



## TREND OF FOREIGN DIRECT INVESTMENT IN INDIA FROM 2006-2015

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### **ABSTRACT**

*The Foreign Direct Investment is an investment makes at international level by the developed country into the developing country. As per the present level of foreign investment, the Indian Government has allowed the Foreign Direct Investment in each sector for the economic development of country. As we know that the Foreign Direct Investment improves growth rate, provides good employment opportunity, makes infrastructure development, gives good education, transfers technology and provides financial resources to the local people. The objectives this research paper are; first, to identify the importance and requirements of Foreign Direct Investment for India and Second, to know the nature of trend about Foreign Direct Investment inflows into India. The Foreign Direct Investment inflow data has been collected and tabulated and the identified its trend also with the help of Simple Linear Regression Analysis.*

**Key-words-** Foreign Direct Investment, Growth rate, employment opportunity, and infrastructure development etc.

### **Introduction**

Foreign Direct Investment plays an important role for the country's economic development. It has become a necessary investment by the developed country into their developing country because this investment develops the country's infrastructure, brings employment, raises foreign capital and improves growth rate of the country.

In other words, it can define such; under this investment process the foreign country companies make investment in developing countries for the purpose of controlling the production, distribution and other procedural activities of a firm in another country.

It plays an important role in long-term development of a country and it also a source of capital that is used by companies to enhance competitiveness of domestic economy through transfer of technology, strength infrastructure, raise productivity and generate new employment opportunity.

The Foreign Direct Investment has various advantages to the developing country. It promotes economic development, makes more conducive environment for their foreign investors, creates employment opportunity, it enables resource transfer, generates exchange of knowledge's, and increases productivity of the workforce in the target country.

The Foreign Direct Investment benefits to the states as well as central government because they can improve its physical and economic infrastructure such as building roads, communication systems, educational institutions, and creation of new domestic industry. The indirect benefits are that it promotes and exposes national and local government, local business, and citizens to new business practices, management techniques, economic concepts, and technology that help them to develop local businesses and industries.

The other advantages of Foreign Direct Investment include; access to markets, access to resources and reduces cost of production. It makes market access to their local countries in terms of acquiring or starting a business in the market and it is as effective way to enter into foreign country.

Foreign Direct Investment gives resource access also, to acquire important natural resources, such as precious metals, fossil fuel and oil resources. Further it helps in reduction of cost of production, which is possible only when the developing country has cheap labour market and less restrictive rules and regulations.

The forms of Foreign Direct Investment include merger & acquisitions and the building new facilities. The developing country considers as FDI as an important channel to access resource for promoting growth and while the multinational enterprises utilize foreign capital to make investment in real assets, land, building or existing plants in foreign countries. They can set up subsidiaries in joint venture form.

## Objective-

1. To know the nature of trends of FDI Inflows in the country.

## Research Methodology

Time periods vary as per the inflows of Foreign Direct Investment. The used statistical tools is Simple Linear Regression and applied technique's like Percentage growth over previous year and month, Compound annual growth rate, calculated exponential and linear trend.

