

## **Foreign Direct Investment (FDI) , Trends In India**

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### **ABSTRACT**

Foreign Direct Investment Is One Of The Many New Inventive Items That Globalization And Liberalization Introduce To The World. There Are Currently Many Distinct Types Of FDI Available. Recently, The Indian Government Permitted FDI. Several Economic Sectors In India. However, A Number Of Opposition Parties Are Politicising These Policy Choices And Modifications In Parliament. It Has Been Agreed To Permit Foreign Investment In India In Order To Introduce New Management Techniques, Best Practises That Are Accepted Globally, And Cutting-Edge Technology. The Goal Of The Current Study Is To Create A Framework For Foreign Direct Investment With A Scene Of Various Industries. Additionally, It Highlights The Sector-Specific Distribution Of FDI Inflow, Which Has Raised Concerns. With The Majority Stake. The Current Analysis Is Based On Secondary Information Gathered From Various Sources. The Trends, Function, And Scope Of Foreign Direct Investment In India Are Also Investigated In This Article.

**Key Words:** Economic Growth, Development, And Dynamic Expansion; Foreign Direct Investment.

### **INTRODUCTION**

Investment, often known as capital creation, is a key factor in determining a nation's economic growth. To a large extent, it is necessary for the economy to expand. In order to create capital goods, which can take the shape of physical, financial, or human beings, a sufficient amount of capital must be combined with labour, natural resources, and cutting-edge technology. The term "investment" also refers to this capital, which includes both domestic and international investments. The deficit in local savings can be closed by foreign investment inflows. These influxes generally encourage economic progress in a developing country. Multinational corporations (MNCs) are an effective way to unite all of the economies on a single global scale. The growth of these inflows and that of the MNCs are directly correlated. It is necessary for impoverished and backward nations that want to experience rapid economic growth to acquire top-notch equipment, technical know-how, entrepreneurial abilities, and foreign capital. Most global economies that are attempting to grow on both a short-term and long-term basis must to some part rely on foreign money. The great pledge of foreign direct investment (FDI) by transnational pots is that capital will stimulate dynamic growth. Beyond boosting income and employment, the stopgap is that manufacturing FDI'll bring knowledge that laterally effect in erecting skill and technological capacities of original enterprises, catalysing broad- grounded profitable growth. The part played by foreign direct investment (FDI) in the development process has experienced several changes. In the 1960s, FDI was seen in utmost countries as a mate in the development endeavours. India espoused a governance that was perceived to be restrictive towards FDI.. unequivocal checks on foreign investment were assessed through the preface of the Foreign Exchange Regulation Act( FERA) in 1973 by confining foreign power of shares in enterprises incorporated in India. At the same time, foreign enterprises operating in India were subordinated to " original content " and " foreign exchange balancing " rules that checked their freedom of operation. The Industrial Licensing System under the Diligence Development and Regulation Act, 1951 and the Monopolies and Restrictive Trade Practices Act, 1969 sought to direct their conditioning into high technology and export-oriented product

As a matter of fact, foreign direct investment is a significant element of total foreign investments. In similar investments, the investor( an existent, a establishment, a company, etc) from a different (foreign) nation invests in a business positioned in host nation. generally, the foreign investor acquires means of the business or establishes business operations to get a controlling interest in the business established in host nation and is directly involved in its operation when he invests either directly or via other cells. Likewise, there are three factors of FDI. These are equity capital, reinvested earnings and other capital or intracompany loans. FDI overflows are recorded as a net of capital account credits less disbenefits between direct investors as well as their foreign cells in a given fiscal time

