

## FDI in Indian Agriculture Sector: Trends of Investment and Sectoral Status

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### ABSTRACT

India is typically an agricultural country. Agriculture and allied areas helps in providing occupation to more than half of the total population. As far as the gross domestic product, the sector represents about 16% of India's gross domestic product. In order to promote agricultural growth, reduce poverty, hunger and to enhance stability agronomical funds are necessary. Domestic savings are insufficient to meet the needs of agriculture for advancement and growth, consequently international investment is necessary to satisfy the capital requirements in agribusiness. Reforms undertaken by Government of India depicts that there is increase in FDI in agriculture sector. Foreign direct investment (FDI) in the agricultural sector is one of the key factors that motivate agricultural activities to achieve stability through investment from outside countries. Overseas investment in farming business also allows the producers to apply innovative methods for agriculture operations which increase the output as well as capability to produce. 100 per cent FDI is permitted in agriculture and allied service under controlled conditions. The study aims to investigate the status, the pattern of FDI inflow into India, especially in the agricultural sector, and also to examine the FDI inflows in selected sub sectors of agriculture....

**Keywords:** FDI, Agriculture, Growth, India, Economy.

### 1. INTRODUCTION:

Agriculture is one of the essential sectors of the Indian economic system. Agriculture accounts for approximately 16% of GDP of India. It is the core sector of Indian economy as more than half of labor force engaged in agribusiness and other related activities for their basic survival. According to SIRU India owns the world's second-largest farm estate, with 157.35 million hectares under agriculture and different agro climatic conditions which support specific crop cultivation. India also ranks among the world's fifteen top exporters of agricultural products. Most of the sectors of Indian economy are reliant on agriculture for industrial input. In production of milk, organic fibers, pulses and jute India is the bigger producer and the second major producer of wheat, rice, sugarcane, cotton, vegetables, ground nuts and fruits. Furthermore some essential crops and spices are produced mostly in India. It is clear that Agricultural investment is helpful to promote agrarian development along these lines diminishing destitution and hunger and advancing environmental stability. Agricultural investment is classified as public or private and foreign or domestic. Many studies have proved that foreign investment has beneficially effected economic growth of any nation. So it requires funds for development. There is a gap between savings and investments of nation. National savings cannot deal with this, so foreign investments are call for to adopt up to this investment-savings gap.

FDI has grown to be the major stimuli to boosts the growth of emerging economies. Actually FDI helps in bringing new technology (Glady,2019), enhancing output and efficiency, creating jobs (Dhungana and Ghimire, *Advances in Consumer Research*

2013)and integrate emerging economies into the globalized market. In the process, it is possible to impede living and poverty reduction in the country concerned. In this manner, FDI is inevitable trend in every sector of the nation in recent times. Foreign investment means the movement of capital from one country to other by investing in the assets or buying shares of companies of another country. Investments can be done by individual, corporations, and companies. In this way companies can increase its market share at globally.

Organization for Economic Cooperation and Development (OECD) and International Monetary Fund (IMF) describes FDI is a form of inter country investments made by the citizens in one country with the intention of creating a 'lasting interest' in the venture. The international capital flow is considered as an instrument of growth & development and foreign direct investment is the medium through which it flows. Foreign direct investment assists to speed up the economic growth by promoting development projects in the current era when many countries are moving towards globalization. As India is an agrarian economy and has been growing rapidly in the recent years. Therefore it is quite normal that it is drawing the attention of the investors globally. In 1991 a major policy reforms were taken place after the liberalization of the Indian economy. Furthermore, parliament passed the act regarding Food Security. Resultantly the requirement of funds for the farming would certainly elevate.

### 2. REVIEW OF LITERATURE

Dutta &Sarma (2008) although the foreign direct agriculture investment was permitted however the magnitude of the investments was low. It is because of the

