Foreign Direct Investments*

K.S. Chalapati Rao and M.R. Murthy

Major Indian political parties seem to have reached unanimity in their approach towards foreign direct investment (FDI). While the Congress initially attracted criticism for throwing open the doors to FDI, the United Front (UF) government, which succeeded Congress, too did not make any efforts to reverse the course. Indeed, the trend strengthened further during UF's fractured tenure. The Common Minimum Programme (CMP) of the UF committed itself to getting $10 bn. foreign investment every year. Even the BJP, in spite of its *Swadeshi* slogan, and the National Agenda's stated position that FDI will be encouraged in core areas and will be discouraged in non-priority areas, has so far not given any concrete indication that the party intends to limit the role of FDI. Apart from the Enron fiasco, the way the present government has come to an agreement with Suzuki and the post-sanctions developments further indicate that FDI has come to stay in all the sectors. The occasional emphasis laid on the infrastructure sector does not seem to carry much conviction. In any case, States in general never had much faith in the industrial policies followed by the Centre be it the anti-monopoly legislation or limited role for foreign investment. Their objective was to attract investment from whatever quarter it could come.

Beginning with July 1991, the government introduced a number of changes in the country's industrial regulations. Among these, and particularly important from the point of attracting FDI have been the following: de-reservation of many public sector reserved areas; delicensing; doing away with registration under the *Monopolies & Restrictive Trade Practices Act* (MRTP Act), removing the general ceiling of 40 per cent foreign equity under the *Foreign Exchange Regulation Act* (FERA); lifting the restriction on use of foreign brand names in the local market; withdrawal of the restriction on entry into low technology consumer goods by TNCs; abandonment of the phased manufacturing programme (PMP); dilution of the dividend balancing condition and export obligations; liberalisation of the terms for import of technology and royalty payments; permission to invest up to 24 per cent in small scale units by large houses and TNCs; reduction in tax rates; etc. The earlier emphasis on selectivity, guided in essence by the objectives of technology transfer and export promotion, has been given a go by. The accent is on quantum of investment. How the changes in policies affected the pattern of foreign investments approved in the post-liberalisation period is described in the following. This exercise is based on broad aggregates and relies heavily on the studies and databases of the Institute for Studies in Industrial Development (ISID).

Approved Foreign Investment

The government-approved foreign investments (referred to as foreign direct investment -- FDI) increased substantially since the adoption of new economic policies in 1991. Even during the first year of liberalisation, *i.e.*, 1991, approved investment shot up to

Rs. 534 cr. from the low of Rs. 128 cr. in 1990. Until March 1998 *i.e.*, almost seven years of liberalisation, official estimates indicate that the approved FDI was of the order of Rs. 1,58,770 crores. Out of this as much as Rs. 99,230 cr., or about 62.5 per cent, was approved during the last two and a quarter years. During 1997, which marked the further liberalisation of the foreign investment policy, approvals reached almost Rs. 55,000 cr., far higher than the amount approved in any of the preceding years. (See Table - 1)

Declining Share of Technical Collaborations

India's policy had been to encourage technology imports without financial participation by the technology supplier. The new policy regime discarded much of the earlier rationale and allowed foreign investment in a wide variety of industries. Proposals for foreign investment now need not necessarily be accompanied by foreign technology agreements. Hence, the sharp increases in the number and the relative share of financial collaborations. From about a little less than one-third of the total at the end of the 'eighties, financial collaborations (FCs) increased rapidly to reach more than half of the total by 1993. The share increased further to 70 per cent in 1996.

A close examination of the technical collaboration approvals reveals that a significant number of these were in fact entered into by the very joint venture companies (JVs) that were approved in the new policy period. A few others could be traced to the older/earlier JVs. It was also noticed that some of the foreign companies that initially entered into technology licensing agreements only, have later acquired equity shares in such collaboration projects. If these factors are taken into account, the actual number of independent technical collaboration agreements in the new policy regime would turn out to be fewer than during the 'eighties. These observations indicate the decreasing importance of arms-length transfer of technology, which is giving way to technology transfer among affiliates. Technology will then remain closely held by foreign companies with little chance of further local development.

