Foreign Direct Investment and Spatial Configuration of Indian Economy Under Globalization

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Tanima Dutta
Lovely Professional University

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By
Hanuman Singh Yadav
Tanima Dutta
Neeti Srivastava

Introduction

The continued colonial economic legacy in India is characterized by the combination of capitalist and feudal modes of production with the hegemony of the first, under the expansion of world capitalism. The features of such economy have been the low income and productivity of factors of production causing wide spread poverty, unemployment, and backwardness with induced leaps of development rather than evolution of economy. The effect of global spread of capitalist mode of production results into imperialism, under which, development takes place in the metropolitan countries and deprives the development of productive forces in the peripheral country at the macro level and among the regions within a country at micro level. In this process the resultant regional disparities create a new spatial order and economic configuration and the inherent contradictions of capitalist system results into marked crisis and cyclic depressions and recession. Taking advantage of the contemporary conditions, the developed capitalist countries could expand their economies in the post Second World War period by penetration of monopoly capital in the form of exports of technology and finished goods. The recent depression of 1980’s compelled the advanced capitalist countries to make a combined effort to overcome the crisis and this time the weakest economic institution the GATT was taken as the vehicle of transferring the burden to the south and the World Trade Organization (WTO) was formed to allow the penetration of transnational capital and commodity with an equity to the under developed economies. This has served two-fold interest of the transnational monopoly capital to find the larger global market for their goods and exploitation of regional resources through capital investment.

Present paper discusses the political economy of economic reforms under which the transnational capital is given equity that has shaped the contemporary configuration to Indian economy. Development paradigms have passed through the mapping of capitalism through inter relationships of indices of superstructure on the one hand and the Marxist dialectical analytic perspective of class relations to the regional exploitation by the metropolitan regions on the other. In the process of the measurement and analysis of development and the spatial configuration of the economy, a large number of perspectives have been put forward with varied viewpoints and it has been attributed to equally large number of factors. Liberalization, globalization and privatization have largely been discussed and debated to have direct or indirect impact on shaping the regional economy. But there is no agreement on the degree and direction

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1. Dr. H S Yadav HOD Dept. of Regional Planning and Economic Growth, UTD Bhopal
2. Tanima Dutta Reader Chitransh AD PG College Bhopal
3. Neeti Shrivastava Lecturer Dept. of Regional Planning and Economic Growth, UTD Bhopal

of effect of reforms and globalization, including FDI, on the socio-economic and spatial configuration of the economy and debate continues. Bhagwati and Srinivasan (1993) Bhagwati (1994), Joshi and Little (1996) World Bank (1998) Montek Singh (2000) and others see positive impact, through growth, efficiency, competitiveness and demand in labour market, but contrary to this and in agreement to the above Dreze and Sen (1995) argue that the opportunity will not be automatic, and the social consequence will slow employment and increase the income inequalities and spatial disparities (Patnaik 1997).

The organization of space and the levels of regional development cannot be considered as self explanatory rather a number of economic principles govern them. The resource endowment helps at the initial development but the political economy determines the latter stage. This is because the developmental process is considered to be simultaneous rather than the stages of development. The forces, which become more important, are the scale economies and agglomeration economies, which are supposed to be the outcome of the mobility of the capital, labour and other productive forces. The agglomeration of economic activities resulting into development also signifies the space relations, which finally culminate into the spatial structure of the region. The above postulates necessitate the analysis of the configuration and the structure of Indian economy in the post independence period. The FDI in India could find place since the colonial era and the transnational companies could find the investment destinations in India both in productive and service sector. The discrimination between the domestic and the foreign capital was created in the post independence period through policy measures and FDI was restricted. But, the compulsion for the transnational companies is the expansion of the capital and to meet the domestic market and the export needs for the receiving countries.

The paper puts forward a point of view, which analyses the perspectives under which both developed and peripheral capitalist countries welcomed the trance national capital. The first part deals with the emergence of contemporary capitalistic crisis in the developed economies and development of the conditions in its counter part, the third world; especially in India under which the monopoly capital could achieved free play. The second part provides the empirical framework and evidences from the macro economic variables of Indian economy and the concurrence between the FDI and the spatial configuration of the economy at the state level with reference to GDP growth, sectoral growth, PCI, regional disparities, literacy, health status, budget deficit, capital formation, savings, factor productivity, growth in employment in organized sector, and poverty.

The broad objectives of the study are to:

-Analyse the condition under which the globalization emerged in India and reforms initiated in the economy

-Critically examine the temporal, sectoral and spatial structure of FDI

-Examine the concurrence between FDI and the socio-economic components of Indian economy, and

-Analyse the emerging spatial configuration of Indian economy due to the inflow of FDI.

