Journal of Neonatal Surgery
ISSN(Online): 2226-0439
Vol. 14, Issue 9s (2025)
https://www.jneonatalsurg.com

Corporate Accountability in Foreign Direct Investment (FDI): Ensuring Compliance with Human Rights Standards

Venkateswaran P.K.[1], Dr. Geni Phillipose[2]

[1]PhD Scholar, School of Law, Hindustan Institute of Technology and Science (Deemed to be University), Padur, Kelambakkam, Tamil Nadu 603103.

[2]HOD, School of Law, Hindustan Institute of Technology and Science (Deemed to be University), Padur, Kelambakkam, Tamil Nadu 603103.

Cite this paper as: Venkateswaran P.K., Dr. Geni Phillipose, (2025) Corporate Accountability in Foreign Direct Investment (FDI): Ensuring Compliance with Human Rights Standards. *Journal of Neonatal Surgery*, 14 (9s), 300-304

ABSTRACT

Foreign investment plays a crucial role in fostering domestic economic growth, particularly in developing countries like India. Multinational corporations (MNCs) serve as key drivers of globalization, integrating economies by facilitating capital inflow, technological advancements, and industrial expansion. The growth of foreign investment is intrinsically linked to the proliferation of MNCs, which, in turn, stimulate economic development in underdeveloped and emerging economies by providing essential resources such as machinery, technical expertise, and entrepreneurial skills.

However, while foreign direct investment (FDI) contributes significantly to economic progress, it also raises concerns regarding corporate accountability, particularly in relation to human rights compliance. As FDI establishes long-term financial and operational control by foreign entities, ensuring adherence to ethical business practices and legal frameworks becomes imperative. Developing nations must strike a balance between attracting foreign capital and enforcing corporate responsibility to prevent labor exploitation, environmental degradation, and violations of local regulations.

This study examines the role of corporate accountability in FDI, focusing on mechanisms that ensure compliance with human rights standards. It explores how regulatory frameworks, international legal principles, and corporate governance policies can safeguard economic growth while upholding ethical business practices. By analyzing case studies of foreign investments in India, this research aims to highlight the challenges and policy recommendations necessary for fostering responsible investment and sustainable development.

Keywords: *Foreign Direct Investment (FDI), Corporate Accountability, Human Rights Compliance, Multinational Corporations (MNCs), Regulatory Frameworks.*

1. INTRODUCTION

The decline in global FDI during 2009 was mainly attributed to subdued cross border merger and acquisition (M&A) activities and weaker return prospects for foreign affiliates, which adversely impacted equity investments as well as reinvested earnings. According to UNCTAD, decline in M&A activities occurred as the turmoil in stock markets obscured the price signals upon which M & As rely. There was a decline in the number of green field investment cases as well, particularly those related to business and financial services. From an institutional perspective, FDI by private equity funds declined as their fund raising dropped on the back of investors‟ risk aversion and the collapse of the leveraged buyout market in tune with the deterioration in credit market conditions. On the other hand, FDI from sovereign wealth funds (SWFs) rose by 15 per cent in 2009. This was apparently due to the revised investment strategy of SWFs - who have been moving away from banking and financial sector towards primary and manufacturing sector, which are less vulnerable to financial market developments as well as focusing more on Asia. As the world economic recovery continued to be uncertain and fragile, global FDI flows remained stagnant at US $ 1.1 trillion in 2010. According to UNCTAD‟s Global Investment Trends Monitor (released on January 17, 2011), although global FDI flows at aggregate level remained stagnant, they showed an uneven pattern across regions – while it contracted further in advanced economies by about 7 per cent, FDI flows recovered by almost 10 per cent in case of developing economies as a group driven by strong rebound in FDI flows in many countries of Latin America and Asia. Rebound in FDI flows to developing countries has been on the back of improved corporate profitability and some improvement in M&A activities with improved valuations of assets in the stock markets and increased financial capability of potential buyers. Improved macroeconomic conditions, particularly in the emerging economies, which boosted corporate profits coupled with better stock market valuations and rising business confidence augured well for global FDI prospects. According to UNCTAD, these favorable developments may help translate MNC‟s record level of cash holdings (estimated to be in the range of US$ 4-5 trillion among developed countries‟ firms alone) into new investments during 2011. The share of developing countries, which now constitutes over 50 per cent in total FDI inflows, may increase further on the back of strong growth prospects. However, currency volatility, sovereign debt problems and potential protectionist policies may pose some risks to this positive outlook. Investment, or creation of capital, is a vital determinant of economic growth. In general, the investment may lead to the creation of physical capital goods, finance, and human capital. In grouping with other factors of production and technology, investment determines the levels and growth through changes in production and consumption of goods and services. Investments consist of foreign investment and domestic investment. Foreign investment can decrease the domestic saving gap. Hence, notwithstanding the domestic saving gap, economic growth can be increased in an open economic with inflows of foreign investment. The foreign investment in India would encourage the domestic investment. The foreign investments are approving to economic growth and developing countries like India. The multinational corporation is a suitable device to integrate world economy. The growth of foreign investment directly associated growth of multinational corporations. If backward and underdeveloped countries are interested in rapid economic development, they will have to import machinery, technical know-how, entrepreneurship, and foreign investment. One of the methods of paying for the import is to set up exports or second alternative is getting foreign technology and equipment and it also depends upon foreign assistance is some forms or the other. Most countries of the world which enhance the road to economic development, had to depend on foreign capital to some economic fact cannot be devised that foreign capital contributed in many important way process of economic growth and industrializations. Foreign direct investment is an investment involving a long term link reflects a lasting interest and control of a resident entity in one financial system on an entity resident in an economy other than that of the foreign direct investor, individual as business entities may undertake FDI, such investment involve both the transaction between the two entities and all following transaction between them among foreign affiliated.

