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IMPACT OF FDI ON INDIA ECONOMIC

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Abstract

One of the most striking developments during the last two decades is the spectacular growth of FDI in the global economic landscape. This unprecedented growth of global FDI in 1990 around the world make FDI an important and vital component of development strategy in both developed and developing nations and policies are designed in order to stimulate inward flows.

In fact, FDI provides a win – win situation to the host and the home countries. Both countries are directly interested in inviting FDI, because they benefit a lot from such type of investment. The 'home' countries want to take the advantage of the vast markets opened by industrial growth. On the other hand the 'host' countries want to acquire technological and managerial skills and supplement domestic savings and foreign exchange. Moreover, the paucity of all types of resources viz. Financial, capital, entrepreneurship, technological know- how, skills and practices, access to markets- abroad- in their economic development, developing nations accepted FDI as a sole visible panacea for all their scarcities. Further, the integration of global financial markets paves ways to this explosive growth of FDI around the globe. What do we mean by Foreign Direct Investment?As the name suggests, it is an investment by foreign individual(s) or company(ies) into business, capital markets or production in the host country. Foreign direct investment policy in India is regulated under the Foreign Exchange Management Act (FEMA) 2000 administered by the Reserve Bank of India (RBI).FDI plays an important role in the economic development of a country. The capital inflow of foreign investors allows strengthening infrastructure, increasing productivity and creating employment opportunities in India. Additionally, FDI acts as a medium to acquire advanced technology and mobilize foreign exchange resources. Availability of foreign exchange reserves in the country allows RBI (the central banking institution of India) to intervene in the foreign exchange market and control any adverse movement in order to stabilize the foreign exchange rates. As a result, it provides a more favourable economic environment for the development of Indian economy.

INTRODUCTION

When a firm controls (or have a strong say in) another firm located abroad, e.g. by owing more than 10% of its equity, the former is said "parent enterprise" (or "investor") and the latter "foreign affiliate". For a country, attracting an inflow of FDI strengthen the connection to world trade networks and finance its development path. However, unilateral substantial FDI to a country can make it dependent on the external pressure that foreign owners might exert on it. Foreign investment plays a significant role in development of Indian economy. Many countries provide many incentives for attracting the foreign direct investment (FDI). Need of FDI depends on saving and investment rate in any country. Foreign Direct investment acts as a bridge to fulfill the gap between investment and saving. In the process of economic development foreign capital helps to cover the domestic saving constraint and provide access to the superior technology that promotes efficiency and productivity of the existing production capacity and generate new production opportunity.

Foreign direct investment in India: FDI and Economic Growth

The historical background of FDI in India can be traced back with the establishment of East India Company of Britain. British capital came to India during the colonial era of Britain in India. After Second World War, Japanese companies entered Indian market and enhanced their trade with India, yet U.K. remained the most dominant investor in India. Further, after Independence issues relating to foreign capital, operations of MNCs, gained attention of the policy makers. Keeping in mind the national interests the policy makers designed the FDI policy which aims FDI as a medium for acquiring advanced technology and to mobilize foreign exchange resources. With time and as per economic and political regimes there have been changes in the FDI policy too. The industrial policy of 1965, allowed MNCs to venture through technical collaboration in India. Therefore, the government adopted a liberal attitude by allowing more frequent equity.

In the critical face of Indian economy the government of India with the help of World Bank and IMF introduced the macro-economic stabilization and structural adjustment program. As a result of these reforms India open its door to FDI inflows and adopted a more liberal foreign policy in order to restore the confidence of foreign investors. Further, under the new foreign investment policy Government of India constituted FIPB (Foreign Investment Promotion Board) whose main function was to invite and facilitate foreign investment

Starting from a baseline of less than USD 1 billion in 1990, a recent UNCTAD survey projected India as the second most important FDI destination (after China) for transnational corporations during 2010-2012. As per the data, the sectors which attracted higher inflows were services, telecommunication, construction activities and computer software and hardware. Mauritius, Singapore, the US and the UK were among the leading sources of FDI to the country.

According to GYANPRATHA – ACCMAN (Journal of Management, Volume 5 Issue 1, 2013) FDI for 2009-10 at US$ 25.88 billion was lower by five per cent from US$ 27.33 billion in the previous fiscal. Foreign direct investment in August dipped by about 60 per cent to approx. US$ 34 billion, the lowest in 2010 fiscal, industry department data released showed. In the first two months of 2010-11 fiscal. FDI inflow into India was at an all-time high of $7.78 billion up 77%from $4.4 billion during the corresponding period in the previous year.

In 2013, the government relaxed FDI norms in several sectors, including telecom, defence, PSU oil refineries, power exchanges and stock exchanges, among others. In retail, UK-based Tesco submitted its application to initially invest US$ 110 million to start a supermarket chain in collaboration with Tata Group's Trent. In civil aviation, Malaysia-based Air Asia and Singapore Airlines teamed up with Tata Group to launch two new airline services. Also, Abu Dhabi-based Etihad picked up a 24 per cent stake in Jet Airways that was worth over Rs 2, 000 crore (US$ 319.39 million).

India has received total foreign investment of US$ 306.88 billion since 2000 with 94 per cent of the amount coming during the last nine years.

In the period 1999–2004, India received US$ 19.52 billion of foreign investment. In the period 2004–09, foreign investment in the country touched US$ 114.55 billion, further increasing to US$ 172.82 billion between 2009–September, 2013.

During FY 2012–13, India attracted FDI worth US$ 22.42 billion. Tourism, pharmaceuticals, services, chemicals and construction were among the biggest beneficiaries.

The January–November period in 2013 witnessed mergers and acquisitions deals worth US $ 26.76 billion in India, according to a survey by tax advisory firm Grant Thornton.

Objectives of the study

- To study the trends and patterns of flow of FDI in the Indian Economy.
- To evaluate the impact of FDI on the Indian Economy.
- To know the flow of investment in India.
- To study the interaction between the different motives for undertaking FDI and the different types of FDI.
- To discuss the FDI policy framework in India.
- To identify the various determinants of FDI.
- To understand the need for FDI in India.
- To analysis the FDI flows as to identify country wise approvals of FDI inflows to India.
- To analysis sector wise inflow of FDI in India.
- To identify the problems relating to low inflow of FDI and to make suitable suggestions for attracting more FDI inflow to India.

Research methodology

Research Methodology is a way to find out the result of a given problem on a specific matter or problem that is also referred as research problem. In Methodology, researcher uses different criteria for solving/searching the given research problem. Different sources use different type of methods for solving the problem. If we think about the word “Methodology”, it is the way of searching or solving the research problem.

Problem formulation –

India is without doubt a 'growth' economy and many consider it an attractive country to invest in, particularly in its rapidly growing and changing retail market. However, Foreign Direct Investment (FDI) is restricted in the retail sector, and despite many years of debate, the regulations are still only changing very slowly and there are still lots of uncertainties. Foreign Investors are watching

India, ready for a piece of the action in the retail market, but there are still plenty of uncertainties, restrictions and potential socioeconomic risks. This division of the retail sector, which has a very heavy weighting towards, unorganized, is just one of the issues contributing to the sensitive debate on FDI in India at the moment. What are the potential risks to the unorganized retail sector, and of course to the wider Indian economy? There are several groups who are Strongly opposed to FDI in the Indian retail sector, but are their concerns unfounded? Equally, could FDI in retail be a disaster for the sector and the Indian economy? What reforms are necessary, if any, to protect the subcontinents?

