

Foreign Direct Investment and Its Impact on Employment in Agriculture Sector of Indian Economy

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Abstract

In India, agriculture is a sector from the Indian economy and makes up almost 19percent of Indian Gross Domestic Products (GDP). Agriculture is the main stay with the Indian economy since it forms the backbone of rural India which inhabitants over 70percent of total Indian population. FDI may play a vital role to promote economic growth, raising a country's technological level, and creating new employment in developing countries. This has been shown that FDI works as an approach of integrating developing countries in the global marketplace and increasing the capital designed for investment, thus causing increased economic growth required to reduce poverty and raise living standards.

Introduction

International production – producing goods and services in countries that is controlled and managed by firms headquartered far away is largely driven by Foreign Direct Investment (FDI) flows. Over 500,000 foreign affiliates established by 60,000 parent companies across the world employed about 35 million people in 1998 (World Investment Report, 1999). Foreign affiliate sales are estimated to obtain reached \$11.4 trillion through the same timeframe. Summarizing global FDI activity shows that the worthiness of foreign affiliate sales is approximately one third of global gross domestic product (GDP) and twice those of exports of products and services. The triad countries (European, Japan, plus the United States) taken into account 77 percent from the global FDI outflows and 53 percent in the global FDI inflows in 1995. This concentration of FDI flows within western world continued through 1998, whenever they landed 84 percent of outflows and 66 percent of inflows.

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Developing countries share of inflows (outflows) fell from 32 percent to 25 percent between 1995 and 1998 largely due to East Asian financial crisis. Nevertheless, the developing countries' share of global (inward) FDI stock is constantly within the remain across the 30 percent level (World Investment Report, 1999). On the three broad sectors - primary, manufacturing and services- FDI inside primary sectors has fallen, which can be a in services has risen for both developing and civilized world from the 1990s (World Investment Report, 1999). Regarding developing countries, however, most FDI flows keep transpires with the manufactured goods sector. In the disaggregated level, pharmaceuticals and chemicals sector has witnessed dramatic rise in multinational activity coupled with automotive, electronics and electrical equipment, petroleum, and food and beverages sectors.

The situation of food, agriculture and fisheries is of particular interest for just two reasons. First, the quality of FDI activity inside the food and beverages sectors is pretty large with regards to other manufacturing sectors. As an example, their food and beverage industry has the highest trans-nationality index of industries as outlined by UNCTAD (World Investment Report, 1999). Hence, FDI activity therein sector is of considerable importance to the upstream sectors for instance primary agriculture and fisheries. The fisheries sector, specially the processing segment, in addition has experienced an increase in FDI activity lately. Second, FDI activity seems to be diverse through these sectors that are certainly, resource-, markets- and efficiency seeking.

In here are some, a number of the issues surrounding overall FDI, specially the theoretical arguments for and against FDI are addressed first. Then, discussion of the empirical studies from the food, agricultural and fisheries sectors is then a plan of policy directions in a very multilateral context. Using more than 1.5 billion people living on incomes of any dollar-a-day earned primarily from agricultural along with natural resources-based sectors, the compelling have to investigate the welfare effects of multinational activity in these industries is highlighted within the conclusions. Intra-firm transfers account for another of the valuation on exports of products and services. Trans-nationality index is usually a weighted average of three ratios - foreign assets/total assets, foreign sales/total sales, and foreign employment/total employment. While agriculture intrinsically won't attract large FDI flows, related sectors for instance chemicals (fertilizers, pesticides), seeds, and farm machinery are the different parts of other sectors that are fitted with witnessed rapid growth in multinational activity. These definitions of FDI activity are parallel for the Ownership, Location and Internalization (OLI) paradigm. Given the breadth and depth on the FDI literature, the focus this is on some major contributions. An assessment literature is beyond the scope with this paper.