Extent of Foreign Ownership

Removal of FERA restrictions on holding majority stake by the foreign investors led to a clear shift in the pattern of approvals in the 'nineties. In the early 'eighties, the distribution was overwhelmingly in favour of foreign ownership ranges of up to 40 per cent. Out of the total amount of Rs. 208 crores as much as 93 per cent fell in this category. The share of 100% subsidiaries in the approved investment was a mere 0.65 percent. In contrast, 100% subsidiaries accounted for almost one-third of the approved investment during the second period. In all, foreign subsidiaries accounted for 56 per cent of the total approved investment. Those settling for less than 40 per cent share accounted for a mere fifteen per cent of the investment now. (See Table -2)

Out of the 6,037 approved FCs, 800 were for enabling foreign investors to have 100 per cent ownership in their Indian ventures. Out of these 800, as many as 433, or 54 per cent, were approved since January 1996. (See Table-3) Further, companies which were accorded majority ownership (subsidiary status) claimed increasing share over the period. From 30.7 per cent in the first one and a half years to 37.37 during the middle period (1993 to 1995) and to 52.66 per cent in the last one and a half years. In the absence of direct restrictions on the level of foreign shares, the distribution of foreign shares would be related to the foreign investor's perception of the need for a local partner. It is easy to visualise that in a regulated environment foreign investors would have preferred to involve an Indian partner instead of going alone. The reversal of earlier policy is also reflected in the fact that the number of foreign branches increased from 489 at the end of 1990-91 to 871 by the end of 1997-98.

Industry-wise Pattern of Approvals

FERA sought to channelise foreign investment into high technology and export-intensive sectors. Even while retaining the basic concept of selectivity, the post-July 1991 phase enlarged the scope for foreign investment. At the end of 1989-90, *i.e.*, just prior to liberalisation, manufacturing sector accounted for 85 per cent of the total FDI stock of Rs. 2,705 crores. Plantations had a share of 9.5 per cent. Within the manufacturing sector, Chemicals & Allied Products stood at the top followed by Machinery & Machine Tools, and Electrical Goods & Machinery in that order. During the first three years after liberalisation, fuel and power accounted for 40 per cent of the approved investments. By the end of 1997-98, telecommunications reached the second position with 19.36 per cent in total and that of power and fuel declined to 29.22 per cent. Thus, dilution of industrial policy, particularly privatisation of the erstwhile public sector reserved areas, has been responsible for the dramatic upsurge in approvals as power, oil and telecommunications account for as much as 48.6 per cent of total approvals. (See Table-4) If Iron & Steel and Air Transport are also taken together, the share of erstwhile public sector reserved areas would be more than half of the total investment approved.

Next in importance is the `Service Sector'. However, since most of the investment in the telecommunications sector was directed at either cellular mobile and basic phone services, this investment could as well be treated as part of the service sector. If the service sector is regrouped taking into account the other service categories, it will come to occupy the top position with about 30 per cent of the total. Chemicals which covers a number of consumer goods industries has a share of a little above 7 per cent. Food processing sector, which is next in importance, is dominated by major TNCs like Coca-Cola, Pepsi, Kellogg, Heinz and Seagram.

It is noteworthy that Industrial Machinery including Machine Tools accounted for only 1.36 per cent of the approved investment. Since the sectoral investment also includes the amounts permitted to be invested to either increase or take up stake in existing companies, FDI leading to immediate expansion of production capabilities in the machinery sector could further be lower. With the steep reduction in the customs duties for capital goods sector, foreign investors might be finding it more advantageous to export to India than to manufacture machinery within the country. The sector is not receiving much attention even in technical collaborations. Compared with the approvals in the 1986-1990 period, the average number of approved technical collaborations declined by 5.95 per cent for the Industrial Machinery group and by 38.84 per cent for Machine Tools during 1991-1995.