primordial form of this sector and poor technological infrastructure. Just 6% was invested in the agricultural sector from the total inflows of 129 million dollars in 1991. According to UNCTAD (2009) FDI has enhanced productiveness, potential to create employment, transferring of technology, improve exportation and persistent growth of the rising economies globally. Hooda (2011) analyzed the FDI and Indian economy and concluded that FDI enhance the financial position of India by providing a sound economic base for growth and development of the country. The finding of the study reveals that, FDI will help to stimulate economic development, increase the technological level of a nation and create new jobs in economically developing nations. Sandeep Kumar and Kavita (2013) discussed the opportunities and challenges of FDI in Indian agriculture segment. Also studied various efforts to reduce poverty and economic growth must address the challenges faced by farming sector and transform the obstacles into economic possibilities for the needy and penniless Indian rural. India, a participant of the General Agreement of the Services in Trade in the World Trade Organization that consists of retail services and wholesale service has opened up retail market for foreign investment. Singh and Walia (2015) assessed that in order to make agricultural productivity and its integration with the manufacturing and services sectors, there is an urgent need to take a number of measures, among which, promote foreign direct agriculture investment in India. The paper explores FDI's role in the overall progress of the agricultural sector and the economy. Kumari and Devi (2016) analyzed the foreign direct agriculture investment in India. The paper focused on the FDI and agriculture sector in Indian economy and compared the FDI in agriculture sector with other sectors in India. It also revealed that FDI inflows in agriculture sector in India were increasing significantly from 2000 to 2015. There are some issues that limit foreign direct investment in India but the Indian economy is growing day by day. Foreign direct agriculture investment is believed to increase more in the coming year than in previous years. FDI in the Indian has increased employment and growth opportunities in agronomy. Therefore, there is a long-standing link between foreign investment and the agriculture industry in the Indian economy. Tarachand (2017) discussed the FDI in agriculture sector in India and found that government should formulate policies with the state Government in this regard that should be free of administrative process i.e. investor friendly so that it will lead to fairness production in the economy. There is need to consider every important related activity to grow faster and efficiently in agribusiness.

### 3. OBJECTIVES OF STUDY

The study has been focused on the following objectives;

To understand the present status of FDI in Agriculture Sector in India.

To study the trends of FDI inflow in Agricultural Sector during 2007-08 to 2023-24.

To analyze the FDI inflows in various sub sectors Agricultural sector wise FDI in India.

### Data Sources and Research Methodology

It is an analytical investigation. To achieve the objectives relating to study, research data from year 2007-08 to 2023-24 of FDI Equity inflows in Agricultural Sector have been taken. Entire data has been obtained from the different sources for instance reports as well as websites and assembled the same as according to the requirement of the study. The data was collected from the numerous magazines, journals and websites mainly from Reserve Bank of India, SIA Newsletters, the Department of Industrial Policy and Promotion (DIPP) and Ministry of Commerce and Industry and. Tables and diagrams are most often used where appropriate to represent FDI statistical details throughout the study period.

### Present status of Indian Agriculture Sector:

Department of Industrial Policy & Promotion (DIPP) was restructured in 2000 which govern FDI in India for approval, facilitation and promotion. The key regulatory agencies determine future position of India agriculture and allied areas like Ministry of Rural Development, Ministry of Agriculture and Planning Commission of India. The main focus of all these agencies is on improving agro sector of India. As per the notification issued in 2011, up to 100 percent of Foreign Direct Investment is authorized for the following agricultural activities by way of automated route, subject to the conditions set out in the revised Policy of FDI:

#### 1. Agriculture and Animal husbandry

Flowering plants cultivation, Garden cultivation and management, Beekeeping and growing of Vegetables & Mushrooms farming within optimum environmental state.

Creation and processing of seeds and material for planting;

Livestock farming (as well as reproduction of dogs), Fish culture, Aquiculture, in controlled conditions; also

Assistance to agriculture and associated sectors.

Industries engaged in Food processing and production.

### 4. MACHINERY RELATING TO FARMING

#### 2. Tea Plantations

Tea Plantations(Mandatory disinvestment of 26% value of the corporation for an Indian accomplice/Indian people during the 5 years and pre authorized by the concerned State Government in the event of any change in land use in future).

India is an agro dependent economy. The average yield per hectare is lower than the international yield. This is because the farmers have shortage of funds. Banks and other financial institutions do not play a supportive role in financing the agro sector and thus the industry is suffering badly from lack of funds. Foreign investors do not take interest in agricultural sector of India as it is not lucrative one. The agriculture sector has attracted minimal inflows of the total FDI in India. The latest figures show that agribusiness draws just around 0.8 per cent of total FDI inflows to India.

Trends of FDI inflow in agriculture sector.