FDI is considered to be the most seductive type of capital inflow for arising husbandry as it's anticipated to bring rearmost technology and enhance product capabilities of the frugality. Foreign leaguers mean both foreign portfolio leaguers and foreign direct leaguers( FDI). FDI brings better technology and operation, access to marketing networks and tries competition, the ultimate helping Indian companies ameliorate, relatively piecemeal from being good for consumers. This effectiveness donation of FDI is important more important. The changes in the sentiments towards FDI were given away sequel to in the shape of a series of changes in the programs. These comprehended removing the extents on foreign impartiality assessed by the FERA, lifting of circumscriptions on the use of foreign brand names in the domestic request, removing circumscriptions on entry and expansion of foreign direct investment into consumer goods, abandoning the “ original content ” and “ foreign trade balancing ” regulations, among others. The resemblant process of virtual pullout of the Industrial Licensing System and the retreating from the supremacy given away to public region also meliorated the compass for FDI participation in India. Together with liberalizing the FDI governance, way were taken to have foreign portfolio leaguers into the Indian stock request through the medium of foreign institutional investors. The ideal wasn't only to grease nondebt creating foreign capital inrushes but also to develop the stock request in India's FDI inrushes lower the cost of capital for Indian enterprises and laterally ameliorate commercial governance structures. On their portion, voluminous Indian companies have been allowed to elevate capital directly from transnational capital requests through marketable borrowings and repository bills having beginning Indian impartiality. therefore, the country espoused a twopronged program one to attract FDI and to encourage portfolio capital overflows which ease the backing constraints of Indian enterprises. As a result of the abovementioned procedure changes, India now follows an FDI- friendly governance that's relatively similar to that espoused by utmost nations.

Principally, there are two rows for foreign investors to inoculate in India. These are,

1. Automatic Route On this path, no blessing of administration is needed by the foreign investor. He can inoculate in any company without the want for Government blessing.

For illustration husbandry, Plantation, Construction Development, Industrial Parks, road structure, Financial Services, Insurance, Pension Sector,etc.

2. Government Route No investment can be made on this path without previous permission of the Indian Government. For exam.Print media, Satellites-establishment and operations, Banking-public sector, etc.

## **LITERATURE REVIEW**

Numerous published papers are accessible on foreign direct investment. A review of applicable literature has been done. Bajpai and Dasgupta( 2004) in their study transnational Companies and Foreign Direct Investment in China and India have audited the FDI patterns over the times by the MNCs into these two developing countries and tried to detect out the possibilities of attracting advanced FDI inrushes for India with the architecture of able programs. Goswamia and Saikiab

(2012) in their study FDI and its relation with exports in India, status and prospect in north- east region have explored the trends of FDI in India and determined the association between FDI and exports during 1991 to 2011. Patil and Kadam( 2014) in their exploration paper named goods of FDI on Indian frugality A overcritical Appraisal have made an attempt to ascertain the applicability of FDI in our country by observing its inrushes as well as its sequel on its profitable evolution over the times 2000- 2010. Azhar and Marimuthu 2012) in their study An Overview of Foreign Direct Investment in India have concentrated on the want, sources and determinants of FDI, its year-wise and sector-wise examination and causes thereof. Anitha( 2012) in Foreign Direct Investment and profitable excrescency in India has explained the significance of FDI for developing and underdeveloped countries by stating that FDI plays a vital part in reducing the gap apparent between present-day and demanded finances and coffers. Sharma Reetu and Khurana Nikita (2013) in their study on the sector-wise distribution of FDI inflow to know about which has concerned with the chief share, used a data from 1991-92 to 2011-2012 (postliberalization period). discusses the various problems about the foreign direct investment and suggests the some recommendations for the same. In this study found that, Indian economy is mostly based on agriculture. So, there is a most important scope of agriculture services. Therefore, the foreign direct investment in this sector should be encourage

## **NEED OF THE STUDY**

There have been reports for the past few years showing inconsistency in inflows of foreign direct investment in India. So, the need is felt to study the trends of FDI inflows in India, identification of country-wise inflows and ascertaining their sector wise distribution in India.

## **OBJECTIVES OF THE STUDY**

- (i) To study the trends of FDI inflows in India.
- (ii) To identify the country-wise flow of FDI into India.
- (iii) To ascertain the sector-wise distribution of FDI inflows in India