### Data analysis and interpretation

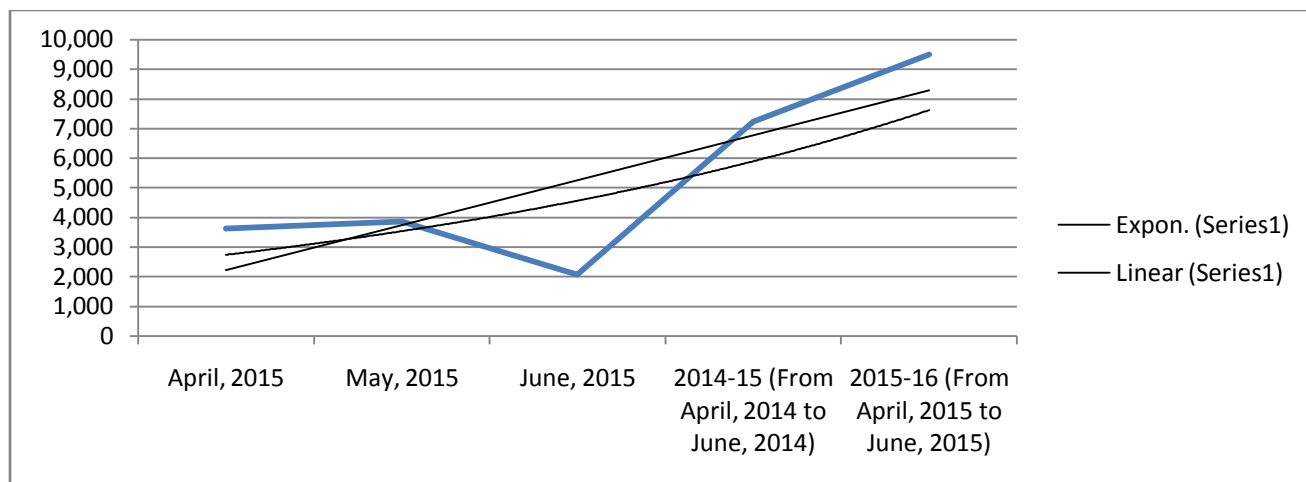
#### FDI Equity Inflows (Month-Wise) During the Financial Year 2015-16:

S.No.	Financial year 2015-16 (April-March)	Amount of FDI Equity Inflows (In Mn \$)
1.	April, 2015	3,605
2.	May, 2015	3,850
3.	June, 2015	2,054
4.	2014-15 (From April, 2014 to June, 2014)	7,235
5.	2015-16 (From April, 2015 to June, 2015)	9,508

**Note: 1. Country & Sector specific analysis is available from the year 2000 onwards, as Company-wise details are provided by RBI from April, 2000 onwards only.**

**# Figures are provisional, subject to recommendation with RBI, Mumbai.**

S.No.	Financial year 2015-16 (April-March)	Amount of FDI Equity Inflows (In Mn \$)	% Growth Rate Over Previous month
1.	April, 2015	3,605	-
2.	May, 2015	3,850	6.36
3.	June, 2015	2,054	-87.44
4.	2014-15 (From April, 2014 to June, 2014)	7,235	71.61
5.	2015-16 (From April, 2015 to June, 2015)	9,508	23.91



This graph represents the positive linear trend line as well as upward exponential curve and it also shows that there is an inflow of Foreign Direct Investment has increased year by year. The calculated  $\beta$  value is 38.14.

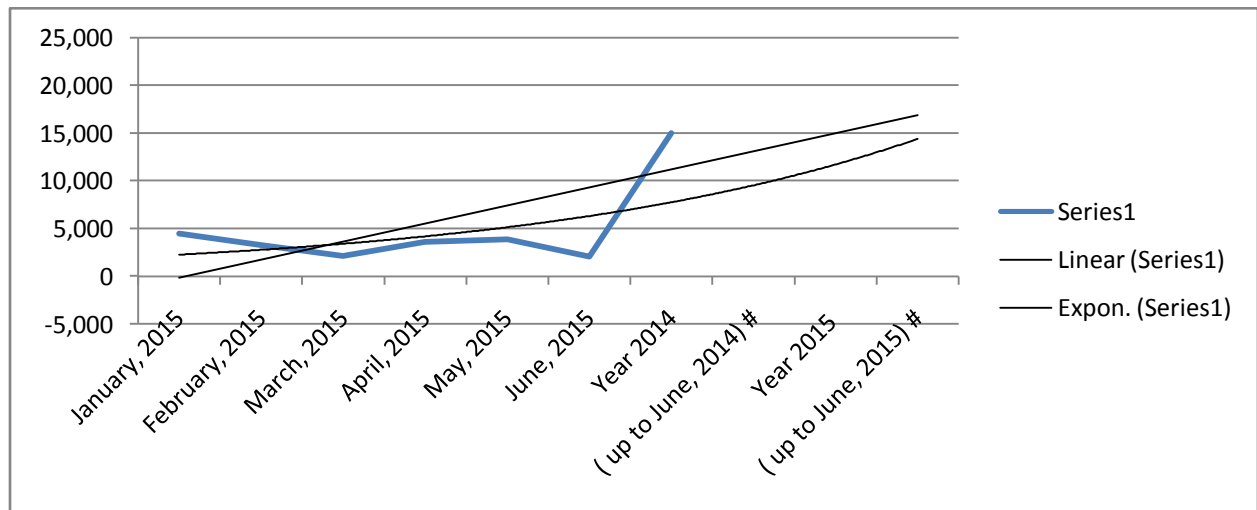
#### FDI Equity Inflows (Month-Wise) During the Calendar Year 2015-16:

