International Journal of Research
Available at https://edupediapublications.org/journals

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 04 Issue 13
October 2017

Impact of FDI on Indian Agriculture Sector

By

veena

ABSTRACT

Agriculture is the primary tool of livelihood for rural people as it is observed that approximately 75% of the rural people depend on the agriculture sector for living. The contribution of agriculture sector in Indian GDP is found to be 14.4%. 10.23% of agricultural products are exported from India. The structure of Indian agricultural retail market is found to be unorganized.

The situation of farmers in India is not too good as most of the times, they don't get the actual price of their crops as compared to the input cost. In 2012, Indian government allowed FDI in agriculture sector so as to boom this sector. In many areas like seed development, Horticulture, Floriculture; 100% of FDI was permitted by Indian government. The current paper highlights the impact of FDI on Indian agriculture sector.

KEYWORDS:

Share, FDI, Investment

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 04 Issue 13
October 2017

INTRODUCTION

Foreign direct investment is helpful in the imitation of the economy and incorporation for further development. It is observed that the domestic economy tends to rise with the introduction of foreign direct investment in any sector. In India, the earning of most of the people depends on the agriculture. It was noticed that the agriculture sector was not growing according to the expectations because of draughts, heavy raining and varying temperature. So, government decided to introduce foreign direct investment in the agriculture sector.

After the inclusion of FDI in agriculture sector, the contribution of agriculture sector in Indian economy has also increased which is about the 17% of all economy. Foreign companies are investing in Indian agriculture sector. As a result, the trend of scientific way of agriculture has emerged in India.

In many parts of the country, the trend of organic farming can be noticed as well. In this kind of farming, farmers need not to use any kind of pesticide for the crop and crop is produced with the help of artificial methods.

Due to the introduction of FDI, sense of solidity in the agriculture sector can be noticed. Under FDI, a minimum amount of about 100 million US dollars can be invested by foreign companies in Indian agriculture. Some of this amount should be spent on improving the infrastructure and storage spaces because in this sector, basic infrastructure is very critical which enables the task of the transportation easy.

With the introduction of FDI, the farmers get more opportunities to enhance their resources so that they can raise their income bar. Since food processing sector is directly linked with the agriculture sector, hence, the inclusion of FDI has certainly opened many opportunities for this sector as well.

In some cases, artificial farming is observed where the crop is provided the facility of rain and sun energy by facilitating the temperature adjusting device which can be used to increase or decrease the temperature according to the required criterion needed for a crop to grow. In the cases, where natural resources are not available easily; then the artificial methods are implemented.

Now, it is noticed that some farmers do two or more tasks simultaneously in order to increase their income sources as some farmers promote the Horticulture and Floriculture. Also, a lot of resources are available in the market which can enhance the productivity

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 04 Issue 13
October 2017

of the crop. High level machines are used to increase the fertility of the soil.

IMPACT OF FDI ON INDIAN AGRICULTURE SECTOR

In India Agricultural retail market is highly patchy and unorganized. Given the various changes like effective subside of rural credit in organized sector, especially for small and marginal farmers, continuous increase of input cost and stagnant crop price, profit potential of agricultural sector has declined substantially. Farmers are still kept on tenterhook, not knowing how to manage their economy, except to play it by years.

FDI has been shown to play an important role in promoting economic growth, raising a country's technological level, and creating new employment in developing countries It has also been shown that FDI works as a means of integrating developing countries into the global market place and increasing the capital available for investment, thus leading to increased economic growth needed to reduce poverty and raise living standards.

International Journal of Research
Available at https://edupediapublications.org/journals
e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 04 Issue 13
October 2017

Due to negative Net Portfolio investment total FDI was very less. In Growth rate of FDI also was negative and FDI as % to GDP also less than one. The highest growth rate of FDI inflow is in the year 2013-14 i.e., 212.7 percent. The table also found that FDI as a percentage of totals GDP& Agricultural GDP was highest in the year of 2017-18. Technological up gradation, access to global managerial skills and practices, optimal utilization of human and natural resources, making Indian industry internationally competitive, opening up export markets, providing backward forward linkages and access to international quality goods and services the Indian Government has used many steps to attract more FDI.