The study is based on the secondary data available from the ministry of Statistics and Plan Implementation, Central Statistical Organisation, Census of India, DIPP, NSSO, RBI, and UNCTAD in published and semi-published forms and from their websites. Simple and relevant statistical techniques have been applied to draw conclusions about the current status of flow of FDI and the trends of growth and the concurrence between the flow of FDI and the broad economic variables with the help of simple bi-variate correlation and regression.

Contradictions and the Crises of Capitalism

The penetration of domestic and transnational monopoly capital invested in service and production sectors; under the dominance of capital over labour in a class divided peripheral economy creates contradictions inherent in the capitalism. The problems and predicament of the economy are the products of these contradictions, which are finally reflected in the form of crisis. The same form of characteristics of contradictions and crisis of mature capitalism surface in the peripheral capitalist economies too. David Harvey (1981) spelt out the prevailing contradictions; the first type of contradiction is seen within the capitalist class in which the immediate self-interest is antagonistic to their class interest. The second contradiction is the class struggle between the labour and capital, where the interests of capital confront with the interests of working class. The underdeveloped capitalism encounters other minor type of contradictions, though not of less importance, they include the capital and peasant, artisan sector versus big domestic and foreign capital, market versus plan and local versus global. The state pretends to be a welfare state therefore, this dualism appears because the government tries to intervene in the market in a planned manner on the one hand, and creates the environment of free play of market forces on the other. Hence, the global forces confront the local interests.

The capitalist process of accumulation gets manifested into crisis with the growing capital power in the built environment (i.e. creation of infrastructure for production, circulation, exchange and consumption). These crises may be observed first in the places of capital accumulation because over-accumulation and investment falls in crisis. This expansion of capital does not follow the demand pattern of commodities by people; rather it gets diverged because of internal competition and only for the needs of capital. Thus the crisis appears in the secondary and tertiary circuits of capital accumulation. This also affects the invested value of built environment and the commodity production, which finally affects the flows of capital in the service sector such as education, health, transport and other social welfare in terms of expenditure and the crisis, is seen in further flow of capital, as this does not add to the surplus value.

Concentration of capital into larger and fewer units, oust the smaller capitalist and displace people from their traditional production and livelihoods, as a result the proletariat class expands. Marx puts it as a general law that, the accumulation of capital is expansion of the proletariat. The changes in the division of labour, expanding unemployment and labour surplus due to monopoly capital, will result into the under-consumption. This disproportionality may lead to deterioration of living conditions, employment and power of working class.

To understand this phenomenon in a more simple expression, it may be presented such the growing power of domestic and foreign monopoly capital in the economy within the city in

secondary and tertiary sector and also in the primary sector in the rural areas creates imbalances. These imbalances may be observed in both, within the capitalist class, and between the bourgeoisie and proletariat class. They form the spatial configuration and structure of economy and can be seen as the problems and predicaments of the people at large and disparities among the regions. As a result the common superstructure which emerges will culminate into the increase in inequality in income, consumption and living standard, in housing, pollution, shortage of social infrastructure, fall in employment and wage rates with a decline in labour productivity. Though, a large number of studies have addressed these problems, when the question comes for searching the basic causality and solution to these crises, the answer is searched within the contemporary system and most simple answer comes in the form of planning. The fact is that the system generates these problems and predicaments; in no way it can provide solutions to them it has created. The argument Marx puts forward throughout much of ‘The Capital’ is that there is always the potential within capitalism to achieve balanced growth but this potentiality can never be realized because of the structure of social relations prevailing in the society (Harvey, 1981).

Political Economy of Development in India

The economic development process in India seeks the analysis with reference to the class character of the governments and the class relations in the society. This will place the study of FDI in the theory of political economy. The emergence of economic structure in India primarily is the manifestation of an imperialist economic legacy of British rule and dependent development of growing capitalistic mode of production, which the post independence period governments continued without much change. The production relations and development of productive forces, during British imperialism were exploitative in nature to meet the growing Industrialization needs in the metropolitan country. The British imperialism inherited wide spread backwardness, poor physical, social and economic infrastructure, low per capita income, capital formation and production and productivity of land, labour and capital, and almost universal poverty, illiteracy, unemployment and unskilled man power. These problems faced by Indian economy at the time of independence have been the end product of exploitation of people and regions by nexus of imperialist state power and the petty bourgeoisie and feudal landlord classes. The suction mechanism was operative for extraction of regional resources and raw material to feed the industry of imperialist power. To facilitate the exploitation, infrastructure was created mostly in and around the metropolitan port cities and in their hinterlands. The dependent development was confined to the metropolitan cities, their hinterlands and the corridors formed along the railway lines joining them. As a consequence a chain of industrial towns emerged along the trunk routes joining Delhi, Mumbai, Chennai and Calcutta, besides the areas falling in the corridors, the other part's of country remained devoid of infrastructure and deprived of development.

