Gender and Economic Policy Discussion Forum

The Politics and Economics of Foreign Direct Investment (FDI) through a Gender Lens

FORUM VII | 9 APRIL 2013 BRIEFING NOTE 7

HIGHLIGHTS / KEY POINTS

- Foreign investors are attracted to invest in countries based on their market size, availability of natural resources, availability of infrastructure and labour market regulations.
- Host countries are interested in FDI to complement domestic capital flow, enable superior technology, skills and idea transfer, access to foreign markets, creation of job opportunities and increase in wages.
- Foreign investment in India grew rapidly post the 1991 economic reforms.
- FDI inflows in India have been the highest in the service sector, followed by construction, telecommunications and computer hardware and software.
- The existing literature on the relationship between FDI and gender has been restricted to the analysis of women's employment and wages in the manufacturing sector. In India the service sector has received the maximum inflows, however, women tend to be dominant in the primary sector.
- Analysis of impact of FDI on women across different sectors in India has revealed some positive as well as some negative results.
- It is felt that in order to maximize the benefits of FDI, the policy context of foreign investment as well as the domestic policy environment need to be such that they not only strengthen the domestic economy but also protect the rights of the employees and result in greater gender equity.
- There is also a need for more scholarship in this field, especially in India.

The Gender and Economic Policy (GEP) Discussion Forum on The Politics and Economics of Foreign Direct Investment (FDI) through a Gender Lens, held on 9th April, 2013 addressed the pros and cons of FDI from a gender perspective.

It is argued that though there is literature available on the effects of FDI on development, such studies have generally been gender-blind. Additionally, the limited body of work on the relationship between FDI and gender has been restricted to the analysis of women's employment and wages in the manufacturing sector. It has been found that FDI, in the short-run, has had a positive impact on women's employment and wages in semi-industrialized countries. However, impact can also be assessed in terms of women's autonomy, empowerment and general well-being. [1]

What is FDI?

World Bank defines foreign direct investment (FDI) as "the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor"[2]. Foreign investors are attracted to invest in economically dynamic countries for their market size, availability of natural resources, transportation and communication infrastructure and labour market regulations. Three types of FDIs are thus distinguished: efficiency-seeking FDIs, aimed at minimizing production costs, hence the labour costs in the host country are a significant determinant; resource-seeking FDIs, aimed at exploiting natural resources of the host country;

and market-seeking FDIs[3], concerned with the market size and per capita income of the host country in order to be able to sell its products in the host country's domestic market.[4]

For the host country, on the other hand, FDI is a good source of capital flow. It complements domestic private investment and also crowds-in or encourages domestic investment in ancillary industries. It is a source of transfer of superior technology, skills and innovative ideas as well as access to markets. Additionally, it may also lead to creation of job opportunities and increase in wages. Foreign investment is preferred over short term capital for its relative stability and commitment. In developing countries it is sought after to aid in accelerating industrial development.

FDI is also a policy option to be considered if the domestic economy is not able to meet its infrastructural demands. Low investment begets a vicious circle with consequences such as lack of adequate infrastructure, high wastage, high costs, high inflation, and consequently low savings and low employment which again lead to low investments. Economies facing low investment then have to take certain policy options to escape from the vicious circle to increase output and employment:

a. they can undertake economic interventions by interest rate cuts to propel investments or
b. intervene through monetary policy to arrest the domestic currency from appreciating below a threshold level or
c. open the economy to foreign investment.[5]

FDI in India

FDI in India grew unprecedentedly after the economic reforms of 1991 that integrated India into the global economy.[6] Foreign investments provided the much needed capital and job opportunities to jumpstart India's GDP, which was very low to support the rapidly increasing population. Since 1991 FDI has been liberalized further. The Government of India, however, upholds prohibition of foreign investment in certain sectors such as: atomic energy, lottery and chit fund business, gambling and betting, Nidhi companies[7], agricultural (excluding floriculture, horticulture, development of seeds, animal husbandry, pisciculture and cultivation of vegetables, mushrooms, etc. under controlled conditions and services related to agro and allied sectors) and plantations activities (other than tea plantations), housing and real estate business (except development of townships, construction of residential/commercial premises, roads or bridges to the extent specified in FEMA), trading in Transferable Development Rights (TDRs) and manufacture of tobacco or tobacco substitute products such as cigars , cheroots, cigarillos and cigarettes.[8] Additionally, since the service sector is considered sensitive from a developing country perspective, FDI in services has been restricted, and in several services FDI is banned or is limited, e.g. multi-brand retail, insurance, pension, postal services, banking and financial services etc.[9]

With liberalization of the economic policy regime in the 1990s, the sectoral composition of FDI shifted from a focus on manufacturing to services, which currently receives about 53% of all FDI inflows. The source of foreign inflows also changed post reforms with the US[10] emerging as an important investor (European countries were earlier the major source of foreign investment in India). Additionally, mergers and acquisition of existing Indian enterprises emerged as an important channel of FDI inflow in the post reform period; earlier greenfield investments were more predominant.[11] Total FDI inflows into India since April 2000 to March 2013 is reported to be worth $290078 million, with $36860 million during the financial year 2012-13.[12]