S.No.	Calendar Year 2015 (Jan.-June.)	Amount of FDI Equity Inflows (In US \$ Mn)
1.	January, 2015	4,481
2.	February, 2015	3,288
3.	March, 2015	2,117
4.	April, 2015	3,605
5.	May, 2015	3,850
6.	June, 2015	2,054
7.	Year 2014 ( up to June, 2014) #	14,975
8.	Year 2015 ( up to June, 2015) #	19,394

**Note: 1. Country & Sector specific analysis is available from the year 2000 onwards, as Company-wise details are provided by RBI from April, 2000 onwards only.**

**# Figures are provisional, subject to recommendation with RBI, Mumbai.**

S.No.	Calendar Year 2015 (Jan.-June.)	Amount of FDI Equity Inflows (In US \$ Mn)	% Growth Rate Over Previous month
1.	January, 2015	4,481	-
2.	February, 2015	3,288	-36.28
3.	March, 2015	2,117	-55.31
4.	April, 2015	3,605	41.28
5.	May, 2015	3,850	6.36
6.	June, 2015	2,054	-87.44
7.	Year 2014 ( up to June, 2014) #	14,975	86.28
8.	Year 2015 ( up to June, 2015) #	19,394	22.79



This graph represents the positive linear trend line as well as upward exponential curve and it also shows that there is an inflow of Foreign Direct Investment is increased year by year. The calculated  $\beta$  value is 76.11.

## Share of top investing countries FDI equity inflows

Name of Countries	2013-14	2014-15	2015-16	Total FDI Inflows
Mauritius	4,859	9,030	2,089	15,978
Singapore	5,985	6,742	3,673	16,400
U.K.	3,215	1,447	119	4,781
Japan	1,718	2,084	459	4,261
Netherlands	2,270	3,436	652	6,358
U.S.A.	806	1,824	627	3,257
GERMANY	1,038	1,125	554	2,717
CYPRUS	557	598	96	1251
FRANCE	305	635	138	1078
SWITZERLAND	341	337	94	772