To encounter the above problems, the new state, as the power under the guidance of bourgeois government, placed the development agenda before the nation (Hasan 1989), where the political order had the "basic coalition of classes including bourgeoisie, the professional groups, land lords and rich peasants" (Prabhat Patnaik 1992). Hasan (1989) further explains that " it was the class content of this coalition rather than the functional arrangements of the political order operating as a loosely organized bourgeois coalition accommodating the pressures of the

much smaller opposition at the periphery, which played the decisive part in influencing the structures of dominance and the " strategy of governance" and "the development."

It is this context that the power was transferred from the imperialist power to the coalition of Indians petty bourgeoisie, landlords, feudal and professional elite classes. The bourgeois governments under the growing influence of capitalism could hardly succeed in achieving the constitutional obligations of equality and social justice and put under check the concentration of economic power. The government intended socialist/welfare state, to alleviate poverty, unemployment and illiteracy and to remove general backwardness. This happened because the bourgeois governments while progressing on the capitalist path of development envisaged achieving the ‘socialistic’ goals that was later added to the preamble of the constitution.

The task to overcome underdevelopment was given to the planning commission through centralized five-year plans with supportive constitutional provisions. The philosophy behind the strategy was to ‘take care of growth of economy and in-turn the growth will automatically take care of the problems’. The Harrod-Domar growth model was the choice "higher investment in the economy leads to high growth in GDP and thus higher per capita income, there by resulting in high rate of savings and therefore more availability of capital for further investment" this cyclic capital investment through multiplier effect will generate growth impulse in the entire economy equally to all classes and regions with a natural distributive justice. But one should not forget that capital investment does not have mechanical relationship to distribute the fruits of development proportionately in a highly class structured society.

The post independence period with reference to governance and economic development, the three phases are designated as "import substitution" up to mid sixties, where the emphasis was given to replace the imports of goods and services including food grains by the domestic production. To achieve this objective public sector investment was used to create basic infrastructure to facilitate agriculture and industrial production by private capital. The second phase of "self-reliance" was to consolidate the assets acquired by private capital in the hands of feudal landlords and bourgeois class. This phase provided the protection to the domestic monopoly bourgeois production from the transnational capital (many of the big business houses wanted this to continue) till mid-eighties. The third phase of development in India is designated as “globalisation and liberalisation”, the period of structural adjustment. Under this phase the economy is opened up to the free play of market, for the domestic and cross border capital, goods and services. During all the three phase the Indian economy under the capitalist mode of production along with the creation of public sector in no way can be considered as socialistic. Aggregate expansion of productive forces does not ensure benefits to accrue to all classes and regions and in fact it did not. This is confirmed by the single fact that the “objectives” of eleven five-year plans and many annual plans have remained almost the same and unchanged during the sixty year of planned development.

Imperialism is the highest stage of capitalism, under capitalist mode of production, through expansion of monopoly capital; creates indirect control over the economies of dependent countries. It exerts the influence over the policy to facilitate maximization of profit by creating and introducing the structural adjustments. In the recent past, Indian economy has gone through a drastic structural change, a major shift from Nehruvian model regime of metropolitan capital

under the pressure of WTO. The state has completely withdrawn in phased manner and encouraged free play of market. The Reforms promised high rate of growth, raising employment, globally competitive industry, accelerating exports and balanced budgets and eradication of poverty as a big product of growth, but is resulting into bulgeoning unemployment, stagnating industry, retrenchment and closures, mounting trade deficit. What is more, agriculture has been starved of public investment, guaranteed remunerative prices virtually abandoned and agricultural products to unfair competition resulting in widespread and precedented poverty in the rural hinterlands (Delhi Declaration, 2001).

The structural adjustments initiated at the dictates of World Trade Organization (WTO) are the extended forms of imperialism, which strengthened the transnational capital alliance with domestic bourgeoisie. The processes under capitalism find the best expression in the penetration of capital and increased accumulation of capital in the economy. The economic structure of city, hinterland and the built environment depicts and demonstrates both, the process and form, in its best possible way. The state becomes the ally to the capital for its expansion in the productive forces and property sector. This results into the specifications of commodity production both in industry and agriculture under the conditions of alliance and dichotomy in the rural-urban interface. The changed pattern of commodity production essentially shapes the division of labour and problems in the employment configuration. Apart from this economic structure, this type of process leads to the complete collapse of spatial hierarchy of market and increase dependence on capital and the metropolitan. Finally, changes in the consumption pattern to enhance the plight of the poor and marginal people.