FDI and Gender in India

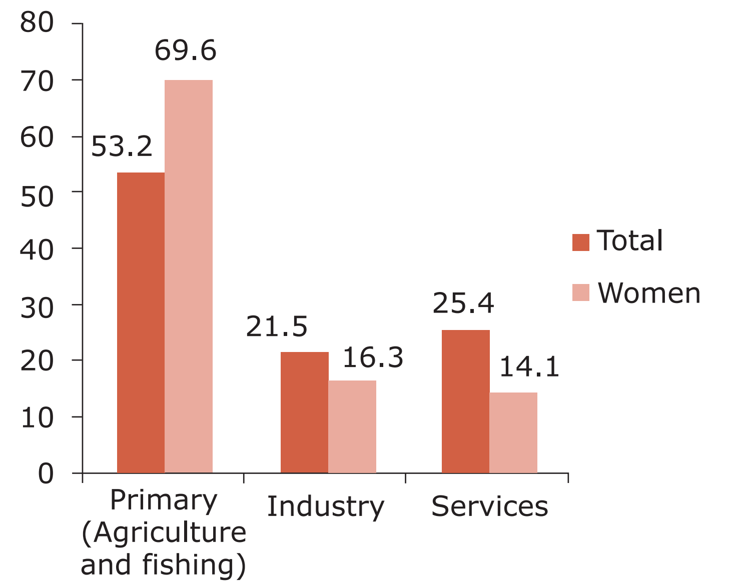
FDI inflows in India have been the highest in the service sector (including a range of activities such as financial, banking, insurance, outsourcing, R&D, courier and others), followed by construction, telecommunications and computer hardware and software. (See Table 1 for sector-wise FDI inflows). The service sector makes the highest contribution to the Indian GDP at more than 50%; however, its share of total employment is 25.4% and the lowest for women at 14.1%.[13] The primary sector has the highest share of total employment (53.2%) as well as women employment (69.6%). (See Figure 1) An industry wise break-up of women employment reveals that a majority of women are employed in agriculture (68.6% of all employed women), followed by in manufacturing (10.8%) and construction (5.1%). Education and wholesale and retail trade also account for significant proportions of women employment (3.8% and 3.5%, respectively). Women are primarily employed in low-skilled or unskilled jobs as skilled agricultural and fishery workers (40.36%), followed by in elementary occupations such as mining, construction and basic manufacturing (37.1%), and as craft and related trade workers (8.55%). While the proportion of women employed as service and sales workers account for just 3.62%, those employed as professionals, technicians and senior officials is even lower (See Figure 2) .[14]

Table 1: Sector-wise FDI Equity Inflows from April 2000 to March 2013[15]

S.No.	Sector	Amount of FDI Inflows ` (In Rs. Crore)	(In US$ million)	%age with total FDI Inflows (+)
1	SERVICES SECTOR (Finance, Banking, Insurance, Non Fin/Business, Outsourcing, R&D, Courier, Technology Testing and Analysis, Other)	172,275.31	37,234.60	19.26
2	CONSTRUCTION DEVELOPMENT Townships, housing, built-up infrastructure and construction-development projects	101,049.13	22,080.20	11.42
3	TELECOMMUNICATIONS	58,732.23	12,856.06	6.65
4	COMPUTER SOFTWARE & HARDWARE	52,774.07	11,691.10	6.05
5	DRUGS & PHARMACEUTICALS	48,879.53	10,318.17	5.34
6	CHEMICALS (OTHER THAN FERTILIZERS)	40,495.55	8,880.83	4.59
7	AUTOMOBILE INDUSTRY	39,169.94	8,294.85	4.29
8	POWER	36,136.88	7,834.22	4.05
9	METALLURGICAL INDUSTRIES	34,814.13	7,507.07	3.88
10	HOTEL & TOURISM	33,260.03	6,631.25	3.43
12	TRADING	18,646.51	3,955.80	2.05
13	INFORMATION & BROADCASTING (INCLUDING PRINT MEDIA)	15,495.69	3,284.21	1.7
21	FOOD PROCESSING INDUSTRIES	8,681.38	1,811.06	0.94
23	AGRICULTURE SERVICES	7,797.73	1,608.69	0.83
24	HOSPITAL & DIAGNOSTIC CENTRES	7,437.93	1,597.33	0.83
30	MINING	4,368.18	998.3	0.52
41	VEGETABLE OILS AND VANASPATI	1,893.72	384.94	0.2
50	RETAIL TRADING (SINGLE BRAND)	459.55	95.36	0.05