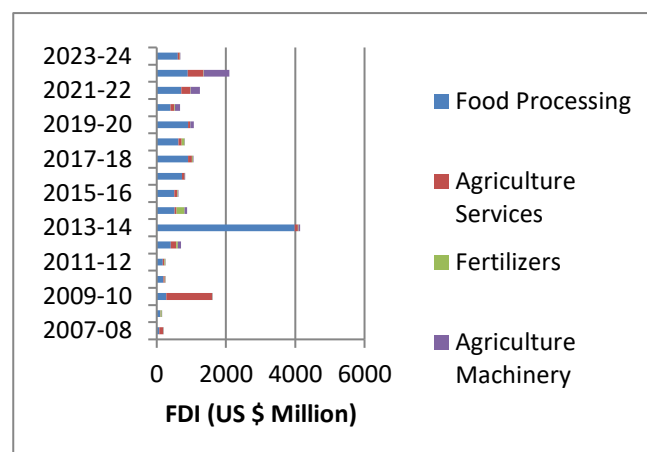
# STATEMENT ON SECTOR-WISE FDI EQUITY INFLOWS (In US million)

Year/Sector	Food Processing	Agriculture Services	Fertilizers	Agriculture Machinery
2007-08	69.08	113.22	01.95	6.72
2008-09	102.64	5.26	38.53	5.57
2009-10	279.33	1,317.07	08.20	1.88
2010-11	188.67	43.90	18.18	0.49
2011-12	170.21	49.02	32.60	2.77
2012-13	401.46	161.47	42.55	95.41
2013-14	3,982.89	91.01	20.65	48.78
2014-15	515.86	59.95	225.32	72.35
2015-16	505.88	84.65	20.93	16.44
2016-17	727.22	76.43	0.89	15.19
2017-18	904.90	110.19	26.68	17.20
2018-19	628.24	88.07	86.73	5.78
2019-20	904.70	52.28	09.12	102.31
2020-21	393.41	117.14	17.89	142.59
2021-22	709.71	258.47	06.07	268.73
2022-23	895.84	450.7	09.34	742.06
2023-24	608.31	57.23	06.56	02.22

Source: DIPP, Ministry of Commerce & Industry, GOI.

The above table reveals that moderate trend of FDI inflows to Indian agriculture sector. This sector is still facing many challenges related to complex regulations, infrastructure, technology and capital. Food processing Industries are attracting highest FDI 9,980.75 US\$ millions while agriculture services, fertilizers, agriculture machinery 1317.07US\$, 252.32 US\$, 742.06US\$. FDI in Food processing industry was high as compared to other sectors of agriculture. From 2009 government had implemented reforms to attract FDI in agriculture. In year 2010, 100% FDI was permitted in warehousing and agri storage. Again FDI inflows in this sector had started to gain momentum after 2014. Make in India was the initiative to improve FDI. After 2016 till 2019 fdi inflows remained stagnant. Due to Covid-19 FDI inflows in agriculture was disrupted but again in 2020 government had announced new agriculture reforms bill in order to liberalise to agri market and encouraging private investments. FDI in agriculture sector as compared to other sectors was very less. There is a significant rise fdi inflows in 2022-23 as compared to 2023-24. In 2023-24 flow of foreign capital was slowed due less new investments in agri service and machinery because investors attracted towards high growth sectors.

**Figure 1: Foreign Direct Investment in Agriculture Sector (2007-2024)**



Indian agriculture is profoundly luring sector. Other than the conventional opportunities, it provides a wide range of opportunities to investors in this lucrative sector with its value chain. Some other areas of interest are farm management services, logistics services like cold storage facilities and agricultural equipment and other inputs and many more.

## Analysis of Agriculture Sector wise FDI inflows in India

As the portion of agribusiness altogether FDI is near about 1.5% of all out FDI inflows. The complete FDI is restricted to Flower cultivation, improvement as well as creation of seeds and planting material, animal husbandry, service related allied services, tea plantation, food processing and agriculture machinery in agriculture sector.

## FDI inflows in Agriculture services

In India FDI in agricultural services is permitted up to 100 percent through automatic route. Foreign investments to Agriculture Service sector also encouraged the growth of other cognate activities such as irrigation facilities, connecting roads with main highways, house building, extension of farm credit, electrification, agriculture water supply, telecommunication connectivity, training of farmers and direct delivery of subsidy to farmers. Agriculture Insurance helps in lending policies. Corpus of Rural Infrastructure Development Fund has been raised with the assistance of NABARD. Agriculture Services and FDI Inflows have influenced the development of rural infrastructure under the scheme "Bharat Nirman". From above figures of 1317.07 US\$ millions in 2009-10 which is the highest in the study period. This was due to change in policy to modernize the agri sector infrastructure and decrease post- harvest losses. In 2022-23 FDI was increase sharply due liberalized government policy norms and rise in demand of agricultural products globally.