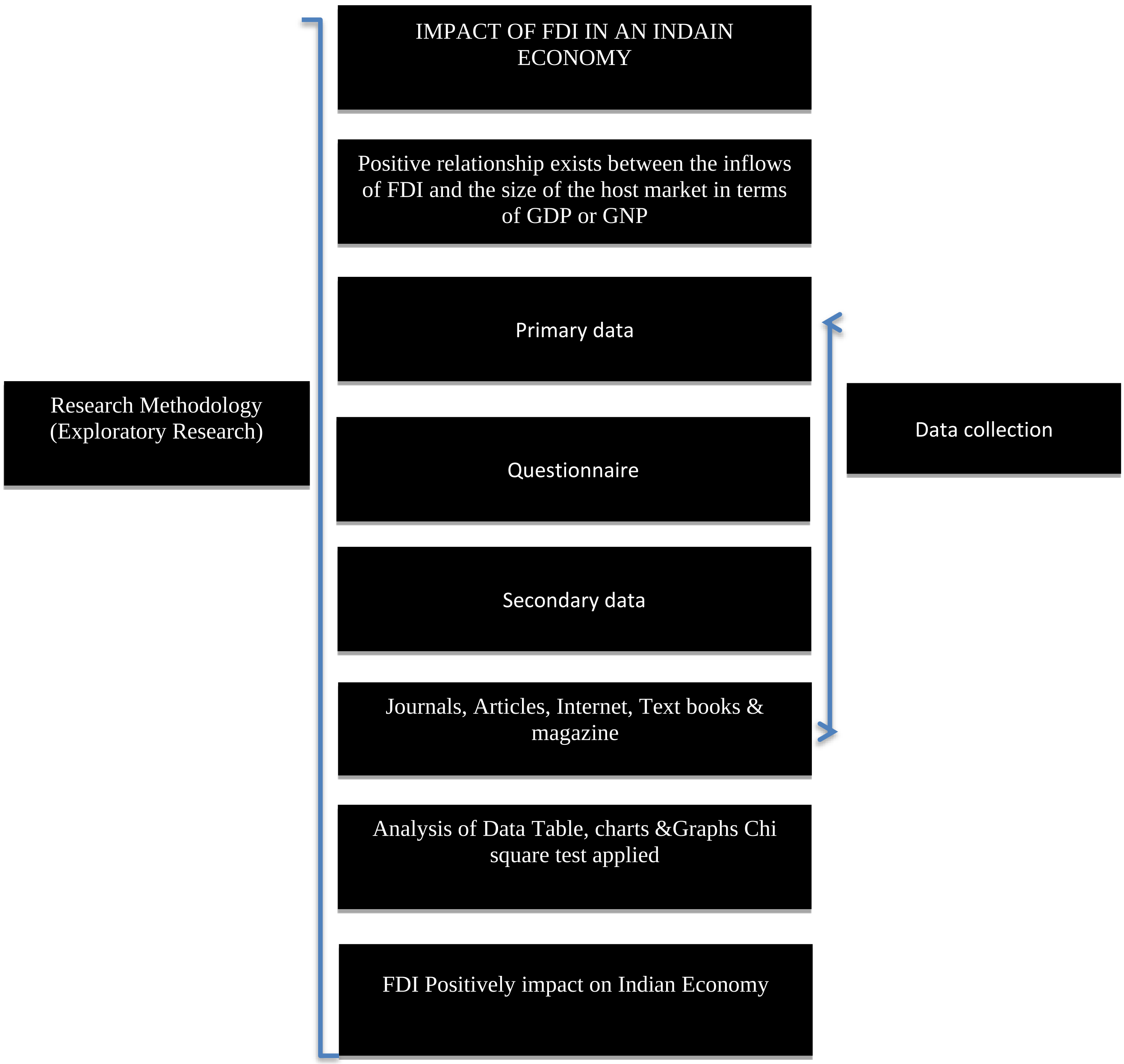
Domestic retail sector and national interests? Thus, retailing can be said to be the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturer and institutional buyers such as the government and other bulk customers retailing is the last link that connects the individual consumer with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit. With this keeping in mind, the following objectives are formulated.

The research design for the present study was basically descriptive and exploratory in nature. The study started with exploratory research design in order to have a deeper insight of the changing retailing environment of FDI in INDIA. This help to formulate the research hypothesis for the present study. Owing to the fact that management is a relatively speaking a nascent field compared to other disciplines it is quite natural that most of the research studies will be of the type – exploratory. This study therefore, will be an exploratory research based in a large measure on the collection of primary data and also the secondary sources

- Type of research - Quantitative & Analytical Research.
- Data - Data of Manufacturing, Services & Construction, Real estate, mining sectors is considered
- Data Collection Method- Secondary data from different web sites & reports of RBI,DIPP report on FDI
- Sources of data collection -The study are based on published sources of data collected from various sources. The data was extracted from the following sources:

 Handbook of Statistics on the Indian economy, RBI.
 Economic Survey, Government of India.
 Department of Industrial Policy and Promotion (DIPP).
 Secretariat of Industrial Assistance (SIA).
 Central Statistical Organization (CSO).

Methodological Framework



REVIEW OF LITERATURE

Agarwal and Khan conducted the study on "Impact of FDI on GDP: A Comparative Study of China and India", the study found that 1% increase in FDI would result in 0.07%increase in GDP of China and 0.02% increase in GDP of India. We also found that China's growth is more affected by FDI, than India's growth Kumar and Karthika found out in their study on "Sectoral Performance through Inflows of Foreign Direct Investment (FDI)", that Foreign Direct Investment has a major role to play in the economic development of the host country. Most of the countries have been making use of foreign investment and foreign technology to accelerate the place of their economic growth. FDI ensures a huge amount of domestic capital, production level and employment opportunities in the developing countries, which a major step towards the economic growth of the country. Balasubramanyam and Sapsford stated in their article "Does India need a lot more FDI" compared the levels of FDI inflows in India and China, and found that FDI in India is one tenth of that of china. The paper also concluded that India may not require increased FDI because of the structure and composition of India's manufacturing, service sectors and her endowments of human capital and the country is in a position to unbundle the FDI package effectively and rely on sources other than FDI for its capital requirements. Bajpai and Jeffrey stated attempted the paper on "Foreign Direct Investment in India: Issues and Problems", to identify the issues and problems associated with India's current FDI regimes, and also the other associated factors responsible for India's unattractiveness as an investment location. Despite India offering a large domestic market, rule of law, low labour costs, and a well working democracy, her performance in attracting FDI flows have been far from satisfactory. The conclusion of the study is that a restricted FDI regime, high import tariffs, exit barriers for firms, stringent labor laws, poor quality infrastructure, centralized decision making processes, and a verylimited scale of export processing zones make India an unattractive investment location.

Importance of the study

1) It is apparent from the above discussion that FDI is a predominant and vital factor in influencing the contemporary process of global economic development. The study attempts to analyse the important dimensions of FDI in India. The study works out the trends and patterns, main determinants and investment flows to India.

2) The study also examines the role of FDI on economic growth in India for the period 1991-2008. The period under study is important for a variety of reasons. First of all, it was during July 1991 India opened its doors to private sector and liberalized its economy.

3) Secondly, the experiences of South-East Asian countries by liberalizing their economies in 1980s became stars of economic growth and development in early 1990s.

4) Thirdly, India's experience with its first generation economic reforms and the country's economic growth performance were considered safe havens for FDI which led to second generation of economic reforms in India in first decade of this century.

5) Fourthly, there is a considerable change in the attitude of both the developing and developed countries towards FDI. They both consider FDI as the most suitable form of external finance.

6) Fifthly, increase in competition for FDI inflows particularly among the developing nations. The shift of the power centre from the western countries to the Asia sub – continent is yet another reason to take up this study.
7) FDI incentives, removal of restrictions, bilateral and regional investment agreements among the Asian countries and emergence of Asia as an economic powerhouse (with China and India emerging as the two most promising economies of the world) develops new economics in the world of industrialised nations.
8) The study is important from the view point of the macroeconomic variables included in the study as no other study has included the explanatory variables which are included in this study. The study is appropriate in understanding inflows during 1991- 2008.

India has received highest-ever FDI of $64.37 billion

According to the Annual Report 2018-19 of the DPIIT, FDI worth $286 billion were received in the country in past five years

India received the highest-ever FDI inflow of $64.37 billion during the fiscal ended March 2019, said a government report. According to the Annual Report 2018-19 of the Department for Promotion of Industry and Internal Trade (DPIIT), foreign direct investments (FDI) worth $286 billion were received in the country in past five years.

"In the current financial year (2018-19), the country registered highest ever FDI inflow of $64.37 billion," the report said.

Highlighting the importance of FDI, it said the foreign inflows bring in resources, the latest technology and best practices to push economic growth on to a higher trajectory.

The DPIIT under the commerce and industry ministry further said path-breaking reform measures undertaken during the last financial year have resulted in India surpassing the FDI received in 2016-17 and registering an inflow of $60.98 billion during 2017-18, a new all-time high.

The FDI inflows were $45.14 billion during 2014-15 when Prime Minister Narendra Modi-led NDA government assumed power. The inflows were $55.55 billion in the following year.
Besides, the DPIIT said an action plan for promotion of Indian 'geographical indications' (GIs) has been prepared. This can help supplement the incomes of our
farmers, weavers, artisans and craftsmen. A logo and tagline for all Indian GIs has been prepared through crowd-sourcing.
The government regularly reviews the FDI policy, with a view to make it more investor-friendly.

