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OVERALL PERFORMANCE APPRAISAL OF INFLOWS AND OUTFLOWS OF FDI IN BRICS COUNTRIES SINCE 1990

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ABSTRACT

After 2000 the FDI started attracting more economies and economist of the world and it play a major role in economic growth of the developed countries, developing countries and transition economies. All the big economies of the world tried to attract more and more FDI by formulating the conducive policies, developing better infrastructure and better business environment to woo private investor to invest more in different portfolio's. In order to experience the solid economic growth through FDI the BRICS countries undergone the dramatic transformation in the political and economic structure with the vision of sustainable and smart development. FDI not only become an important source of finance but also important mechanism for world integration through no barriers in business. In this paper attempt has been made to analyse and evaluate the overall performance of inflows, outflows of FDI and GDP growth rate of the BRICS countries.

Keyword: BRICS, GDP, FDI, Growth Rate, Economic Development, Economies.

INTRODUCTION

The term BRIC was initially introduced by leading economist Jim, O Neill in 2001 and it is the association of Brazil, Russia, India and China and with the inclusion of South Africa in 2010 it become as a BRICS. O. Neill describe that these fast growing economies that would collectively dominate the global economy by 2050.¹ The main aim of BRICS is to resolve conflicts, IMF Reforms, illicit drug trafficking, barrier Free trade, development of technology & infrastructure and solving the regional issues. All the members of the BRICS agreed to follow the principles of solidarity, openness, Pragmatism and neutrality. The main issue during the first summit which was held in Yekaterinburg, Russia on July 16, 2009 was global financial crises, global development and further strengthening the BRIC group². Although the political dialogue between the BRIC countries began in New York in Sep, 2006³. Brazil host the 2nd, 6th and 11th summit, Russia hosted

1st, 7th and 12th summit, India hosted 4th, 8th and 13th, China 3rd, 9th and 14th where as South Africa hosted 5th, 10th and 15th Summit⁴.

During the period between 1960 to 1990 there has been a sea level change in the pattern of FDI from North to North and during 1970 North to south bound investment but from 1990 onward the trend of FDI has expanded in large scale toward north to south due to the emerging of local market and formation of BRICS.

“FDI is investment in the form of a controlling ownership in a business in one country by an equity based on in another country”⁵. FDI is the sum of equity capital, long term capital, and short term capital as shown in the balance of payment. FDI usually involves participation in management, joint venture, transfer of technology and expertise.”⁶

FDI play a vital role in fostering and maintaining the economic growth of both the countries i.e. recipient and the country making the investment. It play a significant role in raising the assets and strengthening the balance sheet and also have the increasing trend in business, labour productivity, human capita, standard of living, consumption pattern, Govt. expenditure and revenue, GDP, better services, innovation, efficiency, foreign exchange reserve, employment opportunities, advancement of technology, stock of knowledge, investable capital, enhancement of enterprise development and expansion of business in global market.

REVIEW OF LITERATURE

After the formation of BRICS group a large number of research work has been done on FDI in BRIC economies to examine the relationship between GDP, growth rate, inflow and outflow of FDI, determinants of FDI and some other study also focus on the role of FDI in various other economies throughout the world before and after the formation of BRICS. Some review of these studies are as under:-

Balasubramanyam (1996)⁷ has conducted a study of 46 countries for the period of 1970-85 and analyse the correlation between the FDI and economic growth of the countries and concluded that there is a positive impact on the economic development of these countries who following the inward strategy for FDI.

O' Neill(2001)⁸ analyse the speculator economic growth of these countries were set to experience and implication of their future trend for international political economy and stated that the BRICS will dominate in the global economy in the years to come.

Zing (2001)⁹ conducted a study in 2001 and found that there is a positive correlation between economic growth and development and FDI in the developing economies.

Frankel, Funke and Stadhman (2004)¹⁰ examine the role of FDI factor from the receipt country and investment making country and found that recipient country GDP and cyclical factor in investment making country play the significant role.

Pradhan, R.P. (2009)¹¹ conducted a study of FDI on BRICS countries by collecting the data for the period of 1980-2000 and concluded that there is positive impact on the economic development and growth of these countries.

Vijay (2010)¹² observed that value of currency, quality of infrastructure, size of market, cost of labour etc are the basic determinants factors of FDI in BRICS countries.

