



ROLE OF FDI IN DIFFERENT SECTOR OF AN INDIAN ECONOMY: STATUS AND PERFORMANCE

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Abstract: Foreign Direct Investment is considered as one of the major tool for the economic development especially in the interest of the developing and underdeveloped countries. It transfers financial resources, innovative technology and management techniques which raise the productivity in the country. In Indian company can raise Foreign Direct Investment through automatic route or government route. FDI in different sectors of an economy will show the relative opportunity and attractiveness of the sector. Huge amount of FDI in particular sector will show the potential development and opportunity in the sector. This paper is an attempt to study the need of FDI in India and it exhibit the sector-wise & year-wise analysis of FDI's in India. The results show that the service sector has attracted huge amount of FDI in India followed telecommunication sector. Further it has been observed that year by year the FDI have shown the increasing trend in almost all the sector of an economy.

Keywords: Foreign Direct Investment, Sectoral Analysis, Economic Growth, Service Sector

I. INTRODUCTION

Foreign Investment has contributed to the economic growth of various countries. Foreign Investment is required for enhancing production, distribution, trade and services, infrastructural support and technological capabilities of the country. Particularly developing countries which has limited resources and want to increase the industrialization and develop infrastructure facilities, such capital play very crucial role in these Endeavour. Hence Foreign direct investment in the country will result in economic growth of the country. In India, Foreign direct investment is a major monetary source for economic development. Foreign companies can invest directly in private Indian businesses to get the advantages of cheaper wages and changing business environment of India. FDI is a one of the important source of external finance which means that countries with limited resources can receive finance beyond their national borders and from wealthier countries. Apart from being a significant driver of economic growth, foreign direct investment (FDI) is a major source of non-debt external monetary resource for the economic development of India. The Indian government's have taken many favorable steps and robust business environment have ensured that foreign investment keeps increasing into the country. The government has taken several initiatives in recent years such as relaxing FDI norms across sectors such as defense, telecom, power exchanges, oil refineries, and stock exchanges, among others.

Literature Review:

Dr. S.M Tariq (2017) mentioned in his study that financial integration through FDI played dominant role and accelerate the respective economies. Further he mentioned that service sector, telecommunication sector, infrastructure sector and IT sector have attracted higher FDI inflow during the study period. FDI inflow has supported to raise the output, productivity, consumption, employment and export in respective sectors. R.B. Teli (2013) found that FDI inflows in India show positive trend over the period under study. FDI increased because of adoption of liberal foreign policy and various measures undertaken by GOI.. Further he mentioned that FDI in India will generate various benefits such as advancement of knowledge, skill, technology, exports, employment and management. Bhattacharyya Jita, (2012), mentioned in his study that there was a long term relationship between FDI, merchandise, service, trade and economic development of a country. The Relationship is observed between merchandise trade, service trade and economic growth. Further he mentioned that the FDI have direct impact on the performance of the various sector of an economy. Abdul A (2011), has observed in his study registering property and trading across borders, were found to be related to FDI during the study period. for the

combined sample. Further he mentioned that various factors were observed to be related to FDI received by SSA and Asian countries during several years. Singh S (2011), has investigated the trend of FDI flow to during 1970–2007 using techniques of time series data. The research aims to study the factors behind the fluctuations of the FDI flow in country and to search the causes which are responsible for the fluctuations in FDI flow in the country. Singh Y., Bhatnagar A. (2011), studied comparative analysis of FDI flow in the country. They have observed that both the country enjoys healthy rates of economic growth but FDI inflow in china is higher than India. Further they mentioned that inflow of FDI can have positive impact on the growth of the country. Agarwal G., Khan M. A. (2011) have observed in their study that increase of 1% in FDI would result in increase of 0.07% in GDP of China and increase of 0.02% in GDP of India. Further they mentioned that China's growth is more affected by FDI, than India's growth.