India's FDI inflows decline in FY19, Singapore replaces Mauritius as top source of investment

FDI inflows fell 56% in telecommunications to $2.7 billion and 74% in pharmaceuticals to $266 million. Those in the power sector declined to $1.1 billion from $1.62 billion earlier.

New Delhi: India's foreign direct investment (FDI) equity inflows fell for the first time in six years in 2018-19 with a steep decline in foreign funds in telecom, pharmaceuticals and powers
Data released by the department for promotion of industry and internal trade on Tuesday showed FDI equity inflows into India declined 1% to $44.4 billion 2018-19 from $44.8 billion in the previous fiscal.
FDI inflows fell 56% in telecommunications to $2.7 billion and 74% in pharmaceuticals. to $266 million. Those in the power sector declined to $1.1 billion from $1.62 billion earlier. Further, Singapore replaced Mauritius as the top source of foreign investment with FDI inflows twice that from Mauritius during the year at $16.2 billion, compared with $8.1 billion from Mauritius. Sectors that recorded a growth in FDI are services ($9.15 billion), computer software and hardware ($6.41 billion), trading ($4.46 billion), and automobile ($2.62 billion). Last time it was in 2012-13 when foreign inflows had registered a contraction of 36% to $22.42 billion compared to $35.12 billion in 2011-12.

Last time it was in 2012-13 when foreign inflows had registered a contraction of 36% to $22.42 billion compared to $35.12 billion in 2011-12.

Since 2012-13, the inflows had been continuously growing and reached a record high in 2017-18.

ANALYSIS AND INTERPRETATION OF DATA

Foreign Direct Investment (FDI) is a key driver for the growth in the Indian economy in the context of other developing countries. **FDI** inflow is the investment made by enterprises through joint ventures (JV) or mergers & acquisitions (M&A), to carry out business activities in host countries. Advantages of **FDI** inflow include:

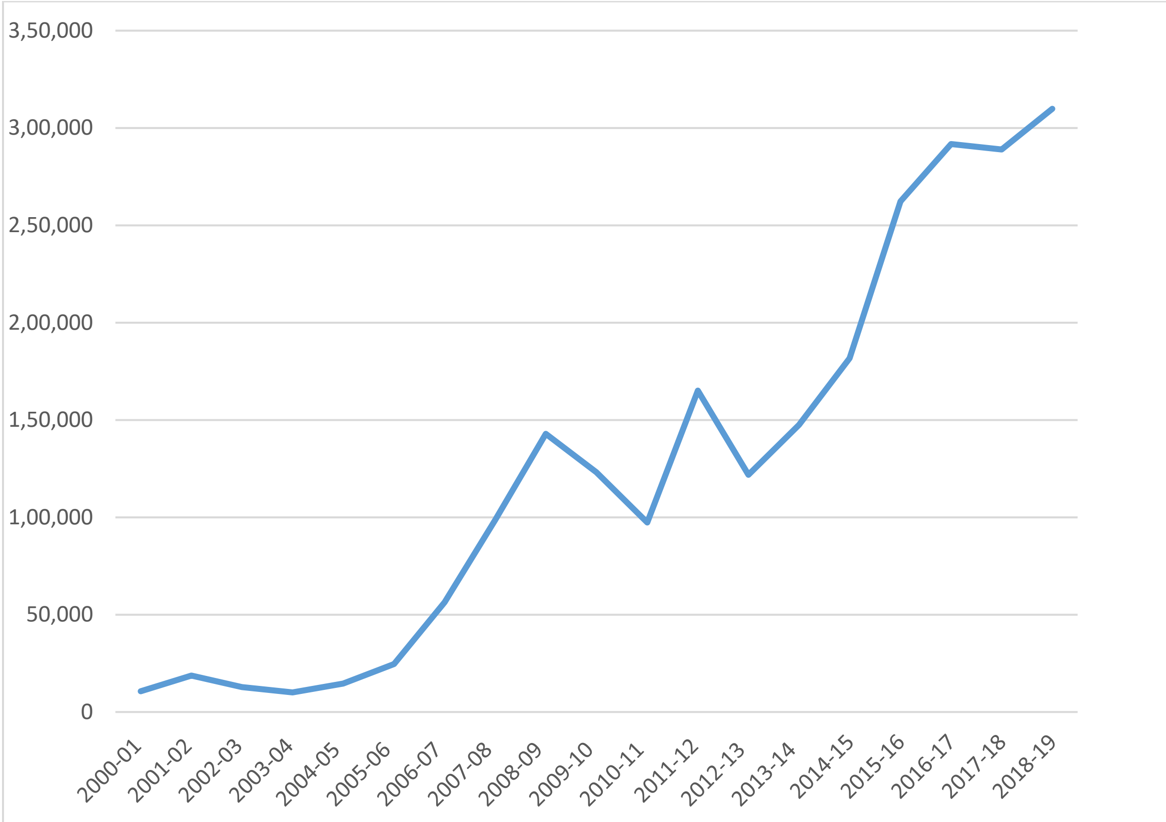
- building physical capital,
- developing the skill of domestic labour force,
- employment generation,
- increasing productive capacity and
- Technology transfer and integration of the domestic economy with the world economy (Jayakumar, Kannan, &Anbalagan, 2014).

This is significant especially for a developing country like India because **FDI** aims to positively contribute to its growth and development.

DPIIT's – FINANCIAL YEAR- WISE FDI EQUITY INFLOWS:

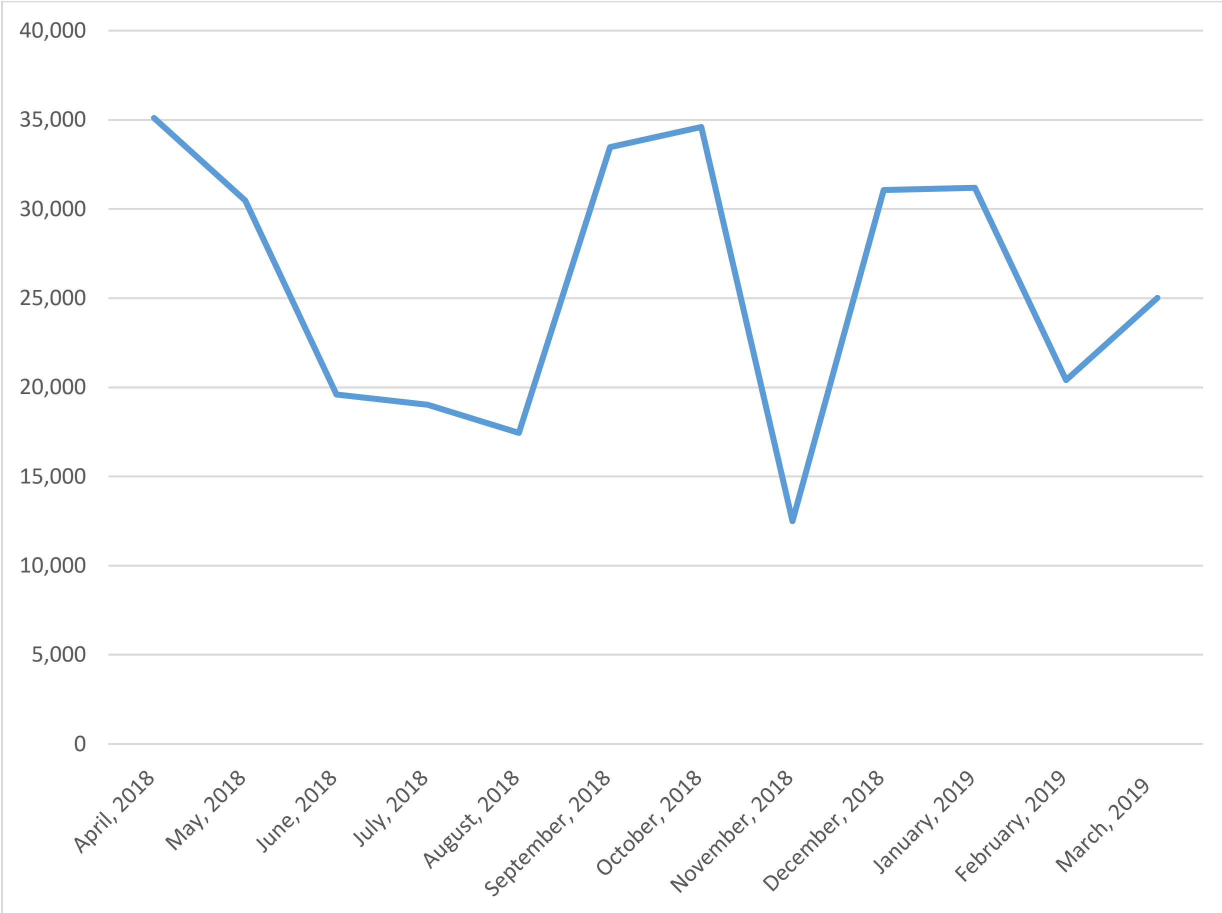
(As per DPIIT's FDI data base – equity capital components only):