Agarwal (2015)¹³ conducted a study on BRICS countries and concluded that there is a long run relationship between the growth rate and FDI.

Aaron. O, Neill (2022)¹⁴ stated that China has the highest GDP for the last two decade but it was overtaken by India in mid 2010 and find that GDP growth rate of BRICS countries falls during the financial and economic crisis in 2008 and in pandemic of CORONA VIRUS in 2020.

In addition to the above studies review there are various other studies such as work of Blomstrom, Lipsey and Zijan 1994 stated that FDI have positive impact on the economic growth rate of developing economies. Kinoshita & Campos 2003, Sahoo and Dash 2009, Singhania & Gupta 2011 find that quality of available infrastructure in the recipient country is the main determinants factor of FDI attraction.

Sidhart & Rao 2010, Ranjan & Agarwal 2011, Popa & Carp 2013, Labes, 2015 and Kishore & Singh 2015 observed that there are various determinants of FDI flows such as size of market, cost of labour, availability of proper infrastructure, value of currency etc in the recipient country.

OBJECTIVES OF THE STUDY

- To evaluate and appraise the inflows and outflows of FDI in BRICS countries since 1990.
- To study and analyse the FDI inwards and outwards position as share of GDP and growth rate of GDP in BRICS economies.

RESEARCH METHODOLOGY

The secondary data for the study has been collected from the different sources such as OECD database, UNCTAD statistics, BRICS Wikipedia, UNCTAD Reports, Journal, Magazines, Newspapers, Book and different websites etc. In this paper attempt has been made to examine the trend and pattern of inflows and outflows of FDI in BRICS countries during the period from 1990-2022. The sample taken for the study is the BRICS economies alongwith total global FDI inflows and outflows. Time series method and percentages techniques has been applied to analyse the data. Graphs and data tables has been used where ever required to depict the statistical data of inflow, outflows and GDP growth rate of BRICS economies between 1990 to 2022.

ANALYSIS AND INTERPRETATION

Before 2001 the attraction of FDI towards the BRIC countries was very low and slow but after the formation of BRICS FDI began to grow speedily and attaining the higher and higher growth rate as compare to other countries.

FDI inward flows in BRIC Countries in USD Millions

Table-1

Year	Brazil	Russia	India	China	South Africa	Total World
1990	988	-	236	348	78	-
1995	4405	2065	2151	3752	1241	-
2000	32779	2151	3587	40714	887	-
2005	15066	14375	7606	104104	6683	968575
2006	2517	37442	20336	124082	303	1429016
2007	18822	54922	25483	156249	6764	1947979
2008	34585	75856	47472	171535	8172	1613193
2009	45058	27752	35582	131057	8614	1228264
2010	77687	31668	27397	243710	4015	1506991
2011	97442	36868	36497	280072	3785	1755753
2012	82060	30188	23995	241214	4403	1649419
2013	59089	53397	28153	290928	8296	1586676
2014	63846	29152	34577	268097	5772	1594253
2015	49961	11858	44009	242489	1729	2141848
2016	53700	37176	44559	174750	2235	2051055
2017	66585	25954	39966	166084	2007	1703166
2018	59802	13228	42117	235365	5447	1459124
2019	65386	32076	50610	187170	5125	1730633
2020	28318	10410	64362	253096	3062	1098170
2021	50367	38526	44127	333979	40896	1747467
2022 upto Q-2	27888	-8777	16281	45874	1688	359805

Source: OECD & IMF

OECD Director for Financial and Enterprise Affairs-Investment Division.

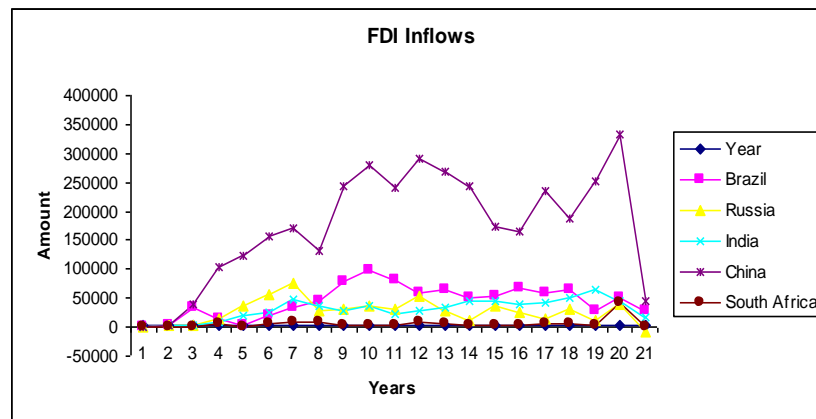


Table-1 shows that after 2001 all the countries of the BRICS group shows the rising trend upto 2008. In 2000 the FDI inflows to China has a relatively higher level i.e. 40714 USD million followed by Brazil 32779 USD million. The level of FDI inflows in China and Brazil was more than hundred times higher than India and

