

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/338111527>

The Economic Impact of FDI in Indian Shipping Sector

Article in Indian Journal of Public Health Research and Development · December 2019

DOI: 10.5958/0976-5506.2019.03544.7

CITATIONS

0

READS

67

2 authors:



Dr. Chandrachud Sivaramakrishanan

VELS INSTITUTE OF SCIENCE TECHNOLOGY AND ADVANCED STUDIES

90 PUBLICATIONS 44 CITATIONS

SEE PROFILE



s. Venkataganesh

Amet University

4 PUBLICATIONS 2 CITATIONS

SEE PROFILE

ISSN-0976-0245 (Print) • ISSN-0976-5506 (Electronic)

Volume 10 / Number 11 / November 2019



Indian Journal of Public Health Research & Development

An International Journal

SCOPUS IJPHRD CITATION SCORE

Indian Journal of Public Health Research and Development

Scopus coverage years: from 2010 to 2017 Publisher:

R.K. Sharma, Institute of Medico-Legal Publications

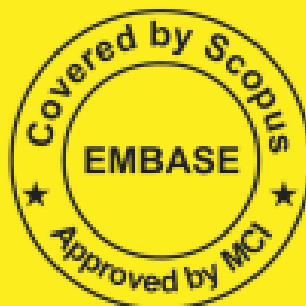
ISSN:0976-0245E-ISSN: 0976-5506 Subject area: Medicine:

Public Health, Environmental and Occupational Health

CiteScore 2015- 0.02

SJR 2015- 0.106

SNIP 2015- 0.034



Website:

www.ijphrd.com

Rabah Ali Hussein, Basim Ghazi Hussein, Jameel I. Azzawi

366. Comparison of Tear Film Characteristics between Kajal (Kohl) Users and Non-users.....1762
Babu Noushad P.M. Optom, Radhika, M. Optom, Jyothi Thomas
367. A Cognitive-neuroscience Module to Enhance Spiritual and Physical Well-being.....1765
Rajareethinam Emmanuel, Chithirai Rajan, S. Saravanan, Teju Suvarna
368. Health Status of Under Five Children Living in Urban Shums.....1770
Raja V.R., Abhiruchi Galhotra, Ansil V. Rajan, Namash Malavout, Shilpa Pateria, Rajesh Kamath
369. Does Season Worsen Air Quality: Comparison of Pollutant Levels for Summer and Winter in New Delhi1776
Rudraksh Gupta, Manju Ranwat Ranjan, Usha Mina, Rajul Kumar Gupta
370. Implementation Challenges of Universal Health Coverage–Arogya Karnataka in a Tertiary Care Hospital.....1780
Ramya Y.P., Khyathi G.V., Narendranath V.
371. Evaluation of Serum IL-21, TNF- α and hsC-Reactive Protein in Patients with Chronic Periodontitis.....1786
Ravi Lokhande, J.G. Ambekar, K.G. Bhat, Nilima N. Dongre
372. The Relation between Bullying Workplace, Organizational Support, and Work Engagement as perceived by Staff Nurses.....1792
Rasha Mohamed Nagib Ali, Ebtisam Ahmed Mohamed
373. Socioeconomic Disparities in Hospital Utilization among Elderly People in Indonesia1800
Ratna Dwi Wulandari, S. Supriyanto, Bagus Qomarudin, Agung Dwi Laksono
374. Community Household Survey Utilization of EPI Cluster Sampling Style.....1805
Renu G., Asha Kamath
375. Radiological Study on the Anterior Loop of Inferior Alveolar Nerve1810
Roshene R., Jayanth Kumar V.
376. Refugee Women: Problems and Health Concerns1815
Rubina Grewal, R.L. Koul
377. To Compare and Determine the Presence of Voids in Calcium Hydroxide, Epoxy Resin, and Tricalcium Silicate when Used as a Sealer in Single Cone Obturation Technique-An in Vitro Study1820
S.V. Satish, Krishnaprasad Shetty, Jintu C. Thomas, Rathnakar P., Jwala Chaitanya, Alexander M. Luke
378. Investors Attitude towards Investment in Private Insurance Companies in Madurai City, Tamilnadu State1825
S. Chandrachud, M. Ramesh, E. Rajareethinam, Teju Suvarna
379. The Economic Impact of FDI in Indian Chemicals Sector.....1830
S. Chandrachud, S. Thangamayan, R. Premalatha, Teju Suvarna
380. A Study on Labour Laws with Special Reference to Industrial Dispute Act, 1947.....1835
G. Santhil Kumar, S. Chandrachud