2. OBJECTIVE OF THE STUDY

1. To examine the Trends and patterns of foreign direct investment in India.

3. STATEMENT OF THE PROBLEM

Foreign Direct Investment (FDI) is a key driver of economic growth, particularly in developing countries like India. It brings capital, technology, and employment opportunities, fostering industrial expansion and global market integration. However, while FDI contributes to economic development, it also raises concerns regarding corporate accountability, particularly in ensuring compliance with human rights standards. Many multinational corporations (MNCs) operating in host countries have been criticized for unethical labour practices, environmental degradation, and violations of local laws, often due to weak regulatory enforcement. The lack of stringent monitoring mechanisms and the influence of powerful multinational entities often result in limited legal recourse for affected communities.

Data Collection

This study aims to analyse corporate accountability in Foreign Direct Investment (FDI) and its compliance with human rights standards. The methodology integrates both qualitative and quantitative research techniques to ensure a comprehensive understanding of the subject.For this purpose, the prime sources of secondary data include DIPP, Reserve Bank of India Bulletins, etc. The Internet has also remained as an important source of secondary data.

4. TABLE 1: FOREIGN DIRECT INVESTMENT AND TOTAL FOREIGN INVESTMENT IN INDIA DURING 2005-2017.

Year	FDI	Total Foreign Investment	Percentage
2005-06	7123	15366	39.38
2006-07	95788	22189	43.70
2007-08	23684	29829	76.52
2008-09	34546	62114	56.10
2009-10	42341	28018	149.45
2010-11	37134	70121	53.83
2011-12	34847	66318	52.55

2012-13	46569	63964	72.78
2013-14	34268	62067	55.26
2014-15	36056	41075	87.76
2015-16	44281	88353	51.10
2016-17	66659	51429	108.03
2017-18	61082	67994	88.36
CAGR	19.31%	12.12%	-

Source: RBI Monthly Bulletin

Data Processing and Analysis

For analyzing the data, advanced statistical tools have been used. In some cases, simple statistics like average, percentage and CAGR have been applied. Exploratory research, require some advanced tools; therefore to test the various hypothesis of the study, ANOVA. The test was conducted at 95 percent confidence level (or 5 percent level of significance).

Trends in Aggregate Inflow of FDI in India

The yearly aggregate inflow of FDI has been computed on the basis of balances appearing on the last day of the financial year (31 March) in India. The total inflow of FDI accepted by the various channels under study can be reviewed with the help of the table. The data has been divided into two time periods according to the availability of data source. The scheme of data period has been categorized as follows 2011-2012 and 2017-2018.

TABLE 2: TRENDS IN AGGREGATE INFLOW OF FDI IN INDIA DURING 2011-2018.

Year	**Amount**	**Index No.**	**Growth Rate**
2011-12	23684	151	-
2012-13	34546	150.15	60.25
2013-14	42341	368.13	138.61
2014-15	37134	563.72	158.60
2015-16	34847	731.11	148.00
2016-17	46569	823.76	104.76
2017-18	34268	923.26	127.20

Source: RBI Monthly Bulletin

Table 3: FDI and FIPB, RBI and Other Routes.

