



INFLOW OF FDI IN INDIA AFTER 2014

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Abstract

The inflow of Foreign Direct Investment (FDI) into India has undergone significant shifts and transformations, particularly after 2014. The period following this year witnessed a concerted effort by the Indian government to liberalize the economy, streamline regulatory processes, and enhance the country's attractiveness as an investment destination. This article will examine the key factors influencing FDI inflows into India post-2014, the sectors that have attracted the most investment, and the overall impact on the Indian economy. One of the primary drivers of increased FDI in India has been the government's proactive policy reforms. Initiatives like "Make in India," "Digital India," and "Startup India" aimed to create a conducive environment for foreign investors. The simplification of FDI norms across various sectors, the introduction of a liberalized FDI policy, and the push for ease of doing business have been instrumental in attracting global capital. The Goods and Services Tax (GST) implementation, although initially challenging, ultimately streamlined the indirect tax regime, fostering a more integrated and efficient market. Furthermore, the government's focus on infrastructure development has played a crucial role. Investments in roads, railways, ports, and airports have improved connectivity and reduced logistical bottlenecks, making India a more appealing destination for manufacturing and logistics-related investments. The emphasis on renewable energy, with ambitious targets for solar and wind power, has also attracted significant FDI in the green energy sector.

Keywords:

Inflow, FDI, Economy, GST

Introduction

Since 2014, India has witnessed a significant surge in Foreign Direct Investment (FDI), a testament to the government's proactive policy reforms aimed at creating a more investor-friendly environment. This period has been marked by a concerted effort to dismantle bureaucratic hurdles, liberalize sectoral caps, and promote a stable and predictable regulatory framework, thereby transforming India into a more attractive destination for global capital. (Sethi , 2021)

The increased FDI inflows have proven to be particularly beneficial to a number of sectors. Significant investments have continuously been drawn to the services industry, which includes financial services, business process outsourcing, and IT. The manufacturing industry has grown significantly as well, especially in sectors like electronics, medicines, and cars. Driven by government initiatives, FDI has surged in the infrastructure sector, particularly in transportation and renewable energy. India's growing middle class and rising internet usage have also made e-commerce and retail appealing investment destinations.

Increased FDI has had a variety of effects on the Indian economy. It has boosted competitiveness, created jobs, and advanced technology, all of which have increased efficiency and production. Inflows of foreign direct investment have also assisted in closing the gap between domestic savings and investment requirements, supporting economic growth. Additionally, technology has made it easier to share best practices and managerial knowledge, which has increased the competitiveness of Indian firms. (Paramar, 2022)

But there are still difficulties. FDI inflows are nevertheless hampered by challenges like land acquisition issues, regulatory roadblocks, and the requirement for further infrastructure development. Investment choices can also be influenced by changes in commodity prices, geopolitical unpredictabilities, and the state of the world economy.

The "Make in India" campaign has been one of the key initiatives propelling this change. When it was first introduced in 2014, its goals were to support homegrown manufacturing, draw in international capital, and generate jobs. The program's main objectives were to streamline laws, streamline corporate procedures, and support important industries like manufacturing, infrastructure, and services. India's attraction was further increased by the government's

concentration on developing its ports, railroads, and roadways as a manufacturing and export hub.

Another important impact has been the loosening of sectoral FDI limitations. Significant relaxations were made to previously restrictive industries like retail, insurance, aviation, and defense. Foreign investors now have more opportunities to take part in the expanding Indian market thanks to this. The military industry's higher FDI limitations, for example, were intended to encourage domestic production and lessen dependency on imports, while the insurance industry's deregulation drew large capital inflows and strengthened the financial sector. Francis (2020)

Another important factor has been the government's emphasis on making doing business easier. By establishing a single national market and lowering compliance costs, the Goods and Services Tax (GST)'s 2017 adoption simplified the indirect tax system. A more favorable business environment was further enhanced by the introduction of online portals for company registration and approvals as well as the streamlining of labor rules. Additionally, the emphasis on digitizing government services has improved efficiency and openness.

Additionally, the country's technology landscape has changed as a result of the "Digital India" project, which has increased investor trust in the digital economy. Foreign investment in these industries has flourished due to the quick rise of mobile and internet usage, as well as the development of fintech and e-commerce. The government's dedication to creating a strong digital infrastructure has also drawn large investments in telecommunications, cloud computing, and data centers. (Welling , 2021)

Review of Literature

Sharma et al. (2022): Another important factor has been the government's proactive response to investment concerns. Single-window project clearances and the creation of specialized investment facilitation organizations like Invest India have streamlined the investment process and increased confidence among international investors. Investor confidence has also been bolstered by the government's dedication to preserving macroeconomic stability, which includes managing budget deficits and containing inflation.

Kirthika and associates (2021): Obstacles still include things like land acquisition, bureaucratic hold-ups in some industries, and the requirement for additional labor legislation reforms. Long-

term maintenance and improvement of FDI inflows will depend on addressing these issues. Furthermore, FDI inflows may be impacted by global economic instability, thus ongoing improvement is necessary.

Mishra et al. (2021): The government's proactive policy reforms are directly responsible for the increase in foreign direct investment inflows into India after 2014. A more alluring place to invest has been made possible by the emphasis on "Make in India," sectoral liberalization, ease of doing business, and digital revolution.

According to Vyas et al. (2020), despite ongoing difficulties, the government's dedication to ongoing development and resolving investor concerns is encouraging for India's potential as a major international investment destination. India may further establish itself as a top FDI destination in the years to come by upholding a steady and predictable regulatory environment and by carrying out investor-friendly measures.

