

Analysis of FDI (Foreign Direct Investment) On Maharashtra Agriculture Sector

Sonawane, S.T.

Associate Professor and Head, Dept. of Economics, Karm. A. M. Patil Arts, Commerce & Kai. Annasaheb N.K. Patil
Science Sr. College, Pimpalner, Tal-SakriDist-Dhule (M.S.), India

ABSTRACT :Foreign Direct Investment (FDI)play a veryimportant role in the development of the nation and considered to be the life blood of economic development for the developing and underdeveloped countries. It is not only a source of capital but also for enhansing competativeness of the domestic economy through transfer of technology, strengthening infrastructure, raising productivity and generating employments.

In India agriculture is an important sector for Indian economy and forms the backbone of ruralIndia,which inhabits 65 %of the Indian population. Therefore any policy decision in relation to agriculture shows impact on vast population. Now Indian agriculturesector efficiently improving to reduce poverty and hunger. In India, agriculture is an important sector of the economy and accounts for almost 19% of its gross domestic product (GDP). Government of India has taken many programs to magnetize FDI inflows, to improve the Indian economy. The agriculture sector in India unlike developed nations exists at the subsistence level, engaging very large chunk of population. To improve the standard of living of the people & to enable them to use the fruits of scientific and technological miraculous advances in agriculture industry, transport, communication, education, health services & other field. Therefore, this study endeavors to analyze the efforts &policies of Indian Government to attract FDI in agriculture sector & their impact on the same sector.

Maharashtra is a highly industrialized state of India, agriculture is to be the main occupation in the state.the agriculture calendar of Maharashtra and other part of India is governed lay monsoon. Any fluctuation is monsoon leads to condition of floods or drought. This effect on the secondary economic sector. Maharashtra has the largest number of Dams in India, but the net irrigation area only 33,500 square kilometer about 16 % only. Maharashtra state has been favoured destination for FDI. Maharashtra accounted for nearly half the FDI inflows of the country equivalent to 6,097 dollar and this share fell by 7 % in FY 13 to stand at 8,716 dollar.

The city Mumbai is known as the financial hub of India while Pune is perceived as a major educational centre in recent times.The world bank report shows labour and land are higher in Maharashtra than in other state.

KEY WORD: FDI, Agriculture policies, Latest Development Economic development etc.

I.INTRODUCTION

In Dictionary of Economic FDI is defined as investment in a foreign country through the acquisition of a local company or the establishment there of an operation on a new (Greenfield) site. In simple words, FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy. Foreign investment in India is governed by the FDI policy announced by the Government of India and the provision of the Foreign Exchange Management Act (FEMA) 1999. The Ministry of commerce and Industry, Government of India is the nodal agency for monitoring and reviewing the FDI policy. The foreign investor are free to invest in India, except few sectors/activities where prior approval from the RBI or Foreign Investment Promotion Board(FIPB)would be required [1].

International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Website: www.ijirset.com

Vol. 6, Issue 3, March 2017

History of FDI in India : Foreign direct investment (FDI) are a major force behind the growth of Indian markets. Economic liberalization started in India in wake of the 1991 economic crisis and since then FDI has steadily increased in India. FDI is considered as a development tool, which can help in achieving self-reliance in various sectors of the flow of foreign capital to India. India is a growing country which has large space for consumer as well as capital goods. India's abundant and diversified natural resources its sound economic policy, good market conditions and skilled human resources make it a proper destination for FDI.'

India remains third most attractive destination for investment by transnational corporations (TNGs) during 2013-2015 stated a recent survey by UNCTAD. The country was ranked after China and the US in the Survey based on responses of 159 companies. Recent survey of UNCTAD (National Conference on Trade and Development) India will emerge as the third largest recipient of FDI for the three year period ending 2012. But the volume of FDI in India is relatively low compared with that in most of other developing countries. The Government keeps making efforts to provide impetus to FDI flow in the country and hence under takes numerous reform initiatives FDI norms were further liberalized after September 2012 in sectors like civil, aviation, power exchange and retail. The ministry of finance has also suggested modifications in FDI caps for various sectors including tea, media, natural gas and petroleum[2].