fifteen times higher than Russia for the same period. India, Russia and South Africa recorded very low inflows of FDI before 2000. During the period between 2001 to 2005 FDI Inflows had lower amount as compared to 2000. The reason may be the global slow down of FDI. The inflows rise from 15066 USD million in Brazil to 77687 USD million in 2010, and from 104109 USD million in China to 243703 USD million. All the countries of the group have lion's share except South Africa. During 2000, South Africa have lowest FDI inflows i.e. 888 USD million but it registered the higher values in 2005 i.e. 6653 USD million. The period of BRICS from 2000-07 play important role in interconnecting the global economy by introducing the barrier free trade which attract more FDI which result in high economic growth rate in various sectors of all the BRICS countries and trend can be treated as global boom. "Amidst a sharpening global financial and economic crisis in 2008, the FDI inflows decreased and this decline also affected the major economies grouping developed countries, developed countries and transition economies."¹⁵

The period between 2007 and 2009 remain the period of global recession and growth rate of all the BRICS countries decline and Brazil, Russia and South Africa have negative growth rate. In 2000 the share of BRICS in world FDI inflows was just 6% and goes on increasing and reached at 25% in 2010. The amount of FDI inflows during 2009-10 was 20 percent and 25 percent of the world FDI inflows. The share of BRICS FDI inflows as compared to world inflows shows the steady rise from 15 percent to 27 percent in 2013. The FDI inflows have begun to record highest value between 2015-2019 in all the BRICS economies and after that there is a slight decline in Brazil, Russia and China in 2020. In 2020 the attraction of FDI inflows was recorded lowest in Brazil, Russia and South Africa. The record of South Africa shows the lowest FDI inflows among all the countries of the group since its entry.

The big jump in FDI inflow in BRICS as compare to world inflows was during 2009 to 2014 of which China and Brazil accounting for the lion's share. The highest inflows of FDI in China was in 2021 and lowest was observed in 2017. The maximum and minimum inflows of FDI in India was corresponding to the year 2020 and 2015 respectively. Whereas in case of Brazil highest and lowest inflows was during 2011 and 2005. Russia is significant for the highest FDI inflows in 2013 and lowest in 2020 while that of South Africa was in 2020 and 2021.

"In 2020 global FDI inflows collapse due to Covid pandemic but share of BRICS inflows was highest i.e. 32.71 percent. Global FDI finished in 2020 more than 30% below the trough after the global financial crisis in 2009.¹⁶" "Global FDI rebounds strongly in 2021, but recovery highly uneven infrastructure finance up due to stimulus, green-field projects in industry still weak. Global foreign FDI flows showed a strong rebound in 2021 up by 77% to an estimated \$ 1.65 trillion from \$ 929 billion in 2020 surpassing their pre-Covid-19 level.¹⁷" The overall leading position of China in attracting the other economies for foreign investment is due to the more interest of MNC. The other reasons behind the attraction of more inflows is the flexible policies of China Government, cheap labour, better infrastructure, opened the economy to the world, removal of trade related restrictions, improvement in intellectual property right etc. Brazil performance is also impressive in attracting the FDI inflows mainly due to no restriction policy in the country with retained earning and

repatriation of capital registered. The facilities and infrastructure provided by the Brazil Govt. encouraged the foreign investors as prime investment destination. On the other hand India and Russia put more restrictions regarding the principles of protection of property.