S. Nos	***Financial Year (April – March)***	***Amount of FDI Inflows***		***%age growth over previous year (in terms of US $)***
FINANCIAL YEARS 2000-01 TO 2018-19		***In RsCrores***	***In US$ Million***	
1.	**2000-01**	10,733	**2,463**	**-**
2.	**2001-02**	18,654	**4,065**	**(+) 65 %**
3.	**2002-03**	12,871	**2,705**	**(-) 33 %**
4.	**2003-04**	10,064	**2,188**	**(-) 19 %**
5.	**2004-05**	14,653	**3,219**	**(+) 47 %**
6.	**2005-06**	24,584	**5,540**	**(+) 72 %**
7.	**2006-07**	56,390	**12,492**	**(+)125 %**
8.	**2007-08**	98,642	**24,575**	**(+) 97 %**
9.	**2008-09**	142,829	**31,396**	**(+) 28 %**
10.	**2009-10**	123,120	**25,834**	**(-) 18 %**
11.	**2010-11**	97,320	**21,383**	**(-) 17 %**
12.	**2011-12** ^	165,146	**35,121**	**(+) 64 %**
13.	**2012-13**	121,907	**22,423**	**(-) 36 %**
14.	**2013-14**	147,518	**24,299**	**(+) 8%**
15.	**2014-15 #**	181,682	**29,737**	**(+) 22%**
16.	**2015-16 #**	262,322	**40,001**	**(+) 35%**
17.	**2016-17#**	291,696	**43,478**	**(+) 9%**
18.	**2017-18#**	288,889	**44,857**	**(+) 3%**
19.	**2018-19#**	309,867	**44,366**	**(-) 1%**
CUMULATIVE TOTAL (from April, 2000 to March, 2019)		2,378,887	**420,142**	

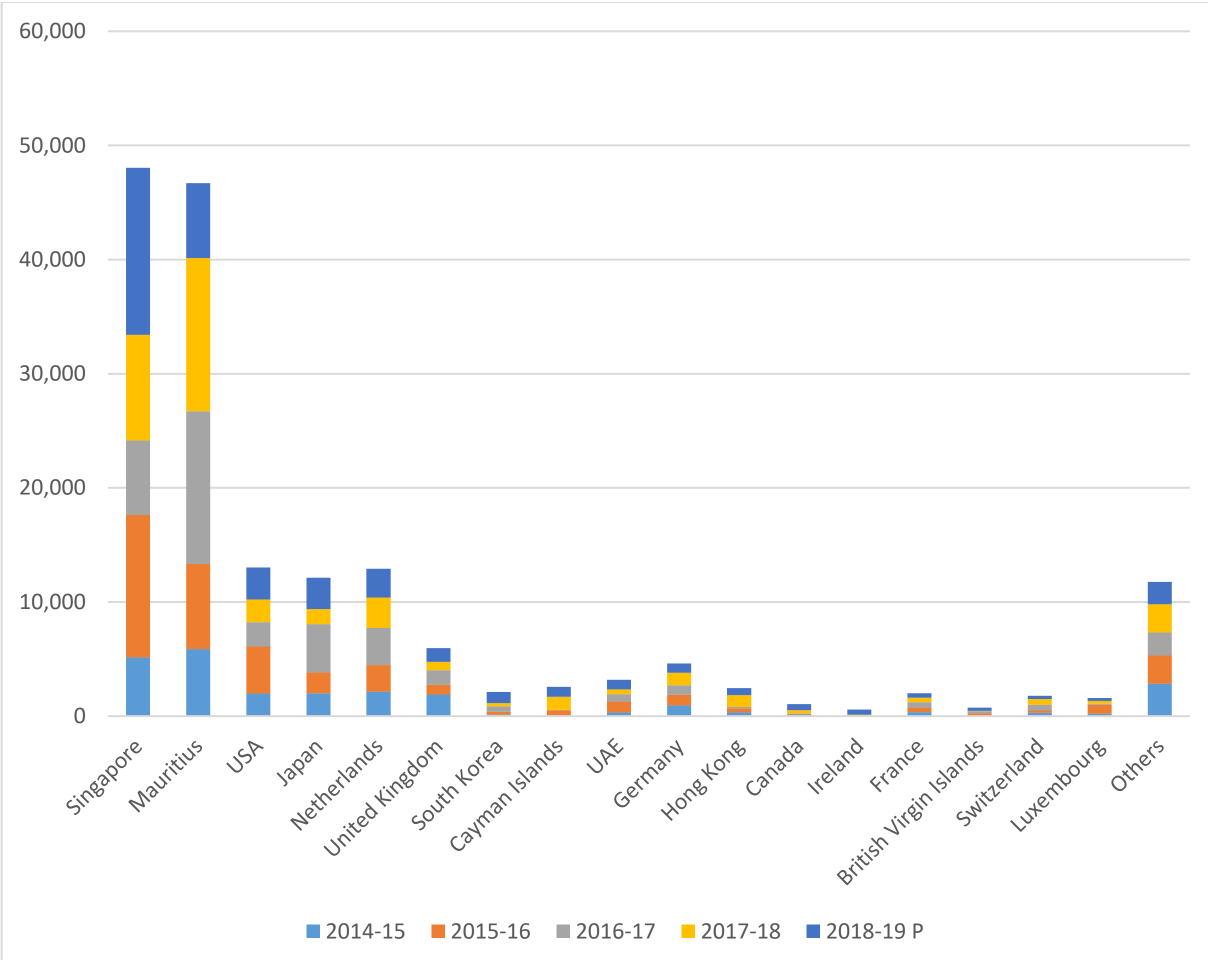


FDI EQUITY INFLOWS (MONTH-WISE) DURING THE FINANCIAL YEAR 2018-19:

Financial Year 2018-19 (April-March)		***Amount of FDI Equity inflows***	
		(In Rs. Crore)	***(In US$ mn)***
1.	**April, 2018**	35,104	5,348
2.	**May, 2018**	30,479	4,513
3.	**June, 2018**	19,597	2,891
4.	**July, 2018**	19,025	2,770
5.	**August, 2018**	17,441	2,508
6.	**September, 2018**	33,472	4,635
7.	**October, 2018**	34,595	4,698
8.	**November, 2018**	12,495	1,739
9.	**December, 2018**	31,056	4,391
10.	**January, 2019**	31,181	4,408
11.	**February, 2019**	20,404	2,865
12.	**March, 2019**	25,019	3,601
2018-19 (form April, 2018 to March, 2019) #		309,867	44,366
2017-18 (form April, 2017 to March, 2018) #		288,889	44,856
%age growth over last year		**(+) 7%**	**(-) 1%**

