

FDI IN INDIAN DEFENCE SECTOR: DECODING THE 3Ps

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Abstract

The aim of the paper is to find out progress, problems and prospects of FDI in Indian defence sector. India is the World's biggest defence importer; has the second largest military force and is the ninth highest defence spender. Its half of defence hardware is near to obsolete. Its two nuclear armed neighbours, China and Pakistan, have a long history of enmity with it. These challenges can be faced by India through strong defence manufacturing complex coupled with economy might. If it can attract FDI in defence sector in a large proportion, it can face challenges successfully. The main finding of the study is that although a lot of changes have been made for FDI policy and procedures by govt. of India, a lot of efforts are still needed to plug the loopholes in smooth flow of FDI in defence sector. For this, some options have been identified. Indian experiences can be very useful to others especially erstwhile socialist countries which emulated their economies into market-oriented.

Keywords: Foreign Direct Investment (FDI), globalisation, development, Original Equipment Manufacturers (OEMs), Department of Industrial Policy and Promotion (DIPP), Defence Public Sector Undertakings (DPSUs) , Defence Procurement Procedure (DPP), Financial Year(FY).

JEL classification code: F210