The effect of FDI in the host economy are usually believed to be increased in the employment argument in the productivity, boost in export and amplified space of transfer of technology. It facilitates the utilization and exploitation of local raw material, introduces modern techniques of management and marketing and eases the access to new technologies, foreign in flows can be used for financing current account deficits also[3].

FDI in Agriculture (India): Agriculture is an important sector, which determines growth and sustainability and plays a vital role in the development of India, more than 60% of the country population deriving their subsistence from it. Most of the rural population in India depends on agricultural practices for employment and livelihood. Indian economy in agriculture has shown a steady growth in the last two decades. The agriculture industry in India is growing at a great pace and is expected to grow many folds in the near future. FDI triggering technological transfer and creating employment opportunities and reduces poverty and raises the living standards. Agriculture sector of India is highly unorganized. Especially for small and marginal farmers, continuous increase of input cost and stagnant crop price, profit potential of agriculture sector has declined substantially. Farmers not knowing how to manage their economy (Gupta 2005). If production is good then their prices fall, when there is crop failure farmers hardly get any compensation in terms of higher prices. Newspapers are rampant with the news of farmers suicides across the nation[4].

Maharashtra is a highly industrialized state of India, agriculture is to be the main occupation in the state. Similarly most of the cultivable land is rain-fed and depends on monsoon between June to September. Therefore, the agriculture calendar of Maharashtra and other part of India is governed by monsoon. Any fluctuation in monsoon leads to condition of floods or drought. This effect on the secondary economic sector. Maharashtra has the largest number of Dams in India, but the net irrigation area only 33,500 square kilometer about 16 % only. The main Cash crops includes cotton, sugarcane, turmeric, oilseeds, fruits like mangoes, bananas, grapes, oranges and pomegranates, Most of the growers of cash crops such as sugarcane and cotton in the state belong to farmers co-operatives. FDI in different states in India have increased steadily since the early 1990s, Delhi, Maharashtra, Karnataka and Tamilnadu are with maximum FDI[5].

Therefore study is undertaken to assess the role of FDI in Maharashtra Agriculture sector.

Objectives – To study the Impact of FDI in Indian Agricultural sector.

II. RESEARCH METHODOLOGY

This study is descriptive in nature. The study is based on secondary data which has been taken from books, journals, newspapers, on line databases & websites.

International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Website: www.ijirset.com

Vol. 6, Issue 3, March 2017

III.RESULTS

* The norms for the FDI in Indian Agriculture sector Agriculture is the main stay of the Indian economy as it forms the backbone of rural India. No FDI/NRI / OCB are allowed in the Indian Agriculture sector. Only in Tea sector 100%. FDI is allowed, this requires Government of India approvals. India may receive FDI under the two routes i.e. Automatic Route, in this route does not require any prior approval of the Government or the Reserve Bank of India (RBI) and government Route – FDI in activities not covered under the automatic route requires prior approval of the Government which is considered by the foreign Investment Promotion board (FIPB), Department of Economic Affairs and Ministry of Finance.

* Policy of FDI for Agriculture Sector

The main governing bodies that determine the future role of agriculture in India are the Ministry of Agriculture, the ministry of rural Infrastructure & the Planning Commission of India, Plays important role in developing agricultural sector of India

Latest developments are as follows : (FDI in Indian Agriculture)

1) 100% FDI allowed through automatic route covering horticulture, Agriculture, development of seeds, animal husbandary, Pisciculture, Aquaculture, cultivation of vegetables etc.

2) Sectors which witnessed Growth owing to FDI in flows to Agriculture – Irrigation, Roads, Housing, Water supply, Electrification & Telecommunication connectivity.

3) **On rural Infrastructure** – To construct new rural roads, to upgrade the existing rural roads and Rural Infrastructure Development Fund (RIDF)

4) **FDI inflows to fertilizers industry in India** : FDI in Fertilizers in India is allowed up to 100% under automatic route. The various advantages of FDI in flows into fertilizer industries are growth, quality, improved technology & expansion of fertilizer industry. During April, 2000 to Dec, 2015 the FDI inflows 2993 crores i.e. 0.20% share in total investment.