Overall FDI into almost all the sectors had declined in the year 2011-12 except Fuels (Power + Oil Refinery), a reason for which could be the global situation that prevailed during that time frame. Although services sector remain the sector attracting the highest FDI inflows since 2012-13 its share has been constantly declining.

Food processing industry is a predominant segment in the Food Industry in India and accounts for 32 percent share in the industry. The food processing industry comprise of 2 percent of fruits and vegetables and 15 percent of processed milk. Important initiatives by the Indian government have led to significant growth in FDI Inflows to Food

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 04 Issue 13
October 2017

Processing Industries. While FDI Inflows to Food Processing Industries are estimated to reach USD 325.93 million by 2009, a target of USD 25.07 billion worth of FDI Inflows to Food Processing Industries has been set to be achieved by 2015.

The Ministry of Agriculture, the Ministry of Rural Infrastructure, and the Planning Commission of India are the main governing bodies that define the future role of agriculture in India and it aims at developing agricultural sector of India. No FDI / NRI / OCB are allowed in the Indian Agriculture sector. The FDI Inflows to Agriculture Services are allowed up to 100% and allowed through the automatic route covering horticulture, floriculture, development of seeds, animal husbandry, pisciculture, aqua culture, cultivation of vegetables, mushroom and services related to agro and allied sectors. Only in Tea sector, 100% FDI is allowed, including, plantations of tea. This requires Government of India approvals. Further, it requires compulsory divestment of 26% equity in favor of the Indian partner or Indian public within a maximum period of five years. This also requires approval from the concerned state government in case of change in use of land for such activities. And this holds true for any fresh investments in the above-mentioned sector. FDI inflows to agriculture services also facilitated growth of other allied areas like Irrigation, Roads, Housing, Water Supply, Electrification, and Telecommunication Connectivity.

DISCUSSION

Important aspects of the agrarian sector and rural sector in India that have a positive impact on FDI Inflows to Agricultural Machinery. 100% foreign direct investment (FDI) allowed through the automatic route covering horticulture, floriculture, development of seeds, animal husbandry, pisciculture, aqua culture, cultivation of vegetables, mushroom and services related to agriculture and sectors associated with it.

Permitting foreign investment in agricultural retailing is likely to ensure adequate flow of capital into rural economy in a manner likely to promote the welfare of all sections of society, particularly farmers and consumers. It will bring about improvements in farmer income and agricultural growth and assist in lowering consumer price inflation.

Since the inflow of FDI in retail sector is bound to pull up the quality standards and cost competitiveness of Indian farmers. It, therefore, seems that FDI in agricultural retailing has the potential of sustaining agricultural growth.

Due the FDI inventiveness, the concept of the middleman, which has dominated farmers in India for decades, can be eradicated and farmers can now get the full benefit of their produce. Foreign companies are expected to take some constructive steps for the creation of supply chain. Entry of foreign players, storage and refrigeration infrastructure will improve significantly.

Job opportunities in sectors such as transportation, packaging, agriculture processing and such like are expected to flourish. According the Government of India, FDI in retail sector is capable of generating approximately 4 million direct jobs and around 5 to 6 million indirect jobs within a span of 10 years.

There might be job losses in the manufacturing segment. Though the government has capped the sourcing of commodities from the domestic market at 30 per cent, the rest of the 70 per cent can be bought from the foreign markets.

The Indian retailers might not be able to cope up with the increasing competition from the foreign retailers who are well prepared with better infrastructure and management procedure. Slowly this might lead to the replacement of the Indian retailers to a considerable extent.