Size-distribution of approvals

Till May 1997, proposals with Rs. 500.00 crores or higher FDI were only 38 out of 6,183 *i.e.*, less than 1 per cent. (See Table -5) But these claimed a little more than one-third of the investments approved. If the approvals in the Rs. 100 -- 500 cr. range are also considered as large, 211 approvals account for more than 70 per cent of the total investment. On the other extreme are the projects in the less than Rs. 1 crore bracket, which while accounting for almost half of the approvals, explain hardly 1 per cent of the investment. The pattern of approvals makes it clear that the 'success or failure' of the expectations with regard to inflow of foreign investment would be determined by a limited number of large projects and their industry characteristics.

Country-wise Distribution of Approvals

There are significant shifts in sources of FDI compared to the pre-liberalisation period. At the end of 1989-90, US occupied the top most position with nearly half of the FDI stock. UK was in the second position with 19 per cent share followed by West Germany and Japan. The four countries had a combined share of 83 per cent out of the FDI stock of 2,705 crores. In the post-liberalisation period, USA stands at the top with a 30 per cent share. Europe takes the second position with a 23 per cent share. In all, the developed countries account for two-thirds of the investment. Next important category is that of South, East and South-East Asian countries led by South Korea. These countries contributed a little more than 12 per cent to the approved investment representing diversification of sources of FDI. (See Table - 6) While the emergence of other Asian countries may seem to be significant, a number of approvals for Singapore and Hong Kong companies can be traced to US-based TNCs. Even in case of other countries in the region, the investments do not appear to have emanated from the countries' own strength but were a result of huge capital flows into these economies. Since many of these economies are facing a crisis, it is difficult to envisage their investments in India to continue at the earlier pace. Probably India needs to learn from their experience because the suggestions that India should encourage Indian joint ventures abroad (JVAs) as a way of sterilising excess capital flows may end up locking up foreign exchange in such JVAs which will not be available when the country faces an exchange crisis.

A surprising case is that of a group of small countries led by Mauritius, which are known to be tax shelters. Much of the investment routed through Mauritius can be traced to US companies. Some of the investments from Mauritius as also Switzerland have NRI association. This is in addition to the officially reported Rs. 6,883 crore investment by NRIs. If these factors are taken into account, the share of USA and NRIs would turn out to be more substantial. The growing importance of tax shelters has further distorted the country distribution to such an extent that during the past three years Mauritius reached the top position in inflows with a 36 per cent share. USA was the distant second with a share of only 14.5 per cent! Probably more significantly is the possible loss of tax revenue for the country.

A US official study observed that in United Kingdom, the Netherlands, Switzerland, and Ireland which accounted for a substantial portion of the increase in US direct investment in 1997, a substantial portion of the increase was accounted for by holding companies. In the case of the Netherlands holding companies, the new investments were primarily in operating affiliates in Asia and in the case of the British holding companies, the new investments were in investment companies in several geographic areas. Such routing of investments by US TNCs through other countries may underestimate the share of US in worldwide FDI and emphasize the importance of developing countries in FDI outflows. Unless a country of origin type of approach is followed, country-wise exercises may become meaningless.

Actual Inflows of Approved Investment

While the investment approvals present a promising picture from the official point of view, the inflows have been rather slow. The extent of realisation varies from about one-fifth to one-fourth depending upon the way one looks at the approvals. Instead of aggregate-level comparisons, sector-wise comparisons would give a better picture of inflows and the status of project implementation. The fact that infrastructure sectors received very little investment becomes evident from the inflow data released by the RBI for the past few years. The top most position was occupied by Engineering (23.50%) followed by Finance (13.39%), Chemicals & Allied Products (13.15%), Food & Dairy Products (8.91%) and Electronics & Electrical Equipments (7.82%). Power & Fuel and Telecommunications do not figure in the details offered by RBI. Earlier this year, the Minister of Industry informed the Lok Sabha that while the inflows constituted 30-40 per cent of the approvals in case of electronics (including computer software), automobiles and services; in power and telecommunications the inflows were less than 10 per cent.

