



“An Analysis of Foreign Direct Investment Flow in India”

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Abstract

The world has become the global village due to international organisations' policies and change in the foreign trade policies of countries of the world; they made integrated economy of countries with global economy. Foreign direct investment is significant for developing economies and emerging markets where companies need funding and expertise to expand their international sales. FDI has become an important source of private external finance for developing countries. It is different from other major types of external private capital flows in that it is motivated largely by the investors' long-term prospects for making profits. The countries which are developed are focusing on new markets where there is availability of abundant labors, scope for products, and high profits are achieved. Therefore Foreign Direct Investment (FDI) has become a battle ground in the emerging markets. India is one of the fast growing and developing country in the world; it has large and young population and emerging market. Hence, India has capable of attracting Foreign Direct Investment into several sectors of economy. An attempt is made in this article to understand and analyse of FDI flow by year wise and sector wise.

Introduction:

Any nation's economy of the world and its social growth lies on continuous efforts, capital and knowledge. Among these three factors capital has been considered as a most essential and important. Its formation involves multiple activities which are saving, finance and investment. To form capital for economic activities there is a need of stable financial sector and within financial sector banking sector play crucial role. Due to liberalization, globalization, deregulation, competitive disintermediation and economic intensification competition has grown and every country want to become self-reliant and self-sufficient and thus demand for financial resources grown to many fold. To meet the economic demand, socio-political competition, economic complexities, increasing population, unpredictable challenges and to capitalize the macroeconomic environmental opportunities at optimal level Government of India

(GOI) adopted structural and continuous reforms in Indian macroeconomic system. It started playing a parental role by encouraging the engine of economic growth through garnering the internal and external resource in money supply and introduced policy of tectonic economic liberalization, globalization, digitalization and deregulation with metamorphic liberalized policy in financial sector which in result brought drastic change and ultimate revolution in Indian financial sector and transformed conservative financial sector into global at par and led to the emergence for new financial windows, non-debt financial capital FDI, new banks, new instruments, new financial institutions and motivated foreign investors to invest in diversified industrial and manufacturing sector.

Government of India visualized corporate vision and mission and articulated core objectives of corporate financial requirement and liberalized the FDI rules and regulations. To provide strength to the tectonic changes in economic reforms and to accelerate the nation's overall economy government of India passes legislations, rules, regulations, ordinance and amendments in Foreign Direct Investment (FDI) law time to time and strategically enabled the domestic industrial and other economic sector to meet the financial requirement through diversified resources including FDI which is non debt financial capital and is widely preferred by the firms when they became multinational. With following the government policies and under the constant vigilance of regulators like RBI, SEBI and IRDA, Foreign Direct Investment (FDI) gradually occupied the core status in financing the economic activities. With liberalized FDI rules and restructured financial sector domestic industries and Indian corporate collectively explored untapped resources and found it more lucrative and transparent.

Meaning of Foreign Direct Investment:

Foreign direct investment is an investment made by a firm or individual in one country into business interests located in another country. A foreign direct investment is an investment in the form of a controlling ownership in a business in one country by an entity based in another country

According to the IMF:

Foreign direct investment reflects the aims of obtaining a lasting interest by a resident entity of one economy in an enterprise that is resident in another economy.

Statement of the Problem:

FDI has been associated with improved economic growth and development in the host countries which has led to the rise of global competition to attract FDI. It offers many benefits like advance of new technology, innovative products, and extension of new markets, generates employment opportunities and introduction of new skills etc., which replicate in the growth of income of any nation. Foreign direct investment is one of the measures of growing economic globalization. Investment has always been a matter for the developing economies like India. FDI improves the economy of the India through investment in different sectors of the economy. Hence, I have chosen topic for the project with importance of the FDI and its title is “**Analysis of Foreign Direct Investment Flow in India**”

Objective of the study:

1. To understand the Foreign direct investment in India
2. To know quantum of FDI inflow during the study period
3. To analyse the FDI inflow into different sector in India.
4. To know FDI inflow to India from the different countries of the world.
5. To analysis the trend , growth and pattern of FDI inflow into India

Methodology:

The study is in the nature of the descriptive, where the collected data has been described and analysed. The study based on secondary data only. The required secondary data was collected from the website of RBI, other internet source as well from the books and journals. The collected data has been analysed and interpreted and presented in the tabular. Five years (from 2014-15 to 2018-19) data has been used for analysis.

Data Analysis and Interpretation:

In this paper the researcher has analysed and interpreted the collected data to accomplish the objectives of the study and presented in the form of the tables.

