



# CONTEMPLATION OF THE NATION SAVVY EXECUTION OF FDI EQUITY INFLOWS IN INDIA

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## ABSTRACT

Foreign Direct investment plays a very important role in the development of the nation. Sometimes domestically available capital is inadequate for the purpose of overall development of the country. Foreign capital is seen as a way of filling in gaps between domestic savings and investment. India can attract much larger foreign investments than it has done in the past. The present study has focused on the country wise performance of FDI equity inflows in India during 2016-17 to 2018-19 .The study also highlights country wise approvals of FDI inflows to India. The study based on Secondary data which have been collected through reports of the Ministry of Commerce and Industry, Department of Industrial Promotion and Policy, Government of India, Reserve Bank of India, and World Investment Report.

**Keywords:** FDI Equity Inflows, country–wise, Relationship, Two-tail test

## INTRODUCTION

Foreign Direct Investment (FDI) is a sort of investment in to a ventures in a nation by another endeavors situated in another nation by purchasing an organization in the objective nation or by growing activities of a current business in that nation. In the time of globalization FDI takes fundamental part in the advancement of both creating and created nations. FDI has been related with improved financial development and advancement in the host nations which has prompted the rise of worldwide challenge to draw in FDI. FDI offers number of advantages like suggestion of new innovation, imaginative items, and augmentation of new markets, chances of work and presentation of new abilities and so on, which reflect in the development of salary of any country. Foreign direct investment is one of the proportions of developing monetary globalization. Investment has consistently been an issue for the creating economies, for example, India. The world has been globalizing and every one of the nations are changing their

approaches for inviting investment from nations which are inexhaustible in capital assets. The nations which are created are concentrating on new markets where there is accessibility of bottomless works, scope for items, and high benefits are accomplished. In this way Foreign Direct Investment (FDI) has turned into a fight ground in the developing markets. Foreign investment assumes a critical job being developed of any economy as like India. Numerous nations give numerous impetuses to drawing in the foreign direct investment (FDI). Need of FDI relies upon sparing and investment rate in any nation. Foreign Direct investment goes about as a scaffold to satisfy the hole among investment and sparing. During the time spent monetary improvement foreign capital covers the local sparing requirement and give access to the prevalent innovation that advance proficiency and profitability of the current creation limit and produce new generation opportunity. India's recorded GDP development all through the most recent decade has lifted millions out of neediness and made the nation a favored goal for foreign direct investment.

### **IMPORTANCE OF THE STUDY**

India has been a most critical recipient of remote direct enthusiasm for the vast majority of its different sections. It in like manner accept a critical activity in the headway of a country. India is the greatest notoriety based country with the second greatest people on earth, with standard of law and exceedingly educated English talking work control, the country is considered as a shielded spot of affirmation for outside monetary masters. India is apparently encountering a huge gathering of unshakable impediments and issues regarding starting its business segments absolutely too worldwide budgetary masters by executing full scale fiscal changes. A part of the huge blocks for India's dreary appearing in the zone of FDI are political feebleness, poor structure, perplexing obligation and toll game plans, work laws, all around settled in corruption and regulatory rules.

### **OBJECTIVES OF THE STUDY**

- To study the performance of FDI Equity inflows in India.
- To study the country- wise performance of FDI Equity inflows in India.

### **METHODOLOGY OF THE STUDY**

The study depends on the Analytical in nature and the present investigation is exclusively established on assistant data and is done to take a gander at and survey the division insightful presentation of value inflows. With the true objective of concentrate discretionary data and reports are been used, which are assembled from disseminated reports of nations boss reasonable and business associations, magazines, RBI yearly report, DIPP reports and alerts, research articles and money related establishments locales. After judicious appraisal of FDI connection between area savvy execution of value inflows. The aftereffect of the assessment depends upon the picked period by the investigators which may differentiate from various investigations.

### **PERIOD OF THE STUDY**

The present study covers a period of three years, taking from 2016- 2017 to 2018-2019.

## SAMPLE DESIGN OF THE STUDY

The samples of country-wise FDI inflows in India are selected on the basis of the convenient sampling method. A Sample of 10 countries has been selected on the basis of availability of data. The following have been selected for country -wise to the study

- MAURITIUS
- SINGAPORE
- JAPAN
- NETHERLANDS
- U.K.
- U.S.A
- GERMANY
- CYPRUS
- UAE
- FRANCE

## REVIEW OF LITERATURE

**PRATIMA BALASAHEB KADAM (2015)**<sup>1</sup> Since progression Foreign Direct Investment (FDI) has turned into the most significant wellspring of foreign capital in India. The principle target of this examination is to look at the year astute, nation insightful, state-wise and part savvy FDI inflows in India during 2000-01 to 2014-15. The examination found that, progression of FDI has a noteworthy effect of Indian Economy. Anyway state insightful, area astute and nation savvy FDI in streams isn't uniform. There are numerous obstacles in the method for FDI inflows. The legislature Therefore, ought to grow quick truck freedom, change the outlook of administration and make helpful climate through the advancement of fundamental foundation.

