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An Analytical Study of Employment Generated by FDI in India (2010-2017)

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Abstract

Receiving more and more Foreign Direct Investment seems like race among countries. Economies which are either in developing or under developing phase giving more preference to FDI inflow. FDI inflow helps in the growth of GDP. Economic Survey 2015-16 and 2016-17 indicates that Indian economy is going through a situation of jobless growth. Here, in this paper it is tried to examine that whether a good or moderate inflow of FDI helpful in create jobs. Because among various problems in our country unemployment is one of the major

Keywords: Foreign Direct Investment, Economic Growth, Employment Opportunities.

Introduction:

FDI considered as very important investment model for utilization of natural resources and development of a nation. For developing countries FDI inflow brings a hope of Long Term Capital, Good Infrastructure, and Raise in Productivity, Advanced Technology, Employment opportunities, Innovative Management and overall growth of economy.

In India FDI is also considered as a development tool, which helps in achieving self-reliance in various sectors and in overall development of the economy. It is investment inflow in the enterprises of a country by the business enterprises of another country for achieving their organizational goals of profit maximization, market expansion and maximum utilization of resources by keeping in mind the economic development of host country. Countries provide many incentives and offers to attract FDI in expectation of fulfilling the capital and investment gap in the economy. Indian Governments is doing best at its level since Liberalization, Privatization, and Globalization Reforms 1991 to till date.

For overall development of an economy one of the major objectives is generation of good number of employment. Employment generation refers to adding more job opportunities in the economy and enabling employable youth in incorporation. Undoubtedly, India want to gain the benefits of favorable demographic dividend i.e. not perennial. If India want to be a undisputed major power in Asia and the world it becomes important to use the demographic dividend which is highest in the world it can be done by providing them the employment and innovative skills to be entrepreneur.

Objectives:

- To identify the FDI inflow in various sector of economy.
- To find whether the creation of employment is dependent on FDI inflows.

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- Suggestions for employment oriented FDI.

Review of Literatures:

R. Anitha[1] (2012) studied on the FDI and Economic Growth in India; concluded that FDI is important for enhancing competitiveness of the domestic economy and also found India has enough competence for FDI but still improvements required.

Netrha Mehra[2] (2013) "Impact of FDI on Employment and GDP in India" analyzed that there is a positive relation b/w FDI inflow and GDP but not necessarily b/w FDI and employment. Unequal inflow of FDI in main three sectors (Agriculture, Industrial and Service sector) of economy, by and large responsible for not generating employment in proportion of this.

Pakanati Someshu[3], (2015) "Impact of FDI on Employment Generation in India" in this article it is concluded that FDI is an important investment model for the economic development of India. Service sector of India is big FDI inflow recipient creates high perk jobs for skilled employee in Indian service sector.

Ratan Kirti & Seema Prasad[4], (2016) "FDI impact on Employment Generation and GDP Growth in India"; found a positive co-relation b/w GDP and Employment, and FDI as a contributor in growth of GDP.

Research Methodology:

Data Sources:

Research is based on secondary data collected from various sources as: Department of Industrial Police & Promotion, Economic Survey G.o.I 2015-17, The Hindu Ministry of Statistics and Programme Implementation, India Brand Equity Foundation, RBI Real Handbook of Statistics on the Indian Economy.

FDI Inflow and its Rate of Growth

Cumulative FDI flows into India (2010-2017):

FINANCIAL YEAR-WISE FDI EQUITY INFLOW DATA:

(Data on FDI have been revised since 2010-17 with expended coverage to approach International Best Practices)

TABEL-1

Sr. No.	Financial year (Apr – Mar)	**FOREIGN DIRECT INVESTMENT (FDI)**						Investment by FII's Funds
		Equity		Reinvested earnings +	Other capital +	FDI FLOWS INTO INDIA		
		FIPB Rout/RBI's Automatic Route/Acquisition Route	Equity capital of unincorporated bodies #			Total FDI Flows	% age growth over previous year (in US$ terms)	