Size of the Market

You will find multiple factors which may have predominantly worked tandem leading to the development in the Indian agriculture sector in recent years. For instance, increase in income and consumption, development in food processing sector and boost in agricultural exports. Also, increasing private participation in Indian agriculture, growing organic farming and using of it will be the trends which might be being witnessed by the agriculture industry. Per the 4th Advance Estimates of Output of food grains for 2013-14,

total cereal production is estimated being 264.77 million tons (MT). With an annual output of 130 MT, India will be the largest producer with the milk on this planet. In addition, it has got the largest milk-producing animal population that could reach over 118 million. However, milk yields per animal are one of many lowest in the world. India could be the biggest producer of pulses on this planet at 19 MT and their biggest importer 3.5 MT. India could be the second largest producer of sugar on the planet and also the government has aimed to raise the exports from 1.3 MT in 2013 for an average of 2 MT in 2014 and 2015. Spice exports from India are expected to realize US \$ 3 billion by 2016-17, around the back of creative marketing strategies, innovative packaging and strength in quality along with a strong distribution network. The Indian spices companies are pegged at Rs 40,000 crore (US \$ 6.42 billion) annually, of which the branded segment is the reason 15 percent.

In 2013-14 India achieved a listing grain output of 264 MT, beating the last year's (2012-13) 257 MT, based on data supplied by Economics department and Statistics (DES). Also, agricultural profitability is continuing to grow during decade with record increases in MSPs (Minimum Support Prices) for agricultural produce for everyone covered crops. The procurement target for rice during Kharif Marketing Season (KMS) 2014-15 may be finalized as 30.05 MT.

Foreign Direct Investment in Agriculture

Prompted because of the Indian government's initiatives, there is various investments from the Indian agricultural sector. The Indian agricultural services as well as the agricultural machinery sectors have cumulatively attracted foreign direct investment (FDI) equity inflows for the tune of US \$ 2,153.61 million in the period April 2000-December 2014, Department of Commercial Policy and Promotion (DIPP).

Some of the major investments and developments in agriculture in the recent past are as follows:

1. IVRCL Ltd's irrigation and water divisions have won orders worth Rs 1,255.67 crore (US \$ 201.58 million). The business is predicated outside of Hyderabad.
2. The Oman India Joint Investment Fund (OIJIF), a joint venture (JV) between State Bank of India (SBI) assuring General Reserve account (SGRF), has invested Rs 95 crore (US \$ 15.25 million) in GSP Crop Science, a Gujarat-based agrochemicals company.
3. Israel based world's seventh largest agrochemicals firm ADAMA Agrochemicals promises to invest at least US \$ 50 million in India within the next four years.
4. Tafe Motors and Tractors Ltd (TAFE) has invested around US \$ 140 million through equity in America-based AGCO Corporation, an internationally manufacturer and distributor of agricultural equipment.
5. Canada is keen to partner with India inside the agriculture and processing sectors, especially in pulses and canola oil.

Initiative taken by Government

The Department of Agriculture & Cooperation under Ministry of Agriculture has requested for MOUs/Agreements with 52 countries including United State of America. Also, Department of Agriculture Research & Education (DARE) and Department of Animal Husbandry, Dairying & Fisheries (DAHD&F) under Ministry of Agriculture are creating MOUs/Agreements for many other countries making one more amount of countries to 63. Agreements basic countries provide better agricultural facilities caused by cooperation in areas like Research and Development, Capacity Building, Germ-Plasm Exchange, Post-Harvest Management, Value Addition/ Food Processing, Plant Protection, Animal Husbandry, Dairy & Fisheries and in addition help you with enhancing bilateral trade.

Recognizing importance of Agriculture Sector, the government throughout the budget 2014-15 took many steps for sustainable continuing development of Agriculture. These steps include enhanced institutional credit to farmers; the promotion of scientific warehousing infrastructure including cold storages and cold chains in your area for increasing life-span of agricultural produce; Improved usage of irrigation through Pradhan Mantri Krishi Sichayee Yojana; provision of Price Stabilization Fund to mitigate price volatility in agricultural produce; Mission mode scheme for Soil Health Card; Starting of Agri-tech Infrastructure fund for producing farming competitive and profitable; provide institutional finance to joint farming sets of "Bhoomi Heen Kisan" through NABARD; continuing development of indigenous cattle breeds and promoting inland fisheries in conjunction with non-farm activities to supplement the salary of farmers.

Central Government recognizes and discharges its responsibility to help you State Governments in overall growth and development of Agriculture sector. Effective policy measures have been in position to further improve agricultural production and productivity and address problems of farmers. State Governments can also be impressed upon to allocate adequate funds for progression of agriculture sector in State plan, in addition to initiate other measures needed for achieving targeted agricultural rate of growth and address problem of farmers.