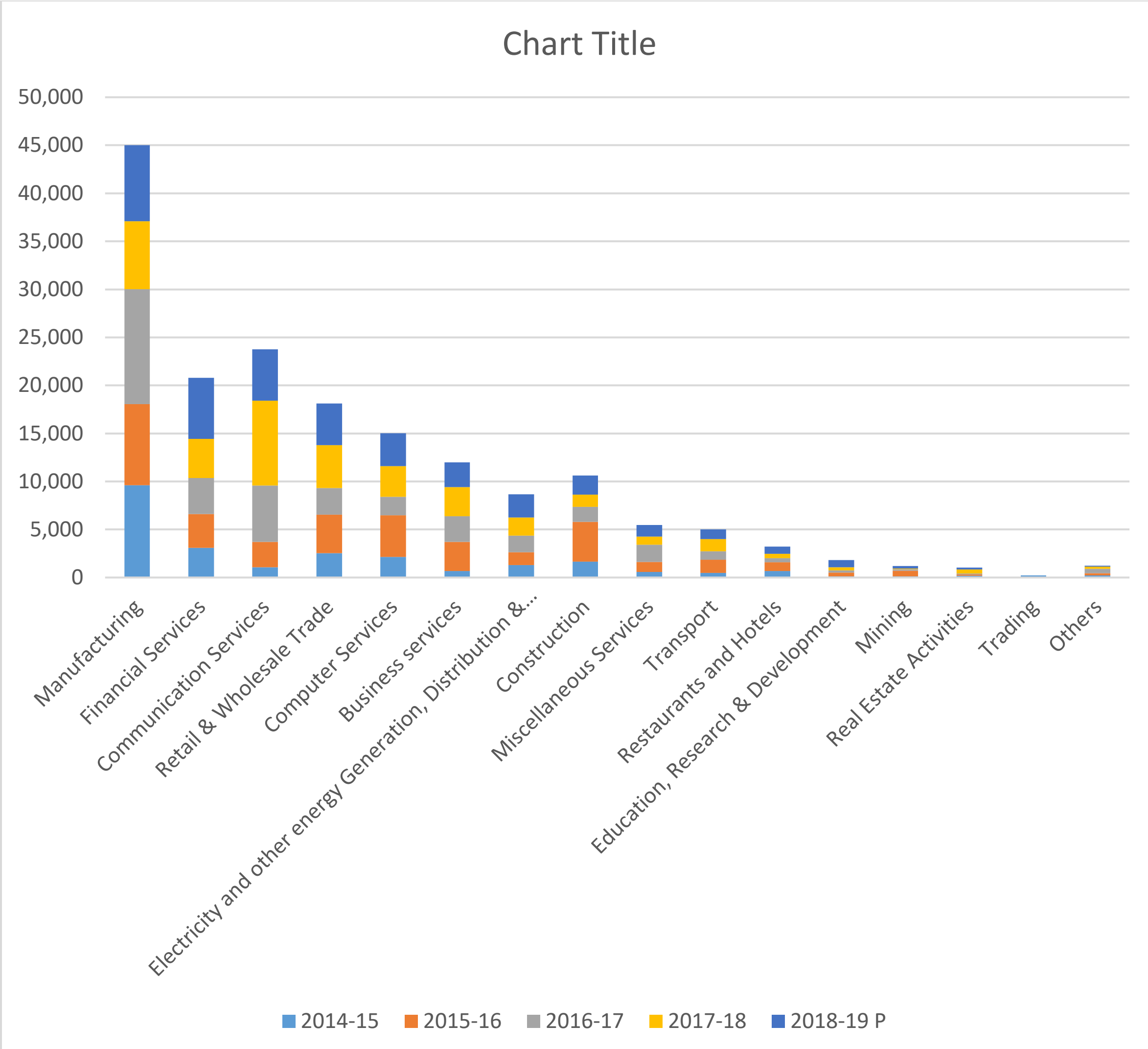

40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
April, 2018
May, 2018
June, 2018
July, 2018
August, 2018
September, 2018
October, 2018
November, 2018
December, 2018
January, 2019
February, 2019
March, 2019

FOREIGN DIRECT INVESTMENT FLOWS TO INDIA: COUNTRY-WISE AND INDUSTRY-WISE					
(US$ million)					
Source/Industry	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19 P**
1	**2**	**3**	**4**	**5**	**6**
Total FDI	24,748	36,068	36,317	37,366	38,744
Country-wise Inflows					
Singapore	5,137	12,479	6,529	9,273	14,632
Mauritius	5,878	7,452	13,383	13,415	6,570
USA	1,981	4,124	2,138	1,973	2,823
Japan	2,019	1,818	4,237	1,313	2,745
Netherlands	2,154	2,330	3,234	2,677	2,519
United Kingdom	1,891	842	1,301	716	1,211
South Korea	138	241	466	293	982
Cayman Islands	72	440	49	1,140	863
UAE	327	961	645	408	853
Germany	942	927	845	1,095	817
Hong Kong	325	344	134	1,044	598
Canada	153	52	32	274	548
Ireland	11	8	12	108	427
France	347	392	487	403	375
British Virgin Islands	30	203	212	21	290
Switzerland	292	195	502	506	280
Luxembourg	204	784	99	243	251
Others	2,846	2,476	2,012	2,464	1,959
Sector-wise Inflows					
Area/Sector	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19 P**
Manufacturing	9,613	8,439	11,972	7,066	7,919
Financial Services	3,075	3,547	3,732	4,070	6,372
Communication Services	1,075	2,638	5,876	8,809	5,365
Retail & Wholesale Trade	2,551	3,998	2,771	4,478	4,311
Computer Services	2,154	4,319	1,937	3,173	3,453
Business services	680	3,031	2,684	3,005	2,597
Electricity and other energy Generation, Distribution & Transmission	1,284	1,364	1,722	1,870	2,427
Construction	1,640	4,141	1,564	1,281	2,009
Miscellaneous Services	586	1,022	1,816	835	1,226
Transport	482	1,363	891	1,267	1,019
Restaurants and Hotels	686	889	430	452	749
Education, Research & Development	131	394	205	347	736
Mining	129	596	141	82	247
Real Estate Activities	202	112	105	405	213
Trading	228	0	0	0	0
Others	232	215	470	226	102
P: Provisional.					
SOURCE:RBI					



FDI INFLOW IN DIFFERENT SECTORS OF INDIA

The subsequent launch of 'Make in India' movement in 2014, permitted 100% **FDI** in 25 sectors. From 2013-14 to 2014-15, **FDI** inflow in the service sector rose by 46% (Sood, 2015). The trend of the service sector receiving highest **FDI** has continued till 2019.Increasing **FDI** inflow also helped to reduce the savings-investment gap and has expanded the domestic market. The increase in the growth rate of GDP in India in the post-reform period can be attributed to the increasing volume of **FDI** inflow.



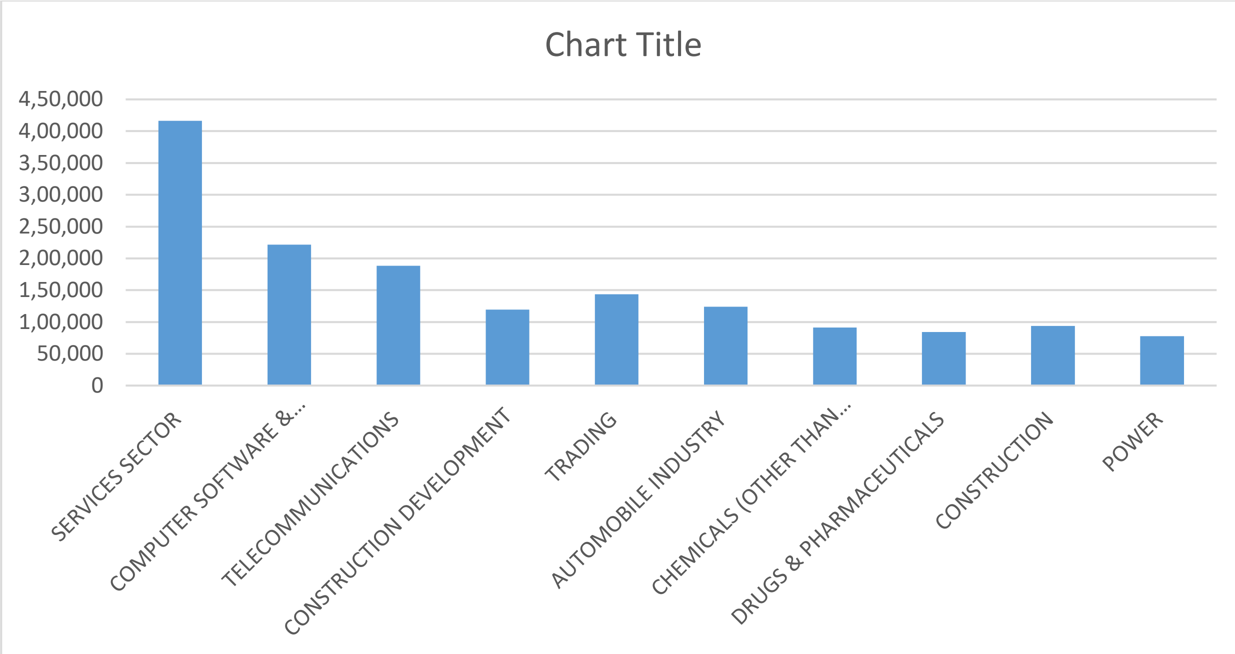
Since the economic reforms started, the agricultural sector was opened up for **FDI** that brought improved technology and better quality of seeds. However, the growth in the agricultural sector exhibited [inequality among regions](). **FDI** inflow to this sector also suffered due to the fact that all the agricultural yields of India are not in high demand in the international market. Data published by India Brand Equity Foundation (India Brand Equity Foundation, 2018) on sectoral break up of **FDI** from 2000 to 2019 shows that the major share came in the manufacturing and service sector industries.