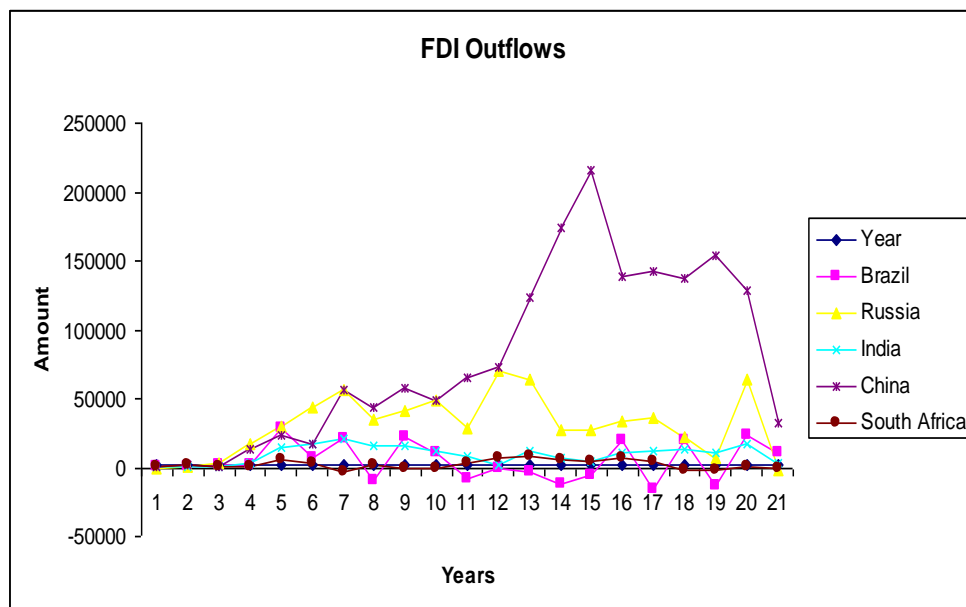
Afterward Indian govt. taken various steps regarding the structural reforms such as trade liberalization, privatization and Globalization, change in industrial policy, and policy regarding inflows of FDI, 100% FDI flows sector, and setting up of boards for early negotiations with MNC and expediting the clearance. These reforms play very important role in increasing the competitiveness of Indian companies and later these companies became MNC and preferred the outward investment in the form of joint venture, subsidiaries and wholly owned companies and get the advantages of export finance. The main indicator which attract the FDI inflows in India is young and cheap labour, special investment privileges and relaxation in FDI norms for various sector which helps in generating employment opportunities achieving technical know how etc.

FDI outward flows in BRICS countries USD million

Table-2

Year	Brazil	Russia	India	China	South Africa	Total World
1990	624	-	6	830	27	-
1995	1095	605	119	2000	2497	-
2000	2281	3151	514	915	270	-
2005	2517	16747	2978	13730	935	829316
2006	28202	29840	14344	23932	5891	1352699
2007	7067	43849	17281	17155	3068	2148194
2008	20457	56735	20795	56742	-2781	1707258
2009	-10084	34450	16068	43890	1322	1197100
2010	22060	41116	15968	57954	-84	1448669
2011	11062	48635	12608	48421	-229	1606036
2012	-8425	28423	8553	64963	2886	1292793
2013	-478	70685	1765	72971	6646	1389910
2014	-3261	64203	11686	123130	7671	1427847
2015	-11643	27090	7514	174391	5744	1730223
2016	-5901	26951	5047	216424	4474	1557041
2017	19040	34153	11090	138293	7366	1602670
2018	-16336	35820	11418	143027	4074	988065
2019	19031	22024	13141	136910	-1951	1346056
2020	-12935	6778	11122	153721	-1951	656591
2021	23083	63959	17239	128037	19	1653671
2022 upto Q-2	11108	-2109	2686	31730	-395	494593

Source: OECD & IMF



The outward flows of FDI from the BRICS countries have shown the increasing trend more rapidly from the beginning. These countries became the important investors in the other countries economies and their FDI outflows was risen from 2525 USD millions in Brazil, 16747 USD millions in China and 935 USD millions in South Africa to 20457 in Brazil, 50735 Russia, 20795 India, 56722 USD million in China in 2010 respectively. As a result their share in world FDI outflows kept rising and reached at 7.5% in 2011 from 4% in 2005. During the financial and economic crises the FDI outflows from BRICS countries remain resilient and declined to 8% in 2009 as compare to 8.89% in 2008. The two countries from the BRICS group i.e. China and Russia have contributed more to FDI outflows between 2010-19 followed by India. The outflows from Russia recorded the strongest increase since beginning till 2013 and after that started declining but in 2021 again jumped to 63959 USD millions. India outflows has increasing trend up to 2008 after that there is fluctuating trend up to 2019 and the year of 2020 shows the upward trends in Indian outflows FDI. Brazil and South Africa are not the biggest players in outflows FDI among the BRICS economies. Looking closely to individual performance among the BRICS countries, Brazil direct investment in other countries is not sufficient as compared to its inflows. The maximum outflows of FDI from China was in 2016 and minimum in 1990 the highest outflows from India was in 2008 and lowest in 1990 where as Russia was highest outflows in 2021 and lowest in 1995.