Three factors should be noted in a discussion on inflows. Firstly, approvals picked up significantly during the past three years. Secondly, a few approvals account for a substantial portion of the total investment. Lastly, industry composition is such that Power, Fuel and Telecommunications sectors dominate the approvals. Apart from the large size of these infrastructure projects, the policy formulation in respect of these sectors has been very slow. Some of these projects are also surrounded by controversies. While the cases of Enron and Cogentrix are well known, the Telecom sector witnessed a major scam. On the other hand, implementation appears to be quick in consumer goods industries. The official approvals enabled many consumer goods TNCs to hike their shares reversing the impact of FERA. This probably explains the near 50 per cent realisation in 1991. In a number of cases, TNCs preferred to follow the take-over route (especially in consumer goods) to make a quick entry or to consolidate their position in the Indian market. Implementation will also seem quick if it implies getting the products manufactured by local units and the foreign company marketing them under its own brand names.

Foreign Investors too Responsible for Slow Pace of Inflows

There is a view prevailing that the sluggish pace of inflows is entirely due to the slow moving and hurdle creating bureaucracy and its failure to free itself from the old mind set. This view need not necessarily be relevant in all the cases of delay. The foreign investors could also be responsible for the delays in some major projects as long-term investments demand close study of the market. Inability to decide on the local partners is yet another reason for delays or even abandonment in some cases. The continuing sluggishness of the economy can be expected to lead to delays or even abandonment of certain proposals. While in certain cases, the product may be available in the Indian market, the operations may have not have been set up fully. In such cases, inflows will be only a portion of approvals.

Also, if the Indian partners or the State governments or even pressure groups tried to protect local interests (e.g. East Coast Refinery, diamond mining in M.P. steel plant in Orissa, Parmar Refinery) resulting in delays, or even abandonment of a project, official machinery cannot be blamed. It is a hard reality that when it comes to extracting the maximum out of the ventures for themselves, NRIs do not lag behind any other. Compiling and sharing of experience in dealing with major investors may help in avoiding pitfalls.

Take-overs and Implementation of FCs

Probably inflows could have been faster if there was a greater degree of privatisation and freer take-overs. The fact that take-over was one route through which FDI is flowing should not come as a surprise. In a situation where markets are small and are not growing fast enough, the only way one can get into the market or increase market shares is to capture existing entities. Take-overs are also important means of eliminating competition and acquiring control over the existing distribution channels. World-wide boom in FDI flows is fuelled by mergers and acquisitions *i.e.*, substituting local ownership. For some of the developing countries FDI from privatisation was an important component of total FDI received by them during 1970-95 (Eastern Europe and Central Asia -- 40% and Latin America -- 21%).

In the Indian case, even the low level of inflows has altered the structure of many consumer goods industries substantially. Probably what has not attracted much attention is the transfer of units as distinct from take-over or merger of a whole company. This route was adopted for entry into consumer durables and machinery sectors. In a broader sense, hike in foreign share and entry of hundred per cent foreign-owned companies, setting up of parallel operations by TNCs and even crowding of the Indian market with foreign companies (with possible reduction in number and size of operations of locally owned companies) could also be interpreted as a situation leading to diminishing role of Indian entrepreneurs and consolidation of TNC control over Indian markets. Similar is the case with alliances whereby the competitors are turned into allies. Had some of the Indian partners not resisted foreign companies' attempts at consolidating their position, more joint ventures would have passed in to the latter's hands.

In the liberalised policy environment, the Indian entrepreneur seems to have lost his bargaining power and well-known Indian brands have been taken over by TNCs providing them a ready market with lesser competition from local industry. A survey conducted by ISID, in 1994, revealed that the major consideration for the Indian parties to enter into a collaboration agreement was to get superior technology. `Access to foreign funds' was way below in the ranking. One implication of these observations is that had the official policy not been liberalised the Indian promoter could have refused foreign stake taking advantage of the fact that the policy prohibited foreign investment in many areas. This may be understandable because for many small and medium projects, raising funds from the public was not a problem given the then favourable stock market conditions.

