IMR (Indira Management Review)
Volume XI, Issue I, July, 2017

Marketing for FDI in India

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'Marketing for FDI in India' means marketing the idea that India is the best country in the world with a lot of potential for investment as far as the foreign investors are concerned. This requires projecting the image of India as the fastest developing country in the world. Although it is the fact, it becomes obligatory on the part of the Prime Minister to go abroad and convince foreigners, that's what the present Prime Minister, Mr. Narendra Modi has been doing for the last three years.

Mr. Modi's several visits to foreign countries like Bhutan, Brazil, Nepal, Japan, America, Myanmar, Australia, Fiji, Mauritius, Shri Lanka, Singapore turned out to be fruitful in two ways. First, he could sell himself as the strong man at the helm of affairs in India with a large following and secondly he employed techniques in modern marketing using all types of social media skillfully to attract wealthy foreign investors towards the business opportunities created in India for FDI. Although FDI is not a new concept, it must be admitted that Mr. Modi could successfully make an imprint on the minds of foreign businessmen in countries which were not visited by the former Prime Minister Dr. Manmohan Singh.

Mr. Modi faced a lot of criticism on the expenditure incurred on his foreign tours. The question arises now about the performance appraisal of Mr. Modi and the measurement of success in quantitative terms. At this juncture, it will be interesting for the readers to know more about FDI.

FDI means Foreign Direct Investment. It is an investment in the monetary form made by a foreigner or a foreign company in the host country like India. It is done either for starting an industry in any sector or taking over an existing company in India for business expansion. For controlling purpose, the foreign company may purchase 10% or more shares from the open market. For acquiring any company, management procedure is followed and acquisition is done always systematically. For a new corporate venture by a foreign company in the Indian soil, Government of India's permission is required. But, a foreign investor will always think twice before investing a huge sum in India. He must be assured about the distinct advantages he will get in the future. Proper infrastructure is required or must be provided to facilitate his investment decision.

Now-a-days, private firms are also established like 'FDI Intelligence' to deliver important business information to foreign investors, which contain customized reports and data pertaining to the business sector for which the interest is shown by the foreign investor. The global insight and the credibility of such professional agencies is used positively by the investor. Even 'Microsoft' like giants also takes help of such agencies to know exact benefits while investing in India.

At this point, the reader might think why so much importance is given to the FDI. Actually, the FDI concept is not new. It has got historical background as far as India is concerned. The establishment of East India Company was nothing but a kind of Foreign Direct investment. It was based on the classical theory of trade in which the purpose behind trade was the difference in the cost of production of goods between the two countries. Establishment of tea gardens was one such example. After 1945, Japanese companies also started taking keen interest in India. Expansion of their trade activities was done slowly but methodically. Yet, Britishers are playing major role as investors in the Indian business. Further, after gaining Independence in 1947, the policy makers at the centre took special interest in the issues concerning foreign capital, multinational corporations and their working, etc. Then, the issue of FDI came to the forefront. The government designed FDI policy guarding Indian national interest. The aim was to use FDI as a means for development of relevant technology and for mobilization of foreign exchange resources. In 1965, the Government of India designed industrial policy so as to allow MNCs to extend helping hand to Indian industries for technical collaboration in India. Thereafter, the Government of India adopted a liberal view as far as the industrial development was concerned.

Afterwards, in the economic crisis, Government of India with the help of the World Bank and IMF implemented macro-economic stabilization and structural adjustment programme. These reforms were done in order to attract FDI inflows. In order to build confidence in the minds of foreign investors, even the foreign policy was liberalized. Afterwards, Government of India created Foreign Investment Promotion Board with sole purpose of attracting and alluring foreign investors. Such measures were taken so as to show positive attitude towards FDI.

The Government of India announced a New Industrial Policy on 24^{th} July 1991. Economic Reforms were introduced for stabilization in order to restore balance of payments equilibrium and to control inflation. The government took several steps to attract FDI in India. In 1991, in the specific list of high technology and high investment priority industries, automatic permission was granted for FDI upto 51% foreign equity. The limit was raised to 74% and then to 100% foreign equity.

Many decisions were taken afterwards by Dr. Manmohan Singh and P.V. Narsimharao to enhance the possibilities for more FDI in India. So, India, although latecomer to the FDI scene as compared to other countries in Asia, its considerable potential from foreign investors point of view was evident from the figure $25.88 billion, FDI in 2010, which was $1 billion in 1990.