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FINANCIAL YEARS 2010-01 TO 2016-17								
1.	2010-11	21,376	874	11,939	658	34,847	(-) 08%	29,422
2.	2011-12	34,833	1,022	8,206	2,495	46,556	(+) 34%	16,812
3.	2012-13	21,825	1,059	9,880	1,534	34,298	(-) 26%	27,582
4.	2013-14	24,299	975	8,978	1,794	36,046	(+) 05%	5,009
5.	2014-15 (P)	30,933	978	9,988	3,249	45,148	(+) 25%	40,923
6.	2015-16 (P)	40,001	1,111	10,413	4,034	55,559	(+) 23%	(-) 4,016
7.	2016-17 (P)	43,478	1,227	12,176	3,201	60,082	(+) 08%	7,735
Total (2010-17)		333,677	14,112	113,373	22,825	484,351	---	194,310

Source: Secondary Data

DIPP's – FINANCIAL YEAR-WISE FDI EQUITY INFLOWS:
(As per DIPP's FDI data base – equity capital components only):

TABLE-2

Sr. No.	Financial Year (Apr – Mar)	Amount of FDI inflows		%age growth over previous year (in terms of US $)
FINANCIAL YEAR 2010-01 To 2016-17		In Rs. Crores	In US$ Million	
1.	2010-11	97,320	21,383	(-) 17%
2.	2011-12^	165,146	35,121	(+) 64%
3.	2012-13	121,907	22,423	(-) 36%
4.	2013-14	147,518	24,299	(+) 08%
5.	2014-15 #	189,107	30,931	(+) 27%
6.	2015-16 #	262,322	40,001	(+) 29%
7.	2016-17 #	291,696	43,478	(+) 09%
CUMULATIVE TOTAL (from April to March, 2017)		1,787,555	332,112	

Source: Secondary Data

Figure: 1

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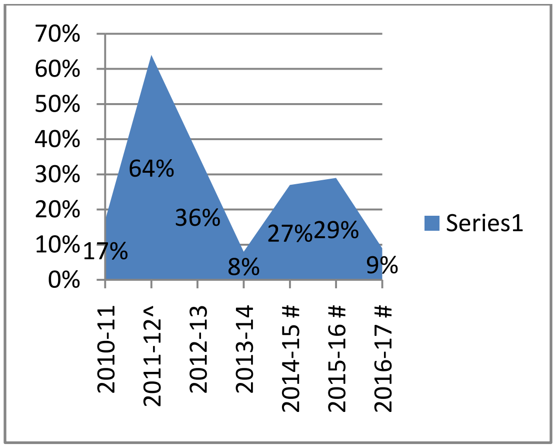
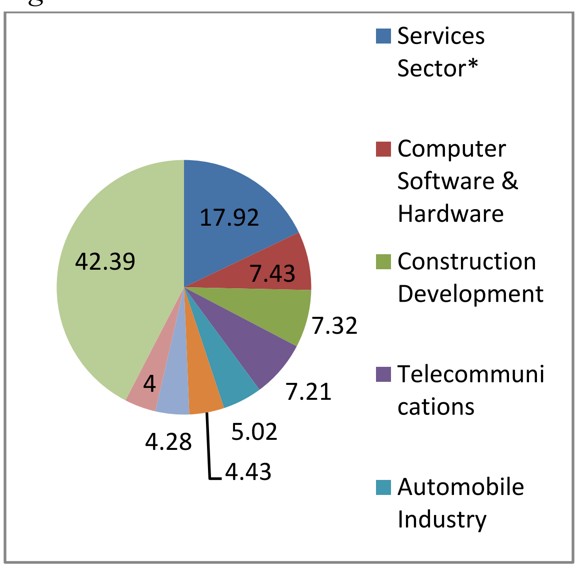


Source: *Secondary Data*

FDI inflow between 2000-01 to 2005-06 was below 20,000 Crore Rupees. A big height can be seen between 2005-06 to 2008-09; means 2005-06 to 2008-09 before the economic depression in USA and European countries India receive a big amount of FDI inflow. Finally after 2012-13 to 2016-17 India became able to receive record FDI inflow.