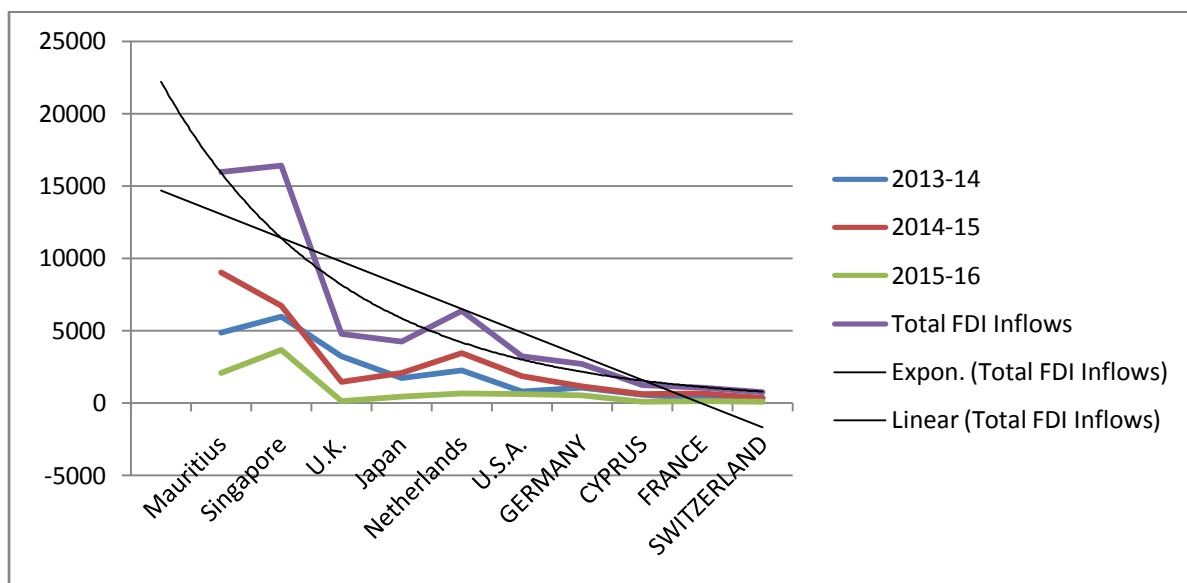
\* Includes inflows under NRI Schemes of RBI.

**Note: 1.** Cumulative country-wise FDI equity inflows ( from April, 2000 to June, 2015) are at- Annex-‘A’.

**2.** % worked out in US \$ terms & FDI inflows received through FIPB/SIA + RBI’s Automatic route + Acquisition of existing shares only.

Name of Countries	2013-14	2014-15	2015-16	Compound annual growth rate	Total FDI Inflows	Country-wise FDI Share out of total Inflow (Fig. in %)
Mauritius	4,859	9,030	2,089	-17.5%	15,978	28.10
% Growth over previous year	-	46.19	-32.26			
Singapore	5,985	6,742	3,673	-13.84%	16,400	28.85
% Growth over previous year	-	11.23	-83.56			
U.K.	3,215	1,447	119	-9%	4,781	8.41
% Growth over previous year	-	-52.18	-45.97			
Japan	1,718	2,084	459	-24.11%	4,261	7.49
% Growth over previous year	-	17.56	-54.03			
Netherlands	2,270	3,436	652	-22.97%	6,358	11.18
% Growth over previous year	-	33.93	-26.99			
U.S.A.	806	1,824	627	-11.82%	3,257	5.73
% Growth over previous year	-	55.81	-90.91			

Germany	1,038	1,125	554	-15.19%	2,717	4.78
% Growth over previous year	-	7.73	-53.07			
Cyprus	557	598	96	-32.28%	1251	2.20
% Growth over previous year	-	6.86	-52.92			
France	305	635	138	-16.96%	1078	1.90
% Growth over previous year	-	51.96	-36.14			
Switzerland	341	337	94	-23.60%	772	1.36
% Growth over previous year	-	-1.19	-58.51			
<b>Total Country-wise FDI Inflows</b>					<b>56,853</b>	



**The list of Country-wise calculated  $\beta$  values**

Mauritius	88.47
Singapore	32.37
U.K.	-23.84
Japan	22.67
Netherlands	45.69
U.S.A.	8.15
Germany	9.39
Cyprus	8.39
France	5.64
Switzerland	4.23

The above shown graph represent that the negative linear trend line as well as downward exponential curve, it also shows that there is an inflow of Foreign Direct Investment is decreased year by year and the highest calculated  $\beta$  value is for Mauritius and the lowest (negative) for U.K. The highest share of FDI is for Singapore and the lowest for Switzerland.