XXVI

381. The Economic Impact of FDI in Indian Shipping Sector.....	1840
<i>S. Chandrachud, S. Venkataganesh</i>	
382. Interlinking of Rivers of India; Problems and Prospects.....	1844
<i>S. Suresh, S. Jaisi Ravi</i>	
383. Availability and Sectoral Demand for Water In Tamilnadu.....	1849
<i>M. Ramesh, S. Thangamayyan, S.N. Sugumar, S. Ramakrishnan</i>	
384. Physical and Financial Performance of Women Welfare in the Marriage Assistance Schemes of Tamilnadu.....	1853
<i>S. Gunaseelan, S. Thangamayyan</i>	
385. An Analysis of Women Empowerment through Self Help Groups.....	1858
<i>S. Sudha, S. Thangamayyan, Premalatha</i>	
386. Agriculture and Women's Health.....	1862
<i>R. Shakela, Dr. S.N. Sugumar</i>	
387. Finger Therapy-Cleansing and Revitalizing Human Health.....	1866
<i>S.N. Sugumar, M. Shanmugapriya</i>	
388. Energy Medicine & Herbal Brain-Top Five Brain Inducing Herbs of India its Impact on Health and Economy.....	1870
<i>Mouthu Kumarasamy, S.N. Sugumar</i>	
389. Blood Pressure-Some Issues and Traditional Remedial Measures.....	1874
<i>S.N. Sugumar, G. Raguram</i>	
390. An Analysis of Health Status in Tamilnadu.....	1879
<i>R. Premalatha, S. Thangamayyan, S.N. Sugumar, S. Chandrachud</i>	
391. An Analysis of Industrial Labourer in India with Special Reference to Tamil Nadu.....	1884
<i>S. Saravanan, S. Thangamayyan, S.N. Sugumar, S. Chandrachud</i>	
392. An Analysis of Tax Revenue and Non Tax Revenue in Tamilnadu.....	1888
<i>S. Thangamayyan, R. Premalatha, B. Chithirai Rajan, Teju Suvarna, S.N. Sugumar, S. Chandrachud</i>	
393. Socio-Economic Development and Gender Inequality in India.....	1892
<i>Teju Suvarna, S. Chandrachud, S. Thangamayyan, M. Ramesh</i>	
394. Impact of Fertilization Rate on ICSI Outcome and Pregnancy Rate for Unexplained Subfertile Couples.....	1896
<i>Saad Mashkoor Waheed Al-Zayadi, Abdulhasan Mahdi Salih, Iqbal Ajrash Sabr, Sahib Yahia Al-Murshidi, Ali B. Roomi, Athraa Mohammed Dheyaa, Mohammed Kadhim Al-koofee</i>	
395. Development of Score Computation Concept of Desirable Dietary Pattern as a New Approach for Measurement of Consumption Quality.....	1901
<i>Sabilia Fahi Hanida, Dadang Sukandar, Hidayat Syarif</i>	
396. Parental Style and Its Relation to Adolescents' Self-Concept and Depression.....	1906
<i>Safaa Mohammed Zaki, Manal Hassan Abo Elmagd, Nagat Farouk Abo Elwaqa</i>	

