

Foreign Direct Investment in India: Trends and Patterns

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Abstract: Foreign Direct Investment (FDI) plays a very important role in the development of the nation. In such cases, foreign direct investment plays an important role in bridging the gap between the available resources or funds and the required resources or funds. It plays a vital role in the long-term development of a country not only the source of capital but also for enhancing the competitiveness of the domestic economy through the transfer of technology, strengthening infrastructure, raising productivity and generating new employment opportunities. In India, FDI is a developmental tool, to achieving self-reliance in various sectors and it is the overall development of the Indian economy. India after liberalizing and globalizing the economy to the outside world in 1991, there was a massive increase in the flow of foreign direct investment. In this study, a modest attempt has been made to study the Foreign Direct investment in India its growth, Sector wise FDI inflow, and Country wise FDI inflows.

Key Words: Foreign Direct Investment, Competitiveness, Transfer of Technology.

1. INTRODUCTION

Foreign Direct Investment (FDI) is a major source of non-debt financial resource for the economic development of India. Foreign companies invest in India to take advantage of relatively lower wages, special investment privileges such as tax exemptions, etc. For a country where foreign investments are being made, it also means achieving technical know-how and generating employment. The Indian government's favourable policy regime and robust business environment have ensured that foreign capital keeps flowing into the country. The government has taken many initiatives in recent years such as relaxing FDI norms across sectors such as defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others.¹

FDI inflow routes: An Indian Company may receive Foreign Direct Investment under the two routes as given under: 1. Automatic Route: FDI in sectors /activities to the extent permitted under the automatic route does not require any prior approval either of the Government or the Reserve Bank of India.

2. Government Route: FDI in activities not covered under the automatic route requires prior approval of the Government which are considered by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, and Ministry of Finance.

Table 1
Foreign Direct Investment in India
(US\$ Million)

Year	FDI Inflows	Growth Rate
2010-11	34846	--
2011-12	46556	33.6
2012-13	34298	-26.3
2013-14	36046	5.1
2014-15	45148	25.3
2015-16	55559	23.1
2016-17	60082	8.1
2017-18 (up to September 17)	33,749	---

Source: IBEF Report, 2017

¹ <https://www.ibef.org/economy/foreign-direct-investment.aspx>- accessed on 05/12/2017

Table 1 shows that foreign direct investment in India, during the period 2010-2011 to 2017-2018. FDI is increased from US\$ 34846 million in 2010-2011 to US\$ 60082 million in 2016-2017. During the study period, FDI inflow is fluctuating trend. In the year 2013-14 to 2016-17, are increasing trend.

Table 2
Country-wise FDI equity inflows from April 2000 to September 2017
(In US\$ million)

Rank	Name of the Country	Amount of Foreign Direct Investment Inflows	%age with Inflows
1	Mauritius	123,103.84	34.45
2	Singapore	59,884.64	16.76
3	Japan	26,625.92	7.45
4	United Kingdom	24,889.32	6.97
5	Netherlands	22,626.82	6.33
6	U.S.A	21,649.74	6.06
7	Germany	10,632.79	2.98
8	Cyprus	9,378.61	2.62
9	France	6,030.00	1.69
10	UAE	4,950.05	1.39

Source: IBEF Report, 2017

Table 2 depicts country wise FDI equity inflow during the period April 2000 to September 2017. India is receiving more FDI from Mauritius US\$ 123,103.84 million and Mauritius is to 1st rank, followed by Singapore, US\$ 59,884.64 million, Japan US\$ 26.625.92 million, unites kingdom US\$ 24,889.32 and thereof.

Table 3
Sectors Attracting Highest FDI Equity Inflows (2017)
(In US\$ million)

S. No	Sector	Amount of FDI Inflows	%age of Total Inflows
1	Services Sector*	62,393.45	17.46
2	Telecommunications	30,029.84	8.40
3	Computer Software & Hardware	27,714.81	7.76
4	Construction development: Townships, housing, built-up infrastructure and construction-development projects	24,656.17	6.90
5	Automobile Industry	17,908.42	5.01
6	Trading	15,663.65	4.38
7	Drugs & Pharmaceuticals	15,570.31	4.36
8	Chemicals (other than fertilizers)	14,189.54	3.97
9	Power	12,300.99	3.44
10	Construction (Infrastructure) Activities	10,700.53	2.99

Source: IBEF report 2017

Table 3 reveals Sector-wise highest FDI inflow in India, Services sector is the highest attracting FDI inflow of US\$ 62393.45 million, followed by Telecommunication US\$ 30029.84 million, Computer Software & Hardware US\$ 27,7148 million, Construction & Development US\$ 24656.17 million and so on.

2. CONCLUSION:

India has become a highest attractive emerging market for the global partner. FDI plays an important role in the long-term development of Indian economy and enhances the competitiveness of domestic economy through the transfer of technology, strengthening infrastructure, raising productivity and generation of new employment opportunities. FDI inflow is fluctuation trend; India is receiving highest FDI inflow from Mauritius, Singapore Japan and the United Kingdom. In the sector-wise Service sector is the highest destination for FDI inflow followed by Telecommunication, Computer Software and Construction Development.

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