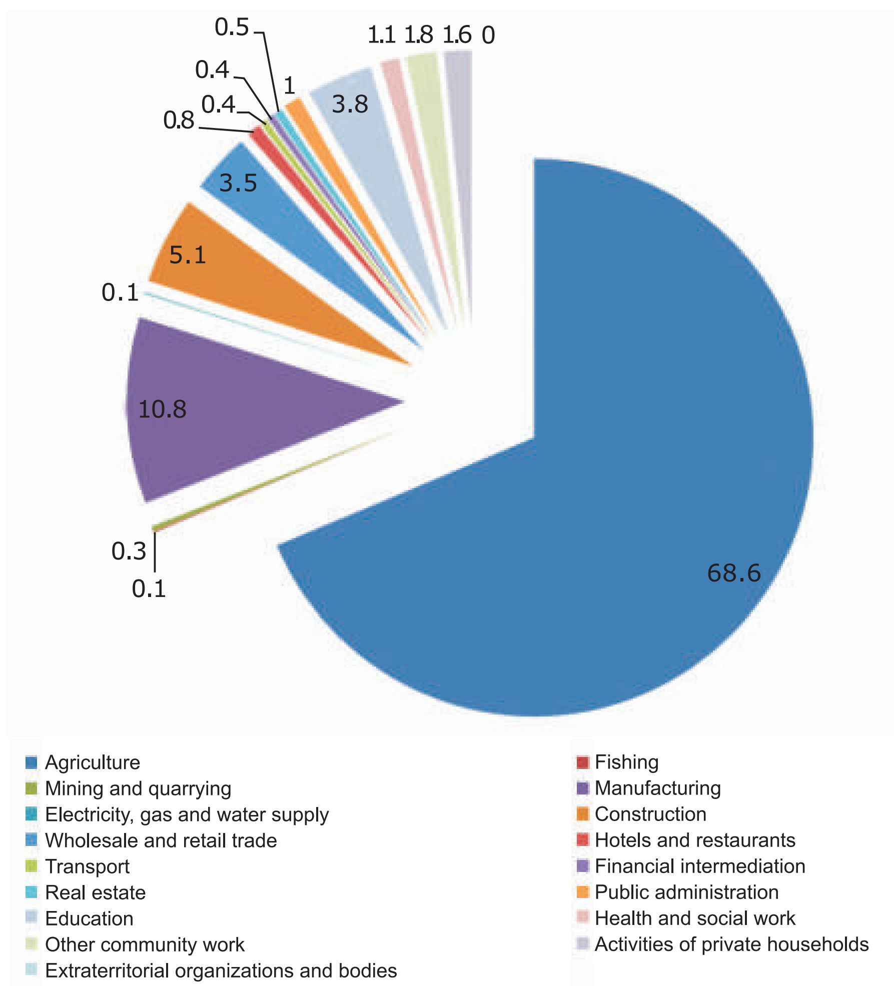
Source: Department of Industrial Policy & Promotion

Figure1: Total employment and share of women employment in percentage (2009-10)



Source: Arpita Mukherjee and Deboshree Ghosh based on NSSO 2009-10 for GEP Discussion Forum VII

Figure 2: Industrial Classifciation of employed women (%)



Source: Arpita Mukherjee and Deboshree Ghosh based on NSSO 2009-10 for GEP Discussion Forum VII

FDI has been argued to have implications on four categories of women: the wage earner, the casual worker, the dependent housewife and the paid reproductive worker.[16] For the wage earner such investments have created jobs although at the same time confined them to the bottom in the hierarchy of skills and wage. Also, there is an increasing move towards temporary, casual and subcontracting work, taking advantage of women's care responsibilities. Thus, space rental costs and social protection costs (such as maternity leave with pay and health insurance) that should have been borne by the corporations are subsidized by the casual workers

Division of labour within the household leads to the housewife becoming the default social welfare system for the generally male labour force; ensuring that the meals are prepared and clothes are washed and ironed, as well as providing emotional and psychological support. However, this division of labour poses a challenge for the wage earners, whose employment opportunities have increased with foreign investment. Thus those who can afford hire the services of the paid reproductive worker. Outsourcing care work has led to an increase and feminization of labour mobility. While female migration breaks away from the traditional patriarchal control over woman's mobility, transnationalization of care work re-enforces the division of labour within the household.

Sectors with likely implications on women's work

Certain sectors that have attracted FDI in India have implications on gender beyond employment. For instance, FDI can have impact on women as far as their entrepreneurship is concerned; in India women find it easy to be in small and medium enterprises with low capital and technology requirements. Entry of FDIs can then drive out such small industries and render women unemployed. Also, foreign investment in natural resources such as land can affect women more as their economic and household activity is closely linked to availability of natural resources.

IT Services

The IT sector benefited from low legal rigidity and also liberalized labour laws. The Indian IT-BPO sector is the largest private sector employer in the country comprising of 30-35% women. The comparative high salary, easy international mobility, gender neutral policies based on knowledge and skills, and flexible work routine along with comfortable indoor work environment are factors that have encouraged women to participate in this sector. However, women tend to be dominant only at the junior level; there is low representation of women at the senior management level.[17]

FDI in retail

The issue of FDI in retail came in the limelight with the central government's announcement of reforms in single brand and multi-brand retail in November 2011. The reforms aimed at raising the FDI ceiling from 51% to 100% ownership in single brand retail trade and allowing 51% FDI holding in multi-brand retail, which was earlier forbidden. In January 2012, single brand retail reforms were approved with the condition that 30% of the goods were to be procured from within the country. In September 2012 the government enabled FDI in multi-brand retail subject to the approval of the state or union territory. FDI in trade is also allowed with up to 100% ownership in cash and carry wholesale and export trade since 1997.[18]

FDI in multi-brand retail trade faced opposition from many quarters for its misplaced expectations and adverse impact on traditional retail. The government on its part tried to strengthen the policy by levying several conditions such as - a minimum investment of $100 million, 50% of which shall be invested in back-end infrastructure; at least 30% of the products shall be procured from small and medium enterprises; the government shall have the first right to procure farm products; and, these retail outlets shall be set up only in cities with a population of more than 10 lakhs.[19]