397. Leader Empowering Behavior and Faculty Stress and their Relationship to Job Satisfaction among Faculty Staff.....1914
Safaa Mohammed Zaki, Rasha Mohammed Nagib, Ebtissam Ahmed Mohammed
398. Diagnostic Study and Some Pathological Aspects of Parasites Associated with Appendicitis in Al-Najaf Al-Ashraf Governorate.....1922
Sahira Ayed A. Al-Musawi
399. Supporting Factors that Influence of Mental Health Cadres in Implementing the Role in Wonokromo Village Surabaya.....1926
Sahriana, Merryana Adriani, Hanik Endang Nihayati
400. Knowledge, Awareness And Attitude Regarding Organ Donation Associated With Socio-Demographic Data Among General Population In Selangor Darul Ehsan1931
Sakina Ruhi, Nurul Zamannah, Jyauddin Khan, Mohammed Kaleemullah, Sharig Baber, Mohamed Treki and Salman Hasan
401. The Study Relating to the Adverse Effects of Obesity among Resident in Seksyen 13 Shah Alam, Selangor Darul Ehsan.....1938
Sakina Ruhi, Sharig Baber, Muhammad Syukri Karim, Jyauddin Khan, Salman Hasan, Mohammed Kaleemullah
402. Antibacterial Activity of Zinc Oxide Nanoparticles on the Growth of Enterococcus Faecales, Candida and Total Root Canal Microbiota (in Vitro Study).....1944
Salah A. Hadi, Abbas S. Al-Mutraqhi
403. Behavioral Risk Factors Associated with Intestinal Parasitic Infestations among Children in Rural Areas.....1950
Samar G. Selim, Azza A. Attia, Samia A. Mahmoud, Azza I. Ismail
404. Legal Perspective about the Management of Fishery and Marine Investment Management in Indonesia.....1956
Samsul Wahidin
405. Evaluating the Setup Uncertainties by Different Registration Method in 3DCRT CA Breast Patients Using Onboard Cone Beam CT.....1961
Sarath S Nair, Meena Devi, Krishna Sharav, Jyothi Nagesh, Shambhavi C, Sajeesh S Nair
406. Effect of Early Ambulation Versus Late Ambulation on Patients' Outcome among Patients Underwent Transfemoral Coronary Procedures.....1966
Earnestine Jenita E.M, Pushpakala K.J
407. An Analysis of Tax Revenue and Non Tax Revenue in Tamilnadu.....1971
S. Thangamayan, R. Premalatha, B. Chithirai Rajan, Teju Sivaraja, S.N. Sugumar, S. Chandrakud
408. Haematogenous Spread of Fluconazole Resistant Candida Tropicalis from Mycobiome of Respiratory Tract in COPD Patients1975
Pamela Banerjee, Satadal Das
409. Evaluation of Implant Stability of Supported Mandibular Overdenture Retained by Telescopic Crowns Over Screw Retained and Self-locking Conical Abutment Connection.....1979
Shaima'a Ahmed Rachwan, Ahmed Gamal Ahmed Hassan, Emad M.T. Agawq, Gehan Felky Mohammed

The Economic Impact of FDI in Indian Shipping Sector

S. Chandrachud¹, S. Venkataganesh²

¹Associate Professor, Dept. of Economics, VISTAS, ²Associate Professor, Marine Engineering Department, AMET

Abstract

A well favored Geographical position of a country is the gift of nature but economic growth and development come by state practice. The world largest peninsula, 12 Major ports, 187 minor ports, huge man power, pioneer of international business, enormous natural resources etc., are the gift of nature to India and the Government of India have initiated number of developmental policies and strategies in order to achieve economic development and growth. The current study throws light on the economic impact of Foreign Direct Investment in Indian Shipping sector. Chapter one imitates with details of Indian shipping sector. Chapter two enlists the review of literature. Chapter three narrates the FDI policy in Indian Shipping Sector. Chapter four reason out the 'why to invest in Indian Shipping sector', in terms of SWOT analysis. Chapter five portrays the investment opportunities in Indian shipping sector and the final chapter summaries the economic impact of FDI in Indian Shipping Sector.

Keywords: Economic impact, FDI, Indian Shipping, automatic route, Coastal line.