Table-1: Total FDI Inflow into India

Year	Total FDI Inflow(In US \$ Million)
2014-15	24748
2015-16	36068
2016-17	36317
2017-18	37366
2018-19	38744

(Source: RBI)

The above table shows the FDI inflow into India during the years 2015 -2019. During the five year period FDI has been increasing. Growth rate of FDI into India has higher growth rate in the year 2015-16 compare to following years. But growth rate of FDI in the last three years low but it has increasing growth rate.

Table-2: Country Wise FDI Inflow into India from 2014-15 to 2018-19

Country	FDI Inflow (In US \$ Million)
Singapore	14632
Mauritius	6570
USA	2823
Japan	2745
Netherland	2519
UK	1211
South Korea	982
Cayman islands	863
UAE	853
Germany	817
Hong Kong	598
Canada	548
Ireland	427
France	375
British virgin islands	290
Switzerland	280
Luxemburg	251
Others	1959

(Source: RBI)

The above table shows the FDI received by India from the different countries of the world. The highest FDI received by the India from the Singapore followed by Maritius, USA, Japan, Netherland, UK, South Korea, Cayman islands, UAE, Germany, Hong Kong, Canada, Ireland, France, British virgin islands, Switzerland, Luxemburg and others during the years 2014-15 to 2018-19

Table-3: Foreign Direct Investment in Manufacturing Sector.

Year	FDI Inflow to Manufacturing Sector(In US \$ Million)
2014-15	9613
2015-16	8439
2016-17	11972
2017-18	7066
2018-19	7919

(Source: RBI)

The above table reveals the foreign direct investment flow into manufacturing sector during the year 2014-15-2018-19. Highest FDI flow into manufacturing sector is higher in the year 2016-17 when compare to other years of the study period.

Table-4: Foreign Direct Investment in Financial Service.

Year	FDI Inflow to Financial Service(In US \$ Million)
2014-15	3075
2015-16	3547
2016-17	3732
2017-18	4070
2018-19	6372

(Source: RBI)

The above table depicts FDI flow into financial service during the year 2014-15 -2018-19. There has been continuous and constant growth of FDI into Indian Financial sector from 2014-15 to 2018-19. It shows the financial sector is having opportunity to attract and potential of FDI in the coming years.

Table-5: Foreign Direct Investment in Communication Service.

Year	FDI Inflow to Communication Service(In US \$ Million)
2014-15	1075
2015-16	2638
2016-17	5876
2017-18	8809
2018-19	5365

(Source: RBI)

The chart show FDI in communication service the during year 2015 -2019. Highest FDI received by communication service in the year 2017-18 compare to other years during the study period. There is fluctuation of FDI inflow to the communication service sector during the study period.

Table-6: Foreign Direct Investment in Retail and Wholesale Trade.

Year	FDI Inflow to Retail and Wholesale Trade (In US \$ Million)
2014-15	2551
2015-16	3998
2016-17	2771
2017-18	4478
2018-19	4311

(Source: RBI)

The above table shows FDI inflow into retail and wholesale trade during the year 2015 -2019. FDI inflow into Retail and Wholesale Trade sector is fluctuation during the study period. It shows increasing and decreasing year by year.

Table-7: Foreign Direct Investment in Computer Service.

Year	FDI Inflow to Computer Service (In US \$ Million)
2014-15	2154
2015-16	4319
2016-17	1937
2017-18	3173
2018-19	3453

(Source: RBI)

The above table reveals the flow of FDI into computer service sector during the year 2014-15 -2018-19. Highest FDI received by the Computer service sector in the year 2015-16. There is increasing in the flow of FDI into computer service sector continuously in the last two years of study period.

Table-8: Foreign Direct Investment in Electricity and Other Energy Sources.

Year	FDI Inflow to Electricity and Other Energy Sources(In US \$ Million)
2014-15	1284
2015-16	1364
2016-17	1722
2017-18	1870
2018-19	2427

(Source: RBI)

The above table reveals the flow of FDI into Electricity and Other Energy sector during the year 2014 -2019 . Highest FDI received by the Electricity and Other Energy sector in the year 2015-16. There is increasing in the flow of FDI into Electricity and Other Energy sector continuously in the last two years of study period.

Table-9: Foreign Direct Investment in Construction Service

Year	FDI Inflow to Construction Service (In US \$ Million)
2014-15	1640
2015-16	4141
2016-17	1564
2017-18	1281
2018-19	2009

(Source: RBI)

The above table shows the flow of FDI into the construction service sector during the year 2015 -2019. There was highest FDI flow into Construction service in the year 2015-16. There is fluctuation in FDI flow from the year 2014-15 to 2018-19.