## FDI inflows in Agriculture machinery

Through the automatic route, up to 100 percent FDI is allowed in the Indian agricultural machinery. About 65% of people living in rural areas has benefitted from FDI inflows in the Indian agriculture based machinery. Foreign



investment in agriculture machinery sector from 2007-8 to 2011-12 shows a decreasing trend. Again in 2012-13 FDI inflows rise to US\$ 95.41 million and in 2014-15 onwards there is fluctuations in inflows of FDI in agriculture machinery. In 2015-16

there was yearly decline of -77.28% in fdi inflows over the last year(2014-15) and followed by again de growth in year 2016-17 over 2015-16 . From year 2019- 20 after covid there is an increase i.e. three times in FDI inflows in agrarian machinery due more construction and manufacturing activities.

#### FDI inflows to fertilizers industry

Government has permitted foreign investment into the manures business of India up to 100% via automatic route. The fertilizer industry has shown a varying trend in FDI inflows in fertilizer industry. FDI works as a stimulator for development, quality care and growth of industry. In year 2014-15 there is maximum inflows i.e. US\$ 225.32 million and minimum in year 2016-17 was US\$ 0.89 million. The principle advantage of foreign investment into fertilizer industry is improved quality, efficiency, upgraded innovation and development of compost industry. It is considered that all these movements would support the expansion of farming infrastructural activities of the nation in future. But the trends were not favourable till 2024.

#### FDI inflows to Food processing Industries

There is a crucial relationship between food processing and the agricultural sector. It is a sunrise sector of economy. In nearly all food processing industrial units excluding alcohol, 100% of FDI is permissible by automatic route and further the permission of Foreign Investment Promotion Board (FIPB) is not required. Many food processing products are excluded from the licensing agreements, with exception of those kept in reserve for small-scale industries. Foreign investment in agro food industry shows the influential results like a rise in the proportion of export of agricultural products, increased investment in postharvest handling and storage which increase the durability of products and more rigorous requirements to boost efficiency and profitability while reducing costs. Establish other beneficial extraneous factors such as improved seeds and more rigorous requirements to boost efficiency and profitability while reducing costs. The sector has attracted more FDI during the study period but with low proportion. FDI in food processing industries has increased in 2019-20 by 44 percent over previous year 2018-19. In past few years, India has been capable to appeal to funding from food and beverages organizations like Coco cola, Pepsi, Nestle McCain and Mondelez etc. and likewise from retail business concerns like Walmart and Amazon, etc. (Government of India, 2017). In 2018, Mondolez International invested US \$190 million in a green field investment in Andhra Pradesh. In 2019-20 fdi inflows was increased as compared to 2018-19. In 2020-21 there is 43% decline in inflows over pervious year. Again it started to rise but not in increasing manner. In year 2023-24 there decline in trend. Government has implemented several measures to improve it.

#### Main Agricultural Products luring Foreign Direct Investment

The agricultural service sector has attracted USD 2164.72 million of investment due to advancements of technology and this investment is just 0.46 percent of the overall foreign direct investment inflows. Also upturn in gross value added in agribusiness and other related fields in 2019-20 stayed at 4 per cent. Moreover, the agro-food processing business of India attracted USD 9980.75 million of investment sand this investment is 2.12 % of the overall foreign capital inflows are ranked fifth in terms of export. As far as agriculture machinery and equipments is concerned, total inflows of foreign investments all through the period of 2000-2020 were USD 574.480 million. Same way foreign investment in floriculture and horticulture was USD 534 million.

#### Latest Investments

From April 2000 to March 2020 the cumulative Foreign Direct Investment (FDI) equity in flows were approximately US\$ 9980.75 million, as per data provided by the Department for Promotion of Industry and Internal Trade (DPIIT). Various important agricultural investments and innovations are like in March 2020, The Fertilizers and Chemicals Travancore Limited or Fact, the country's extensive fertilizer producer has surpassed a record of one million output and sales. Nestle India will spend Rs 700 crore to built of its ninth factory in Gujarat. Haldiram signed up a regional trading deal with Amazon to sale online (e-tail) its delicacies in the USA, November 2019. 'Rani Float' fruit juices were introduced in November 2019 by Coca-Cola to leave fizzy drinks brand. In October 2019 two diagnostic kits advanced by the Indian Agricultural Research Council

(ICAR)-Indian Veterinary Research Institute (IVRI) and the Japanese Encephalitis IgM ELISA were introduced. Investment valued at US\$ 1, 19 billion for ethanol production in India has been reported. DP World had signed MoUs with the Gujarat government for the port linked agro logistics(ibef.org) in Jan 2024. To boost domestic production a fertilizer joint venture of rupees 25000 cr was started with Tata owned Rallis India in 2023.