Introduction

India has the longest coastal line about 7500 k.m., out of which nearly 5750 k.m. is also the mainland and rest of the coast line is along with islands. The Ministry of shipping is taking care of 12 more ports and 187 minor ports. 6 major ports, Kandla (Gujarat), Mumbai (Maharashtra), Jawaharlal Nehru (Maharashtra), Mormugao (Goa), New Mangalore (Karnataka) and Cochin (Kerala) are situated in West Coast line and other 6 major ports are situated in Tuticorin (Tamilnada), Chennai (Tamilnachu), Ennore (Tamilnada), Visakhapatnam (Andhra Pradesh), Paradip (Orissa) and Kolkata, Haldia (West Bengal). These 199 ports are handling Export Import Cargo.

The need for the study arises, as the government want act in concert with all shipping owners for the promotion of the country's economy and are looking

forward to a long and mutually beneficial relationship, the government had invited 100 percent Foreign Direct investment(FDI) into the country's shipping sector. Unfortunately, more a decade not a single dollar had come in. During 2010 FDI begins with American Eagle Tankers flagging in their first vessel under Indian registry. Now the scenario is different in Indian shipping. The total cargo handling capacity of major ports during 2016-17 was 1065.83 MTPA Million metric tonnes per annum. With the substancial focus on capacity enhancement and infrastructure development, cargo handling capacity at major ports increased to 1065.83 MTPA in 2016-17 from 744.91 MTPA in 2012-13.

During 2016-17, the traffic handled by the major ports was 648.40 million tonnes, witnessing an increase in traffic by 11 percent from 2014-15. 12 major ports in India handle approximately 57 percent of the total cargo traffic specifically Petroleum, Oil, Lubricants, Containers, Thermal & Steam Coal, Iron ore & Pellets, Finished fertilizers and other miscellaneous cargo.

Corresponding Author:

Dr. S. Chandrachud

Economist, Associate Professor, VISTAS, 19,
Ramachandra Iyer Street, Nehru Nagar, Chromepet,
Chennai-600044

e-mail: prof.chandrachud@gmail.com

Contact No.: 9444441107

Review of Literature

Joseph P. Daniels and Marc von der Ruhr⁴ found that transportation costs have a positive and statistically significant relationship with US total and manufacturing FDI, suggesting a substitute relationship between FDI and trade flows consistent with horizontal MNE activity.

As one would expect, these costs are insignificant for service stocks.

Joseph Fonseca² Foreign direct investment begins to flow into the Indian shipping sector commencing with American Eagle Tankers' flagging in their first vessel under the Indian registry. This comes almost a decade after the government having permitted 100% FDI in shipping

Girish Gujar et al³ their study reveals that the total factor productivity of the sector might be adversely affected due to the heavy market presence of the government thus causing the FDI inflows into this sector to slow down further.

Atri Mulherjee⁴ FDI to India has increased significantly in the last decade. However, the growth in FDI flows has been accompanied by strong regional concentration. The findings of the study reveal that market size, agglomeration effects and size of manufacturing and services base in a state have significant positive impact on the regional distribution of FDI flows in India. The impact of taxation and cost of labour is negative. While the impact of quality of labour is ambiguous, infrastructure, however, has a significant positive impact on FDI flows