Eliminating the middleman and thus benefitting both the producer and the consumer is considered one of the main justifications provided for opening the Indian market to such FDI. Eradicating intermediaries would provide the producers better access to the market and also reduce wastage in farm produce. The critiques, however, argue that farmers would not benefit much, in fact they will continue to be exploited: the buying power of the big investors would ultimately depress the price of the producer. The consumers are expected to benefit from choice as well as affordability of products; curbing food inflation is one of the main arguments provided in favour of FDI in multi-brand retail. The counter argument provided, however, is that market power would concentrate in these supermarkets and lack of competition would enable them to monopolize prices at the buying end as well as at the selling end. Further, FDI in retail would, it is argued, eliminate the unorganized retail sector in the long run.

The Indian retail sector is vast and varied with 96% of it being unorganized[20]. It accounts for 9.5% of the urban women's total employment and 16.63% of their services employment. Women's employment in retail may vary from small family run shops to street vending. With FDI in multi-brand retail, jobs of the many in the unorganized would be replaced by a few in the organized. Foreign investments of such magnitude would lead to the creation of new jobs. It is argued however that such jobs would be few in comparison to the ones lost and also that these would provide employment to a different category of people–the educated professionals–than the ones who would lose. There already has been a decline in women's share in total retail employment as well as the share of retail in women's employment in services between 1999-00 to 2004-05[21]. Rise in corporate retail is argued to be one of the reasons responsible for this. The entry of foreign retail chains may further push women out of this shrinking space. It may, however, also induce a shift in employment from the unorganized to the organized sector.[22]

It is important to mention here ways in which foreign capital has been operating in the retail sector, albeit through the backdoor, prior to the retail reforms. Foreign companies have utilized the cash and carry wholesale trade space (available to them since 1997) to enter the retail space by several means. For instance, Bharti Wal-Mart, a joint venture formed between the American retail chain Wal-Mart and the Bharti group in 2007, was primarily engaged in wholesale cash and carry business but entered retailing through a subsidiary company. Talking about the implications of such organized retail, Venkateswaran argues that there is loss of unorganized low-skilled jobs and self-employment in the short run; women vendors are especially vulnerable to such operations. However, low consumer prices, low inflation, increased output, semi-skilled employment and tax collection for the government, compensate in the long run for the loss of jobs. Organized retail also improves farm prices as farmers are forced to be cost effective. Additional investment in the sector in the form of FDI will make it more competitive and further improve prices for consumers and farmers. The Bharti Wal-Mart venture, additionally, entails for Bharti, a company with no prior experience in the sector, knowledge gains and spillover.[23]

Another retail format in which the wholesale trade space has been used is direct selling, which is organized retail operating through the unorganized network. The direct selling industry in India is 11th in the world, worth $901 million. The share of women in this sector is more than 50%. Women have been found to have benefited from this form of retail set up in terms of financial independence, higher earnings, flexible timings, self esteem and improved ability to take care of the family. However, retail marketing is not a steady source of income and it also has not been found to benefit much in terms of women empowerment.[24]

Construction

FDI in construction, including building of townships, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities and city and regional level infrastructure, is allowed up to 100% under the automatic route. Not only are the inflows in this sector very high, this sector is also crucial from the perspective of women employment: 13.6% of workers in this sector are women and it accounts for 38.9% of the unorganized female casual non-agricultural workers. This sector being labour intensive and low-skilled holds a lot of scope for women employment. However, increasing mechanization and use of pre-fabricated materials is fast replacing labour, and women are the first to be evicted.

Health

Since January 2000 FDI in hospitals has been permissible up to 100 per cent under the automatic route. However, in spite of a very liberal investment policy, the presence of FDI in hospitals has been limited. It is believed that foreign investment in this sector can have significant effect on cost of service, manpower and quality of healthcare delivery. It can help in enhancing the physical capacity of the healthcare sector in terms of infrastructure development in bed strength, number of speciality and super-speciality centres, number of diagnostic centres etc, as well as play a significant role in raising the standards and quality of healthcare, in upgrading technology. Women can, additionally, gain from the creation of employment opportunities with increase in demand for doctors, nurses and other medical practitioners.

The concern in this sector, however, has more to do with accessibility and affordability of services. Highly specialized and costly healthcare delivery can widen the class and rural - urban divide: it has been noticed that so far foreign investment in hospitals has only been in the urban areas[25]. In the urban areas it may crowd out domestic as well as public investment. Crowding out public sector investment may affect government service delivery in the rural areas and for the poor, which can have more impact on the vulnerable- the women.