China model “Go Global Policy” play the significant role in economy of China and it promoted the outward direct investment and its figure double in 2008 where as the global outflows falls. In the beginning India policy regarding outward FDI was restrictive but later on Indian home grown companies has contributed toward outflow in providing outsource business IT services, searching natural resources, BPO and call centre etc.

FDI inward positions as share of GDP%**Table-3**

Year	Brazil	Russia	India	China	South Africa	Total World
2005	20	22	6	21	38	24
2006	19	25	8	22	44	27
2007	21	35	9	20	39	314
2008	15	12	10	20	29	24
2009	22	28	13	26	47	30
2010	29	28	12	26	48	31
2011	25	21	11	25	28	29
2012	27	24	12	24	27	31
2013	25	21	12	24	28	33
2014	24	14	13	25	29	34
2015	24	19	13	24	40	37
2016	31	31	14	25	46	38
2017	30	28	14	22	45	42
2018	30	24	14	20	31	39
2019	38	29	15	19	41	43
2020	41	31	18	22	44	57
2021	37	28	16	21	-	48

Source: OECD most recent & FDI statistics for OECD and G20 countries

www.oecd.org**FDI outward positions as share of GDP%****Table-4**

Year	Brazil	Russia	India	China	South Africa	Total World
2005	9	17	2	3	-	25
2006	10	22	3	4	-	29
2007	9	26	4	4	-	32
2008	8	11	5	4	-	24
2009	8	22	6	5	-	30
2010	7	21	6	6	-	30
2011	6	15	6	6	-	28
2012	8	15	6	6	-	30
2013	8	17	6	7	-	32
2014	9	16	7	9	-	32
2015	10	21	7	10	-	35
2016	11	27	6	13	-	36
2017	12	25	6	15	-	40
2018	11	21	6	14	-	36
2019	13	24	6	16	-	31
2020	19	26	7	18	-	46
2021	18	21	7	21	-	43

Source: OECD most recent & FDI statistics for OECD and G20 countries

www.oecd.org

Gross Domestic product (GDP) is the total monetary or market value of the finished goods and service produced within a country's border in a specific period and growth rate is also known as the economic growth rate and it measures the change in GDP of the country during a specific period of time. FDI affects the growth rate positively because when FDI inflows from the capital rich country to capital scarce country it increases the production, enhances labour productivity, introduces new technology and has the positive impact on each sector of the economies. If the country has a higher growth rate, there will be higher growth in demand and there will be more opportunities of profitability and earning for inflowing capital and country with more capital will prefer higher growing opportunities and on the other hand the country with low growth rate & scarce of capital may imply more profitability opportunities for capital. The growth rate of FDI inflowing countries is also affected positively by the economic stability, human capital, financial development and trade openness etc. The growth rate is also enhanced where the recipient country has the absorptive capacities to give the spillovers generated from FDI inflows.

During the period from 1990 to 2010 the average real GDP growth rate of BRICS was 5.38%. It is clear from the table-5 that Brazil has the highest growth rate in 2010 and negative rate in 2009, 15, 16 and 2020. Russia has maximum and minimum growth rate during 2007 and 2022 and in the other years the growth rate has no trend and is near to negligible. Whereas in the case of India has the highest growth rate in 2010 and lowest in 2020 and in other years it was higher than the Brazil, Russia and South Africa growth rate throughout. China's growth rate dominating among all BRICS countries experienced the highest growth rate i.e. 14.25% in 2017 and lowest is 2.32% in 2022.

