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## **FOREIGN DIRECT INVESTMENT AND INDIAN ECONOMY: A COMPARATIVE STUDY WITH CHINA**

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### **ABSTRACT**

*The present study aims at particularly at providing a comparative picture of the foreign Direct Investment (FDI trends of India and China and also provide a general trend of FDI in the Asian region and the Global FDI trend. The methodology used here is simply theoretical. The study is based on secondary data sources.*

*With the liberalization of the FDI policy regime there has been a substantial expansion of FDI approvals and flows. Until 1991, India followed a fairly restrictive foreign investment policy. In all, the Indian government has created a healthy atmosphere for FDI inflow. The liberal FDI policy and macro economic reforms in India since 1991 have helped to attract foreign investors significantly. FDI inflows have increased.. But when it is compared with China, India's FDI inflows stand nowhere. China's track record in attracting FDI is superior to that of India.*

*The study aims to find that the prospects for FDI flows to India are also promising as in China, assuming that both countries want to accord FDI a role in their development process. China will continue to be a magnet of FDI flows and India's biggest competitor. China has a more "business oriented" and "friendly policies" than India. India also has the potential to attract significant FDI flows, much however, will depend on the country's implementation of policy reforms. The study found that India can learn a lot from the FDI policy and experience of China. India should use its external openness effectively to raise the domestic capability and access to foreign markets for its labor intensive manufactures.*

**KEYWORDS:** Foreign Direct Investment, India, China, Asia.