**MADHABENDRA SINHA, ARINDAM MODAK AND PARTHA PRATIM SENGUPTA (2018)**<sup>2</sup> This paper endeavors to research the job of foreign direct investment (FDI) crosswise over enrolled enterprises in India. Inflow of FDI may improve profitability and productivity through innovation overflow. We gather the month to month information on list of mechanical creation (IIP) given by the Central Statistical Office (CSO) and division shrewd FDI inflow in Indian businesses from DIPP, Government of India over the period 2009 to 2015. The examination has been completed at the one digit mechanical level. We structure a fair board for three essential modern segments, to be specific mining and quarrying, assembling and power over the whole time frame. The stochastic properties have been investigated via completing board information unit root tests created by Levin-Lin and Chu (2002) and

<sup>1</sup> PRATIMA BALASAHEB KADAM (2015) "FDI in India: Opportunities and Challenges" European academic research Vol. III, Issue 7 ,October 2015

<sup>2</sup> MADHABENDRA SINHA, ARINDAM MODAK ,PARTHA PRATIM SENGUPTA (2018) "Foreign Direct Investment and Indian Industries: A Dynamic Panel Study" International Journal of Pure and Applied Mathematics Volume 118 No. 18 2018, 1279-1294 ISSN: 1311-8080 (printed version); ISSN: 1314-3395 (on-line version <http://www.ijpam.eu>)

Im-Pesaran-Shin (2003). We complete the appraisals of Generalized Method of Moments (GMM) in the dynamic board outline. Exact discoveries suggest that inflow of FDI altogether upgrades generation development in Indian businesses.

**DR. R. PICHUMANI (2014)** <sup>3</sup>Foreign Direct investment (FDI), being a non-obligation. Capital stream is a main source at outer financing, particularly for the creating financial aspects. It not just gets Capital and specialized expertise yet in addition expands the Competitiveness at the economy. By and large it supplements residential investment, much required for continuing the high development at the nation. Since 2000, noteworthy changes have been made in the FDI approach system by the govt to guarantee that India turns into an Increasingly alluring and financial specialist – well disposed goal. The present stage at FDI strategy is described by negative posting, allowing FDI unreservedly with the exception of in a couple of parts Indicated through a negative rundown. Under the present strategy system, there are three expansive passage choices for foreign direct financial specialists, in a couple of segments, FDI isn't Permitted (negative rundown). In another little Category at areas, Foreign investment is Permitted uniquely till a Specified level at foreign value Participation, and the third Category, Comprising the various Sectors, is the place foreign investment up to 1000 percent at value Participation is permitted. The third Category has two subsets. One comprising at divisions where programmed endorsement is allowed for FDI earlier endorsement from the Foreign Investment Approval Board (FIPB). FDI Policy changes Increasingly mirror the prerequisites at Industry and depend on partner's Consultation. In advance posting at negative divisions has helped center around change regions, which are reflected in light FDI inflows.

## DATA ANALYSIS AND INTERPRETATION

The following table shows the FDI Equity inflows during the year from 2016-2017 to 2018-2019. Table 1 shows the total equity inflows and CAGR

**Table -1**

### Country- wise performance of FDI equity inflows in India during the period 2016-2017 to 2018-2019

(Amount in US \$ Million)

RANKS	COUNTRY	2016-2017	2017-2018	2018-2019	TOTAL	CAGR
1	MAURITIUS	15728	15941	8084	39753	-19.90%
2	SINGAPORE	8711	12180	16228	37119	23.05%
3	JAPAN	4709	1633	2965	9307	-14.29%
4	NETHERLANDS	3367	2800	3870	10037	4.75%
5	U.K.	1483	847	1351	3681	-3.06%
6	U.S.A	2379	2095	3139	7613	9.68%
7	GERMANY	1069	1124	886	3079	-6.07%
8	CYPRUS	604	417	296	1317	-21.16%
9	UAE	675	1050	898	2623	9.98%
10	FRANCE	614	511	406	1531	-12.88%

Source: DIPP

<sup>3</sup> **Dr. R. Pichumani (2014)** “a study on impact of fdi to economic development of india –a sectorwise analysis” International Journal of Management Research & Review, IJMRR/ September 2014/ Volume 4/Issue 9/Article No-4/872-877

## INTERPRETATION

The following table 1 gives the amount of FDI inflows from 2016-2017 to 2018-2019. The Singapore has the highest compound annual growth rate 23.05 per cent FDI equity inflow in India during the study period. It gives the relevant details whether the country wise performance of FDI Equity inflow differed across the three years. Two-tail test was used.

### T TEST OF THE SHARE OF TOP INVESTING COUNTRIES FDI EQUITY INFLOWS

- 1. Null Hypothesis:** There is no significant relationship between Mauritius and Singapore of countries FDI Equity inflows.