Decolonisation and Foreign Direct Investment

The decolonized third world countries, in the post war period, opted the capitalist mode of production. They pursued the policies of dichotomous in nature because of two reasons; first the power came to the nationalist bourgeois class and the industrial capitalism with the help of the first world will not allow the domestic bourgeois growth, unless the market is protected from the penetration of foreign products on one hand and the capital investment on the other; and secondly the anti-colonial struggle of the masses demanded such policies. Still direct foreign investment was neither absent nor was it provided free play. The FDI continued to underdeveloped economies in search of higher returns and low wage countries.

The capitalist countries could maintain their high growth in the post war period on two accounts that is the export of finished good and parts of machinery including warfare armaments and science and technology. In the meanwhile the third world economies were growing, as a result of which the domestic capital got strengthened and many of the nations could advance substantially in science and technology, and the dependency on developed world was reduced. As a result of the developments, in the third world and the inherent contradictions of capitalism, the capitalist world faced deeper crisis than that of thirties. The developed countries and the transnational capital was looking for new avenues of investment in the third world countries so that they could exploit the conditions of low wage, high returns, their infrastructure and in most of the cases their natural resources too. Another point, which has been very strongly put forward regarding the FDI in the third world countries, is that the flow of FDI having higher rate of return in the developed world was shifted to the third world. Under these conditions the international monopoly capital in a planned manner used the international economic forums. This was thought

to be in the interest of transnational monopoly capital as well as the developed capitalist countries. To give it a formal shape to the concept of globalisation the GATT was used and the proposal was put forward in the Uruguay round in the form of Dunkel draft which covered the intellectual property rights, investment measures and transfer of goods and services.

The economic conditions prevailing in the third world countries also had the compulsions and conditions, which created favorable conditions for the FDI. These conditions may be seen in the growing economic disequilibrium in growth, balance of payments and increasing requirements of the capital to overcome the general backwardness and inequality. The third world countries themselves as well as the capitalist metropolitan countries justified the flow of FDI on the grounds of competitiveness, productivity, employment generation, transfer of technology, and increase in the export base, market expansion and general growth rate. The economic environment and the collapse of the Communist Bloc further strengthened the favorable conditions. The above discussion facilitates to draw an inference that the FDI became a global phenomenon on the conditions prevailing both in the developed as well as developed countries.

Structure and Pattern of Foreign Direct Investment

Transnational capital investment in India has not been a new phenomenon both during British imperialist regime and post independence periods. The FDI is neither bad nor unwanted and any rational scientist will not have any argument against it. The important question is that under what circumstances it comes and what broad political economic principles it has in the background. The conditions of FDI in India were not simply an outcome of the formation of World Trade Organisation (WTO). The ‘Globalisation’, ‘Liberalisation’ and ‘Privatisation’ are the contemporary catchwords and the three processes are linked together to interpret the structural formations of the economy. Contrary to the above they neither have their origin in the same process nor do they generate similar results but one commonality they have, is they serve the interest of both the domestic and transnational capital. The “Globalisation” in true sense of the term is the free cross border mobility of labour and capital in production and goods and services. The capitalist economies did never have such intentions. The meaning of globalisation referred by the North is opening up of the global market for goods, services and investment. This comes by the compulsions of the crisis, generated by the capitalist contradictions in the metropolitan countries to push the capital for speculation and production, not only to exploit the regional resources and cheep labour in the third world and to capture the market also. Kartik Rai (1993) sees that “it is not capital in production which has become internationally mobile as it is claimed by the imperialist institutions, but capital as finance in search of lucrative quick speculative opportunities. The increase in the mobility of finance capital he called is “Globalisation of Finance”. The gradual withdrawal of state from its role and to allow free mobility and operation of international capital in their interest is called “Liberalisation”. The “Liberalisation” under the pressure of monopoly capital resulted into the removal of restrictions on imports, reduction in tariff, dismantling of domestic controls over capacity creation, production, and prices and liberalising the direct and portfolio foreign investment and finally, withdrawal of State from production and essential services to the masses and to leave the private domestic and foreign capital for the free play (Chandrasekher 1993). These “structural adjustments” necessarily subjected the economy to dismantling and privatization of public sector

and providing liberal free space to private capital by removal of the controls and deregulating the production of goods and services, curbing government expenditure, cutting subsidies and reducing capital expenditure on services provided by state and the process is designated as “Privatisation”. The Indian economic environment in the post WTO regime is the outcome of global crisis in the capitalist metropolitan countries and internal economic environment in the south leading to the flow of FDI and goods and services under structural adjustment.