Though Government has predetermined that 30 per cent procurement should be from Indian sources, this may get diluted over the years. The remaining 70 per cent procurement from cheaper countries will make the people run towards that stuff and the 30 per cent supply from Indian small industries will have their own death, unable to compete with low price Chinese goods.

It is said that FDI might provide employment opportunities, but it is argued that it cannot provide employment opportunities to semi-illiterate people. This argument gains more importance because in India, large numbers of semi-illiterate people are present.

CONCLUSION

India has a huge consumer and thus very attractive place for trading of its loose foreign trading policy. Use nations for bringing technology and stable system with culture in India, but control should be in our hand. For instance govt has invested 1000 crore of public fund inviting Walmart, what when Walmart fail all the govt investment goes to ashes, instead of govt. I will suggest private branded firms would invest money if they are really looking it as a business, and I believe private firms could handle situations in better way as govt always fails. Secondly FDI in retail in India is always preferred by the developed countries to increase their productivity not by developing countries, our politicians political bill is limited to get money only and nothing else, so FDI is not good for the time being, India again retain its credibility and stood on his foot, then FDI is good else it's just solace to support.

REFERENCES

1. Ahmad, Khan Masood; Ashraf, Shahid and Ahmed, Shahid (2013), ―Foreign Institutional Investment Flows and Equity Returns in India‖, The IUP Journal of Applied Finance, March, pp. 16-30.
2. Anand Bansal, & J. S. Pasricha, Foreign Institutional Investors Impact On Stock Prices in India. Journal of Academics Research in Economics, 1(2), 181-189. 2012.
3. Ananthanarayanan Sandhya, Chandrasekhar Krishnamurti and Sen Nilanjan (2011). ‖Foreign Institutional Investors and Security Returns: Evidence from Indian Stock Exchanges‖ Conference paper at CAF, ISB, Hyderabad, Dec 21-22.
4. Anokye M. Adam and George Tweneboah, ―Foreign Direct Investment and Stock market Development: Ghana‘s Evidence‖, 2012. http://ssrn.com/abstract=1289843
5. B Venkata Suresh and K Ramakrishna, ―Impact of foreign direct investment on indian economy‖, International journal of

management research and business strategy,Vol. 2, No. 2, April 2013

6. Badiuddin Ahmed and KhatiburRab, ―Foreign direct investment and economic growth in India-a study‖, International Journal of Research in Management & Social Science, Volume 2 , Issue 3 (II) : July - September 2014
7. Badani KN(2014), „Dynamic Relationship among stock prices, exchange and net FII flow in India‟ , http:// www.iiml.ac.in/confrence/abstract/5.pdf
8. Banerjee, A., and S.Sarkar, (2013), 'Modeling DailyVolatility of the Indian Stock Market Using Intra-day Data', Working Paper Series, WPS, NO.588 / March, IIM Calcutta
9. Battacharya, Basabi and Mukherjee, Jaydeep (2014), ―An Analysis of Stock Market Efficiency in the Light of Capital Inflows and Exchange Rate Movements: The Indian Context‖, http://www.igidr.ac.in/money/An%20Analysis%20of%20Sock%20 Market%20Efficiency.. Basabi%20&%20Jaydeep.pdf Date:11/12/06
10. Biswas, Joydeep (2013), ― Foreign Portfolios Investment and Stock Market Behavior in a Liberalized Economy: An Indian

Experience‖, Asian Economic Review, August, Vol. 47, No.2, pp. 221-232

11. Bose S & Coondoo (2014), „The impact of FII regulations in India: A time series intervention analysis of equity flows", Money & Finance, ICRA Bulletin, July-Dec 2004

12. Buiter, W.H .and U.R. Patel (2013), ―Excessive Budget Deficits, A Government-Abused Financial System and Fiscal Rules‖, India Policy Forum 2, 1-38.

13. Caballero, R. (2010), ―Macroeconomic Volatility in Latin America: A View and Three Case Studies‖, Economia1, 31-108.