Table-10: Foreign Direct Investment in Transport

Year	FDI Inflow to Transport (In US \$ Million)
2014-15	482
2015-16	1363
2016-17	891
2017-18	1267
2018-19	1019

(Source: RBI)

The above table shows the flow of FDI into the Transport during the year 2015 -2019. There was highest FDI flow into Transport in the year 2015-16. There is fluctuation in FDI flow from the year 2014-15 to 2018-19.

Table-11: Foreign Direct Investment in Restaurant and Hotels

Year	FDI Inflow to Restaurant and Hotels (In US \$ Million)
2014-15	686
2015-16	889
2016-17	430
2017-18	452
2018-19	749

(Source: RBI)

The above table shows the flow of FDI into Restaurant and Hotels during the year 2014-15 -2018-19. There was highest FDI flow into Restaurant and Hotels in the year 2015-16. There is fluctuation in FDI flow from the year 2014-15 to 2018-19.

Table-12: Foreign Direct Investment in Education, Research and Development.

Year	FDI Inflow to Education ,Research and Development(in US \$ Million)
2014-15	131
2015-16	394
2016-17	205
2017-18	347
2018-19	736

(Source: RBI)

The above table depicts the flow of FDI into Education, Research and Development during the year 2015 - 2019. There was highest FDI flow into Education, Research and Development in the year 2015-16. There is fluctuation in FDI flow from the year 2014-15 to 2018-19. But there has been gradual increase FDI flow from the year 2016-17 to 2018-19.

Table-13: Foreign Direct Investment in Mining Sector

Year	FDI Inflow to Mining (IN US \$ Million)
2014-15	129
2015-16	596
2016-17	141
2017-18	82
2018-19	247

(Source: RBI)

The above table depicts the flow of FDI into Mining sector during the year 2015 -2019. There was highest FDI flow into Mining sector in the year 2015-16. There is fluctuation in FDI flow from the year 2014-15 to 2018-19. But there has been gradual increase FDI flow in the year 2018-19.

Table-14: Foreign Direct Investment in Real Estate Activities.

Year	FDI Inflow to Real Estate Activities(In US \$ Million)
2014-15	202
2015-16	112
2016-17	105
2017-18	405
2018-19	213

(Source: RBI)

The above table shows the flow of FDI into Real Estate Activities during the year 2015 -2019. There was highest FDI flow into Real Estate sector in the year 2017-18. There is fluctuation in FDI flow from the year 2014-15 to 2018-19.

Findings:

The following inferences have drawn from the analysis of the data:

- FDI flow into India is increasing year by year continuously and constant from the year 2014-15 to 2018-19.
- The highest FDI received by the India from the Singapore followed by Maritius, USA, Japan, Netherland, UK etc. during the years 2014-15 to 2018-19
- The highest amount of FDI received by the Manufacturing sector from the yar 2014-15 to 2018-19 it followed by the communication, Financial, Retail and wholesale. Computer, Business service, Electricity and other energy source, construction, Transport, Restaurant and hotels. Education and research and development, Mining, Real Estate, Trading, Miscellaneous and other sectors.
- Highest FDI flow into manufacturing sector is higher in the year 2016-17 when compare to the during the study period.
- There has been continuous and constant growth of FDI into Indian Financial sector from 2014-14 to 2018-19. It shows the financial sector is having opportunity to receive and potential of FDI.
- There is fluctuation of FDI inflow to the communication service sector during the study period.
- FDI inflow into Retail and Wholesale Trade sector is fluctuation during the study period. It shows increasing and decreasing year by year.
- Highest FDI received by the Computer service sector in the year 2015-16. There is increasing in the flow of FDI into computer service sector continuously in the last two years of study period.
- There is increasing in the flow of FDI into computer service sector continuously in the last two years of study period.
- There is increasing in the flow of FDI into Electricity and Other Energy sector continuously in the last two years of study period.
- There was highest FDI flow into Construction service in the year 2015-16. There is fluctuation in FDI flow from the year 2014-15 to 2018-19.
- There was highest FDI flow into Mining sector in the year 2015-16. There is fluctuation in FDI flow from the year 2014-15 to 2018-19. But there has been gradual increase FDI flow in the year 2018-19.

Suggestions:

- Government of India has to make policy to attract the FDI flow to the sectors which have not received and potential of growth.
- The policy makers should design where foreign investment can be utilised as means of enhancing domestic production, saving and export; as medium of technological learning and technology diffusion and also in providing access to the external market.
- The government must promote policies which allow development process starts from within (through production capacity and by absorptive capacity).
- It is suggested that the policy makers should ensure optimum utilisation of fund and timely implementation of project.

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