Banking[26]

Financial and banking activities fall under the services sector, which receives the highest amount of foreign investment[27] inflows. Inflows in this sector can help generate employment for women in the organized sector. However, it may not improve access of the marginalized communities to financial support. It is found that foreign banks in India have a high proportion of women account holders (23.8%) as compared to the national banks (14.9% in State Bank of India and its associate banks and 22.4% in other nationalized banks). However, their disbursement to women is the lowest at 7.9%. Comparatively, the Regional Rural Banks do much better, with 25.5% of women account holders and 19.6% of credit lending to women. Foreign banks do not extend lending facility in the rural areas and are also not required to do priority lending to women and in agriculture, unlike the national banks. [28]

Agro Industries

Within the field of agriculture, 100% automatic FDI is allowed in activities such as floriculture, horticulture, apiculture and cultivation of vegetables & mushrooms, under controlled conditions; development and production of seeds and planting material; animal husbandry, pisciculture, aquaculture, under controlled conditions; and, services related to agro and allied sectors. FDI in the agro based industries, it is argued, can curtail post harvest losses, improve quality of exports and make consumer prices cheaper through consolidation of ghanis, chakkis, puffing units, mills and solvent extraction plants, which are at present unorganized .FDI can bring benefits of the organized sector and provide the required support in finance, infrastructure – such as cold storage facilities and credit facilities. Investment in this sector is likely to benefit women engaged as agricultural labourers and in fish processing and plantations.[29] Use of modern technology may, however, replace traditional labour intensive technologies and so impact employment, particularly that of women. Additionally, production for export may be at the cost of domestic needs and requirements.

Foreign Investment and Domestic Policy Space[30]

There are two important areas of concern related to the mechanisms through which FDI is entering the country. The first relates to the fact that conditions on FDI, referred to as performance requirements (PRS), are getting increasingly diluted, either through the government's autonomous policies or through investment chapters in Free Trade Agreements. For example, the conditions imposed on allowing FDI into multi-brand retail are already getting diluted. The government has also increasingly removed conditions related to mandatory technology transfer, which is very important for domestic growth and for creating opportunities in SMEs where a lot of women work as entrepreneurs and employees.

The second concern stems from the fact that the Indian government has signed about 80 Bilateral Investment Agreements or Bilateral Investment Partnership Agreements (BITs/ BIPAs) which do not give market access to investors but gives them very strong protection and legal rights. While this was done and is seen by many as necessary for attracting FDI, others argue that this has severely limited the policy space of the government to regulate in national interest. Under BITs / BIPAs, foreign investors have the right to sue national governments (in secret arbitration in international tribunals) if they perceive any violation to their investment. Several public interest regulations by governments across the world have been challenged under such agreements. India too has already lost two major cases and faces several lawsuits launched by multinational companies.

This poses an emerging and significant challenge for future regulations that may adversely affect women's rights and space. For example, it may become difficult for the government to bring in future policy regulation in areas where regulation is still weak—such as surrogacy and medical tourism laws that impact women significantly. Women traditionally use and depend on natural resources, and evidence shows that such cases can affect access to these resources. The majority of the 25 known outstanding investor-state cases under US FTAs and BITs (totaling $11 billion in claims) relate to natural resource policies. Nearly half of the 129 cases pending at the World Bank's investment dispute facility relate to natural resources. (Burlington Resources vs. Ecuador, pending, reveals conflicts between government duties to protect human and indigenous rights, on the one hand, and obligations to protect foreign investors). Public health and environment provisions/regulations, areas on which women and children are critically dependent, are also being challenged globally. For example, in the case of Renco vs Peru, lead poisoning of 162 La Oroyan children led to the Peruvian government taking measures against the company but Renco sued Peru for $800 milllion under the US-Peru FTA.

Recommendations

FDI thus has mixed impact on the growth of the host country and on women, in particular. In order to maximize its benefits, policy context of foreign investment as well as domestic policy environment need to be such that they not only strengthen the domestic economy but also protect the rights of the employees and result in greater gender equity.

- Therefore, as a pre-condition to market access, foreign investors should be required to maintain a certain proportion of women in the workforce. Employment of women can also be incentivized by offering fiscal benefits to foreign companies employing a certain percentage of women. Women employment in MNCs and 'FDI led women dominated' industries can be incentivized by brand promotion of products made by women. [31]
- Foreign companies should be made to adhere to corporate social responsibility conditions such that they ensure safe and good working conditions even in the unorganised sector, such as contract employment and out-sourcing, which is widely prevalent in FDI-led industries.[32]
- FDI has led to feminization of the export oriented, labour intensive, low-skilled, unorganized sector work such as manufacturing of electronics, garments, footwear and textile production sector in most semi-industrialized countries.[33] Therefore, foreign investors must be expected to, as a pre-condition to investment, provide skill enhancement by providing additional training to the female workforce so as to enable their shift to more skilled jobs. [34]
- Further, there is a need for multilateral agreements to regulate physical capital movement as well as global labour standards. Incentive competition should also be regulated so as to control the negative effects of flight of capital to places of cheaper production costs.[35] Mobility of capital keeps the labour costs at minimum and the dependency on consumer markets, makes employment in production highly volatile and

insecure. Low-skilled jobs in developed countries are moved to developing countries due to the availability of cheaper labour. Relocation of capital in search of cheap labour assumes the existence of gender inequality which is then further exploited by the investors in order to maximize their profit.[36] An existing gender wage gap acts as an incentive for investment as it justifies crowding of women in the export production at low wages.