In 2013, FDI norms were relaxed in several sectors e.g. telecom, defence, oil refineries, and power plants. In civil aviation, Malaysia-based Air Asia and Singapore Airlines collaborated with the Tata Group to start two new airline services. Abu Dhabi based Etihad took 24% partnership in Jet Airways. In retail business also, UK-based Tesco invested $110 million to start a supermarket chain in India along with the Tata Group. A breakthrough came in tourism, pharmaceutical and construction business due to FDI. Korean group collaborated with Jinbhuvish Group to start Rs. 3450 Cr, project in Yavatmal. In 2013, the then PM, Dr. Manmohan Singh convinced Japanese industrialists to put more money in India. This was evident from the 16% rise in the Japanese companies in India. Afterwards, the Indian government allowed 100% FDI under automatic route in storage and warehousing. The Government of India set up National Centre for Cold Chain Development (NCCD) to look after the standards and protocols for cold chain infrastructure.

Considering the recommendations of Foreign Investment Promotion Board, Government of India gave sanction to five FDI proposals amounting to Rs. 1133.41 crores in 2014. Since then, Government of India's FDI policy has become more investor-friendly as far as the foreign investor is concerned. The results are definitely encouraging FDI has given positive push to Indian economy during the last 25 years.

FDI inflow has supplemented domestic capital and the relevant technology and also utilized skills of existing companies in India.

Now-a-days, several incentives are given for attracting FDI which are in the following forms.

Corporate Tax burden is less
Tax Holidays are given
Sales Tax Concessions for a particular period
Preferential Tariffs
Special Economic Zones
Export Processing Zones
Bonded Warehouses
Investment Finance Subsidies
Free Land or Land Subsidies
Infrastructure Subsidies
R & D Support

Fig. 1

Now governmental investment promotion agencies use various marketing strategies to attract FDI.

Prime Minister Mr. Narendra Modi has taken tremendous efforts since 2014 to attract many countries for increased FDI in India. His team at the PM office has done excellent job in marketing for FDI in India. His foreign visits to countries e.g. Bhutan, Brazil, Nepal, Japan, America, Myanmar, Australia, Fiji, Mauritius, Sri Lanka and Singapore paid rich dividends and India received $19.78 bn FDI during 2014–2015. His strong personality and his team have made a positive impact on the key persons in the foreign countries visited. He is successful in his relentless efforts for the most assiduous task of wooing for FDI. He is also successful in convincing foreigners that FDI in India is number one opportunity for investors. And, the result is that India became the top destination for FDI in the world in 2015. In the first half of 2015, India attracted FDI worth $31 billion as compared to $28 billion and $27 billion of China and US respectively. So, it is needless to say that PM Narendra Modi has done well in marketing for FDI in India during the last three years. So, this is marketing for FDI in a nutshell. As a result of these efforts the Maharashtra State has succeeded in attracting Rs. 68409 crores as FDI in the first six months of the financial year 2016–17. So far, so good!!!!

At this point, it will be interesting for the reader to know the figures which show cumulative amount of FDI inflows. From the Government Department fact sheet on FDI from April 2000 to December 2016, the cumulative amount of FDI inflows (which include Equity inflows, Reinvested earning and other capital) is US $472199 million, i.e. Rs. 17,35,711 crores.

The Following table gives country wise share in FDI during April 2000 to December 2016:

Table 1

	Investing Country	**FDI Equity Inflow (Amount in Rs. Crores)**	**Percentage of Total Inflow (Approx)**
1	Mautitius	566396	34
2	Singapore	304325	16
3	Japan	139193	8
4	UK	124071	8
5	USA	107585	6
6	Netherlands	111283	6
7	Germany	50961	3
8	Cyprus	46433	3
9	France	29337	2
10	UAE	25776	2

After reading so much, reader will ask ‘Why there is so much fuss over the issue like FDI?’ The simple answer is that FDI has played a very important role in restructuring Indian Economy. The overall development on all fronts in the industrial sectors is due to tremendous amount of FDI inflows. It has generated financial benefits through bringing in non-debt-creating foreign capital resources. Technological leap during the last 25 years is due to FDI. New employment was generated because of FDI in labour intensive sectors like food processing, manufacturing textiles and readymade garments, making leather products and manufacturing of light machine tools. Although, some negative effects are there like high profit margin for the investor, cultural impact on the local resident, much of the existing empirical evidence proves that positive advantage outweigh the negative effects So, FDI has definitely played vital role in India, during the last 25 years.