY OF FDI IN RURAL AREA OF INDIA:-

1. Development of Infrastructure Facilities:-

More than 60% of the country's population resides in rural areas, where agriculture is their primary occupation. In India, urbanization is expanding rapidly. The gap between rural and urban development has been widening as urbanization has grown at such a rapid rate. The distinction between the development of infrastructure facilities in rural and urban areas is the root cause of that gap. When compared to a city, all kinds of infrastructure facilities have not been developed and are insufficient. In the country's rural areas, there is a lack of clean and sufficient drinking water, inadequate power supply, underdeveloped and inadequate transportation and communication facilities, banking facilities, and educational and medical facilities. As a result, a significant portion of this nation has been kept out of the development path. This nation's economic growth rate is not increasing. However, if India is to successfully confront global challenges, the agricultural sector, or rural areas, must actively participate. Infrastructure facilities in rural areas must be developed in order to accomplish this, which necessitates significant capital investment. India, on the other hand, does not have a lot of capital. Foreign direct investment can be crucial in this scenario. Foreign Direct Investment will make available sufficient capital. In the country's rural areas, clean and sufficient drinking water, adequate power supply, well-developed transportation and communication facilities will be available with the assistance of foreign direct investment. It will also be possible to provide rural residents with well-developed health and educational facilities. All kinds of infrastructure will be built with the help of foreign direct investment in this way, which will help rural areas become more productive and efficient.

2. Modernization of Agricultural Sector:-

The agricultural sector is recognized as the Indian economy's foundation. India's share of the economy is 18 percent, which is very high when compared to the 2%, 3%, 1.5 percent, and 4% that agriculture accounts for in the United States, England, Japan, and France, respectively. More than 59% of the population of this nation is involved in the agricultural sector either directly or indirectly. The agricultural sector in India lacks development. When compared to the productivity of developed nations like the United States, Austria, England, Japan, France, and even China, the agricultural sector in India has a very low productivity. The traditional farming method, the use of low-yielding varieties of seeds, the use of fewer fertilizers and pesticides, the fragmentation of the land, a lake with a lot of water that can be used, the traditional irrigation method, a lack of sufficient capital investment, inadequate transportation and communication facilities, inadequate markets, and a lack of agricultural research, among other things, are the reason for India's low agricultural productivity. The greatest factor among these is a lack of substantial capital. A lot of capital is needed for this sector's development, but neither the federal government nor the state governments currently have that much capital. Disregarding this reality, farming area should be created for major areas of strength for that probably taken on to have modernization of agrarian area by which the efficiency of rural area will expanded. Foreign Direct Investment will be crucial in this regard. Foreign direct investment in the agricultural sector in rural

areas must be permitted by the government. If India allows for FDICs in rural areas, there will be access to adequate and prudent capital. The agricultural sector of India will develop to a very high level through the Foreign Direct Investment. It will be possible to invest sufficiently in agricultural research to discover novel high-yield varieties of grains, vegetables, fruits, and flowers, as well as cutting-edge farming equipment and methods. In addition, the establishment of industries that produce fertilizer and pesticides in rural areas will be aided by foreign direct investment, which will make sure that agriculture has enough fertilizers and pesticides to boost productivity.

3. Development of Agricultural Marketing:-

India's agricultural marketing is extremely archaic. It is one of the factors contributing to the country's rural backwardness and low agricultural productivity. We find that agricultural markets have advanced facilities and are well-developed in the developed country. It contributed to the growth and development of their agricultural sector. Farmers benefit in numerous ways from well-developed agricultural markets. It assists in rescuing the farmer from middlemen, prevents the waste of agricultural products, and provides an appropriate price for agricultural production. India lacks sufficient capital to provide agricultural markets with modern advance facilities. In order to expand agricultural markets in India's rural areas, foreign direct investment can be crucial. The economic situation of rural people in India will significantly change, and their standard of living will also rise, if agricultural markets are developed in the country with the assistance of foreign direct investment.

4. Eradication of Poverty & Unemployment:-

India has made numerous efforts to eradicate poverty and achieve full employment since independence. In this way, India might succeed in some way, but poverty and unemployment are still a problem and have hampered economic growth. It's likely that poverty and unemployment are particularly prevalent in rural areas. When compared to the rate of population growth, the government has not been successful in creating sufficient employment opportunities in rural areas. The primary reason for this is a lack of capital. A significant amount of capital will be available for the expansion of skill-oriented educational facilities, moderation of the agricultural sector, and the development of infrastructure facilities if the government permits foreign direct investment in rural areas. As a result, numerous employment opportunities will become available. Their level of income will rise if every person in a rural area finds work. With the assistance of FDIC, it will be possible to eradicate poverty and unemployment in this manner.

5. Rural Industrialization:-

As a result of globalization, industrial development has taken on a significant role. India's industrial sector is expanding quickly. In any case, anything that modern advancement in India has been finished, we find it is done exclusively on couple of spots. This indicates that there is regional imbalance in the industrial sector's development in India. India lacks sufficient capital because rural areas across the country have been neglected in favor of industrial development, resulting in numerous issues. It will be possible to create new industries in rural areas if the government grants permission for foreign direct investment. The country will be able to reap both internal and external economic benefits from rural industrial development.

6. CONCLUSION :-

Unfamiliar Direct Venture will assume huge part in provincial advancement of the India. Development of rural markets, employment opportunities, and infrastructure will all be possible with the assistance of foreign direct investment for rural economic development.

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