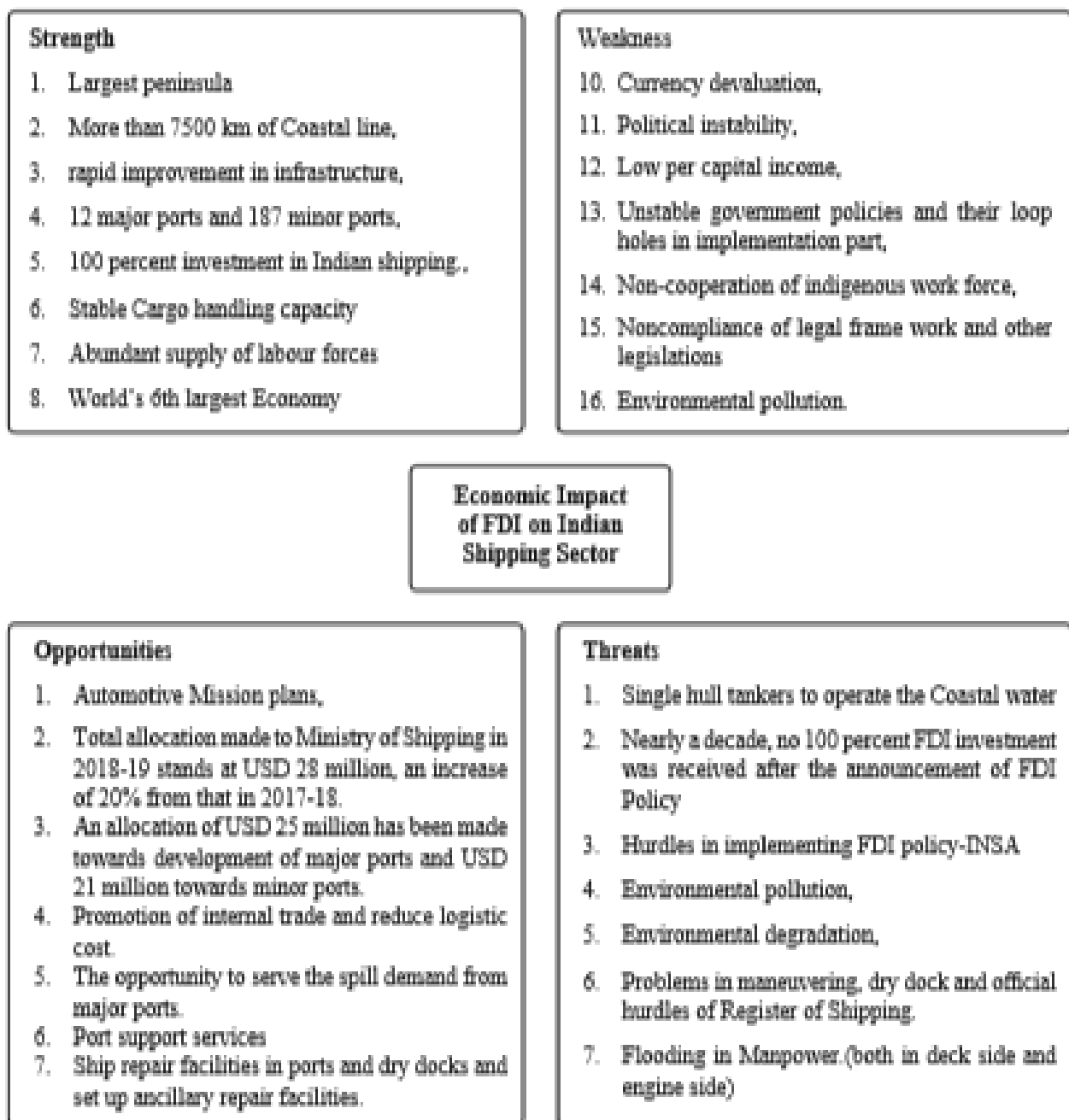
S R Keshava⁵ in his research paper, he compared the effect of FDI with two Asian countries, India and China. The result of the study, except GDP other variable of economic indicators are not significant but positive.

FDI and other Sector Policies in Indian Shipping Sector: The post liberalization era has witness that India significant improved in economic status. The foreign policy of Government of India enhanced the Foreign Direct Investment in terms of automatic route. 100 percent FDI is allow under the automatic route for projects related to the construction and maintenance

of ports and harbours. Apart from that major ports are under the jurisdiction of the Government of India and is governed by New Major Ports Authorities Bill, 2016 replacing the Major Port Trust Act, 1963. Non-major ports are under the jurisdiction of the respective state government's maritime boards. In 2016, a New Berthing Policy for Dry Bulk Cargo for all major ports was rolled out in 2016 to drive higher cargo throughput from major ports. A new Stevedoring and Shore Handling Policy, 2016 was implemented for all major ports with a view to increase operational efficiency of ports. To increase investments into the port sector, Government revised Model Concession Agreement (MCA) for PPP projects in major ports. This includes establishment of Society for Affordable Redressal of Disputes-Ports as dispute resolution mechanism.