At the instance of international financial institutions the FDI and portfolio investment was provided with the conditions of free flow during 1980’s but the actual flow was constrained by the contemporary policy frame. It was only after the second loan and agreement on GATT (later the WTO) the flow of FDI got accelerated. The level of annual flow of FDI in the initial period reforms was quite slow due to a number of reasons. The reform were supposed to be further structured, collapse of the communist bloc probably provided better and developed infrastructure with more investment friendly environment and finally the advanced countries were the choice destinations of FDI. Hence, the level of FDI could increase to 2018 crore rupees in 1993-94 from 400 crores in 1991-92. The investment could pick up after the formal organization of WTO. The FDI remained almost consistent around 12000 crore till 2003-04 with small deviation. It is only after the second generation of reforms the amount of FDI. The years 2005-06 and 2006-07 has really shown the quantum jump in the inflow when it touched the level of 24613 and 70630 crore rupees. As discussed earlier the FDI flow is a matter of concern because the magnitude may further enhance the retail sector and other core sectors of the economy are further opened up. More pertinent question is the quality of the flow. In case the flow comes to the sectors, which are capital intensive and replace the labour, and undermines the domestic production system, will not in any way help the economy the way it needs. Therefore, the FDI inflow may satisfy the government and the scholars who see the foreign reserve with RBI and those who satisfy with the growth of domestic product. But the need is to look at the basic character of the investment.

Table No. 1: Annual Inflow of FDI

India was subjected to the imperialist rule for more than two centuries and as a result, the FDI found obvious ground for exploitation of regional resources. U.K. has been the dominant investor in India during 19th century followed by Japan during the first half of the 20th century. In the post independence period USA and Germany became major investors. The player in FDI has significantly changed since 1991 during post reforms period from countries of European Union and Asia and Oceania. The rapid change in FDI Policies in India, particularly abolishing industrial licensing except very few of strategic importance and tariff reduction on imports, have not only accelerated the FDI but it has also changed the composition in terms of the place of origin. Initially the major share of FDI came from the dominant countries like USA and UK but in the later years their share gradually declined and the FDI from Asia and the European countries increased. Lately Mauritius has been dominating in the total share of FDI, reaching to the level of 41.24 per cent of the total investment and USA came down to the second position. Still the fact remains that the European Union countries has the dominance and about one third of the FDI has come from the core metropolitan capitalist countries.

Table No. 2: Share of FDI by Origin of the Country (Crore Rs.)

YEAR	FDI Rs.(in crores)	Index Of FDI	Annual Growth Rate	Net Domestic Savings	Gross Capital Formation	Poverty (per cent)	Employment (lakhs)
1993-94	2018	100	--	110268	182619		271.77
1994-95	4312	213.67	113.67	153649	219245		273.75
1995-96	6916	342.71	60.38	180821	267323		275.25
1996-97	9654	478.39	39.58	180758	238724		279.41
1997-98	13548	671.35	40.33	200181	265331		282.45
1998-99	12343	611.64	-8.89	206593	275574		281.66
1999-00	10311	510.95	-16.46	300652	512214		281.13
2000-01	12645	626.61	22.63	293540	488818		279.60
2001-02	19361	959.41	53.11	316805	505141		277.89
2002-03	14932	739.94	-22.87	413392	554425		272.06
2003-04	12117	600.44	-18.85	540942	620655		270.00
2004-05	17138	849.25	41.43	612658	704431		---
2005-06	24613	1219.67	43.61	777609	---		---

Countries	1991-02	2002-03	2003-04	2004-05	2005-06	2006-07	1991-07	Percent to Total
Mauritius	27446	3766	2609	5141	5033	28759	79162	41.24
USA	12248	1504	1658	3055	1498	3861	24536	12.78
UK	5099	1971	360	575	410	8389	16660	8.68
Netherlands	3856	836	2247	1217	70	2905	11402	5.94
Japan	4263	1617	769	458	845	382	9313	4.85
Germany	3455	684	373	663	170	540	7060	3.68
Singapore	1997	180	172	822	660	2662	7050	3.67
France	1947	534	176	537	36	528	3803	1.98
South Korea	2189	188	110	157	251	321	3234	1.68
Switzerland	1200	437	207	353	171	257	2879	1.5
All countries	92611	14932	12117	17138	11397	70630	232041	

The reduction of investment does not affect the hegemony of USA in terms of global dominance. On the other hand it is also of not much of the importance that from where the monopoly capital comes, the place of origin does not change the nature of the functioning. Many times examples are sighted and comparison is made with China forgetting that the China has the profit level at which India attract the total foreign investment and secondly the FDI comes there on their condition and in India it comes on the conditions of transnational capital. The monopoly capital dictates the terms and condition placed are generally meet the interest of the capital and not of the Indian economy at large.