Source of variation	**Sum of square**	**Degree of freedom**	**Mean square**	**F**
Between Group	1374.339	2	687.170	20.426
Within Groups	1211.105	36	33.642	-

An analysis of the recent trends in FDI flows at the global level as well as across regions/countries suggests that India has generally attracted higher FDI flows in line with its robust domestic economic performance and gradual liberalization of the FDI policy as part of the cautious capital account liberalization process. Even during the recent global crisis, FDI inflows to

India did not show as much moderation as was the case at the global level as well as in other EMEs. However, when the global FDI flows to EMEs recovered during 2010-11, FDI flows to India remained sluggish despite relatively better domestic economic performance ahead of global recovery. This has raised questions especially in the backdrop of the widening of the current account deficit beyond the sustainable level of about 3 per cent. In order to analyze the factors behind such moderation, an empirical exercise was undertaken which did suggest the role of institutional factors (Government's to implement quality policy regime) in causing the slowdown in FDI inflows to India despite robustness of macroeconomic variables. A panel exercise for 10 major EMEs showed that FDI is significantly influenced by openness, growth prospects, macroeconomic sustainability (International Investment Position), labour cost and policy environment. A comparison of actual FDI flows to India vis-à-vis the potential level worked out on the basis of underlying macroeconomic fundamentals showed that actual FDI which has generally tracked the potential level till 2009-10, fell short of its potential by about 25 per cent during 2010-11. Further, counter factual scenario attempted to segregate economic and non-economic

Apart from the role of institutional factors, as compared to other EMEs, there are also certain sectors including agriculture where FDI is not allowed, while the sectoral caps in some sectors such as insurance and media are relatively low compared to the global patterns. In this context, it may be noted that the caps and restrictions are based on domestic considerations and there is no uniform standards that fits all countries. However, as the economy integrates further with the global economy and domestic economic and political conditions permit, there may be a need to relook at the sectoral caps (especially in insurance) and restrictions on FDI flows (especially in multi-brand retail). Further, given the international experience, it is argued that FDI in retail would help in reaping the benefits of organized supply chains and reduction in wastage in terms of better prices to both farmers and consumers. The main apprehensions in India, however, are that FDI in retail would expose the domestic retailers especially the small family managed outlets - to unfair competition and thereby eventually leading to large-scale exit of domestic retailers and hence significant job losses. A balanced and objective view needs to be taken in this regard. Another important sector is the generation, transmission and distribution of electricity produced in atomic power, where FDI is not permitted at present, may merit a revisit. In this context, it may be noted that electricity distribution services is a preferred sector for FDI. According to UNCTAD four out of top ten cross-border deals during 2009 were in this segment, which led to increase in FDI in this sector even in the face of decline in overall FDI. Similarly, the demands for raising the present FDI limits of 26 per cent in the insurance sector may be reviewed taking into account the changing demographic patterns as well as the role of insurance companies in supplying the required long term finance in the economy.

5. CONCLUSION

This paper focuses on theoretical aspects of FDI in India during the last ten years determinants and need of FDI in Indian scenario. India has been one of the developing countries and has managed to show a positive GDP growth even during the recession period. India has all the variables such as fine infrastructure, potential markets, abundant labour, availability of natural resources, and at last the economic and trades policies which has been favouring FDI. India is now rated as the second-most favoured destination for FDI in the world after China, but it is expected that in future India would out beet china as it has a large proportion of young population with one of the fastest growing economies.

REFERENCES

[1] Gupta P, Singh A (2016) The causal nexus between foreign direct investment and economic growth: a study of BRICS nations using vim and Granger causality test. Journal of Advances in Management Research.

[2] Khatun F, Ahamad M (2015) Foreign direct investment in the energy and power sector in Bangladesh: Implications for economic growth. Renewable and Sustainable Energy Reviews 52: 1369-1377.

[3] Athukorala PC (2014) Intra-regional FDI and Economic Integration in South Asia: Trends, Patterns, and Prospects. South Asia Economic Journal l15: 1-35.

[4] Duperon Williom O, Cinar EM (2010) Global Competition versus Regional Interest: FDI and Pharmaceuticals in India. Journal of International Commercial Law and Technology 5: 181-200.

[5] Rai RK (2009) affects of the TRIPs Mandated in actual Property Rights on Foreign Direct Investment in Developing Countries: A case study of the Indian Pharmaceutical Industry. The Journal of World in actual Property 11: 404-431.

[6] Bransteeten L, Fisman R, Foley C, Saggi K (2007) In actual Property Rights, Imitation, and Foreign Direct Investment: Theory and Evidence, NBER, Working Paper #13033. National Bureau of Economic Research, Cambridge.

[7] Aditya Bajaj KR, Swastik N (2007) Globalization in the Indian Pharmaceutical Industry- FDI spillovers and implications on Domestic Productivity: 1991-2007. The Research Project, IIM Ahmadabad.

[8] Narula R, Lall S (2006) Understanding FDI-Assisted Economic Development. Rutledge, London, New York.

[9] Blomstrom M, Kokko A (2005) The Economics of Foreign Direct Investment, NBER Working Paper #168. National Bureau of Economic Research, Cambridge.

[10] Lyamota K (2003) Human Capital Formation and FDI in Developing countries, OECD Working Paper #211. OECD Development Centre.

[11] Pradhan J, Prakash A (2003) Foreign Direct Investment and Economic Growth in Developing Countries, Further Evidence from Panel Data. The Asian Economic Review.