

FOREIGN DIRECT INVESTMENT IN INDIA AND INDUSTRIAL GROWTH WITH SPECIAL REFERENCE TO SWITZERLAND

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Abstract

Theoretically, Foreign Direct Investment plays an important role in the development process of a country through the transfer of financial resources, technology and innovative and improved management techniques. India has pursued a pro-market, pro-liberalization strategy after the 1991 reforms. It had a fair amount of success in attracting FDI from a few countries. Among them Switzerland has occupied First Rank in overall innovation performance in the world. In the present context, the Foreign Direct Investment inflows from Switzerland to India has to be analysed to know the extent to which India is able to attract FDI from this high ranking country. A brief analysis revealed that FDI inflows from Switzerland to India have increased from Rs 207 crores in 2003-04 to Rs 998 crores in 2011-2012. The sectors that attracted such investments are Engineering and Industrial Equipments, Services, Chemicals and Pharmaceuticals, and Precision Instruments/Equipment. The development of India's information technology (software and IT-related services) sector, in the recent years, has been attracting the attention of Swiss companies. In particular, India's competitive strength in Knowledge Process Outsourcing (KPO) and Business Process Outsourcing (BPO) segments is increasingly recognized as reflected in the number by Swiss companies (6) participating in this sector. At the same time, the power sector has not emerged to attract by Swiss companies. So far the Government of India has to be concentrate on power sector through Public and Private Partnership mode for attracting investments by Swiss companies.

INTRODUCTION

For a few countries of the global India is the most preferred destination in terms of financial attractiveness, people and skills availability and business environment. According to Global Services Location Index GSLI (2010) FDI inflow of India accounts for 1.25 per cent of the global FDI inflows, 7.18 per cent of Asian aggregate inflows. The top investing countries in India are Mauritius, U.K, U.S.A, Sweden, France, Switzerland, Malaysia, Singapore, Japan, Germany and Netherlands. Among these countries, Switzerland occupied First Rank for the top in overall innovation performance in the world (Business line: 04/07/2012). In this context, the Foreign Direct Investment inflows received by India from Switzerland have to be analysed to examine the trend and performance.

SWITZERLAND-INDIAN TRADE RELATIONS

Switzerland-Indian trade relations date back to 1851 when the Volkart brothers set up the Volkart Trading Company in Bombay (India) and in Winterthur (Switzerland).The Switzerland-Indian Treaty of Friendship was signed in 1948, the first such treaty signed by India after it became independent in 1947. The next six decades witnessed further deepening and broadening in the economic, political and cultural relationship between these countries (Rahul S. Sahgal, 2010).The total trade of India and Switzerland was Amount US\$2956.8 million, whereas exports includes US\$2156.8 million and imports includes US\$800.0 million.(Embassy of Switzerland Report,2010)

FLOW OF FDI FROM SWITZERLAND TO INDIA

The total amount of Foreign Direct Investments that have been approved in India under the automatic route of RBI for the Swiss companies came to US\$ 5420 million from 1990 to 2012. Switzerland ranks eleventh in the list of foreign investors making investments in India and sixteen in the list of countries for approvals of Foreign Direct Investment in India as on 2010 (Embassy of Switzerland).

The major sectors like Services, Textile, Pharmaceutical and Drugs, Chemicals and Engineering are the most attractive sectors for investment from Switzerland. FDI from Switzerland to India has increased over the years

and many Swiss companies have established themselves in the country which shows that the Government of Switzerland recognizes the market of India as an important destination for Foreign Direct Investment.

OBJECTIVES OF THE STUDY

1. To analyze the trends in Foreign Direct Investment inflows from Switzerland to India and its share of total FDI inflows in India during 2003-04 to 2011-2012.
2. To study the sector wise distribution of FDI inflows.

DATA

This study is based on secondary data. The required data were collected from Fax sheet on Foreign Direct Investment in India published by Reserve Bank of India Bulletin and Report of Embassy of Switzerland 2010.

TOOLS

By using percentage and trend analysis the data were analyzed.

SWISS COMPANIES IN INDIA

So far 132 Swiss companies invested in India. The region wise distribution of several companies showed that the western region (Maharashtra, Gujarat and Goa) had 62 Swiss companies, northern region 39 companies, southern region 30 companies and the eastern region just only one company. Among the states, Maharashtra stands first with 59 companies, mostly located in Mumbai and Pune. Karnataka has 18 companies followed by Haryana (17) and Delhi (15). Tamil Nadu has 9 Swiss companies out of which three are in Coimbatore.

Table -1, Region wise location of Swiss Companies

Region	State	No of companies
Western Region	Maharashtra (mainly Mumbai & Pune)	59
	Gujarat	2
	Goa	1
	Total	62
Northern Region	Delhi	15
	Haryana (mainly Gurgaon)	17
	Uttar Pradesh (mainly Noida)	3
	Chandigarh (union territory)	2
	Rajasthan	2
	Total	39
Southern Region	Karnataka	18
	Tamil Nadu	9
	Kerela	2
	Andhra Pradesh	1
	Total	30
Eastern Region	West Bengal	1
Total		132

Source: Embassy of Switzerland

FDI INFLOWS FROM SWISS

Like other countries Switzerland is also a major country attracted by India after the 1991 Economic reforms. The share of FDI inflows from Switzerland in India's total FDI inflows are calculated (Table 2).