The Government of India realizes the need for agriculture for the growth and development of this nation. Notable most notable are Rashtriya Krishi Vikas Yojana (RKVY); National Food Security Mission (NFSM); National Horticulture Mission (NHM); Gramin Bhandaran Yojana; Integrated Scheme of Oilseeds, Pulses, Oil palm, and Maize (ISOPOM), etc.

Several of the recent major government initiatives in the sector are here:

1. The Ministry of Food Processing Industries has had newer and more effective initiatives to formulate their food processing sector which will also help assist the incomes of farmers and export of agro and processed foods and stuff like that.
2. The country's Dairy Development Board (NDDB) has announced 42 dairy projects by using a financial outlay of Rs 221 crore (US \$ 35.47 million) so as to boost milk output near you and increase per animal output of milk.
3. The federal government of India has planned obtain Rs 50,000 crore (US \$ 8.02 billion) to bring back four fertilizer plants and hang up up up two new plants to produce farm nutrients.

4. Government entities of Telangana has allocated Rs 4,250 crore (US \$ 682.31 million) for the first phase of farm loan waiver scheme. The scheme is anticipated to learn 3.6 000 0000 farmers who had taken loans of Rs 100,000 (US \$ 1,605.46) or below before March 31, 2014.
5. Israel has grown its cooperation with Indian agriculture, helping farmers multiply their income with better practices, yields and deciding on the best crops or vegetables within a success story that may be boosting bilateral ties who've strengthened beneath Government of Mr. Narendra Modi, Premier of India.

The Indian agriculture sector is predicted to cultivate with better momentum over the following number of years due to rise in investment in agricultural infrastructure for instance irrigation facilities, warehousing and cold storage. Factors like reduced transaction costs, time, better port gate management and fiscal incentives may also promote this upward trend. Furthermore, the raised utilization of genetically modified crops can also be expected to better the yield in the Indian farmers.

The 12th Five Year Plan's estimates of expanding the storage capacity to 35 MT along with the target of achieving a total increase of 4 per-cent will also go a long way in modifying the entire face on the Indian agriculture sector over the following few years.

FDI Inflows to Food Processing Industries

Food processing incorporates a vital link with agriculture sector. Government of India gave an estimation of FDI inflows to arrive at USD 5360.89million by 2014 keeping in view the increasing demand amongst the corporate players from the Indian retail industry. 100 percent of FDI is permitted in just about all the foodstuff processing units with the exception of alcohol. Enactment of the Food Safety and Standards Bill, 2005 has got a establishment for the food processing sector. Almost all of the products in food processing sector are exempted from license agreement, except people who are saved in reserve for those small-scale sectors.

Sector-Wise Foreign Direct Investment Equity Inflows in India during April, 2000 - January, 2014

Name of Sector	FDI Inflows (Crores)	FDI Inflows in (US \$ million)	Percentage Share in Total Investment
Food Processing Industries	31118.30	5360.89	2.53

Source: Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Govt. of India.

India has emerged as being a major player in the global agriculture market. Indian agriculture exports during 2012-2013 were US \$ 41 billion against agriculture imports folks \$ 20 billion, with the output of net trade surplus of folks\$ 21 billion. Creating a good rainfall, the agriculture sector in India probably will grow in the selection of 5.2-5.7 per-cent in 2013-14 agriculture year (July-June), nearly thrice a lot more than the last year. The farm sector had grown at 1.9 per-cent last fiscal. In 2012-13, the share of exports of

agricultural and processed food products in overall exports rose to 10.6 percent. Total exports of Indian agricultural and processed foods during April–November 2013 stood at US \$ 14,515.10 million compared to US \$ 13,281.47 million in the same period not too long ago, in accordance with data released with the Agricultural and Processed Foods Export Development Authority (APEDA).

FDI would also bring investment in post-harvest infrastructure that could improve the self-life time of produce and minimize food wastage (now all the way to 20-30 percent). Moreover, new investment would result in other positive externalities for example better seeds and stricter standards that might increase quality and productivity while lowering costs.