Why to invest in Indian shipping Sector?: There are many factors involved in Indian shipping sector which makes the investment more meaningful. Foremost is the geographical factor, the largest peninsula of the globe with more than 7500 km coast line surround by Bay of Bengal, Arabian Sea and Indian Ocean. Indian economy has 12 major ports and 187 minor ports. The total cargo handling capacity of all these 12 major ports was more than 1050 Millionmetric Tonnes Per Annum. The new policy of Ministry of Shipping started with the name National Maritime Development Policy (NMDP) to target the Foreign Direct Investment from abroad with the planned outlay of US\$ 15 billion. The 12th five year plan includes port plan involving investment of over USD 10 billion has been identified for the upcoming five years and 21 dry port projects are under development. Further new non-major ports are notified for the purpose of enhancing the cargo handling capacity. In 2016-17, 57 projects worth of USD 14 billion created for the additional capacity of 103.52 MTPA. Further in 2017-18, 59 additional projects are targeted.

SWOT Analysis–Economic Impact of FDI on Indian Shipping Sector



Source: Prepared by author.

Investment Opportunities in India: In Indian scenario, the shipping sector has witnessed tremendous growth and it is projected, cargo traffic to be handled by Indian ports by 2021-22 is expected to be 1695 million metric tonnes as per the report of the National Transport Development Policy Committee (an increase of 643 million metric tonnes from 2014-15). Total 2422 million metric tonnes of cargo handling capacity would be required in Indian Ports by 2021-22. For

this, additional cargo handling capacity of 901 million metric tonnes is required to be created in Indian Port in the next 6 to 7 years. Ministry of Shipping initiated National Maritime Development Policy (NMDP) with a planned outlay of USD 15 billion. Port projects involving Investment of over USD 10 billion identified for award for the upcoming five years. Small ports are supported with Industrial Cities and Industrial Clusters to be developed at selected ports. 21 Dry port projects

are under development. Increase trade activity and private participation in port infrastructure development. Focus on the development of terminals that deal with a particular type of cargo, for eg: LNG (Liquefied Natural Gas). India's increasing integration into Global Value Chains requires a well-established port infrastructure.

Conclusion

As far as the Indian service sector is concerned, both railways and seaways have strong base as Indian railways is the largest monopoly of the world and Indian shipping has the largest peninsula of the world. The economic impact of the FDI on Indian shipping sector can be summarized as India is the best destination for the import and export business through seaways. After liberalization policy and new industrial policy, the economic growth has witnessed significant growth in GDP and cargo handling capacity. During the last decade, the growth in the shipping sector is comparatively high, due the policy framework of Foreign Direct investment. Different promotional measures are taken, in order to improvise performance of cargo handling and logistics of specified items. There is a wide scope in the Indian shipping sector, either in terms of level of investment, Employment opportunities or both.

Ethical Clearance: Completed.

Source of Funding: Self

Conflict of Interest: NIL

Reference

1. Joseph P. Daniels and Marc von der Ruhr, 'Transportation costs and US Manufacturing FDI', *Review of International Economics*, Volume 22, Issue 2, May 2014, pp 299-309. Available from: <http://doi.org/10.1111/roie.12110>
2. Joseph Fonseca, 'AET affords first 100% FDI in shipping for India' (c.2010) Available from: <https://www.maritimeprofessional.com/blogs/post/aet-affords-first-100-fdi-in-shipping-for-india-12964> (c. August 24, 2018)
3. Girish Gujar, Hong Yan, Rachna Gangwar and Mukul Jain, 'Impact of Government policies on FDI in Indian Port Sector', (c.2014). Available from : <https://www.polyu.edu.hk/lms/icms/ifspa2014/SpecialSession/M69.pdf>
4. Atri Mukherjee, 'Regional Inequality in Foreign Direct Investment Flows to India: The problems and Prospects' Reserve Bank of India Occasional Papers, Volume 32, Issue 2, Monsoon, 2011.
5. S R. Keshava, 'The Effect of FDI on India and Chinese Economy: A Comparative Analysis', Second Singapore International conference on Finance 2008. Available From: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1089964