Research Methodology:

The researcher desires to utilize the facts and information available in various secondary data sources to make crucial evaluation and thus from this point of view the nature of the study will be analytical study. This study is based on secondary data which are collected from various sources including Department for Promotion of Industry and Internal Trade, Economic Survey Reports, and also from various publications of Ministry of Commerce. This study considers last 6 years data i.e from 2013-14 to 2018-19. The collected data are carefully edited, classified and analyzed

Objectives:

1. To Study the trends of FDI Flow in India during 2013-14 to 2018-19.
2. To analyze the FDI inflow in different sector of an economy.
3. To know the trend and pattern of FDI in different sector of an economy.

Analysis and interpretation

To achieve the objectives of this study we make an analysis on the basis of collected data. The results on the basis of secondary data are following as under:

Table No. 1. FDI in Service Sector

FDI in Service Sector(Amount in Rs. Crores)	
Year	FDI
2013-14	13,294
2014-15	27,369
2015-16	45,415
2016-17	58,214
2017-18	43,249
2018-19	63,909
Average	41908.33
CAGR	36.89%

Source: Department for Promotion of Industry and Internal Trade

Table 1 shows the FDI in service sector during the period of 2013-14 to 2018-19. During the study period a positive trend has been observed for FDI in service sector. Further there is positive growth rate of 36.89% is observed during the study period. Service sector has become one of the major attractions for FDI in India.

Table No. 2. FDI in Computer Software & Hardware

FDI in Computer software & Hardware(Amount in Rs. Crores)	
Year	FDI
2013-14	6896
2014-15	14162
2015-16	16245
2016-17	38351
2017-18	39670
2018-19	45297
Average	26770.16
CAGR	45.71%

Source: Department for Promotion of Industry and Internal Trade

Table no.2 shows the FDI in Computer software & Hardware during the period of 2013-14 to 2018-19. During the study period a sharp positive trend has been observed for FDI in Computer software & Hardware. Further there is positive growth rate of 45.71% is observed during the study period. This sector have shown good performance with respect to attract FDI

Table No. 3. FDI in Construction Development

FDI in Construction development (Amount in Rs. Crores)	
Year	FDI
2013-14	7508
2014-15	4652
2015-16	727
2016-17	703
2017-18	3472
2018-19	1503
Average	3094
CAGR	-27.51%

Source: Department for Promotion of Industry and Internal Trade

Table no.3 shows the FDI in Construction development during the period of 2013-14 to 2018-19. During the study period a negative trend has been observed for FDI in Construction development. Further there is a negative growth rate of -27.51% is observed during the study period. This sector have shown poor performance with respect to attract FDI.