#### Initiatives by Government

Few recent notable Government's initiatives in this area are as follows:

Government proposed the opening with Rs 15,000 crore (US\$ 2.13 billion) a animal husbandry infrastructure development fund in May 2020,

Prime Minister Narendra Modi initiated the National Animal Disease Control Program (NADCP) in September 2019, which is intended to eliminate foot and mouth disease (FMD) and brucellosis in livestock. Also Rs 13,343 crore (US\$ 1.89 billion) was assigned to the plan in May 2020.

NABARD proposed a venture capital fund investment of Rs 700 crore (US\$ 100 million) for equity investment in agriculture and rural start-ups in May 2019.

According to Union Budget 2019-20, Pradhan Mantri Samman Nidhi Yojana was formed to provide qualifying small scale farmers with a minimum fixed pension of Rs

3000 upon reaching the age of 60, restricted to some exemption clauses.

The Government of India has initiated a Transport and Marketing Assistance (TMA) plan to give financial support for transport, advertising and marketing of agro products so as to improve agricultural exports.

The Government of India will give rupees 2,000 crore (US\$ 306.29 million) for the development of computerized system in Primary Agricultural Credit Society (PACS) to make sure that digital technology will support cooperatives.

The Government of India dispatched the Pradhan Mantri Krishi Sinchai Yojana (PMKSY) with a venture of Rs 50,000 crore (US\$ 7.7 billion) focused on improvement of water system hotspots for giving a perpetual arrangement from dry season.

Government intends to significantly increase the limit of food preparing area in India from the current 10% of farming produce and has additionally dedicated Rs 6,000 crore (US\$ 936.38 billion) as ventures for uber food parks in the country, as a piece of the Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters (SAMPADA)

Under the automatic route, the Government of India has permitted 100 per cent FDI in marketing of food products and in E-commerce of food product.

Under the crop insurance scheme (PMFBY and RWBCIS) cover the risk from pre sowing to post harvest losses and weather related risks.

Project VISTAAR aims to create a unified digital agro ecosystem, accessibility, intensify, scalability and enabling two way communications with agriculturalist.

Meghdoot and Mausam mobile apps also help the farmers to get weather information.

To enhance the rural skills Krishi Vigyan Kendra (KVK). Achievements in the sector

The Electronic National Agriculture Market (e-NAM) was started to make an integrated national market place for agriculture supplies by networking the pre existing APMCs. It had 16.6 million agriculturists farmers and 131,000 merchants signed up on its website as on May 2020. In India, more than 1,000 mandis are now connected to e-NAM and 22,000 more are expected to connect by the year 2021-22.

Tractors sale in the country remained at 804,000 units in 2019 with 80,475 units of export.

During FY20, tea export stood at US\$ 826.47 million.

India had obtained around \$ one billion funds in agri tech sector from 2017 to 2020.

22 out of 39 mega food parks were authorized in India to start new business.

New cold storage and warehouses has raised the shelf life of produce and mitigate waste in which was about 20-30%.

Canadian international food security research fund had main investments in food security research in many

universities. Tractors sale in the country remained at 804,000 units in 2019 with 80,475 units of export.

During FY20, tea export stood at US\$ 826.47 million.

Food processing unit had attracted maximum investment up to march 2024 which helped to increase exports to 25% of total agricultural export in year 2023-24.(ibef.org)

In Maharashtra and Jammu & Kashmir, FDI linking scheme assisted women's group and climate-smart farming for more than 300,000 marginal or small farm mans.(drishtias.com)

## 5. CONCLUSION

The later improvement in the India's agriculture industry due to FDI is expected to considerably affect the 65percent approximately villages of India. Agriculture sector has grown in technology, infrastructure of irrigation, new jobs, advancement of agricultural practices and managing the agriculture credit facilities, subsidies and tax incentives due to increasing investments. Due to the development of infrastructure in the host country, FDI in the host country should remain stable.

FDI at present has been offering benefits in selected areas of Indian agriculture particularly in value addition and allied sector. Still a comprehensive and prudent policy is required to bring this transformative benefit in to agriculture sector. This step is essential for enhancing the productivity of farmers and strengthens the base for sustainable development in the county..

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