According to Anitha et al. (2022), policy changes that simplify FDI regulations and lower administrative barriers have also proven essential. The government relaxed FDI restrictions in sectors such as defense, retail, and aviation, making it easier for foreign companies to invest in India. The streamlining of approval processes and the introduction of online portals further reduced red tape and improved the efficiency of investment procedures.

Inflow of FDI in India After 2014

A complex combination of political, economic, and policy-related variables led to the increase in foreign direct investment (FDI) in India after 2014. Although India has always been a potentially alluring location, there was a notable uptick in interest after 2014, which was likely due to a change in investor sentiment and a more favorable investment environment.

The government's political stability and resolute leadership are among the most important elements. Long-term investments require continuity and predictability, which were promoted by the ruling party's strong mandate. Global investors were reassured by this stability and the emphasis on governance changes.

Additionally, the government's focus on economic reforms was crucial. Important measures including the implementation of the Goods and Services Tax (GST), the Insolvency and Bankruptcy Code (IBC), and the relaxation of FDI regulations in a number of industries

simplified corporate processes and increased the ease of doing business. In example, the GST reduced the complexity of interstate trade and taxation by establishing a single national market. By assisting in the resolution of stressed assets, the IBC strengthened and increased the transparency of the financial industry.

Launched in 2014, the "Make in India" campaign sought to establish India as a major hub for global manufacturing. This program provided enticing incentives for international businesses to set up manufacturing facilities in India, especially in industries like electronics, pharmaceuticals, and autos, in conjunction with the Production Linked Incentive (PLI) plan. The FDI inflow was greatly aided by this targeted strategy of increasing domestic manufacturing and drawing in foreign investment in strategic areas.

For international investors, India's sizable and expanding domestic market continues to be a top attraction. With a middle class that is growing quickly and a population of over 1.4 billion, there is enormous potential for consumer demand. India is a desirable market for businesses aiming to increase their global presence due to its demographic advantage and growing disposable incomes.

Another important factor was the government's emphasis on infrastructure development. Roads, railroads, ports, and digital infrastructure investments increased connectivity and logistics, lowered operating costs, and enhanced the general business climate. The National Infrastructure Pipeline was one initiative designed to increase infrastructure spending and draw FDI into important industries.

Additionally, India has seen a surge in digitalization and technology use, opening up new avenues for foreign companies. E-commerce, fintech, and IT services all saw a boom as a result of the "Digital India" campaign, which encouraged digital literacy and access. Significant foreign direct investment (FDI) has been drawn to the technology industry by this digital transition, with investments made in fields including artificial intelligence, cloud computing, and data centers.

Lastly, the rising FDI inflow has also been influenced by geopolitical issues. India has become a competitive alternative as multinational corporations look to diversify their supply chains and lessen their dependence on certain regions. The nation is a desirable place for foreign investment due to its advantageous location and expanding political and economic clout.

In summary, Political stability, economic reforms, market potential, infrastructure development, digitization, policy liberalization, and geopolitical issues all contributed to the spike in foreign direct investment (FDI) into India after 2014. Together, these elements have improved the investment climate, drawing large amounts of foreign investment and bolstering India's economy.

There are several facets to the relationship between digitalization, technology adoption, and the rise in foreign direct investment (FDI) in India after 2014. Processes have been more efficient, bureaucratic obstacles have decreased, and doing business is now easier overall thanks to digitalization. This covers programs like digital tax filing, online approval portals, and streamlined regulatory compliance. Greater productivity and efficiency across a range of industries as a result of increased technology use have increased India's appeal to international investors.

New investment opportunities have been generated by India's quickly growing digital economy, which is being fueled by rising e-commerce, mobile use, and internet penetration. There have been large FDI inflows into industries like digital services, telecommunications, and IT.

Through programs such as Digital India, which seeks to make India a society enabled by technology, the Indian government has aggressively encouraged digitization. These programs have drawn in foreign investment in digital infrastructure and associated industries and created an atmosphere that is favorable for the adoption of technology.

To liberalize the FDI regime, the government has enacted a number of policy changes that have simplified rules and allowed foreign investment in more industries. Due to these reforms, investor trust has grown and India is now a more appealing location for foreign direct investment.

The goal of the "Make in India" campaign has been to increase domestic production and draw in foreign capital to important industries including technology, infrastructure, and manufacturing. By fostering an atmosphere that is conducive to foreign manufacturers establishing operations in India, this program has helped to enhance FDI inflows.

India has become a desirable location for foreign investors looking for long-term growth prospects due to its robust economic growth and sizable domestic market. Another important

aspect has been the growing stability of the Indian economy. Better communication and simpler business procedures between Indian partners and foreign investors have been made possible by advancements in India's digital infrastructure.

Due to a combination of legislative changes and economic expansion, foreign direct investment (FDI) inflows into India have significantly increased since 2014 and digitalization. Digitalization and technology adoption have played a crucial role in creating a more attractive investment environment in India. The Indian government's dedication to streamlining business practices, and improving infrastructure has been a major contributing factor. In essence, the synergy between India's push for digitalization and its investor-friendly policies has significantly boosted FDI inflows.

Conclusion

The post-2014 period has been marked by a significant increase in FDI inflows into India, driven by government policy reforms and a focus on infrastructure development. While challenges persist, the overall impact of FDI on the Indian economy has been positive, contributing to growth, job creation, and technological advancement. Continued efforts to improve the investment climate and address existing challenges will be crucial for sustaining and further enhancing FDI inflows in the years to come

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