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COVID-19 Outbreak and FDI Inflows in India: A Sector-Wise Analytical Study

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Abstract: The aim of this article is to study the FDI inflows in India post COVID-19 outbreak. As the purpose of this paper is to study trends of FDI inflows in India especially sector-wise FDI inflows in India from financial years 2019-20 to 2021-22 (April 2021-December 2021), therefore, we collected the required data from said periods from website of DPIIT, Ministry of Commerce and Industry, Government of India. Our results reveal that post COVID-19 outbreak FDI from all sectors received less FDI in 2020-21 than 2019-20 except computer software & hardware and construction sectors. Moreover, our results provide that computer software & hardware, automobile industry, and services sectors received highest FDI inflows during COVID-19 outbreak.

Keywords: FDI, COVID-19, Sectors, India.

I. INTRODUCTION

Numerous state run administrations have gone to severe general wellbeing lengths to restrict the spread of the COVID-19 pandemic. These general wellbeing measures have caused serious financial disturbances that sway the unfamiliar direct venture (FDI) choices of firms. Legislatures have likewise made huge financial approach moves to thwart, or pad, the monetary outcomes of the general wellbeing emergency. The possible effect on FDI streams will rely upon the outcome of both these general wellbeing and financial strategy reactions.

FDI could assume a significant part in supporting economies during the financial recuperation following the pandemic. Proof from past emergencies has shown that unfamiliar claimed members, including little and medium ventures, can show more noteworthy strength during emergencies on account of their linkages with, and admittance to the monetary assets of, their parent organizations (for example Alfaro and Chen, 2012). FDI could be especially significant for arising and creating economies given that different wellsprings of worldwide financing, including portfolio venture, have escaped these economies (see OECD Investment strategy reactions to COVID-19). Sadly, apparently the effects of the pandemic on FDI streams to these economies might be especially extreme. For instance, the essential and assembling areas, which represent a bigger portion of FDI in a considerable lot of these economies than in most evolved economies, have been especially hard hit by the pandemic (see approaching OECD note on ramifications of the COVID-19 general wellbeing and financial emergency on advancement finance).

Nonetheless, there are motivations to have some incredulity with respect to the job that FDI can play. The pandemic hit when FDI streams were at the second least level recorded beginning around 2010 in the result of the worldwide monetary emergency (for more data on improvements in FDI moves through the finish of 2019, see the April 2020 version of FDI in Figures). Likewise, corporate obligation was at record levels at the time the pandemic hit. OECD research shows that the load of non-monetary corporate securities was at an unequaled high toward the finish of 2019, and that this stock "has lower in general credit quality, higher recompense necessities, longer developments, and mediocre contract assurances" contrasted with past obligation cycles (Celik at al. 2020). Elevated degrees of obligation could restrict the capacity of organizations to endure the COVID-19 emergency, not to mention support their unfamiliar associates or seek after new speculations. Rising obligation levels and liquidity imperatives could likewise be factors driving organizations to strip a portion of their unfamiliar activities (Borga et al, 2020).

II. Literature Review

The connection among FDI and financial development has drawn in extraordinary consideration from researchers all over the planet (Basu et al. 2003). It is generally recognized that this relationship has been seriously explored utilizing information from a solitary nation or an example of numerous nations. Sadly, no agreement on experimental discoveries has been reached among researchers. Concerning single-country examination, Koojaroenprasit (2012) inspected the effect of FDI on financial development in Korea over the 1980-2009 period. The creator tracked down a solid beneficial outcome of FDI on Korea's financial development, while human resources, product, and work additionally emphatically impacted resulting development. A similar perception was additionally found in Pakistan with a positive long haul impact of unfamiliar capital stream on monetary development (Shahbaz and Rahman, 2010). The FDI-development nexus additionally presents proof to help the view that there is an adverse consequence of FDI on monetary development. Konings (2001) tracked down no sure effect of FDI on significant development for Poland north of 1993-1997 period. Besides, the creator expressed FDI thwarted development for Romania and Bulgaria, since these nations were exposed to exchange lopsided characteristics, restraining infrastructures or opposite moves of information and innovation.