FDI and Consumer Goods

Discussion on foreign investments in India generally reflects the concern about their role in consumer goods industries. The Economic Survey, 1996-97 placed the share of consumer goods sector at 15.31 per cent and that of 'core and infrastructure sectors' at 49.13 per cent in the FDI approved during August 1991 to October 1996. However, while in relative terms the share of new FDI in consumer goods industries may look to be small, in volume terms it may be big enough to cause significant changes in the structure of many sectors. While food processing sector occupies the fifth position with about 6.5 per cent share, total approvals amount to a little above Rs. 10,000 crores. Till May 1997, Coca Cola alone received approvals of nearly Rs. 2,700 crores and approvals on account of Pepsi and its group companies worked out to more than 1,000 crores. Understandably, the Indian soft drink industry has undergone drastic changes. Since a number of consumer goods companies are setting up holding companies and subsidiaries, the approved investment figures are unlikely to represent the full potential of the investments involved in these approvals for influencing market structures. Visibility of TNC products increased in the market both through entry of new TNCs as also new brands/products introduced by the older ones.

Export Prospects and FCs

The earlier policy on foreign investments placed special emphasis on export promotion. The present policy, however, places very little restriction on this count. An ISID study observed that during 1991-92 to 1995-96, export orientation of 100 largest TNC affiliates/subsidiaries in India increased marginally from 8.07 to 8.64 per cent while the import dependence (imports as a percentage of sales) nearly doubled from 6.86 per cent to 12.94 per cent. As a result, these companies turned net losers of foreign exchange: from a positive balance of Rs. 270 crores to a deficit of Rs. 1,600 crores. Another major factor that contributed significantly to this development was the steep increase in payments in foreign exchange for technology, dividends, travel, etc. from Rs. 120 crores to almost Rs. 500 crores. A quick count by us revealed that out of the top 100 TNCs almost three-fourths derived less than 10 per cent of their operating income from exports. That there can be significant differences between local and foreign companies is evident from the experience of pharmaceutical companies wherein the Indian sector is far more export-oriented than the foreign counterpart. Foreign companies, therefore, need not necessarily export in spite of having world-renowned brand names and marketing networks.

From a study of official press releases covering approvals of Rs. 25,000 crores, it became evident that out of the 1239 approvals, less than 400 projected any exports -- *i.e.*, about two-thirds of the projects did not have immediate plans for exports. Even among these, as many as 164 anticipated exports of less than Rs. 5 crores per annum. The sectoral characteristics of the proposals promising substantial export earnings reveal that textiles, trading and software companies stand at the top. Quite a few others are in the computer software development. A number of textile units were approved under the 100% EOU scheme. One implication of this is that if exports are the main objective, foreign investment policy culd be more selective.

FDI and the Indian Stock Market

Not many companies with foreign financial collaboration entered the primary market in the post-liberalisation period. More importantly, it appears unlikely that the market will see the entry of any major TNC. This is because, compared with the pre-liberalisation period, the number of cases where majority foreign equity was sought and approved has increased substantially. This situation can be interpreted in two ways: one that the FC projects add net capital to investment and do not compete with the local entrepreneurs for financial resources. Another way of looking at the same is that the local investors do not get a chance to benefit from the new projects promoted by foreign investors which are expected to have a better success rate. Large TNCs are by-passing the stock market in yet another manner. Some of the TNCs in the pharmaceutical industry have attempted to sell-off the existing units to locals and promote new wholly-owned foreign subsidiaries or to transfer certain divisions/products to wholly-owned subsidiaries of the parent company.

A few of the possible implications of these developments are: (a) increase in dividend outflow; (b) adverse affect on development of the stock market as large and well-known

TNCs stay away from it and limit the future growth prospects of listed affiliates; and (c) entry of TNCs, competing with listed domestic companies, may adversely affect the latter's attractiveness for investors. What ultimately may influence TNCs' de-listing decision could be the adverse public opinion de-listing might generate and the still lingering restrictions on foreign shares.