The above discussion signifies that the volume of foreign investment creates the conditions of, bringing out the basic structural change in the economy and the metropolitan country gets the power to exert the imperialist pressures, under the conditions of the economic dependency on them. The receiving country must at least ensure the mutual interest of the capital. The monopoly capital moves in search of maximization of profit and the market. . The FDI flow clearly demonstrates that three fourth share of it is confined to ten sectors. The electronics and electrical equipments (including computer software & electronics) is the most favoured sector for foreign investment with 18.77 per cent to the total inflow. Similarly, the ‘hot money’ that flows cross border requires security and by virtue it has high level of liquidity finds obvious destination in the service sector (radio paging, cellular mobile, basic telephone services), therefore the level of FDI which has come to the service sector is also to the tune of the electronic sector. The most popular areas where the FDI has the investment are the service sector in the field of insurance, health, education, banking and transportation. The high level of investment in the sector is to the tune of 17.84 per cent. Telecommunication and transport industry though have huge investment yet they fell in the second category having over 8.00 per cent of the total investment. Fuel chemicals and construction (real estate) are the other sectors where the FDI has entered in the economy having 3-5 per cent investment of the total. The fast food, and drugs and pharmaceuticals are the other sectors among the top ten preferred sectors. If one looks at the sectoral composition of the FDI it clearly depicts that the foreign capital came to

the sectors most suited to the monopoly capital. There has not been any consideration of the sectoral balance or the areas where India needed it most.

Table No. 3: Sectoral Inflow of FDI (Crore Rs.)

Sector	2002-03	2003-04	2004-05	2005-06	2006-07	1991-2007	Percent to Total
Electrical Equipments	3075	2449	3281	1059	12325	36034	18.77
Transportation Industry	2173	1417	815	672	2112	15427	8.04
Service	1551	1235	2106	1708	21434	34238	17.84
Telecommunications	1058	532	588	688	2354	16691	8.7
Fuels	551	521	759	81	1129	12105	6.31
Chemicals	611	94	909	741	930	9510	4.95
Food Processing	177	511	174	156	441	5143	2.68
Drugs & Pharmaceuticals	192	502	1343	452	970	5281	2.75
Cement & Gypsum	101	44	1	1967	1098	4329	2.26
Metallurgical	222	146	881	479	834	2615*	2.14*
Construction	NA	216	696	667	4424	6396	3.33

Note:The FDI is cumulative From August 1991 to October 2005

The above discussion clearly demonstrates that there has been a constant increase in the flow of FDI during the post globalization period with of course not with the same pace. The second generation of reforms has speeded up the inflow. The source of FDI though is highest from Mauritius still the core capitalist countries have been the main players. Another significant feature is that the FDI has come in the most capital favoured sectors of information technology, computers, telecommunication, finance, and service sector and the commodity production sectors of high capital intensity. This indicates that the FDI has shown the concurrence between the macro economic variables of the Indian economy such as the total capital formation, gross savings, the growth rates of NSDP including Per Capita Income even at the constant prices but at the same time conditions on the poverty alleviation, rural-urban employment, health and education parameters, agricultural development and the other spheres of common masses have not shown any significant movement in positive direction.

Regional Correlates and Spatial Configuration

There is a two-way relationship between the regional levels of development and capital investment. The capital investment, domestic or foreign, is assumed to accelerate production

process and enhance the quality of developmental indicators and vice versa. Therefore, regional flow of transnational capital in India has also demonstrated high level of discrimination based on regional growth and favourable regional factors such as better infrastructure, accessibility, suitable governance, lower risks, fiscal concessions, and higher rate of return. Economic geographers have also linked with agglomeration economies, urbanization, transport costs and specific resource base. One may take the above postulates as good determinants of flow of FDI but contrary to the above when the phenomenon is looked upon with a politico-economic perspective the relationship gets reverted and one may observe the emergence of new spatial organization among the regions. This phenomenon is confirmed by the fact that the regional distribution of FDI has created a new spatial configuration in the Indian economy. This proposition is based on the assumption that the FDI in India does not come for the balanced regional development rather it has a very narrow end of maximization of profit
.

Table No. 4 Total Flow of FDI from January 2000 to March 2007

(Inflow (Rsin Crores.)