India's economic reforms introduced two different routes of FDI namely the automatic route and the approval route. An automatic route implies that foreign investors do not need prior Government approval for investing. An approval route implies that they need Government approval. Industries in the manufacturing sector mainly benefitted from favourable FDI policies allowing 100% FDI via the automatic route. Manufacturing industries that have attracted a major share of FDI are construction, automobile, pharmaceutical, chemical, and metallurgical industries. FDI inflow in the service sector helped to generate a significant increase in employment opportunities. With FDI inflow, the net exports from sectors like information technology (IT) and information technology enabled services (ITeS) gained significantly

SECTORS ATTRACTING HIGHEST FDI EQUITY INFLOWS:

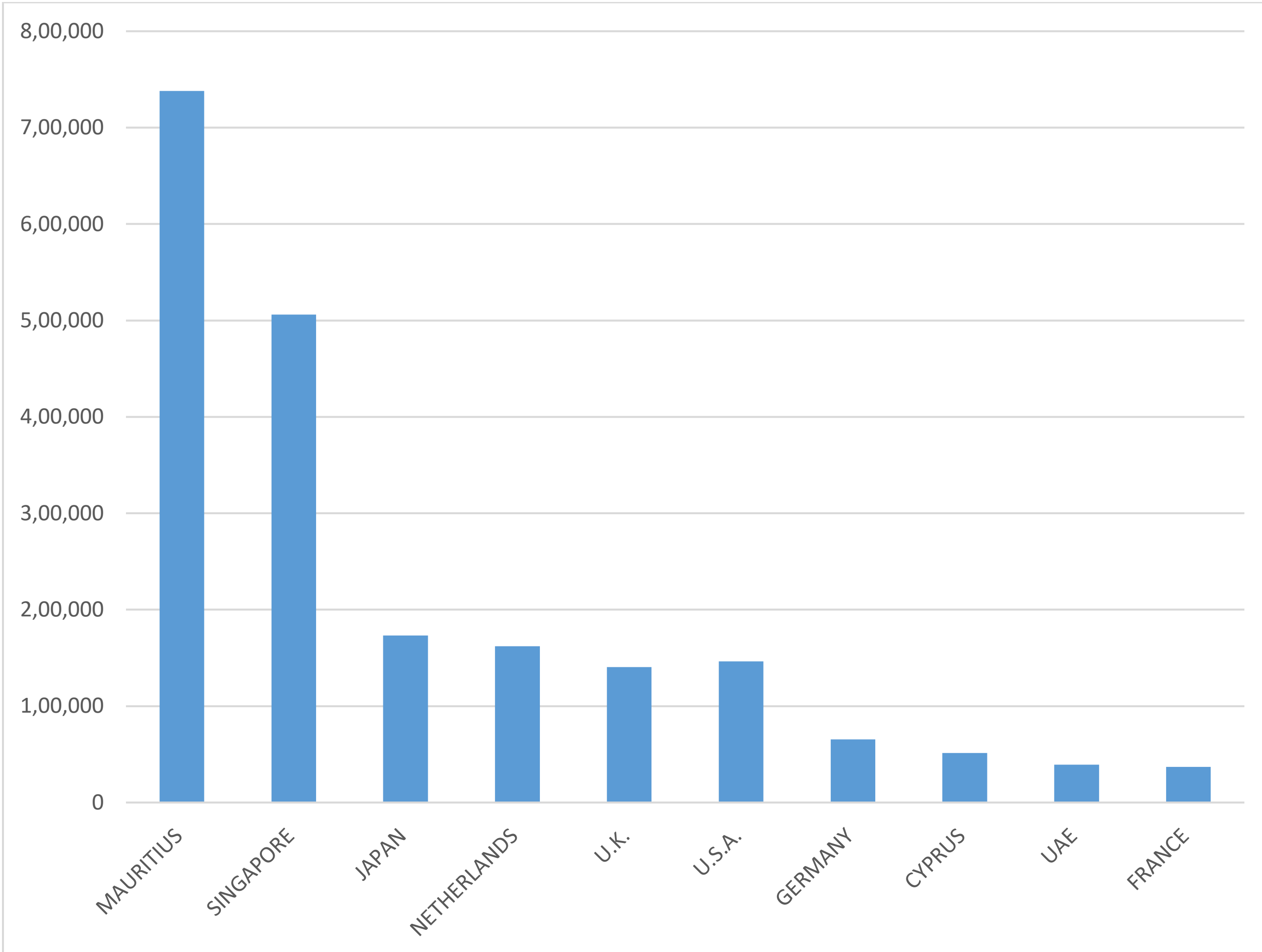
Amountin Rs. Crores (US$ in Million)

Ranks	*Sector*	***2016-17*** *(April – March)*	***2017-18*** *(April – March)*	***2018-19*** *(April,18– March,19)*	***Cumulative Inflows*** *(April, 00 - March, 19)*	*% age to total Inflows (In terms of US$)*
1.	**SERVICES SECTOR ****	58,214 **(8,684)**	43,249 **(6,709)**	63,909 **(9,158)**	416,301 **(74,149)**	**18%**
2.	**COMPUTER SOFTWARE & HARDWARE**	24,605 **(3,652)**	39,670 **(6,153)**	45,297 **(6,415)**	221,756 **(37,238)**	**9%**
3	**TELECOMMUNICATIONS**	37,435 **(5,564)**	39,748 **(6,212)**	18,337 **(2,668)**	188,249 **(32,826)**	**8%**
4.	**CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and constructiondevelopment projects**	**703 (105)**	3,472 **(540)**	1,503 **(213)**	119,614 **(25,046)**	**6%**
5.	**TRADING**	15,721 **(2,338)**	**28,078 (4,348)**	30,963 **(4,462)**	143,599 **(23,021)**	**5%**
6.	**AUTOMOBILE INDUSTRY**	10,824 **(1,609)**	**13,461 (2,090)**	18,309 **(2,623)**	123,989 **(21,387)**	**5%**
7.	**CHEMICALS (OTHER THAN FERTILIZERS)**	9,397 **(1,393)**	8,425 **(1,308)**	13,685 **(1,981)**	91,062 **(16,582)**	**4%**
8.	**DRUGS & PHARMACEUTICALS**	5,723 **(857)**	6,502 **(1,010)**	1,842 **(266)**	84,165 **(15,983)**	**4%**
9.	**CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES**	**12,478 (1,861)**	17,571 **(2,730)**	15,927 **(2,258)**	93,873 **(14,805)**	**4%**
10.	**POWER**	7,473 **(1,113)**	10,473 **(1,621)**	7,330 **(1,106)**	77,889 **(14,316)**	**3%**



SHARE OF TOP INVESTING COUNTRIES FDI EQUITY INFLOWS *(Financial years): Amount Rupeesin Crores (US$ in Million)*

Ranks	*Country*	***2016-17*** *(April – March)*	***2017-18*** *(April – March)*	***2018-19*** *(April – March)*	***Cumulative Inflows*** *(April, 00 - March,19)*	*%age to total Inflows (in terms of US $)*
1.	**MAURITIUS**	105,587 **(15,728)**	102,492 **(15,941)**	57,139 **(8,084)**	738,156 **(134,469)**	32%
2.	**SINGAPORE**	58,376 **(8,711)**	78,542 **(12,180)**	112,362 **(16,228)**	505,946 **(82,998)**	20%
3.	**JAPAN**	31,588 **(4,709)**	10,516 **(1,633)**	20,556 **(2,965)**	173,332 **(30,274)**	7%
4.	**NETHERLANDS**	22,633 **(3,367)**	18,048 **(2,800)**	27,036 **(3,870)**	162,251 **(27,352)**	7%
5.	**U.K.**	9,953 **(1,483)**	5,473 **(847)**	9,352 **(1,351)**	140,370 **(26,789)**	6%
6.	**U.S.A.**	15,957 **(2,379)**	13,505 **(2,095)**	22,335 **(3,139)**	146,372 **(25,556)**	6%
7.	**GERMANY**	7,175 **(1,069)**	7,245 **(1,124)**	6,187 **(886)**	65,477 **(11,708)**	3%
8.	**CYPRUS**	4,050 **(604)**	2,680 **(417)**	2,134 **(296)**	51,544 **(9,869)**	2%
9.	**UAE**	4,539 **(675)**	6,767 **(1,050)**	6,356 **(898)**	39,310 **(6,652)**	2%
10.	**FRANCE**	4,112 **(614)**	3,297 **(511)**	2,890 **(406)**	36,825 **(6,643)**	2%
TOTAL FDI INFLOWS FROM ALL COUNTRIES *		**291,696 (43,478)**	**288,889 (44,857)**	309,867 **(44,366)**	**2,378,886 (420,142)**	-