- The host country, on the other hand, must provide for social protection for women in the form of healthcare and childcare. Disproportionate distribution of non-market household work, which is borne particularly by women, gives rise to the systematic underestimation of women's productive potential in the market. "Women are primarily associated with the care and reproduction of the family, and much of their work time is spent outside of the market, whereas men's work is typically viewed as more directly productive and more fully incorporated into the market sphere."[37] Not only is there not a market reward for this non- market work, which is crucial for the reproduction of labour force, women are continually penalized for their engagement in such work, which makes them less mobile and flexible in terms of time and space. "Working for a wage has been widely documented as having empowerment benefits, but as long as women are constrained by their non-market sector responsibilities, there are limits to how far earning an income can improve their well-being and redress gender inequities".[38]
- The host country, India in this context, must also invest in providing education and market friendly skills to women and girls, such as training in English and computers, to enable them to get skilled jobs in the organized sector.[39] Sexual division of labour within the household along with institutional and social constraints in access to education, healthcare, public provision of child care determines whether women look for work and what types of work are considered suitable for them (i.e. their bargaining power in the market).
- The host country must enforce non-discriminatory practices in the labour market such that women are not left out of the more lucrative and senior position jobs.[40]
- It is important to tweak FDI inflows so that it flows to sectors where it is needed most and is invested in a way that benefits the host country to the maximum extent. In this regard, it is important to impose certain conditions on FDI so that it serves the interests of the host country, creates jobs and leads to transfer of technology, skills and practices from which the recipient population can benefit. Conditions can also be imposed to address the issues of inequalities that may stem from the natural operation of FDI (e.g. not going to urban areas).[41]
- While negotiating/signing international investment agreements (through FTAs, BITs, BIPAs) the host government must be allowed effective and usable policy space to enact future regulations in public interest for protecting public health, environment, natural resources, or in the interest of particular groups such as women, children, elderly, disabled and the economically poor.[42]

There is a need for research on the impact of foreign investment on gender. Existing research in this field has been limited to the growth of the unorganized manufacturing sector in developing countries; which has generated employment and wages for women but not led to gender equity, in fact may have worsened it. In India, on the other hand, the service sector has been the highest receiver of foreign investment. Women's participation in this sector, however, has been limited. They continue to be dominant in the primary sector, which has not been an active ground for foreign investment. Additionally, there is no clear relationship between foreign investment and women employment; states with the highest percentage of foreign investment in the country do not have the highest percentage of employment for urban women.[43] There is thus a need for scholarship in this field in India. Additionally, for FDI to work towards gender equity there is a need to tweak it to the specific needs of the host country along with providing for supporting policies.[44]

Endnotes

[1] Braunsten, Elissa. "Gender, FDI and Women's Autonomy: A Research Note on Empirical Analysis". Prepared for International Center for Research on Women conference on Linkages Between Trade Liberalization, Women's Employment, and Reproductive Health, Washington, DC, April 8-9, 2002.

[2] Source: The World Bank. http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD. Accessed on 24th June, 2013.

[3] Arpita Mukherjee states that the service sector FDI in India is market seeking, which will generate employment in the process. However, FDI is not the only factor that affects employment; there are several other factors - culture, education, government policy, to name a few - that determine women's participation in the workforce. (GEP Discussion Forum VII, April 2013)

[4] Braunstein, Elissa. "Foreign Direct Investment, Development and Gender Equity: A Review of Research and Policy". UNRISD, OPGP12: 5.

[5] Anandi Venkateswaran at GEP Discussion Forum VII, April 2013.

[6] Prior to 1991, a sense of paranoia prevailed regarding foreign ownership of domestic industries as a consequence of the historical experience of imperialism. In the post independence era FDI was sought to develop the domestic base in terms of technology, skills, entrepreneurship, etc., although with majority local ownership. In the late 1960s with the development of the domestic base and sharp increase in outward remittances in the form of dividends, profits, royalties, technical fees and for technology imports, the government imposed certain restrictions on FDIs. 1973 onwards the activities of foreign countries were restricted to high priority industries such as high technology sectors, tea plantations, and export oriented sectors. With the aim to modernize industry, changes were adopted in the FDI policy by liberalizing license rules, making exemptions regarding foreign equity requirements, 100% export oriented units and flexibility in foreign ownership.

[7] Nidhi companies, registered under section 620-A of the Companies Act (1956), are classified as Mutual Benefit Financial Companies.

[8] Source: Reserve Bank of India. http://rbi.org.in/scripts/FAQView.aspx?Id=26. Accessed on June 24th, 2013.

[9] Ranja Sengupta at GEP Discussion Forum VII, April 2013.

[10] Investing on its own and subsequently routing through Mauritius to minimize tax liability through the Double Taxation Avoidance Agreement signed between India and Mauritius.

[11] Kumar, Nagesh. "Liberalization, Foreign Direct Investment Flows and Development: Indian Experience in the 1990s". Economic and Political Weekly XL, No. 14, 2 April 2005: 1459-69.

[12] Source: Department of Industrial Policy & Promotion, Government of India, "Fact sheet on Foreign Direct Investment (FDI) from APRIL, 2000 to MARCH, 2013". Accessed on August 1st, 2013. http://dipp.nic.in/English/Publications/FDI_Statistics/2013/india_FDI_March2013.pdf. India is often compared to China in terms of attracting FDI. Presence of democracy, western style financial and legal institutions, widespread knowledge of English, is believed to make India more attractive to foreign investors but it holds only one-tenth of the volume of FDIs in China. Balsasubramanyam and Sapsford explain that the difference is due to the difference in the structure and nature of economic activity in the two countries. China attracts investors for production and export related (manufacturing) activities with the availability of low cost labour. Availability of skilled people with tertiary level of education, on the other hand, attract foreign firms specializing in science and technology and services to India. The composition of the Indian economy in terms of manufacturing and services explains the low volume of FDI in India as compared to China.