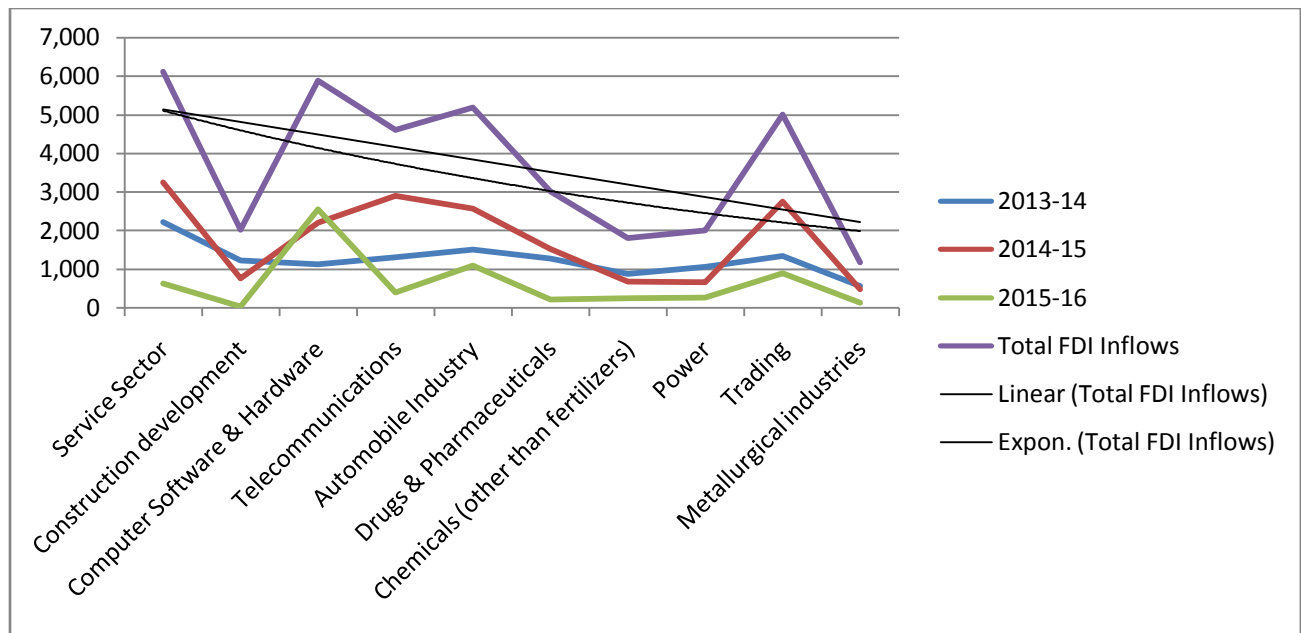
### Sectors attracting highest FDI Equity inflows

Name of Sectors	2013-14	2014-15	2015-16	Total FDI Inflows
Service Sector	2,225	3,253	636	6,114
Construction development	1,226	758	34	2,018
Computer Software & Hardware	1,126	2,200	2,556	5,882
Telecommunications	1,307	2,895	395	4,597
Automobile Industry	1,517	2,570	1,094	5,181
Drugs & Pharmaceuticals	1,279	1,523	215	3,017
Chemicals (other than fertilizers)	878	669	251	1,798
Power	1,066	657	271	1994
Trading	1,343	2,761	897	5001
Metallurgical industries	568	472	133	1173

- Note:**
1. Service sector includes Financial, Banking, Insurance, Non-Financial/Business, Outsourcing, R & D, Courier, Tech. testing and analysis.
  2. Cumulative sector-wise FDI equity inflows ( from April, 2000 to June, 2015) are at Annex-‘B’.
  3. FDI Sectoral data has been revalidated/reconciled in line with the RBI, which reflects minor changes in the FDI figures (increase/decrease) as compared to the earlier published sectoral data.