FDI Inflows to Fertilizers Industry in India

Government entities of India have allowed foreign direct investment inside the fertilizers industry of the country. Foreign Direct Investment (FDI) in fertilizers in India is allowed around 100percent underneath the automatic route in India. The many aspects of FDI inflows into fertilizer industries are growth, quality, improved technology and expansion of fertilizer industry. It truly is widely believed that these steps will assist the expansion of agriculture infrastructure in the United States and will profit the sector in the long run.

Sector-Wise Foreign Direct Investment Equity Inflows in India during April, 2000 - January, 2014

Name of the Sector	FDI Inflows in (Crores)	FDI Inflows in (US Smillion)	Percentage Share in Total
Fertilizers	1538.09	318.55	0.15

Source: Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Govt. of India.

FDI Inflows in Agricultural Services and Machinery

FDI inflows inside Indian agricultural services and machinery are permitted nearly totally and allowed through automatic route in India. The foreign direct investment (FDI) inflows in agricultural services and machinery sector during April 2000 - April 2014 stood at US \$ 2026.04 million respectively, depending on data released by Department of business Policy and Promotion (DIPP).

Sector-Wise Foreign Direct Investment Equity Inflows in India during April, 2000 - January, 2014

Name of the Sector	FDI Inflows in (Crores)	FDI Inflows in (US S million)	Percentage Share in Total Investment
Agriculture Services	8283.82	1687.83	0.16
Agriculture Machinery	1665.45	338.21	0.16

Source: Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Govt. of India.

The final percentage of such foreign direct inflow inside Indian agricultural services and agriculture machinery is 0.80 and 0.16 using the total quantum while using the FDI inflow within the 2000-14. FDI inflows into agricultural machinery of India have led to the steady rise for the Indian agriculture industry recently.

Conclusion

The subsequent continuing development of the Indian agriculture sector through FDIs is predicted undertake a significant positive influence on the 700-million strong rural populations, moving into about 600,000 small villages of India. Rapid investments in technology development, irrigation infrastructure, increased exposure of modern agricultural practices and provision of agricultural credit and subsidies are classified as the major factors contributed to agriculture growth. FDI in Indian agriculture sector increase employment opportunities and remains permanent in the host country with the development in the infrastructures from the host country. Therefore, there exist the long term relationship between levels of GDP and foreign authorized shares.

If the entry of FDI is permitting in agriculture retailing, it will ensure adequate flow of capital into rural economy in a manner more likely to promote the welfare coming from all parts of society, particularly farmers and consumers. Though, the concern with farmers can be not imaginary. We already had a bitter example of such entry of foreign trader, therefore tailor-made entry of FDI should be allowed in agriculture retailing. Accomplished by integrating into your likes and dislikes for FDI retailing certain inbuilt safety valves. To make certain the foreign investors complete a genuine contribution towards the development agriculture retailing. Reconstituting the poverty stricken and stagnating rural sphere right into a forward moving and prosperous rural sphere generally is the justifications for introducing FDI in agricultural retailing but the government should executed a special regulatory framework. It will ensure that the retailing giants do make use of predatory pricing or acquire monopolistic tendencies.

As the debate on home and host country's welfare continues, the majority of the empirical studies in food and related sectors concluded that FDI was conducive to economic growth in developing countries, but substituted for trade western world. Within host countries, industries shifted using the reallocation of resources, causing some to grow quicker and others to completely disappear, just like trade liberalization. FDI carries a stronger relation to growth and trade when put together with trade liberalization. However, not many numerous studies have shown addressed the post-profit repatriation scenarios in developing along with developed countries.

Besides studies on competition among multinationals in a host country (a disorder required for welfare gains within a host country), further testing for factors causing FDI and consequences in dynamic settings is essential for better perception of the advantages of globalization through FDI.

Lately, the processed food industries have cultivated (when measured by their contributions to GDP) rapidly in numerous countries (Pacific Rim Outlook, 1998-1999),

while agriculture is constantly remain as a major employer in developing countries. Specifically, the result on returns to domestic resources (labor-skilled/unskilled, capital), and resources specific to agriculture should be clearly identified. A continued investigation of the link between multinational activities of these sectors is important so as to understand their role in economic development.

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