[13] Share of total employment: primary sector (agriculture and fishing) =53.2%, secondary sector (industry) = 21.5%; share of women employment: primary = 69.6%, secondary = 16.3%.

[14] Arpita Mukherjee and Deboshree Ghosh based on NSSO 2009-10 for GEP Discussion Forum VII, April 2013.

[15] Source: Department of Industrial Policy & Promotion, Government of India, "Fact sheet on Foreign Direct Investment (FDI) from APRIL, 2000 to MARCH, 2013". Accessed on August 1st, 2013. http://dipp.nic.in/English/Publications/FDI_Statistics/2013/india_FDI_March2013.pdf.

[16] Durano, Marina. "Foreign Direct Investment and Its Impact on Gender Relations", July 2002, WIDE Info Sheet. (Available at www.wide network.org).

[17] Arpita Mukherjee at GEP Discussion Forum VII, April 2013.

[18] In 1997, 100% FDI participation in wholesale cash and carry business was allowed under the government route and in 2006 it was allowed under the automatic route.

[19] The government is now set to revise the conditions imposed on multi-brand retail. "The revised policy is expected to state that the 'small industry' status will be reckoned only at the time of first engagement with the retailer and such industry shall continue to qualify as a 'small industry' for this purpose even if it outgrows the said investment of $2 million during the course of its relationship with the said retailer… The government is expected to provide a window of three-years to the foreign multi-brand retailer to invest 50% of the first tranche on $100 million, leaving ample scope for the retailer to invest more if required…. (T)he government is expected to allow setting up of retail stores even in the 10 kilometer area within the municipal limits of a town with a population of over 1million." Source: Financial Express Bureau, "Cabinet to take up FDI policy on multi-brand retail today," The Financial Express August 1st, 2013. Accessed on August 1st, 2013. http://www.financialexpress.com/news/cabinet-to-take-up-fdi-policy-on-multibrand-retail-today/1149489/0

[20] Decline of the rural economy along with lack of employment in the manufacturing sector in the post reform period is said to have created a pool of surplus labour that fuelled the unorganized retail sector. Source: Suvrata Chowdhary, "FDI in Retail: What it entails?" The Hindu February 2, 2013. Accessed on August 1st 2013. http://www.thehindu.com/opinion/op-ed/fdi-in-retail-what-it-entails/article4372020.ece?css=print

[21] Ranja Sengupta and Anandi Venkateswaran at GEP Discussion Forum VII, April 2013. Female employment in retail as a percentage of total employment in the sector reduced from 11.25% to 9.47%; share of retail in total female employment in services declined from 22.85% to 16.63% between 1999-00 to 2004-05.

[22] Ranja Sengupta at GEP Discussion Forum VII, April 2013.

[23] Anandi Venkateswaran at GEP Discussion Forum VII, April 2013.

[24] Arpita Mukherjee at GEP Discussion Forum VII, April 2013.

[25] Ranja Sengupta at GEP Discussion Forum VII, April 2013.

[26] Ibid.

[27] Under the automatic route FDI in private banking is allowed up to 49%, beyond 49% and up to 74% government approval is required; in public banking it is allowed up to 20% under the government approval route.

[28] Foreign banks in general are risk avoiders, investing only in urban-developed regions of countries with stable economies. Women are viewed as risky borrowers-they are not backed by economic assets and their income earning potential is considered an unstable one. Women have to work harder to establish their credibility, compared to men.

[29] Anandi Venkateswaran at GEP Discussion Forum VII, April 2013.

[30] Ranja Sengupta at GEP Discussion Forum VII, April 2013.

[31] Anandi Venkateswaran at GEP Discussion Forum VII, April 2013.

[32] Ibid.

[33] Employing women in such activities is believed to satisfy two conditions: it keeps the labour costs down and the docility, flexibility, obedience, reliability and trainability of women ensures unproblematic pursuit of tedious tasks in poor working conditions and with long hours. This occupational segregation is argued to be the main source of the gender wage gap. Prevalence of sub-contracting and outsourcing in the sector to small manufacturing units in the informal sector or a shift from semi-permanent employment to piece rate casual work further reduces production costs as well as prevents women from organizing themselves to build up bargaining power.

[34] Braunstein, Elissa. "Foreign Direct Investment, Development and Gender Equity: A Review of Research and Policy". UNRISD, OPGP12

[35] Ibid.

[36] This has been argued to be the reason for growth in Asia.

[37] Braunstein, Elissa. "Gender, FDI and Women's Autonomy: A Research Note on Empirical Analysis". pg 9

[38] Braunstein, Elissa. " Foreign Direct Investment, Development And Gender Equity: A Review Of Research And Policy", United Nations Research Institute For Social Development, OPGP12, pg 32

[39] Anandi Venkateswaran GEP Discussion Forum VII, April 2013.