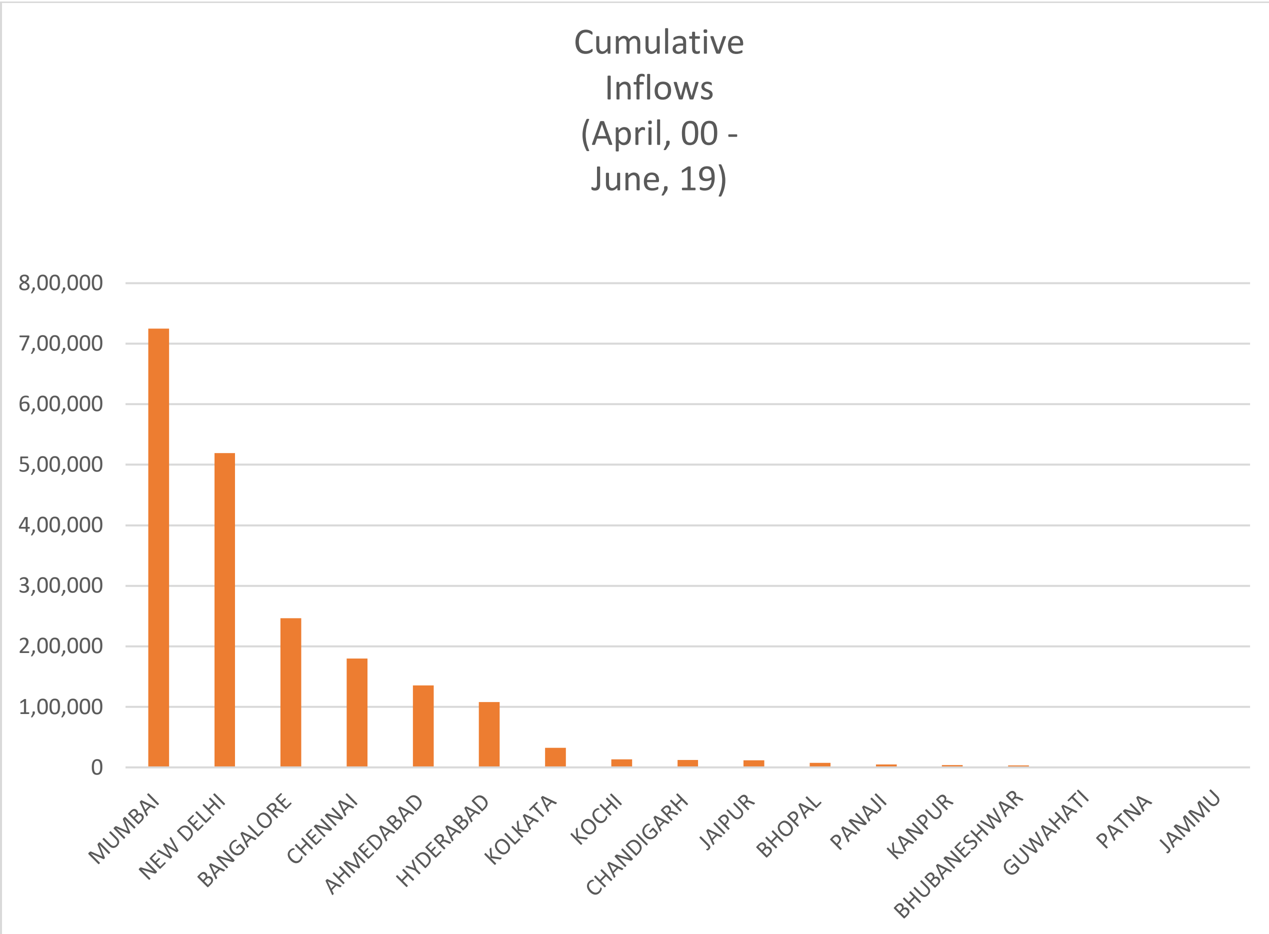


A. **STATEMENT ON RBI'S REGIONAL OFFICES (WITH STATE COVERED) RECEIVED FDI EQUITY INFLOWS**[1]*(from April, 2000 to June, 2019):*

Amount in Rupees Crores (in US$ Million)

S. No.	*RBI's - Regional Office[2]*	*State covered*	***2017-18*** *(April– March)*	***2018-19*** *(April – March)*	***2019-20*** *(April – June)*	***Cumulative Inflows*** *(April, 00 - June, 19)*	*%age to total Inflows (in terms of US$)*
1	**MUMBAI**	**MAHARASHTRA, DADRA & NAGAR HAVELI, DAMAN & DIU**	**86,244 (13,423)**	**80,013 (11,383)**	**10,907 (1,568)**	**724,897 (128,656)**	**30%**
2	**NEW DELHI**	**DELHI, PART OF UP AND HARYANA**	**49,366 (7,656)**	**70,485 (10,142)**	**35,080 (5,046)**	**519,299 (89,688)**	**21%**
3	**BANGALORE**	**KARNATAKA**	**55,334 (8,575)**	**46,963 (6,721)**	**20,934 (3,012)**	**246,444 (40,682)**	**9%**
4	**CHENNAI**	**TAMIL NADU, PONDICHERRY**	**22,354 (3,475)**	**18,164 (2,613)**	**5,909 (850)**	**179,805 (30,698)**	**7%**
5	**AHMEDABAD**	**GUJARAT**	**13,457 (2,091)**	**12,618 (1,803)**	**18,325 (2,639)**	**135,474 (23,184)**	**5%**
6	**HYDERABAD**	**ANDHRA PRADESH**	**8,037 (1,246)**	**23,882 (3,457)**	**1,957 (281)**	**108,199 (18,750)**	**4%**
7	**KOLKATA**	**WEST BENGAL, SIKKIM, ANDAMAN & NICOBAR ISLANDS**	**1,409 (218)**	**8,531 (1,229)**	**1,164 (167)**	**32,283 (5,599)**	**1%**
8	**KOCHI**	**KERALA, LAKSHADWEEP**	**1,339 (208)**	**1,807 (257)**	**161 (23)**	**13,096 (2,244)**	**0.5%**
9.	**CHANDIGARH**	**CHANDIGARH, PUNJAB, HARYANA, HIMACHAL PRADESH**	**697 (108)**	**4,374 (618)**	**417 (60)**	**12,065 (2,150)**	**0.5%**
10.	**JAIPUR**	**RAJASTHAN**	**752 (117)**	**2,553 (363)**	**161 (23)**	**11,703 (1,983)**	**0.5%**
11	**BHOPAL**	**MADHYA PRADESH, CHATTISGARH**	**181 (28)**	**224 (32)**	**9 (1)**	**7,542 (1,433)**	**0.3%**
12	**PANAJI**	**GOA**	**279 (43)**	**111 (16)**	**16 (2)**	**4,946 (985)**	**0.2%**
13	**KANPUR**	**UTTAR PRADESH, UTTRANCHAL**	**578 (90)**	**234 (34)**	**27 (4)**	**3,857 (698)**	**0.2%**
14	**BHUBANESHWAR**	**ORISSA**	**415 (65)**	**483 (69)**	**277 (40)**	**3,255 (589)**	**0.1%**
15.	**GUWAHATI**	**ASSAM, ARUNACHAL PRADESH, MANIPUR, MEGHALAYA, MIZORAM, NAGALAND, TRIPURA**	**82 (13)**	**48 (7)**	**44 (6)**	**635 (122)**	**0.03%**
16	**PATNA**	**BIHAR, JHARKHAND**	**64 (10)**	**0.22 (0.03)**	**4 (0.6)**	**675 (113)**	**0.03%**
17	**JAMMU**	**JAMMU & KASHMIR**	**0 (0)**	**0.41 (0.06)**	**1 (0.1)**	**40 (6)**	**0.00**
18	**REGION NOT INDICATED**		**48,300 (7,491)**	**39,377 (5,624)**	**18,119 (2,607)**	**487,651 (88,770)**	**20%**
SUB. TOTAL			**288,889 (44,857)**	**309,867 (44,366)**	**113,511 (16,330)**	**2,491,864 (436,350)**	
19	**RBI'S-NRI SCHEMES** ***(from 2000 to 2002)***		**0**	**0**	**0**	**533 (121)**	**-**
GRAND TOTAL			**288,889 (44,857)**	**309,867 (44,366)**	**113,511 (16,330)**	**2,492,397 (436,471)**	**-**

1 Includes 'equity capital components' only. Figures are provisional.
2 The Region-wise FDI inflows are classified as per RBI's – Regional Office received FDI inflows, furnished by RBI, Mumbai.