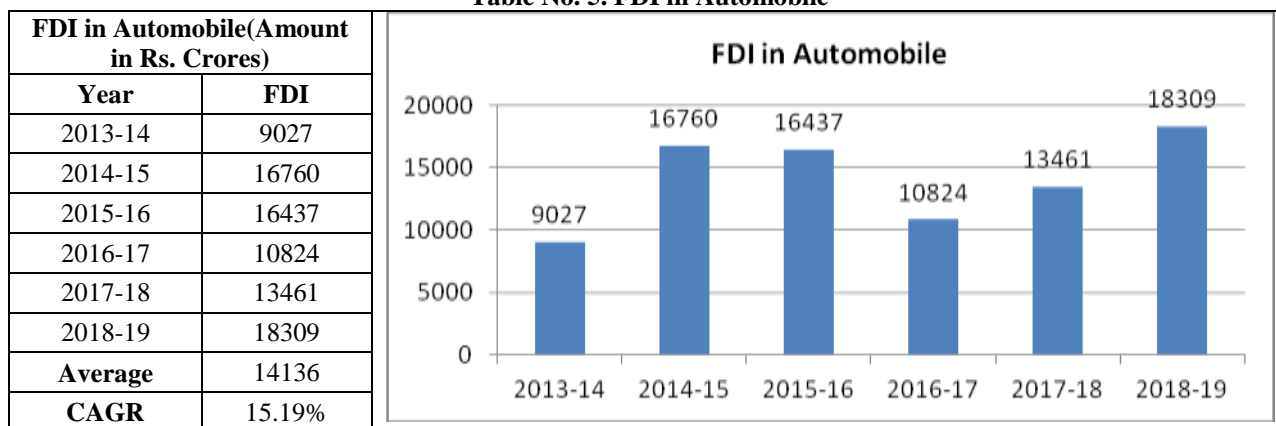
Table No. 4. FDI in Telecommunication

FDI in Telecommunication(Amount in Rs. Crores)	
Year	FDI
2013-14	7987
2014-15	17372
2015-16	8637
2016-17	37435
2017-18	39748
2018-19	45297
Average	26079
CAGR	41.49%

Source: Department for Promotion of Industry and Internal Trade

Table no.4 shows the FDI in Telecommunication sector during the period of 2013-14 to 2018-19. During the study period a positive trend has been observed for FDI in Telecommunication. Further there is a positive growth rate of 41.49% is observed during the study period. This sector has shown good performance with respect to attract FDI.

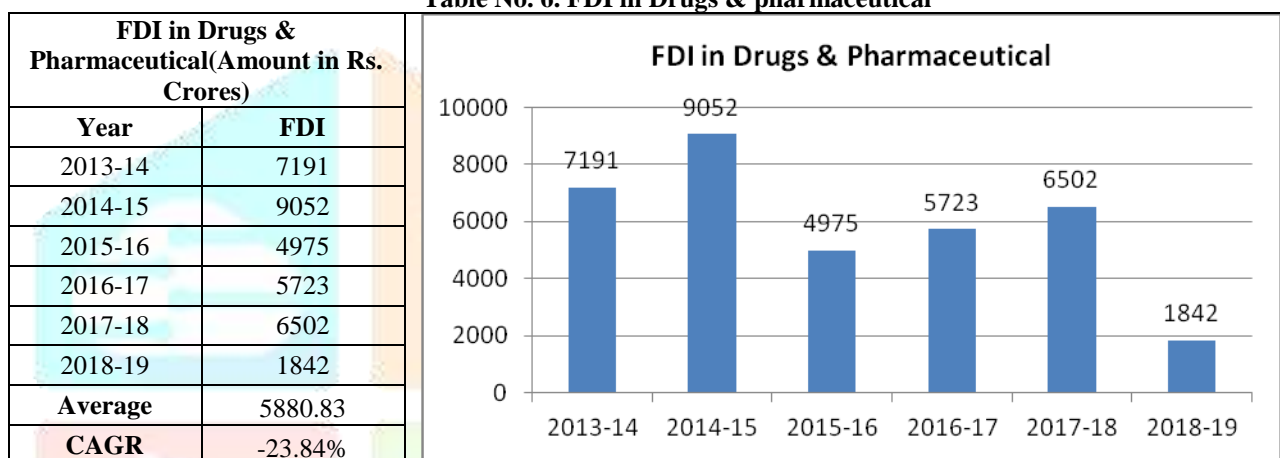
Table No. 5. FDI in Automobile



Source: Department for Promotion of Industry and Internal Trade

Table no.5 shows the FDI in Automobile sector during the period of 2013-14 to 2018-19. During the study period a positive trend has been observed for FDI in Automobile sector. Further there is a positive growth rate of 15.19% is observed during the study period. This sector has shown average performance with respect to attract FDI.