RBI's Inflow (Rsin Crores.) Regional Office	State Covered	Amount of FDI 2000- 2007	Per cent
Mumbai	Maharashtra Dadra Nagar Haveli Daman & Diu	36730.30	24.44
New Delhi	Delhi Part of UP Haryana	34153.40	22.73
Chennai	Tamilnadu Pondicherry	11324.44	7.54
Bangalore	Karnataka	10193.99	6.78
Hyderabad	Andhra Pradesh	5779.05	3.85
Ahmedabad	Gujarat	4566.71	3.04
Chandigarh	Chandigarh, Punjab, Haryana, H P	1580.03	1.05
Kolkata	West Bengal, Sikkim, A& N	1540.50	1.03
Panaji	Goa	839.89	0.56
Kochi	Kerala Lakshadweep	394.17	0.26
Bhubaneshwar	Orissa	365.26	0.24
Bhopal	M P Chhattisgarh	300.40	0.20
Jaipur	Rajasthan	250.19	0.17
Kanpur	U P Uttaranchal	57.73	0.04
Guwahati	Assam Arunanchal Manipur Nagaland Meghalaya Mizoram Tripura	41.74	0.03
Patna	Bihar	3.34	0.01
Not Indicated		42161.85	28.03
Grand Total		150282.09	100.00

. The locational choice of FDI has therefore been very obvious states of better infrastructure large cities and industrially developed states. Table no. 4 indicates that the major share of FDI that is about two third of the total has come to the metro cities of Mumbai, New Delhi, Chennai, Bangalore , Hydrabad and Ahemedabad representing the states of Maharashtra, Delhi, and its

region, Tamil Nadu, Karnataka, Andra Pradesh and Gujrat . The share of Maharashtra and Delhi is 24.44 and 22.73 percent respectively. The rest of the states backward in general have individually less than one percent .

Table No.5 State wise FDI and other developmental Indicators

States	FDI Per Capita in Rupees	PCI(rs)	Length of road per 100 Sq Km	Growth Rates(%)	Urban Population %	HDI	Employ rural	Poverty(%)
AP	332	12352	61.11	6.16	27.08	0.41	500	15.8
Arunachal Pradesh	41.74	10348	31.69	3.20	20.41	0.38	357	17.6
Assam	47.74	6721	31.69	4.62	12.72	0.38	357	19.7
Bihar	0.14	3773	13.80	7.89	10.47	0.36	300	41.4
Jharkhand	0.14	8025	5.40	7.89	22.25	0.36	376	40.3
Goa	3539	24797	6.45	4.52	49.77	0.57	309	13.8
Gujarat	538	16878	37.75	6.33	37.75	0.47	489	16.8
Haryana	453	16872	70.13	6.83	29.0	0.50	396	14.0
HP	453	13471	42.72	6.89	9.79	0.46	474	10.0
Karnataka	1200	13820	7.59	5.77	33.98	0.47	508	25.0
Kerala	92	13321	396.26	4.29	25.97	0.63	354	15.0
MP	19	8238	23.41	5.54	26.67	0.39	407	38.3
CG	19	8266	26.17	6.51	20.08	0.39	430	40.9
Maharashtra	184	17864	79.94	6.98	42.40	0.52	473	30.7
Manipur	41.74	8015	31.69	9.18	23.88	0.38	357	17.3
Meghalaya	41.74	11278	31.69	5.07	19.63	0.38	357	18.5
Nagaland	41.74	12292	31.69	6.42	17.74	0.38	357	19.0
Orissa	71	7176	152.41	4.34	14.97	0.40	383	46.4
Punjab	453	16756	100.28	6.96	33.95	0.53	432	8.4
Rajasthan	3	9853	46.24	5.27	23.38	0.42	415	22.1
Sikkim	41.74	12637	33.58	8.97	11.10	0.38	440	20.1
Tamil Nadu	620	13999	115.40	8.17	43.86	0.53	506	22.5
Tripura	41.74	9969	31.69	4.10	17.02	0.38	357	18.9
UP	0.03	6138	43.65	7.44	20.78	0.38	339	32.8
Uttarakhand	0.03	10584	36.48	7.44	25.59	0.38	413	39.6
West Bengal	135	12271	64.13	8.36	28.03	0.47	351	24.7
Pondicherry	620	29893	123.37		66.57	0.53	417	22.4

The developmental indicators in comparative units state wise are given in Table no.5 which shows that the highest receipients of FDI per capita are once again the states viz Goa, Karnataka, Gujrat Haryana, Maharashtra, Punjab and Tamil Nadu which also have relativly higher indices of

per capita income, urbanisation level, and human development index. The correlation matrix (table no. 6) confirms the above understanding that the correlation between FDI and Per Capita (r = 0.73), urbanization (r = 0.63), and human development index(r= 0.53) which is positive and significant. The correlation of inflow of FDI with the growth rates, infrastructure, rural employment is negative and insignificant which indicates that the growth, infrastructure and rural employment are independent to the point that the locational choice is not because of the considerations at the state rather the individual cities. Poverty and FDI show an obvious negative relationship confirming the understanding that the states that are poor also have higher level of poverty ratio and hence have not attracted FDI.