STATEMENT ON SECTOR-WISE FDI EQUITY INFLOWS FROM APRIL 2000 TO MARCH 2017

Figure: 2



Source: Secondary Data

Employment generated during 2010-17

India is a highly segmented labour market, one can see at least three demographic groups that are urgent need of jobs: a growing number of better educated youth; uneducated agricultural workers who wish to leave agricultural distress behind; and young women who too are better educated than ever before. India is indeed the fastest growing large economy in the world. GDP growth continues to be health; here the significant role of FDI cannot be ignored. But surprisingly the 2016-17 Economic Survey, based on data from the Labour Ministry, stated: "Employment growth has been sluggish."

TABLE-3

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Employment in Public and Organized Private Sector			in millions
Year	Public Sector (end-March	Private Sector (end-March)	Number of Person on the live Register (end-December)
2010	17.86	10.85	38.83
2011	17.55	11.45	40.17
2012	17.61	12.04	44.49
2013	NA	NA	46.80
2014	NA	NA	48.26
2015	NA	NA	NA
2016	NA	NA	44.85
2017	NA	NA	NA

Source: Secondary Data

India is the 2nd fastest growing services sector with its compound annual growth rate at 9% just below China 10.9%, during the last 11 years period from 2001 to 2012. The Economic Survey for 2013-2014 said.

From Employment point of view, broadly all the sector of economy can be divided into three sectors: Agriculture Sector, Manufacturing Sector and Service Sector.

Agriculture Sector

Since independence agriculture is a sector which provides employment and livelihood to most of the population of India. Still after 70 years of independence more than half population is directly and indirectly depends on agricultural activities for its livelihood and employment. Governments are also taking appropriate stapes for increase in productivity and income of farmers. As far the FDI concern Agriculture is a sector which receives lowest inflow of FDI and its growth rate is also low. The contribution of agriculture in the overall GDP growth is low (i.e. 16-17%) but still provide employment to 60-70% of the people.

Manufacturing Sector

Manufacturing has emerged one of the high growth sectors in India. Manufacturing sector in India grew 7.9 per cent year-on-year u 2016-17, as the 2nd provisional estimate of annual national income published by the Government of India. The 'Make in India' programme is providing a big boost to manufacturing sector along with a global recognition to India. It is expected to become the fifth largest manufacturing country in the world by end of year 2020*.

Cumulative Foreign Direct Investment (FDI) in India's manufacturing sector reached US$ 70.51 billion by June 2017.

Manufacturing sector contribute 31.12 per cent to the total GDP of India and employ around 20 per cent of the total workforce.

Service Sector

The Service sector is dominant sector in India's GDP also has attracted significant foreign investment flows, contributed significant to exports as well as provided large-scale employment. The sector contributed around 53.8 per cent of its Gross Value Added in 2016-17 and employed 28.6 per cent of the total workforce. The Sector attracted 60.7 per cent of India's total GDP in 2016-17.

Suggestions for increasing employment through FDI

- ✓ As India is a developing country and having huge employable population so it should take some major to achieve desirable economic growth by utilizing it manpower.
- ✓ India should try to turn FDI in the direction of manufacturing and industrial sector rather than more focus on service sector. It is well known that manufacturing sector have capacity to provide five to six times more jobs than service sector.
- ✓ How far possible automation oriented FDI inflow should be either over taxed or banned because automation is grab a lot of job.
- ✓ Job intensive sector should be promoted like Food Processing industries etc.
- ✓ Regional disparity of FDI investment should be removed.

Conclusion

It is concluded that India is undoubtedly world's fastest growing economy. GDP growth is increasing year-on-year. India also becomes success to attract world's largest FDI inflow in 2016-17. India has a decent investment inflow, good market and favorable demographic dividend still its growth of job is slow. A Number of factors is examined which are responsible for this slow employment growth; major chunk of workforce is employed in agriculture sector still contribution of this sector in GDP growth rate is comparatively less. The labour intensity of MSME is four times higher than that of large firms – but most of the time this sector faces financial problems. FDI inflow in this sector is nominal i.e. found in the form of merger and acquisition which is not helpful in creating new job opportunities. On the other hand service sector attracts more FDI inflow which contributes a large in GDP growth rate but provide employment to less than 30% of workforce.

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