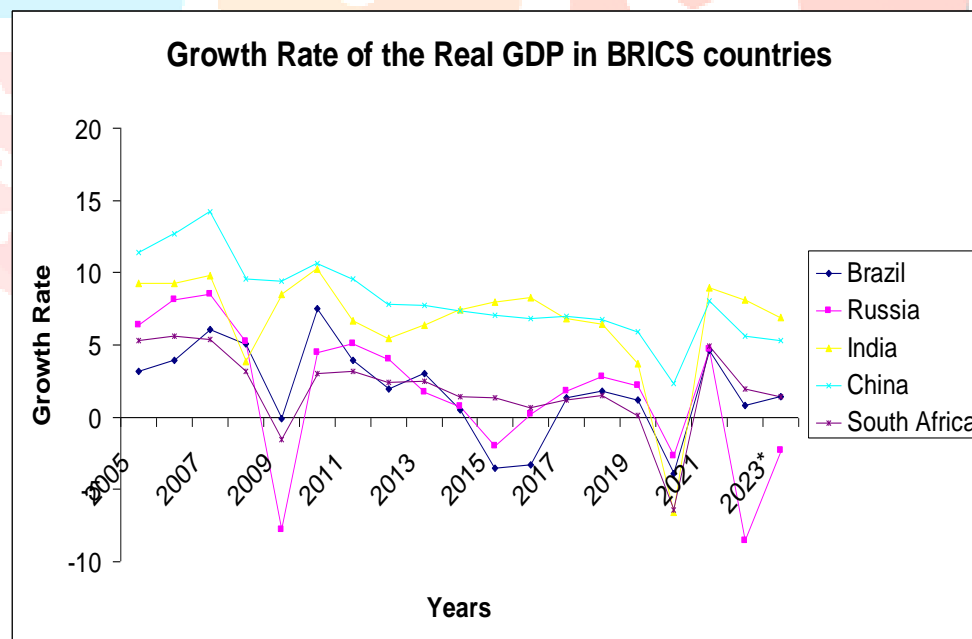
India and China have the rising and stable trend in growth rate whereas Russia, Brazil and South Africa has fluctuating trend in growth rate. Thus by taking into consideration the data of growth rate and flows of FDI of BRICS countries the data exhibits that there is a positive relationship between the growth rate and FDI flows.

Growth Rate of the Real GDP in BRICS countries %age**Table-5**

Year	Brazil	Russia	India	China	South Africa
2005	3.2	6.38	9.29	11.39	5.28
2006	3.96	8.15	9.26	12.71	5.6
2007	6.07	8.54	9.8	14.25	5.36
2008	5.09	5.25	3.89	9.59	3.19
2009	-0.13	-7.82	8.48	9.45	-1.54
2010	7.53	4.5	10.26	10.61	3.04
2011	3.97	5.07	6.64	9.55	3.17
2012	1.92	4.02	5.46	7.85	2.4
2013	3.01	1.76	6.39	7.77	2.49
2014	0.5	0.74	7.41	7.39	1.41
2015	-3.55	-1.97	8.0	7.02	1.32
2016	-3.28	0.19	8.26	6.85	0.67
2017	1.32	1.83	6.8	6.95	1.16
2018	1.78	2.81	6.45	6.75	1.49
2019	1.22	2.2	3.74	5.95	0.11
2020	-3.88	-2.7	-6.6	2.34	-6.43
2021	4.62	4.7	8.95	8.02	4.92
2022	0.81	-8.52	8.15	5.6	1.94
2023*	1.4	-2.29	6.89	5.28	1.4

Source: Published by Aaron O., Neill June 29, 2022

Economy & Politics –International Statistics : Expected *



CONCLUSION

It is clear from the analysis of above data that China recorded the maximum inflows & outflows FDI, with higher growth rate and Brazil, Russia, India and South Africa got the 2nd, 3rd & 4th and 5th position respectively but in case of outflows of FDI India dominate Brazil and Russia. The various other studies conducted on BRICS shows the various reasons and factors that plays a significant role in attracting the FDI inflows in BRICS countries such as more potential consumer market, GDP of the country, size of population, per capita income, stable microeconomic conditions, high and sustainable economic growth rate, less chances of uncertainty, low labour cost, low wages rates, easy availability of super- specialty infrastructure, proper implementation of strategic policy, initiatives economic freedom, facilitating openness, incentives and tax holidays, liberal entry and exist policy, free movement of goods, flexible labour laws, devaluation of currency, bilateral tax policy, exchange role, industrial cluster etc.

Thus to remain intact as BRICS and fast growing economics in the global market, BRICS economies have to formulate the future policies by taking into consideration the requirement of the global market. BRICS have to diversity the inflows and outflows in new technology based sector, innovation and strong brands and more concentration towards stability, liberalized FDI policy and transparency.

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