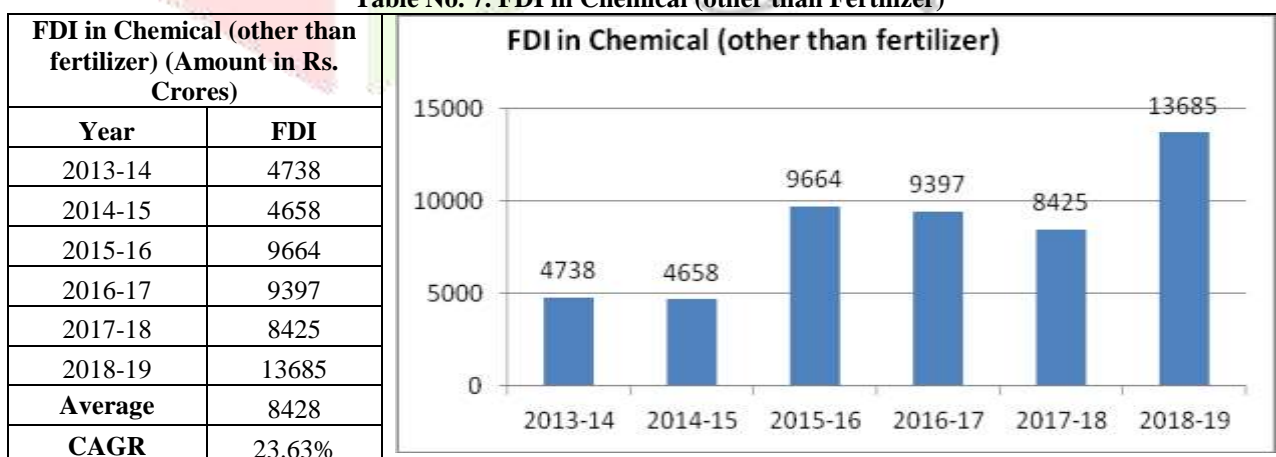
Table No. 6. FDI in Drugs & pharmaceutical



Source: Department for Promotion of Industry and Internal Trade

Table no.6 shows the FDI in Drugs & Pharmaceutical sector during the period of 2013-14 to 2018-19. During the study period a negative trend has been observed for FDI in Drugs & Pharmaceutical sector. Further there is a negative growth rate of -23.84% is observed during the study period. This sector have shown poor performance with respect to attract FDI.

Table No. 7. FDI in Chemical (other than Fertilizer)



Source: Department for Promotion of Industry and Internal Trade

Table no.7 shows the FDI in Chemical sector during the period of 2013-14 to 2018-19. During the study period a positive trend has been observed for FDI in Chemical sector. Further there is a positive growth rate of 23.63% is observed during the study period. This sector has shown average performance with respect to attract FDI.

Table 8. FDI in Power Sector

FDI in Power Sector(Amount in Rs. Crores)	
Year	FDI
2013-14	6519
2014-15	4296
2015-16	5662
2016-17	7473
2017-18	10473
2018-19	7330
Average	6958.83
CAGR	2.37%

Source: Department for Promotion of Industry and Internal Trade

Table no.8 shows the FDI in Power sector during the period of 2013-14 to 2018-19. During the study period a fluctuating trend has been observed for FDI in Power sector. Further there is a very low positive growth rate of 2.37% is observed during the study period. This sector has shown average performance with respect to attract FDI.

Table No. 9. FDI in Trading Sector

FDI in Trading Sector(Amount in Rs. Crores)	
Year	FDI
2013-14	8191
2014-15	16755
2015-16	25244
2016-17	15721
2017-18	28078
2018-19	30963
Average	20825.33
CAGR	30.47%

Source: Department for Promotion of Industry and Internal Trade

Table no.9 shows the FDI in Trading sector during the period of 2013-14 to 2018-19. During the study period a positive trend has been observed for FDI in Trading sector. Further there is a positive growth rate of 30.47% is observed during the study period. This sector has shown good performance with respect to attract FDI.

Conclusion:

Foreign Investment is required for enhancing production, distribution, trade and services, infrastructural support and technological capabilities of the country. The research show the different level of FDI in different sector of an economy. Service sector, Computer software & hardware and telecommunication sector are the priority sector which has attracted huge amount of foreign direct investment during the study period. Further construction development and Drugs & pharmaceutical sector have shown negative trend with respect to foreign direct investment in India. Balanced development of all the sector is necessary for overall development and growth of the country. Country should see the level of FDI in all the sector and make efforts to increase the level of FDI in all the sector to achieve balance growth of all the sectors as well as development of an overall economy.

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