Table No. 6 Correlation Matrix

	FDI	PCI	Roads	Growth	Urbanization	HDI	Rural Employ	Poverty
FDI	1.000	.732	-.132	-.192	.632	.530	-.017	-.314
PCI	.732	1.000	.108	-.086	.750	.759	.303	-.584
Roads	-.132	.108	1.000	-.222	.092	.622	-.010	-.142
Growth	-.192	-.086	-.222	1.000	.017	-.116	.200	.143
Urbanization	.632	.750	.092	.017	1.000	.691	.323	-.208
HDI	.530	.759	.622	-.116	.691	1.000	.222	-.458
Rural Employ	-.017	.303	-.010	.200	.323	.222	1.000	-.133
Poverty	-.314	-.584	-.142	.143	-.208	-.458	-.133	1.000

The responsiveness of the correlates that is per capita income, road network, average growth rate during the structural adjustment period, urbanization level, human development index, rural employment and poverty is measured with the help of regression coefficients. The coefficients indicates that the beta coefficients are once again signifiacant for per capita income, urbanization and human development index explaining 38.70, 29.80 and 28.30 percent as indicated by the coefficient of determination (R^2). The above discussion helps to draw conclusion that the FDI is location specific to the metropolitan cities of developed states having higher level of development and returns. It indicates that the emerging spatial configuration is not helping in the

convergence among the states and is also not indicative of development of the backward states rather confirms the trend of divergence and increasing disparities.

Regression Coefficients

Per Capita Income	Y = -631.05+0.078 X (3.9870)	R Squared =0.3870
Roads	Y = 401.04-1.073 X (0.587)	R Squared =0.0140
Growth Rates	Y = 866.69-85.53 X (0.958)	R Squared =0.0370
Urbanization	Y = -445.47+29.46 X (3.26)	R Squared =0.2980
HDI	Y = -1868.77+5028.43 X (3.14)	R Squared =0.2830
Rural Employment	Y = 395.03-0.151 X (0.065)	R Squared =0.0000
Poverty	Y = 833.47 -20.67 X	R Squared=0.1000

Epilogue

The FDI flow to the third world counties is an outcome of overall capitalist crisis in the capitalist contradiction developed over times, which finds manifestation in the expansion of capitalism in the form of imperialism. The globalization of finance has clearly justified by both the Monopoly Capital as well as the metropolitan countries to the south, that how with the help of monopoly capital they can readdress their problems of underdevelopment and other associated macro economic problems. As a result the peripheral capitalist economies have undergone the structural adjustments, without much of the analysis of the resulting consequences, suited to the core capitalist economies. The resulted manifestations in the form of increasing dependency of south and the hegemony of the north can be demonstrated by the character of the foreign monopoly capital in the form of Foreign Direct Investment (FDI). The general impact of FDI on the macro economic variables and the spatial configuration reveals that the developments are

sporadic and speculative in nature, against the large areas and majority of the sections of the society are marginalised.

The economic reforms initiated under the WTO regime in India, have markedly changed the form and structure of economy. The major changes, observed under the penetration of monopoly foreign capital during the liberalization period, in the process are basically seen in the form of creation of new spaces it has created. The macro economic non-spatial variables like growth, gross capital formation, savings, export, inflation, and budget deficit have shown the concurrence with FDI, but on the other hand the real issues like poverty, unemployment, regional disparities have not been addressed. The spatial configuration of economies has shown sufficient evidence of polarised growth and concentration of capital. A new type space has been created both at regional and of urban level, which is a testimony to the growing disparities. The FDI flow is determined on account of the consideration of labour, technology, and structural advantages and it has made the whole process skewed. A speculative development at selected centres and creation of conditions of underdevelopment traps for the rest of the areas. The space configuration emerged at the instance of FDI has resulted into a new division of labour. A clear divide in employment in organized urban sector is marked by high to very high package of wages in Information technology and software and managerial specialized job on the one hand and wage squeeze such that a trained worker with similar qualification struggles for a petty job of few thousand rupees in the other sectors in small town and rural areas, on the other. The wage is de-linked with the nature job and working hours. The primary sector has remained devoid and especially agriculture has staved of FDI. The manufacturing sector has also not attracted much of the FDI; it is the tertiary sector where the FDI has come in the form of loose and liquid money. The portfolio investment by F I I’s has run over all other FDI investments. The hierarchy in the economy and spatial units has collapsed.

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