Changes in Foreign Direct Investment Policy of India and Its Impact on Economic Development

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Abstract : Foreign direct investment policy (FDI) is defined as an investment involving a long term relationship and reflecting a long duration interest and control of a resident entity in the home country (foreign direct investor or parent firm) in the host country. India has been one of the most translucent and open-minded FDI regimes among the emerging and developing economies. There is clear cut mentioned about the sectoral caps for foreign investment. The policy problems that have been identified by time to time surveys as acting as additional hurdles for FDI are laws, regulatory systems and government monopolies that do not have contemporary relevance. Foreign investment policies in the post-reforms period have emphasized greater encouragement and mobilization of non-debt creating private inflows for plunging reliance on debt flows. This paper will focus on how foreign direct investment policy changed from 1990-91 up to now. A time series data of 25 years is used for analysing the policy changes. It is observed that India has more liberal policy. The growth in number of Greenfield investments in India has been more impressive than the number of M&A deals whereas equity capital for incorporated bodies FDI inflows has been increased continuously 2014-15. India has made major changes in FDI Policy, and it has positive impact on economic development.

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