**Table-I. Financial Year-Wise Fdi Inflows (Trends)**

**(A). TOTAL FDI INFLOWS (Equity inflows + Reinvested earnings + Other capital) Amount: US\$ in Millions**

S. No.	Financial Years 2000-01 to 2018-19(April-March)	Foreign Direct Investment (FDI)					
		Equity		Re-invested Earnings	Other Capital	FDI flows into India	
		FIPB Route/RBI Automatic/Acquisition Route	Equity Capital of unincorporated bodies#			Total FDI Flows	Percentage growth over previous year (in terms of US\$)
1.	2000-01	2,339	61	1,350	279	4,029	-
2.	2001-02	3,904	191	1,645	390	6,130	(+)52%
3.	2002-03	2,574	190	1,833	438	5,035	(-)18%
4.	2003-04	2,197	32	1,460	633	4,322	(-)14%
5.	2004-05	3,250	528	1,904	369	6,051	(+)40%
6.	2005-06	5,540	435	2,760	226	8,961	(+)48%
7.	2006-07	15,585	896	5,828	517	22,826	(+)155%
8.	2007-08	24,573	2,291	7,679	300	34,843	(+)53%
9.	2008-09	31,364	702	9,030	777	41,873	(+)20%
10.	2009-10	25,606	1,540	8,668	1,931	37,745	(-)10%
11.	2010-11	21,376	874	11,939	658	34,847	(-)08%
12.	2011-12	34,833	1,022	8,206	2,495	46,556	(+)34%
13.	2012-13	21,825	1,059	9,880	1,534	34,298	(-)26%
<b>Cumulative Total (from April,2000 to March,2013)</b>		<b>194966</b>	<b>9821</b>	<b>72182</b>	<b>10547</b>	<b>287516</b>	

**Source:** RBI’s Bulletin March,2013; (FOREIGN INVESTMENT INFLOWS)

**Interpretation**

Table I (A) and I (B) demonstrate cumulative amount of foreign direct investment inflows in India from 2000-01 to 2012-13. Since 2000, the Indian government has brought about vital amendments to FDI policies to ensure that the nation is transforming into an immensely attractive destination for investing capital. The inflows of FDI into India has increased dramatically following the 1991 reforms. However, ever since these reforms took place, India has witnessed ups and downs in the FDI inflows over the years, especially during the period of study, that is, 2000-01 to 2018-19. Many a times it has been evident that India has seen sudden or gradual decrease in the percentage of FDI inflows as compared to the previous year, like during 2001-02 to 2003-04 citing reasons like Gujrat earthquakes, pathetic attack on World Trade Centre (now WTO) and Indian Parliament by the terrorists in the year 2001 or during 2008-09 to 2012-13 due to decline in global economy following the 2008 US Subprime Crisis and the 2012-13 Euro Crisis. Consequently, the investor confidence declined globally.

Sl No	Item	Amount of FDI Inflow		% with total FDI Inflow (+)
		( in Rs. Crore )	( in \$ million )	
1	Services Sector	172,275.31	37,234.60	19.26
2	Construction Development	101,049.13	22,080.20	11.42
3	Telecommunications	58,732.23	12,856.06	6.65
4	Computer Software & Hardware	52,774.07	11,691.10	6.05
5	Drugs & Pharmaceuticals	48,879.53	10,318.17	5.34
6	Chemicals (Other Than Fertilizers)	40,495.55	8,880.83	4.59
7	Automobile Industry	39,169.94	8,294.85	4.29
8	Power	36,136.88	7,834.22	4.05
9	Metallurgical Industries	34,814.13	7,507.07	3.88
10	Hotel & Tourism	33,260.03	6,631.25	3.43
11	Petroleum & Natural Gas	24,808.41	5,381.48	2.78
12	Trading	18,646.51	3,955.80	2.05
13	Information & Broadcasting (Including Print Media)	15,495.69	3,284.21	1.70
14	Electrical Equipment	14,668.58	3,182.70	1.65
15	Cement and Gypsum Products	11,779.04	2,626.43	1.36
16	Non-Conventional Energy	12,901.12	2,591.22	1.34
17	Miscellaneous Mechanical & Engineering Industries	10,522.52	2,318.71	1.20
18	Industrial Machinery	11,017.51	2,302.14	1.19
19	Consultancy Services	9,692.72	2,095.13	1.08
20	Construction (Infrastructure) Activities	9,741.06	1.08	1.08
21	Food Processing Industries	8,681.38	1,811.06	0.94
22	Ports	6,717.38	1,635.08	0.85
23	Agriculture Services	7,797.73	1,608.69	0.83
24	Hospital & Diagnostic Centres	7,437.93	1,597.33	0.83
25	Textiles (Including Dyed,Printed)	5,689.76	1,226.02	0.63
26	Electronics	5,466.74	1,198.22	0.62
27	Sea Transport	5,492.51	1,194.50	0.62
28	Fermentation Industries	5,095.29	1,134.63	0.59
29	Rubber Goods	5,824.46	1,134.44	0.59
30	Mining	4,368.18	998.30	0.52
31	Paper And Pulp (Including Paper Products)	4,056.14	865.54	0.45
32	Prime Mover (Other Than Electrical Generators)	4,131.80	848.68	0.44