Name of Sectors	2013-14	2014-15	2015-16	Compound Annual Growth Rate	Total FDI Inflows	Country-wise FDI Share out of total FDI
Service Sector	2,225	3,253	636	-23.04%	6,114	16.63
% Growth over previous year	-	31.60	-41.48			
Construction development	1,226	758	34	42.91%	2,018	5.49
% Growth over previous year	-	-61.74	-21.41			
Computer Software & Hardware	1,126	2,200	2,556	57.89%	5,882	15.99
% Growth over previous year	-	48.82	13.93			
Telecommunications	1,307	2,895	395	22.20%	4,597	12.50
% Growth over previous year	-	54.85	-62.91			
Automobile Industry	1,517	2,570	1,094	-12.43%	5,181	14.09
% Growth over previous year	-	40.97	-34.92			
Drugs & Pharmaceuticals	1,279	1,523	215	-32.83%	3,017	8.20
% Growth over previous year	-	16.02	-68.37			
Chemicals (other than fertilizers)	878	669	251	-23.04%	1,798	4.89
% Growth over previous year	-	-31.24	-16.53			
Power	1,066	657	271	24.91%	1994	5.42
% Growth over previous year	-	-62.25	-42.44			
Trading	1,343	2,761	897	-13.08%	5001	13.60
% Growth over previous year	-	51.36	-27.80			
Metallurgical industries	568	472	133	26.32%	1173	3.19
% Growth over previous year	-	-20.34	-25.89			
Total Country-wise FDI Inflows					<b>36,775</b>	



### The list of Sector-wise calculated $\beta$ values

Service Sector	35.81
Construction Development	-17.95
Computer Software & Hardware	-10.20
Telecommunication	21.22
Automobile industry	19.44
Drugs & Pharmaceuticals	15.49
Chemicals	-28.42
Power	-19.48
Trading	23.54
Metallurgical industries	61.08

The above shown graph and calculated  $\beta$  values represents the negative linear trend line as well as downward exponential curve, it also shows that there is an inflow of Foreign Direct Investment is decreased year by year and the highest calculated  $\beta$  value is for Metallurgical industries and the lowest (negative) for Chemicals .

## Financial year-wise FDI Inflows data

### A. As per international best practices:

(Data on FDI have been revised since 2000-01 with expended coverage to approach International Best Practices) (Amount US \$).

Financial years 2000-01 to 2015-16 (up to June, 2015)

Foreign Direct Investment								
S. No.	Financial year (April-March)	Equity		Re-invested earning +	Other capital +	FDI Flows into India		Investment By FII's Foreign Institutional Investors Fund (net)
		FIPB Route/ RBI's Automatic Route/ Acquisition route	Equity capital of unincorporated body bodies.			Total FDI Flows	% growth Over previous year ( in US \$)	
1.	2000-01	2,339	61	1,350	279	4,029	-	1,847
2.	2001-02	3,904	191	1,645	390	6,130	+ 52%	1,505
3.	2002-03	2,574	190	1,833	438	5,035	-18%	377
4.	2003-04	2,197	32	1,460	633	4,322	-14%	10,918
5.	2004-05	3,250	528	1,904	396	6,051	+ 40%	8,686
6.	2005-06	5,540	435	2,760	226	8,961	+ 48%	9,926
	2006-07	15,585	896	5,828	517	22,826	+ 155%	3,225
8.	2007-08	24,573	2,291	7,679	300	34,843	+ 53%	20,328
9.	2008-09	31,364	702	9,030	777	41,873	+ 20%	-15,017
10.	2009-10	25,606	1,540	8,668	1,931	37,745	-10%	29,048
11.	2010-11	21,376	874	11,939	658	34,847	-08%	29,422
12.	2011-12	34,833	1,022	8,206	2,495	46,556	+ 34%	16,812
13.	2012-13	21,825	1,059	9,880	1,534	34,2987	-26%	27,582
14.	2013-14	24,299	975	8,978	1,794	36,046	+5%	5,009
15.	2014-15	30,933	952	8,983	3,423	44,291	+23%	40,923
16.	2015-16 (Apr.-June)	9,508	223	2,059	572	12,362	-	-1,642
	<b>Cumulative total</b>	<b>2,59,706</b>	<b>11,971</b>	<b>92,202</b>	<b>16,336</b>	<b>3,80,215</b>	<b>-</b>	<b>1,88,949</b>

**Source:** 1. RBI's Bulletin July, 2015 dt. 10.8.2015 (Table no. 34 - Foreign Investment Inflows).

2. Inflows under the acquisition of shares in March, 2011, August, 2011 & October, 2011, include net FDI on account of transfer of participating interest from Reliance Industries Ltd. to BP Exploration ( Alpha).