Summing Up

In the new era when the emphasis is on attracting large amount of foreign investment, approvals for foreign direct investment marked a significant rise compared to the immediately preceding phase. The approval data reveals that while infrastructure sectors attracted maximum investment, consumer goods sectors also had an important place in the approvals. The broad category of services accounted for almost one-third of the total. The main factors behind the large approved amount appear to be the dereservation of public sector reserved areas; de-licensing; allowing larger share for foreign investors; and the general boom in global investment flows. The actual inflows while considerably small compared to approvals, many a time, did not go into creation of immediate additional production capabilities. A good part of the new investment resulted in either consolidation of control by TNCs in their affiliates or in acquiring control over Indian companies.

The steep increase in the approved amount since 1995, especially during 1997, is a reflection of further relaxation in the official policy towards foreign investment. The larger amount seems to have been obtained by conceding control -- often absolute -- to foreign investors. In contrast, the experience on the technology import front indicates that the scope for independent transfer of technology has reduced drastically. One main implication is that purchasing technology on market terms may become increasingly difficult. For the local manufacturer, due to liberal foreign investment policy, acquisition of technology (which would have enabled him to withstand competition) has become that much difficult. In the liberal policy environment, the foreign investors are opting for sole or joint ventures to one time sale of technology. A corollary is that once foreign companies acquire control, their local affiliates may neither have the freedom nor the incentive to invest in R&D. They will continue to look towards their parent companies for technology improvements. Even if they conduct any R&D, it is difficult to visualise that the local subsidiaries will be given the right over their innovations. This will entail continuous outflow on account of royalties and lump sum payments. The trends on the technology acquisition front, therefore, warrant a careful review.

Size and sector-wise distribution of the approvals suggests that relatively small number of proposals falling under power, fuel and telecommunications sectors account for almost half of the approved investment. However, in view of the large investments and importance of the infrastructure sector, pricing would remain a crucial factor. Considerable sums can be siphoned-off both at the implementation stage and after the projects go on stream. Downward revision of cost estimates by power sector projects, in response to severe public criticism, suggests the need for a cautious and transparent approach in case of large projects. Besides dividends, in case of infrastructure projects foreign companies would focus on equipment imports, technology payments and long term fuel supply. Since the infrastructure ventures are generally majority/wholly foreign owned, dividends would have lesser significance compared to the long term assured flows to parents and affiliates on other heads. Hence, the approach that the foreign investors should be best left to themselves since they bear the entire risk is not prudent.

Further, the high of infrastructure and service sectors in approvals implies huge servicing burden in the coming years as these (except a few like software) cannot generate direct foreign exchange earnings on their own. Indications are that the scope for substantial export earnings through the new FDI is rather limited. It is, therefore, imperative that if only certain sectors are going to contribute to export earnings, such sectors can be dealt with on a different footing for attracting FDI.

A point also arises whether it is essential to relax the FDI policy with regard to consumer goods industries if the purpose of inviting FDI is to develop core and infrastructure sectors. Infrastructure and service sectors are such that the foreign investors have to physically set up their operations in the country if they wish to extend their operations to the country. National policy should seek to exploit this compulsion to its advantage instead of acceding to foreign investors' demands in pursuit of large investments since denial of permission to a consumer goods TNC should not affect FDI flows into infrastructure sectors.

The sector-wise distribution of approvals enabled the government to claim that FDI is coming into infrastructure sectors in a big way and to underplay its role in consumer goods sectors. Pattern of inflows, however, give an altogether different picture with infrastructure not figuring prominently. Increasing dominance of foreign companies in consumer goods sectors is a reality. Take-over of Indian companies has been going on in a subtle and gradual manner. Take-over need not always reflect the weakness of Indian companies and brands. Indian businessmen seem to have got intimidated by the sheer capacity of large TNCs to sustain for longer periods backed by massive financial strength. Often, the amounts involved in take-overs will not be large in relative terms but certain segments get dominated by foreign companies through take-overs. The affected industries include many consumer items ranging from mosquito mats to soft drinks to durables. The MRTP Act was rendered ineffective in the initial days of liberalisation and the need for setting up a watchdog for overseeing competition in the domestic industry is not even being discussed.

