FOREIGN AID & INDIA- A CRITICAL STUDY

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ABSTRACT
Foreign aid refers to official development assistance received by a country through multilateral institutions as well as bilateral agreements. It includes grants plus concessional loans that have at least a 25 per cent grant component from all official bilateral and multilateral sources. The Constitution of India mandates that all external assistance (including funds earmarked for state projects) accrue to the central government, which is also liable for any repayments. Bilateral Aid has always been a factor in the relations between a developed country and an underdeveloped country. Whenever a country gives economic or diplomatic aid to another country, apart from economic reasons there are always political, diplomatic and humanitarian reasons. Foreign Aid to India inertly substitutes for spending that the government would have otherwise undertaken. In passing external assistance earmarked for the states, the central government makes a reduction in transfers it would have otherwise made to the states. The paper discusses perspectives of bilateral aid to India, what foreign aid finances, the foreign contribution regulation act, etc. Finally the authors have evaluated a broader perspective of “whether foreign aid matters to India?” on the basis of some important points like fungibility, soft power tool, geostrategic objectives, commercial interest, uncoordinated disbursal, etc.

KEY WORDS: Bilateral Aid, FCRA, Finance, Fungibility, Multilateral Foreign Aid.