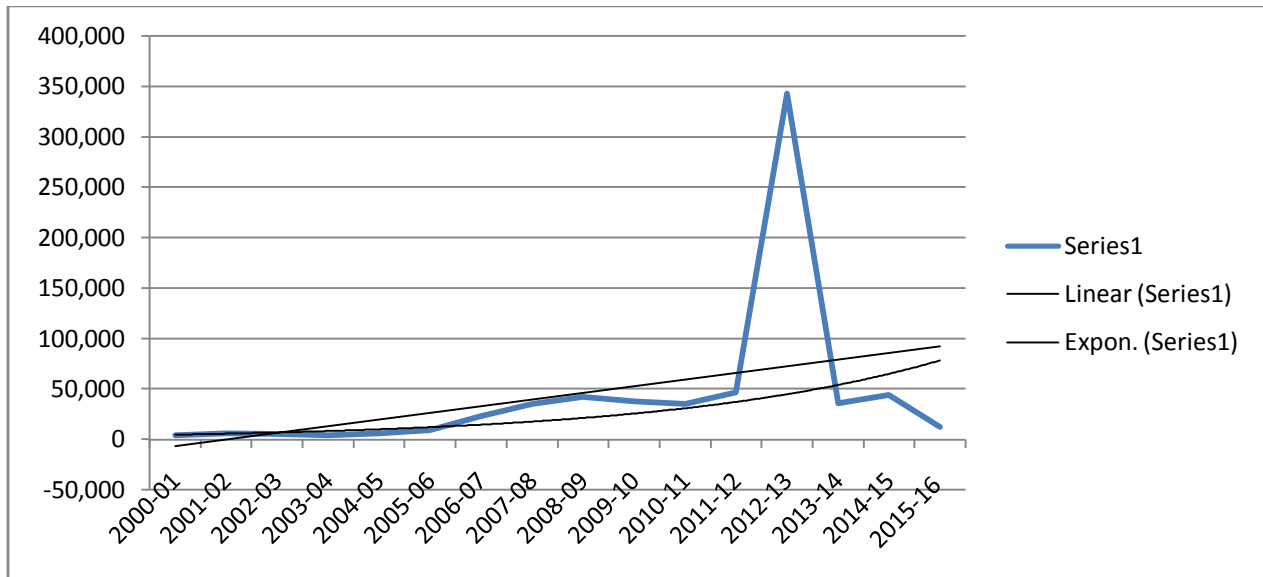
3. RBI had included swap of share of US\$ 3.1 bn under equity components during December 2006.

4. Monthly data on components of FDI as per expended coverage are not available. These data, therefore, are not comparable with FDI data for previous years.

5. Figures updated by RBI up to June, 2015.

6. Data in respect of 'Re-invested earnings' & 'other capital' are estimated as average of previous two years.

# Figures for equity capital of unincorporated bodies for 2010-11 are estimates. (P) all figures are provisional.



This graph represents the positive linear trend line as well as upward exponential curve and it also shows that there is an inflow of Foreign Direct Investment has increased for many years but while reduced for less years. The Compound Annual Growth Rate is 3.52% and the calculated  $\beta$  value is (-59.85).