In spite of the importance attached to attracting foreign investments, the manner in which the information on inflows and approvals is (not) being monitored leaves one astounded. There is a need to regularly monitor the activities of foreign affiliates to avoid excessive reliance on outside advice and to formulate policies on one's own experience. Such experience will be helpful in putting one's case better when dealing with developed countries' demands and pressure from multilateral bodies. From the way different political parties have been viewing foreign investments, it appears to be too much to expect them to realise the need for such an assessment.

Table - 1

Financial and Technical Collaboration Approvals: 1991 to 1998

Year	Approved Collaborations (Numbers)		Share of Financial Collabora-tions in Total (%)	Investment Approved (Rs. Cr.)	Foreign Branches (Nos.)
	Financial	Total			
(1)	(2)	(3)	(4)	(5)	(6)
1991	289	950	30.42	534	489
1992	692	1,520	45.53	3,879	507
1993	785	1,476	53.18	8,862	529
1994	1,062	1,854	57.28	14,190	565
1995	1,355	2,337	57.98	32,070	619
Sub-total 1991-1995	*4,183*	*8,137*	*51.41*	*59,535*	
1996	1,559	2,303	67.69	36,150	679
1997	1,665	2,325	71.61	54,890	772
1998 (up to March)	298	437	68.19	8,190	871
Sub-total 1996-1998 (March)	*3,522*	*5,065*	*69.54*	*99,230*	
1991-Mar'98	**7,705**	**13,202**	**58.36**	**1,58,770**	

Source: India, Ministry of Industry, *SIA Newsletter*, April 1998.
Note: Approved investment includes GDRs and FCCBs amounting to Rs. 17,473 crores.
No. of branches refer to financial years.

Table – 2
Distribution of Approved Investments According to Foreign Share

Foreign Share (%)	No. of Approvals	Approved Amount (Rs.Cr.)	Share in total %	Cumulative Share (%)
(1)	(2)	(3)	(4)	(5)
A: August 1991 to May 1997				
Less than 10	294	520.16	0.50	0.50
10 to 24.99	783	4,426.11	4.23	4.73
25 to 40	689	10,548.54	10.09	14.82
40.01 to 50	1,746	30,581.91	29.24	44.06
All Cases*	6,037	1,04,580.23	100.00	
B: 1981 to 1983				
Not Available	3	0.31	0.15	0.15
Less than 10	6	1.11	0.53	0.68
10.0 to 25.0	70	24.95	11.96	12.64
25.0 to 40.0	160	168.31	80.65	93.29
40.0 to 50.0	9	10.65	0.51	93.80
All Cases	**277**	**208.68**	**100.00**	

* Excludes GDR Issues and cases for which information on foreign share was not available.

Source: A: Generated from a database developed at the Institute using individual collaboration approval data reported in Indian Investment Centre (IIC), *Monthly Newsletter* and Ministry of Industry, *SIA Newsletter*, various issues. Prior to 1992 there was no *SIA Newsletter*. Even the IIC Newsletter started reporting amount and share of foreign equity only after August 1991.
B: S.K. Goyal, et. al., "Foreign Investment Approvals: An Analysis" (August 1991 -- July 1993)", Institute for Studies in Industrial Development, New Delhi, March 1994.

Table –3

Increasing Share of Foreign Subsidiaries in FC Approvals

Period	Foreign Subsidiaries	of which 100% owned	Total	Share of Subsidiaries in Total Approvals (%)
(1)	(2)	(3)	(4)	(5)
Aug. 1991 to 1992	261	33	850	30.70
1993 to 1995	1,138	334	3,045	37.37
1996 to May 1997	1,130	433	2,146	52.66
Total Since 1991	2,529	800	6,041	41.86

Note : Excludes GDRs and cases where foreign share was not available.