5) **FDI inflow to food processing industry** : It has a vital link with agriculture sector. Government of India gave an estimate of FDI inflow to reach USD 6695.26 million by Dec 2015. 100 % of FDI is permitted in almost all the food processing units except alcohol industry.

6) **FDI inflow in sectors Auxiliary to agriculture**: During April 2000 to Dec 2015 inflow in Rubber goods 11417.48 crores, vegetables oil 3154.77 crores, Sugar 1110.62 crores, Tea and Coffee 505.49 crores and Timber Products 789.11 crores.

7) **FDI in Indian Agriculture Machinery sector** : The FDI inflow and the subsequent development of the Indian agriculture sectors is predicted to have a significant positive impact on rural population. The total quantum during April 2000-Dec 2015 stood 2261.33 million, data released by Dept of Industrial Policy and Promotion(DIPP).

8) Foreign investments in Agriculture sector some major investments :

i) **Mahindra and Mahindra** – India's leading tractor and utility vehicle manufacturer.

ii) Fertilizer cooperative IFFCO launched a joint venture with Japanese firm Mitsubishi corp for manufacturing agrochemical in India.

iii) Acumen, a not-for-profit global venture fund, has invested 11 crores in Sahayog dairy in M.P.

iv) Rabo equity Advisors raised US 100 million – India Agri Business Fund II

v) Oman India Joint Investment Fund (OIJIF), a joint venture (JV) between state bank of India and state General Reserve Fund (SGRF), invested Rs 95 crores in GSP Crop science, a Gujarat –based agrochemical company.

vi) Israel based Agrochemical plants invested US \$ 50 million in India.

International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Website: www.ijirset.com

Vol. 6, Issue 3, March 2017

vii) Belgium, Canada, Australia, Netherland other European countries have shown strong interest to transfer the best practices, linkage, cold chain management, market access and productivity enhancement.

Maharashtra and FDI:

Maharashtra state has been favoured destination for FDI. Maharashtra acquired for nearly half the FDI inflows of the country equivalent to 6,097 dollar and this share fell by 7 % in FY 13 to stand at 8,716 dollar. Maharashtra has historically been of the most industrialized state in the country. The city Mumbai is known as the financial hub of India while Pune is perceived as a major educational centre in recent times. Further the state has always been a leader among all states with regards to infrastructure. These factors contribute in attracting FDIs into the states. On comparing the ranking of the peer cities, Mumbai has a low rank among the 5 in areas such as enforcing, contracts and contract permits, in terms of starting a business, Mumbai (rank 12) is less preferred than Hyderabad (rank 4) and Tamilnadu (rank 10). Overall, Hyderabad and Ahmedabad are better cities as compared to Mumbai in terms of ease of doing business. The world bank report shows labour and land are higher in Maharashtra than in other state.

States can improve the FDI flow by-

- * Most of the investment coming in to Maharashtra are towards Mumbai, Thane & Pune all three cities are now saturated.
- * Cities like Nashik, Nagpur & Aurangabad are witnessing development. However there still remain a large number of cities that have not been tapped adequately. Region like Sholapur, Kolhapur, Sangali etc. can also be looked at for development.

FDI States in Maharashtra – 2009 – 10 – 8,249 US \$, 2010 – 11 – 6,097 US \$, 2011 – 12 – 8,564 US \$

FDI flows in Maharashtra –

- * The Konkan railway project has attracted huge FDI. Maharashtra has ranked first of attracting maximum FDI in various project.
- * FDI in flows Maharashtra has brought in innovative technologies in the industrial units in the state.
- * Foreign direct investment in the state has raised the competitiveness of the business units.
- * FDI in flows has increased investment from the domestic market

Advantages of Maharashtra Economy –

- * JNPT (Jawaharlal Nehru Port Trust of India) providing effective communication network with market of south, North & west India.
- * During 2002 – 06. Mumbai was estimated 8.4% GSDP growth.
- * Increase in the growth rate of agriculture can make the state achieve 10% growth rate.
- * Mumbai executes around 70% of India Stock transactions & is claimed to be the commercial Capital of India.