## B. DIPP'S- FINANCIAL YEAR-WISE FDI EQUITY INFLOWS:

(As per DIPP'S FDI data base-equity capital components only):

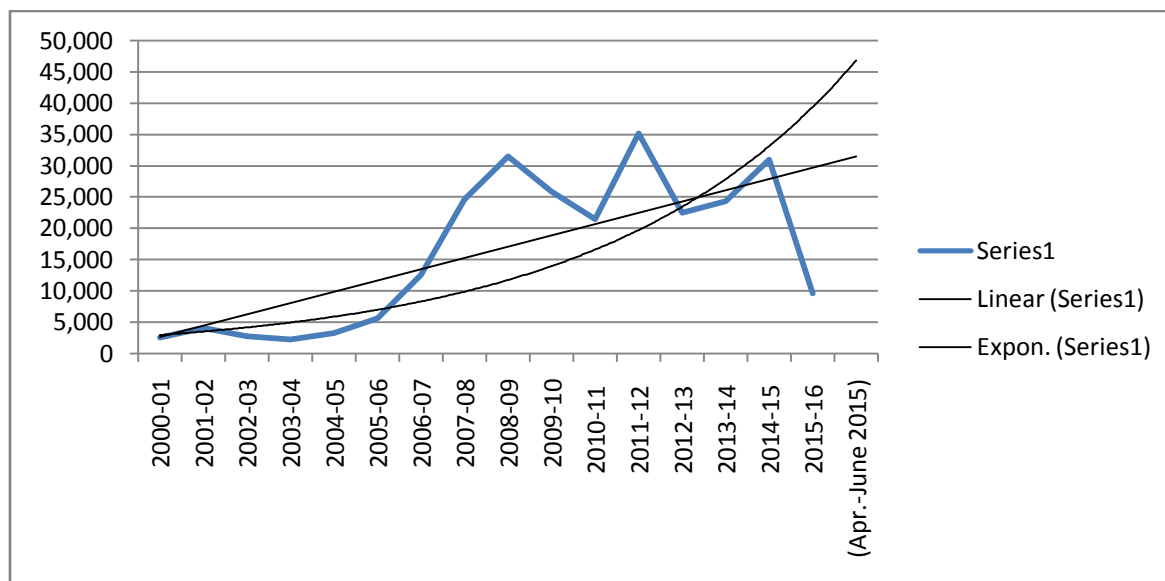
S.No.	Financial years 2000-01 to 2015-16 (up to June, 2015)	Amount of FDI Inflows (In US \$ million)	% growth over previous year (in terms of US \$)
1.	2000-01	2,463	-
2.	2001-02	4,065	(+) 65%
3.	2002-03	2,705	(-) 33%
4.	2003-04	2,188	(-) 19%
5.	2004-05	3,219	(+) 47%
6.	2005-06	5,540	(+) 72%
7.	2006-07	12,492	(+) 125%
8.	2007-08	24,575	(+) 97%
9.	2008-09	31,396	(+) 28%
10.	2009-10	25,834	(-) 18%
11.	2010-11 #	21,383	(-) 17%
12.	2011-12 #	35,121	(+) 64%
13.	2012-13 #	22,423	(-) 36%
14.	2013-14 #	24,299	(+) 8%
15.	2014-15 #	30,931	(+)27%
16.	2015-16 # (Apr.-June 2015)	9,508	-
<b>Cumulative total (From Apr.2000 to June, 2015)</b>		<b>2,58,142</b>	-

**Note: 1. Including amount remitted through RBI's-NRI Schemes (2000-2002).**

**2. FEDAI (Foreign Exchange Dealers Association of India) conversion rate from rupees to US dollar applied, on the basis of monthly average rate provided by RBI (DEPR), Mumbai.**

# Figures for the years 2010-11 to 2015-16 are provisional subject to reconciliation with RBI.

^ Inflows for the month of March, 2012 are as reported by RBI, consequent to the adjustment made in the figures of March, “11, August and October, 11”.



This graph represents the positive linear trend line as well as upward exponential curve and it also shows that there is an inflow of Foreign Direct Investment has increase and decreases for some years. The Compound Annual Growth Rate is 2.56% and the calculated  $\beta$  value is 42.51.

## Conclusion

This research paper has included some positive exponential and linear trend as well as negative exponential and linear trend.

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