Table - 4

Shares of Different Sectors in Approved Foreign Direct Investment

(August 1991 to March 1998)

Industry / Sector	No. of Approvals	Approved Investment (Rs. Cr.)	Share in Total (%)
(1)	(2)	(3)	(4)
Power & Fuels	311	46,363	29.22
Telecommunications	321	30,725	19.36
Service Sector*	1,287	16,042	10.11
Chemicals (other than fertilizers)	762	11,653	7.35
Food Processing Industries	597	10,248	6.46
Transportation Sector	387	9,968	6.28
Metallurgical Industries	216	9,089	5.73
Electrical Equipments (incl. Software)	1,295	8,361	5.27
Textiles (including dyed,printed)	394	2,617	1.65
Paper & Pulp (incl Paper Products)	80	2,251	1.42
Industrial Machinery & M/c Tools	480	2,148	1.36
Others	1,488	9,206	5.79
Total	**7,618**	**1,58,671**	**100.00**

Source: Based on data provided in Ministry of Industry, *SIA Newsletter*, April 1998.

- Including consultancy, financial, trading and hotels & tourism.

Table – 5

Distribution of FCs According to Size of Foreign Investment

(August 1991 to May 1997)

Investment Range (Rs. Cr.)	No. of Approvals	Amount Approved (Rs. Cr.)	% of Col. 2	% of Col. 3
(1)	(2)	(3)	(4)	(5)
0 to 1 cr.	3,040	919.38	49.17	0.87
1 to 5 cr.	1,686	3,800.79	27.27	3.59
5 to 25 cr.	906	10,045.96	14.65	9.50
25 to 50 cr.	212	7,503.52	3.43	7.09
50 to 100 cr.	128	8,828.38	2.07	8.35
100 to 500 cr.	173	38,698.95	2.80	36.58
500 cr. & above	38	35,992.35	0.61	34.02
All Cases	**6,183**	**1,05,789.33**	**100.00**	**100.00**

Note: Excludes GDRs and cases where the investment figures are not available.

Table - 6
Sources of Approved Foreign Direct Investment
(August 1991 to March 1998)

Country/Group		Amount (Rs. Crores)	% Share in Total
USA		**40,469.16**	**28.65**
Europe		**32,266.00**	**22.84**
- U.K.	10,783.80		
- Germany	6,195.50		
- Netherlands	3,649.99		
- France	3,191.97		
- Italy	2,482.67		
- Switzerland	2,274.91		
- Sweden	1,243.90		
Other Developed Countries		**17,369.17**	**12.29**
- Japan	6,883.70		
- Israel	4,215.85		
- Australia	3,283.38		
- Canada	2,029.64		
South, East & South-East Asia		**17,369.17**	**12.29**
- Korea(South)	5,839.25		
- Malaysia	3,642.65		
- Singapore	2,748.39		
- Thailand	2,451.72		
- Hong Kong	1,645.94		
Tax Shelters		**22,005.98**	**15.58**
- Mauritius	17,306.44		
- Cayman Islands	3,621.37		
NRIs		**6882.92**	**4.87**
West asia		**2,560.06**	**1.81**
- Saudi Arabia	671.88		
- UAE	630.02		
- Kuwait	584.08		
- Oman	569.72		
Erstwhile Socialist Bloc		**986.57**	**0.70**
- China	685.05		
Latin America		**272.47**	**0.19**
- Mexico	252.43		
Africa		**147.89**	**0.10**
- Nigeria	147.89		
Total (*incl. others*)		**1,41,272.80**	**100.00**

Notes: (i) Excludes GDRs; (ii) Only major countries in each group are shown above; and (iii) Others include investment for which country details are not known and investment from Papua New Guinea.
Source: Based on Ministry of Industry, *SIA Newsletter*, April 1998.

* Published in ***Alternative Economic Survey 1991-1998: Seven Years of Structural Adjustment***, Alternative Survey Group, February, 1999.