The trend of FDI inflow in India between the pre and post economic liberalisation

RECOMMENDATION

The capital market India is facing certain problems because of liberalization like, the regulatory clashes between IRDA v/s SEBI for mutual funds. This sort of situation is created because of fast pace liberalization that has created operating hurdle; these problems can be eliminated by the structural policy of liberalization.

This study show that there is a huge potential of revenue generation in Indian banking sector, but the foreign and private players in this sectors are very few in numbers, these numbers should be enhance by formulation a attractive and open privatization and liberalization policy.

The FDI in services sector is improved by last one decade (2000 - 2010), but that sector does not contributed with same in employments generation, telecommunication is one of important segment of this sectors, this segment face huge corruption with FDI growth, it means the growing segments of service sector are not regulated properly by the GOI, this focus for the sustainable growth.

This study shown that, Indian insurance sector has shown the qualitative and quantitative growth after liberalization (26 per cent of FDI); this sector needs to be further liberalized. The portfolio investment policy in India should be redirected ones, because FII orientation in Indian capital market is profited oriented and this is one of reasons of downturn in stock market index, which is one of economic indicator in present scenario.

This study find that, after liberalization there is a complexity of overlapping rules in the Indian capital market that should be eliminated as far as possible because this is one of the hurdles of economic growth.

The stock market was dominated by the ordinary issue but the interesting fact was the, existing of preference and debenture issue also. Transacting settlement time in secondary market was so long because of manual and floor based trading system, this should be shorted.

This study has found that lot of steps taken by the government of India, especially in development of Indian capital market like, deregulation of interest rate in deposits, flexible PLR policy, entry of private sector banks, ownership liberalization of SBI, priority sector lending policy, those steps has increase the confidence of foreign investors for investment in Indian banking sector especially.

The impact of the reforms in India on the policy environment for Foreign Direct Investment presents a mixed picture. The industrial reforms have gone far, though they need to be supplemented by more infrastructure reforms, which are a critical missing link.

FDI investments are permitted through financial collaborations, through private equity or preferential allotments, by way of capital markets through Euro issues, and in joint ventures. FDI is not permitted in the arms, nuclear, railway, coal & lignite or mining industries, FDI should be permitted in these sector.

The decisions governing FDI have been spread over many areas and agencies that have to be streamlined or an overarching regulatory body and practical policy has to be developed.

The indices Sensex and Nifty saw a minor decline during October 2010. On the first day of November 2010, the Sensex and the S&P CNX NIFTY traded at 20355 k and 6118 k respectively indicating a slight decline from the indices observed on October 1, 2010. However, observation of the indices in the recent period shows high investment sentiments in the Indian stock market, mainly on account of larger FIIs flows into the economy, GOI should be eliminate such types of fluctuation immediately.

The three major industrial houses (CII, ASSOCHAM, FICCI), World Bank and the Planning Commission have similar recommendations for FDI and yet despite their concurrence, a comprehensive policy in this respect is still to be formulated after 20 years of India's economic reforms. The Swadeshi alternative has receded in public policy debate.

There are speculations of wider range on the expectations of foreign institutional investors. It is required to understand when they withdraw their funds and when they pump in more money. Higher Sensex indices and high price earnings ratio are the country level factors attracting more foreign investment in India. This perception has to be changes by introducing some restriction on outflow.

This study found that the telecommunication is the segment which attracted largest part of total FDI in services sector of India.

This study found from the inception of economic reforms in India in 1991 until the year 2000, most of the FDI came through the government route as there was strict monitoring of the approvals; therefore, FDI coming through the FIPB routewas greater than the FDI coming through the RBI route.

During 2000-2010 the BSE turnover was grown by good rate in comparison to the period 1991-2000. It was because of large number of IPO's and introduction of ADR and GDR. The growth was maximum in 2008-09 because of maximum FDI this year as well as large merger and acquisitions.

Capital that comes in India by any means or routes or market that is important for the development of country economy. In this study has been found that the market capital growth that is studies from 1994 (because NSE established in 1994) till 2010 is follow same growth rate in NSE nad BSE. It was start picking growth from 2004-05 and in maximum in 2008-09 then declined very sharply.

This decline is because of global crisis in 2007 – 08 due to this crisis FII decline sharply.

Intra-city and intra-bank networking would facilitate in addressing the "last mile" problem which would in turn result in quick and efficient funds transfers across the country.

CONCLUSION

India's Foreign Direct Investment (FDI) policy has been gradually liberalized to make the market more investor friendly. The results have been encouraging. These days, the country is consistently ranked among the top three global investment destinations by all international bodies, including the World Bank, according to a United Nations (UN) report. For Indian economy which has tremendous potential, FDI has had a positive impact. FDI inflow supplements domestic capital, as well as technology and skills of existing companies. It also helps to establish new companies. All of these contribute to economic growth of the Indian Economy.

Foreign Direct Investment (FDI) plays an important role in the growth and development of an economy. It is more important where domestic savings is not sufficient to generate funds for capital investment. Not only it supplements the investment requirements of an economy but also it brings new technology, managerial expertise and adds to foreign exchange reserves. FDI inflow is more beneficial particularly to developing and emerging countries than the developed ones. IMF has defined FDI as "a category of international investment that reflects the objective of a resident entity in one economy (direct investor or parent enterprise) obtaining a lasting interest and control in an enterprise resident in another economy (direct investment enterprise)".

Prior to 1980s, economic theories were not delving extensively on the aspects of foreign direct investment and Multi-lateral enterprises (MNEs). During last three decades globalization has been the key to almost all countries' economic policies. An important aspect of globalization is FDI inflows from home countries to host countries. Though there is no general rule of developed and developing countries as home and host countries respectively, however, mostly it is seen that FDI flows from developed countries to developing and emerging countries. There has been growing competition among developing and emerging countries to attract FDI. India is not left behind in this regard.

FDI is believed to play many important roles in the host countries. It has different effects on different countries based on the host country policies, investment climate and other domestic macroeconomic conditions. The first and foremost is, it acts as a capital supplement to the domestic capital for investment demand. Apart from capital it brings new, innovative technology to the host countries. In many countries it also promotes competition among the domestic firms to improve their level of technology adoption. Effectively, they invest more in research and development (R & D) to upgrade their technology. With increased investment as supplement to domestic capital, it also generates more employment opportunities. With keen interest in the investee firms through FDI, the foreign firms improve their managerial competence, which also improves managerial skills in the country through competition and dissemination of the new ideas and skills.

The firms with improved technology and competition produce quality products, which are exportable, thus it improves the level of export and degree of openness of the host countries. With foreign partners, there are better tie ups with the importing firms abroad for potential exportable domestic products. With improvement in exports the foreign exchange earnings of the host countries gets boosted. Capital flow through FDI and improved export earnings can also increase the level of foreign exchange reserve in the host countries.

With higher foreign exchange reserve, the demand for domestic currency will go up. Hence the domestic currency of the host country is expected to appreciate as against the basket of foreign currencies mostly of trade partners. FDI is also believed to improve the Gross domestic product (GDP) of the host country through improved production and competition among the domestic firms. With improved production and more employment, it also can improve gross domestic capital formation (GDCF) which cater to the increasing requirement of domestic investment in the country. Further, with competition, improvement in technology, the performance of the investee firms as well as other domestic firms can improve. Thus it can have a positive impact on return on capital and thereby on the stock prices.

Keeping in view the above mentioned relationships between inward FDI and other macroeconomic variables, which has already been found by some of the earlier researchers, this study tries to empirically establish the relationship between FDI and other macroeconomic variables in Indian context after undergoing some of the existing work in this area across economies.

India is attracting a low level of FDI largely due to poor business environment prevailing in the country. The investment climate in India has become much friendlier today than previous decades. Infrastructure is being developed and FDI policy is being liberalized to improve the situation. However, a lot is to be done if we want to emerge as one of the major export oriented manufacturing hub. Investors are showing their growing confidence in the immediate and medium term prospects of Indian Economy. FDI off course might be one of the important sources of financing the economic development. However, one should not forget that FDI alone is not a solution for poverty eradication, unemployment and other economic ills. India needs a massive investment to achieve the goals of vision 20-20. Policy makers need to ensure transparency and consistency in policy making along with comprehensive long term development strategy.

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