The following table 2 gives the particulars of Mauritius and Singapore of the countries FDI Equity inflows during the period from 2016-2017 to 2018-2019.

**Table -2**  
**Paired Samples Test**

	Paired Differences			t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean			
Pair 1 Mauritius - Singapore	878.00000	7981.08683	4607.88263	.191	2	.866

Source: Computed

## INTERPRETATION

Compared the Mauritius and Singapore using paired sample t test from the table no 2 it shows that the calculated value of 't' is 0.191 for degrees of freedom = 2, and at 5% level of significance of two tail test. P value is 0.866 (Greater than the value of 0.05). Hence we may reject the null hypothesis with 95% confidence. It is clear that the calculated value of 't' is greater than that of the table. It reveals that there is no significant relationship between the Mauritius and Singapore FDI.

- 2.Null hypothesis:** There is no significant relationship between Japan and Netherlands of countries FDI Equity inflows.

The following table 3 gives the particulars of Japan and Netherlands of the countries FDI Equity inflows during the period from 2016-2017 to 2018-2019.

**Table -3**  
**Paired Samples Test**

	Paired Differences			t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean			
Pair 2 Japan - Netherlands	-243.33333	1379.17451	796.26678	-.306	2	.789

2. Compared the Japan and Netherlands using paired sample t test from the table no 3 it shows that the calculated value of 't' is -0.306 for degrees of freedom = 2, and at 5% level of significance of two tail test. P value is 0.789 (Greater than the value of 0.05). Hence we may reject the null hypothesis with 95% confidence. It is clear that the calculated value of 't' is greater than that of the table. It reveals that there is no significant relationship between the Japan and Netherlands FDI.

**3. Null hypothesis:** There is no significant relationship between U.K and U.S.A of countries FDI Equity inflows.

The following table 4 gives the particulars of U.K and U.S.A of the countries FDI Equity inflows during the period from 2016-2017 to 2018-2019.

**Table -4**  
**Paired Samples Test**

	Paired Differences			t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean			
Pair 1 U.K - U.S.A	-1310.66667	449.28981	259.39759	-5.053	2	.037

## INTERPRETATION

Compared the U.K and U.S.A using paired sample t test from the table no 4 it shows that the calculated value of 't' is -5.053 for degrees of freedom = 2, and at 5% level of significance of two tail test. P value is 0.037 (Less than the value of 0.05). Hence we may Accept the null hypothesis with 95% confidence. It is clear that the calculated value of 't' is less than that of the table. It reveals that there is a significant relationship between the U.K and U.S.A FDI.

**4.Null hypothesis:** There is no significant relationship between Germany and Cyprus of countries FDI Equity inflows.

The following table 5 gives the particulars of Germany and Cyprus of the countries FDI Equity inflows during the period from 2016-2017 to 2018-2019.

**Table -5**

### Paired Samples Test

	Paired Differences			t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean			
Pair 1 Germany - Cyprus	587.33333	121.02204	69.87211	8.406	2	.014

## INTERPRETATION

Compared the Germany and Cyprus using paired sample t test from the table no 5 it shows that the calculated value of 't' is 8.406 for degrees of freedom = 2, and at 5% level of significance of two tail test. P value is 0.014 (Less than the value of 0.05). Hence we may Accept the null hypothesis with 95% confidence. It is clear that the calculated value of 't' is less than that of the table. It reveals that there is a significant relationship between the Germany and Cyprus FDI.

**5. Null hypothesis :** There is no significant relationship between UAE and France of countries FDI Equity inflows.

The following table 6 gives the particulars of UAE and France of the countries FDI Equity inflows during the period from 2016-2017 to 2018-2019.

**Table -6**

### Paired Samples Test

		Paired Differences			t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean			
Pair 1	UAE - France	364.00000	263.45588	152.10632	2.393	2	.139

## INTERPRETATION

Compared the UAE and France using paired sample t test from the table no 6 it shows that the calculated value of 't' is 2.393 for degrees of freedom = 2, and at 5% level of significance of two tail test. P value is 0.139 (Greater than the value of 0.05). Hence we may reject the null hypothesis with 95% confidence. It is clear that the calculated value of 't' is greater than that of the table. It reveals that there is no significant relationship between the UAE and France FDI.

## CONCLUSION

FDI Equity inflows in India. The examples of Country - wise FDI inflows in India are chosen dependent on the helpful testing strategy. The study covers the main Sample of 10 nations that have been chosen dependent on the accessibility of information. The present examination covers a solitary time of three years, taking from 2016-2017 to 2018-2019. The inflow of FDI in the Mauritius and Singapore utilizing matched example t test worth is 0.866 (Greater than the estimation of 0.05). Consequently we may dismiss the invalid theory. Japan and Netherlands consolidated model t-test is 0.789 Hence we may dismiss the invalid theory. UAE and France consolidated model t-test is 0.139 henceforth we may dismiss the invalid theory with 95% certainty.

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