[40] Braunstein, Elissa. "Foreign Direct Investment, Development And Gender Equity: A Review Of Research And Policy", United Nations Research Institute For Social Development, OPGP12

[41] Ranja Sengupta at GEP Discussion Forum VII, April 2013.

[42] Ibid.

[43] Maharashtra, Dadra Nagar Haveli and Daman receive the highest percentage of foreign investment, followed by Delhi, Uttar Pradesh and Haryana and the least in the North East states of the country. Urban women employment percentage, however, is the highest in the north eastern states. Arpita Mukherjee and Deboshree Ghosh based on DIPP 2012 and NSSO 2009-10 for at GEP Discussion Forum VII, April 2013.

[44] Ranja Sengupta at GEP Discussion Forum VII, April 2013.

References

1. Aguayo-Tellez, Ernesto. "The Impact of Trade Liberalization Policies and FDI on Gender Inequalities: A Literature Review". World Development Report 2012 Gender Equality and Development.
2. Braunsten, Elissa. "Gender, FDI and Women's Autonomy: A Research Note on Empirical Analysis". Prepared for International Center for Research on Women conference on Linkages between Trade Liberalization, Women's Employment, and Reproductive Health, Washington, DC. (April 8-9, 2002).
3. Braunstein, Elissa. "Foreign Direct Investment, Development and Gender Equity: A Review of Research and Policy". UNRISD Occasional Paper 12 (2006).
4. Chowdhary, Suvrata, "FDI in Retail: What it entails?" The Hindu February 2, 2013. http://www.thehindu.com/opinion/op-ed/fdi-in-retail-what-it-entails/article4372020.ece?css=print

5. Department of Industrial Policy & Promotion, Government of India, "Fact sheet on Foreign Direct Investment (FDI) from APRIL, 2000 to MARCH, 2013". http://dipp.nic.in/English/Publications/FDI_Statistics/2013/india_FDI_March2013.pdf
6. Durano, Marina. "Foreign Direct Investment and its Impact on Gender Relations". WIDE Info Sheet (July 2002). Available at www.wide network.org.
7. Financial Express Bureau, "Cabinet to take up FDI policy on multi-brand retail today," The Financial Express. Updated: August 1, 2013. http://www.financialexpress.com/news/cabinet-to-take-up-fdi-policy-on-multibrand-retail-today/1149489/0
8. Ganesh, S. "Who Is Afraid of Foreign Firms-Current Trends in FDI in India". Economic and Political Weekly Volume XXXII, Issue No. 22 (May 31, 1997): 1265-1274.
9. Kumar, Nagesh. "Liberalization, Foreign Direct Investment Flows and Development". Economic and Political Weekly Volume XL, Issue No. 14 (April 02, 2005): 1459-1469.
10. Rao, K. S. Chalapati and Biswajit Dhar. "Vaulting over India's Retail FDI Policy Wall". Economic and Political Weekly Volume XLVII, Issue No. 46 (November 17, 2012): 10-13
11. Reilly, Barry and Puja Vasudeva Dutta. "The Gender Pay Gap and Trade Liberalisation: Evidence for India". PRUS Working Papers 32. http://www.sussex.ac.Uk/Units/PRU/wps/wp32.pdf
12. Reserve Bank of India. http://rbi.org.in/scripts/FAQView.aspx?Id=26
13. Sapsford, David and V. N. Balasubramanyam. "Does India Need a Lot More FDI"? Economic and Political Weekly Volume XLII, Issue No. 17 (April 28, 2007): 1549-1555.
14. The World Bank. http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD
15. Vijaya, Ramya M. and Linda Kaltani. "Foreign Direct Investment and Wages: A Bargaining Power Approach". Journal of World Systems Research XIII, 1 (2007):83-95. http://www.jwsr.org/wp-content/uploads/2013/03/Vijaya_Kaltani-vol13n1.pdf
16. Wichterich, Christa and Kalyani Menon-Sen. "Trade liberalisation, gender equality, policy space: The case of the contested EU-India FTA". " WIDE-Network (2009). http://www.in.boell.org/web/112-156.html
17. Williams, Mariama. "Gender, Investment and FDI". A Primer, HBF Summer School Washington, D.C. (July 2007). http://www.levyinstitute.org/pubs/GEM-Workshop-2009/Readings/Williams-Day%206,%20Sessions%20III%20&%20V/Williams_Draft_Primer_Reading.pdf

Speakers at the Forum

Anandi Venkateswaran, Ministry of Defense (Exports/BEML), Government of India

Dr. Arpita Mukherjee, ICRIER

Ranja Sengupta, Third World Network

Sarojini G Thakur, H.P. Private Educational Institutions Regulatory Commission

Gender and Economic Policy Discussion Forum

presented by

ISST

INSTITUTE OF SOCIAL STUDIES TRUST

Core 6 A, UG Floor, India Habitat Centre, Lodhi Road, New Delhi - 110003
Phone: +91-11-4768 2222 Website: www.isst-india.org

in association with

HEINRICH BÖLL STIFTUNG
INDIA

C-20, Qutab Institutional Area, New Delhi - 110 016
Phone: +91 11 26854405, 26516695 Website: http://in.boell.org

Kaagaz International, 98112 30592