IV.DISCUSSION

Service sector in India contribute 56 % of our GDP. In China, manufacturing accounts for a significant share of GDP. While in India, manufacturing contributes around 23 % of the GDP. If India has to grow at 8 to 10 % economic growth rate our agricultural sector must have to expand so reformation in our agriculture sector is needed. Similarly in animal husbandry, pisciculture, aquaculture under controlled condition and service related to agro and allied sectors have also been provided with 100 % FDI along with the tea sector[3].

Thai agro industries have benefitted greatly from the technology transfer during the past decades. Moreover, Netayarak (2008) observed increasing trends of agricultural R and D and agriculture technology transfer during 1994-2005. Since the majority of FDI are in the form of joint venture and export-oriented. In particular foreign partners played a major role in choosing processing technologies that suit foreign demand, notably in processed agricultural product like chicken, pineapple and tiger prawns. Foreign companies also brought in seeds and animal breeds that were adapted with local conditions and benefitted Thai agriculture[6].

International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Website: www.ijirset.com

Vol. 6, Issue 3, March 2017

Devajit(2012)[7] conducted the study to find out the impact of FDI an Indian Economy and conducted that FDI as a strategic component of investment is needed by India for its sustained economic growth and development. Sharma Reetu and Khurana Nikita (2013) is sector wise study of FDI inflow he suggested some recommandations for FDI. In this study found that Indian economy is mostly based on agriculture. So there is a most important scope of agriculture services. Therefore, the FDI is agriculture should be encouraged.

V.CONCLUSION

As India is a developing country, capital has been scare resourses that are usually required for economic development. Capital is limited and there are many issues such as health, poverty, employment, education, research and development. The flow of FDI in India from across the world will help in acquiring the funds at cheaper cast, better technology employment generation and upgraded technology transfer, scope for more trade, linkage and spillovers to domestic firms. Developing countries like China, Hong Kong, Thailand, Taiwan, Malaysia, etc are attracting a higher FDI inflow than India. In the latest study from world Bank. "Ease of Doing Business in India 2011". India is ranked as 134 out of 183 countries. Thus Indian policy makers should revarse their efforts to attract FDI in agriculture sector. It should be done by taking proper precaution so that Indian farmers do not suffer on account of this initiative of the government.

VI.ACKNOWLEDGEMENT

Author is heartily thankful to all the Hon. Members of the management committee of Pimpalner education society Pimpalner and also thankful to the Principal, Karm.A.M .Patil Arts, Commerce & Kai.AnnasahebN.K.Patil Science Sr. College Pimpalner for giving necessary facilities.

REFERENCES

- 1) G.SureshBabu and Prof.M.RajaSekhar(2015) " Impact of Foreign Direct Investment (FDI) In Indian Food Processing sector". *Jr.ofBusi. And Mang.*,Vol17(1) pp.06-12.
- 2) Dangi,R.N.(2013). " FDI in Indian Retail sector: Opportunities and Challenges". *Innovative Journal of Business and Management*.Vol 2 (5),pp 103-108.
- 3) Dr. Anjali Chaudhari(2016) " Role of Foreign Direct Investment (FDI, in the Growth of Indian Agricultural Sector : A Post Reform study". *Global Journal of Finance and Management*.Vol 8(2), pp-119-129.
- 4) Economic Reforms, Foreign Direct Investment and its Economic Effects in India by ChandanaChakraborty Peter Nunnerkamp March 2006 2. Reserve Bank of India(2005) *Annual Report 2014-05* New Delhi.
- 5) Progressive Maharashtra 2014.
- 6) Suphannachart and Warr.(2009), Country Report : Analysis of International Investment in the Agricultural sector of Thailand.
- 7) Devajit, M.(2012). " Impact of Foreign Direct Investment on Indian economy." *Research journal of Management Science*, 1(2),29.31.