Table - 2 Percentage of Switzerland investments in total FDI inflows in India

Years	FDI from Switzerland to India (Rs in crores)	Total FDI inflows in India (Rs in crores)	Percentage
2003-2004	207	12,117	1.71
2004-2005	353	17,138	2.06
2005-2006	426	24,613	1.73
2006-2007	257	56,390	0.46
2007-2008	394	98,642	0.39
2008-2009	497	1,42,829	0.35
2009-2010	627	1,23,120	0.51
2010-2011	791	88,520	0.89
2011-2012	998	1,73,947	0.57

Source: Fax Sheet on Foreign Direct Investment, RBI Bulletin

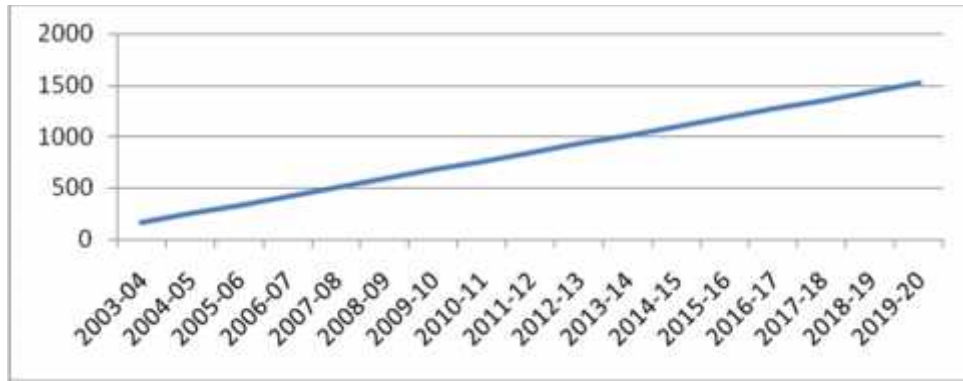
FDI inflows from Switzerland to India increased from Rs 207 crores in 2003-04 to Rs 998 crores in 2011-2012. The percentage share of FDI from Switzerland to India has been 1.71 in 2003-04 , 2.06 in 2004-05, 1.73 in 2005-06, 0.46 in 2006-07, 0.39 in 2007-08, 0.35 in 2008-09, 0.51 in 2009-10, 0.89 in 2010-11 and 0.57 in 2011-12. A slowdown was observed in the FDI inflows from Switzerland to India during 2006-07. At the same time, in terms of percentage, it was less than one percentage during 2006-07 to 2011-12.

FDI Flow from Switzerland to India: Trend Analysis

Trend values for FDI inflows were calculated to forecast of FDI inflows from Switzerland to India by 2020. The trend line was calculated through Ordinary Least Square method. The trend values for FDI inflows from Switzerland to India were given in table 3.

Table - 3 Estimated Trend values for Switzerland investment in India

Years	Trend values
2003-04	164
2004-05	249
2005-06	334
2006-07	420
2007-08	505
2008-09	590
2009-10	676
2010-11	761
2011-12	846
2012-13	932
2013-14	1017
2014-15	1102
2015-16	1188
2016-17	1273
2017-18	1358
2018-19	1444
2019-20	1529



$Y_c = 505.56 + 85.33X_t$. Whereas Y_c = FDI from Switzerland to India and X_t = Time Period.

The estimated trend values from 2003-04 to 2019-20 are found as positive. If the same trend continues FDI from Switzerland to India would be attract Rs 1529 crores in 2019-2020.

SECTOR WISE DISTRIBUTION OF SWISS FDI IN INDIA

The companies of Switzerland invested mostly in Services, Textile, Pharmaceutical and Drugs and Chemicals and Engineering. The percentage share of sector each has been calculated and furnished in table 4.

The sector-wise distribution of Swiss-Indian collaborations shows that 17 sectors received FDI from Swiss. At the same time, majority of these companies are engaged in the traditionally strong Swiss business sectors - engineering and industrial equipment, services, chemicals and pharmaceuticals, and precision instruments /equipment. The number of collaborations in sectors such as power, processed food, and construction has been found as very low. A few modern sectors like InfoTech, Electrical and Electronics and Environment are able to attract Swiss FDI which can be observed as a progressive step.

Table - 4 ,Sector-wise distribution of Swiss Companies in India

S.No	Sectors	No of Companies	Percentage
1	Engineering & Industrial Equipments	31	23.48
2	Services	25	18.94
3	Chemicals & Pharmaceutics	12	9.09
4	Instruments	12	9.09
5	Textile	11	8.33
6	Infotech	6	4.55
7	Auto Components	5	3.79
8	Consumer Goods	5	3.79
9	Elec. & Electronics	4	3.03
10	Printing & Packaging	4	3.03
11	Construction	4	3.03

12	Environment	3	2.27
13	Power	3	2.27
14	Metals	3	2.27
15	Processed Food	2	1.52
16	Trading	1	0.76
17	Animals Husbandry	1	0.76

Source: Embassy of Switzerland

CONCLUSION

It has been found that Engineering and industrial Equipments, Services, Chemicals and Pharmaceuticals, Textile and Precision Instruments/Equipment sectors attracted FDI from Switzerland. The development of India's information technology (software and IT-related services) sector, in the recent years, has been attracting the attention of Swiss companies. In particular, India's competitive strength in Knowledge Process Outsourcing (KPO) and Business Process Outsourcing (BPO) segments is increasingly recognized as reflected in the number of Swiss companies (6) participating in this sector. At the same time, the power sector has not emerged to attract the Swiss Companies.

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