33	Education	3,332.97	684.35	0.35
34	Soaps, Cosmetics & Toilet Preparations	3,115.54	632.39	0.33
35	Machine Tools	2,967.09	622.99	0.32
36	Medical And Surgical Appliances	2,913.92	604.47	0.31
37	Ceramics	2,195.59	508.13	0.26
38	Air Transport (Including Air Freight)	2,022.00	449.26	0.23
39	Diamond &,Gold Ornaments	1,810.74	390.76	0.20
40	Glass	1,942.21	389.07	0.20
41	Vegetable Oils And Vanaspati	1,893.72	384.94	0.20
42	Fertilizers	1,425.53	297.90	0.15
43	Agricultural Machinery	1,423.25	296.42	0.15
44	Printing Of Books (Including Litho Printing Industry)	1,257.51	272.32 0	40.14
45	Railway Related Components	1,246.35	270.33	0.14
46	Commercial, Office & Household Equipment	1,181.76	254.83	0.13
47	Earth-Moving Machinery	769.05	174.95	0.09
48	Leather,Leather Goods And Pickers	527.88	107.43	0.06
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47	Earth-Moving Machinery	769.05	174.95	0.09
48	Leather,Leather Goods And Pickers	527.88	107.43	0.06
49	Tea And Coffee & Rubber (Processing & Warehousing)	456.01	101.21	0.05
50	Retail Trading (Single Brand)	459.55 9	95.36	0.05
51	Scientific Instruments	496.11	94.48	0.05
52	Timber Products 398.52 79.15 0.04	398.52	79.15	0.04
53	Photographic Raw Film And Paper	269.26	66.54	0.03
54	Industrial Instruments	307.45	66.53	0.03
49	Tea And Coffee & Rubber (Processing & Warehousing)	456.01	101.21	0.05

50	Retail Trading (Single Brand)	459.55 9	95.36	0.05
51	Scientific Instruments	496.11	94.48	0.05
52	Timber Products 398.52 79.15 0.04	398.52	79.15	0.04
53	Photographic Raw Film And Paper	269.26	66.54	0.03
54	Industrial Instruments	307.45	66.53	0.03
55	Boilers And Steam Generating Plants	305.75	61.83	0.03
56	Sugar	242.32	51.82	0.03
57	Coal Production	103.11	24.78	0.01
58	Dye-Stuffs	87.32	19.50	0.01
59	Glue And Gelatin	70.56	14.55	0.01
60	Mathematical, Surveying And Drawing Instruments	39.80	7.98	0.00
61	Defence Industries	19.89	4.12	0.00
62	Coir	10.37	0.00	60.00
63	Miscellaneous Industries	35,469.	7,843.68	4.10
Sub –Total		896,379.67	193,283.31	100
64	RBI’S- NRI Schemes (2000-2002)	533.06	121.33	-
Grand Total		896,912.73	193,404.64	

**Source:** FDI Statistics, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India. 2014.

### Conclusion

FDI in India has a significant part in the profitable excrescency and evolution of India. FDI in India to colorful spots can achieve sustained profitable excrescency and evolution through coinage of jobs, expansion of being manufacturing diligence. The flux of FDI in indulgence spots and construction and evolution region, from April, 2001 to March, 2014 attained physical sustained profitable excrescency and evolution through coinage of jobs in India. Computer, Software & Hardware and medicines & medicinals region were the other spots to which concentration was shown off by Foreign Direct Investors (FDI). The other spots in Indian frugality the Foreign Direct Investors interest was, in fact has been relatively penurious

Trends are just relative numbers which might differ from that of the original numbers. It only shows the relation in the form of percentage growth over last year whereas the foreign direct investment keeps on coming into the economy. There can be many factors responsible for such variations in the trends of foreign direct investment inflows like economic, institutional and political factors. These factors include economic growth of the country, market size, resource location, return on investment, inflation, government regulation, political stability, tax policies and foreign exchange rate among others.

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