Book Review

Foreign Direct Investment (FDI) in India – Policies, Conditions and Procedures

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This book is authored by Dr. Niti Bhasin, Assistant Professor at Department of Commerce, Delhi School of Economics, University of Delhi. It consists of 19 well written chapters, an Appendix on FAQs on international M&As and data on country-wise and sector-wise data, on inflows into India in between April, 2000 to February, 2012. Initially, the book gives a glossary of terms related to FDI which is useful for beginners and managers.

The book gains importance in the light of the fact that the World Investment Prospects Survey, 2010-12, has ranked India as the second most attractive destination for FDI inflows in the world. The chapter on the conceptual framework is a basic chapter that is meant for setting the ball rolling. In accordance with background of the author, whose primary area of work is International Business and Taxation, the emphasis in the first Chapter has been on these two aspects. Many concepts such as Bilateral Tax Treaties, Multilateral Tax Treaties and International Tax avoidance, have been discussed herein.

In Chapter 2 there is a detailed review of post-independence foreign investment policy framework, such as, FERA and FEMA. Continuing on the note policy the next chapter gives a discussion on Conditions, Legislations, Rules and Regulations that surround FDI inflows into India. This speaks of forms of organizations that can be the recipients of FDI. These include venture capital firms, trusts and limited liability partnerships. It also highlights the provisions regarding acquisition of property and repatriation of capital by foreign investors.

An important review of the main procedures of entry and caps on investment ensues in Chapter 4. The Foreign Investment Promotion Board (FIPB) and the automatic routes to entry are clearly laid down in this chapter.
Some details of procedure are also mentioned. The various implications of entry options are given. Further, foreign technology agreements are discussed.

In Chapter 7, the emphasis shifts to performance issue. The trends are clearly shown, in terms of the top investing countries and a comparison is made, as is usually the case, with China. The concerns and issues are about National Security, Monopoly Power and Environmental Sustainability. A serious concern is about the gap between approved and actual FDI inflows.

There is a detailed account of the importance and role of foreign institutional investors, equity capital, hedge funds and portfolio investment. Chapters 10 to 17 contain a detailed account of tax holidays, tax incentives and double taxation relief to foreign investors. Industrial policy, foreign trade policy, foreign exchange regulation and labor laws are given in the above chapters. In Chapter 18, after explaining the trend in global FDI flows, the author goes on to show the tax provisions in select Asian countries. The chapter ends not before discussing tax competition, foreign tax relief and tax harmonization.

The final chapter gives a detailed explanation of various aspects of outward FDI from India. It discusses the geographic distribution and sector-wise allocation of outward FDI. A list of Fortune 500 listed Indian Multinationals crowns the chapter. On the whole, the book is very informative. It would be useful to a variety of users. Policy makers, academics, researchers, managers and journalists, alike, can utilize this book. There is something for everyone in it. It does not qualify for a research book because there are is no research problem discussed, herein. It however, qualifies as good, detailed reference book with a horde of statistics, rules and procedure on Foreign Direct Investment in India. Also, there would be a need to re-visit this book annually for the sake of updating the data and regulations. It is good for researchers to take this book as a source book.

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