Notwithstanding studies with the attention on the single nation information, different examinations were led utilizing crosscountry information. Tiwari and Mutascu (2011) featured that both FDI and globally business action encouraged financial development for 23 Asian nations over the 1986-2008 period. Critically, they observed a significant impact of FDI on development as an economy was created. Borensztein et al. (1998) analyzed the job of FDI on monetary development for agricultural nations. Their discoveries show that FDI was a compelling delegate among innovation and financial development. Moreover, they likewise expressed the job of FDI would be more successful on an economy assuming the important nation had high human resources. Omran and Bolbol (2003) showed both high connection and critical causation among FDI and monetary development for Arab nations through a Causality test and OLS relapse, separately. Additionally, they reasoned that nearby monetary and political circumstances along with FDI fascination centered arrangements were critical variables deciding FDI inflows.

III. Methodology

As the purpose of this paper is to study trends of FDI inflows in India especially sector-wise FDI inflows in India from financial years 2019-20 to 2021-22 (April 2021-December 2021), therefore, we collected the required data from said periods from website of DPIIT, Ministry of Commerce and Industry, Government of India. In addition, we use MS Excel and SPSS V.24 to analyze the data. In this article, we analyzed the data such as follows: sectors attracting highest FDI inflows pre and post COVID-19 outbreak. Our study also analyze the share of top investing countries FDI inflows for the said periods.

IV. Data Analysis

Table 1 shows the FDI inflows in India from April 2021-December 2021. The findings show that India received Rs. 33,064, Rs. 76,652, Rs. 19,603, Rs. 21,231, Rs. 46,236, Rs. 33,143, Rs. 27,864, Rs. 32,703, and Rs. 29,480, respectively, in April, 2021, May, 2021, June, 2021, July, 2021, August, 2021, September, 2021, October, 2021, November, 2021, December, 2021.

Table 1: FDI inflows in India from April 2021-December 2021

Financial Year 2021-22 (April – December)		FDI inflows *(In Rs. Crore)*
1	April, 2021	33,064
2	May, 2021	76,652
3	June, 2021	19,603
4	July, 2021	21,231
5	August, 2021	46,236
6	September, 2021	33,143
7	October, 2021	27,864
8	November, 2021	32,703
9	December, 2021	29,480

Source: Report on FDI by DPIIT, Ministry of Commerce and Industry, GOI.

Table 2 shows share of top investing countries FDI inflows from 2019-20 to 2021-22. The results show that India received highest FDI from Singapore i.e. Rs. 103,615, Rs. 129,227, and Rs. 86,780, respectively, 2019-20, 2020-21, and 2021-22. Similarly, India received second highest FDI from USA i.e. Rs. 29,850, Rs. 102,499, and Rs. 55,811, respectively, 2019-20, 2020-21, and 2021-22. In addition, India received third highest FDI from Mauritius i.e. Rs. 57,785, Rs. 41,661, and Rs. 48,815, respectively, 2019-20, 2020-21, and 2021-22. Similarly, India received fourth, fifth, sixth, seventh, eighth, ninth, tenth highest FDI from Mauritius Netherlands, Cayman Islands, Japan, UAE, U.K., Germany, and Cyprus, respectively.

Table 2: Share of Top Investing Countries FDI Inflows

(In Rs. Crore)

Ranks	Country	2019-20 (April-March)	2020-21 (April-March)	2021-22 (April-December)	Total
1	SINGAPORE	103,615	129,227	86,780	319,622
2	U.S.A.	29,850	102,499	55,811	188,160
3	MAURITIUS	57,785	41,661	48,815	148,261
4	NETHERLANDS	46,071	20,830	19,723	86,624
5	CAYMAN ISLANDS	26,397	20,779	20,302	67,478
6	JAPAN	22,774	14,441	6,814	44,029
7	UAE	2,393	31,242	6,277	39,912
8	U.K.	10,041	15,225	10,661	35,927
9	Germany	3,467	4,910	4,326	12,703
10	CYPRUS	6,449	2,839	1036.85	10,325

Notes: Raking is provided on total FDI received in FY 2019-20, 2020-21, 2021-22.
Source: Report on FDI by DPIIT, Ministry of Commerce and Industry, GOI.

Table 3 shows sectors attracting highest FDI inflows in India post COVID-19 outbreak.

The results reveal that post COVID-19 outbreak FDI from all sectors received less FDI in 2020-21 than 2019-20 except computer software & hardware and construction sectors. Results provide that COVID-19 outbreak adversely impact the inflows of FDI in India particular in Services, Trading, Automobile, Drugs & Pharmaceuticals, Chemicals, Construction Development, Telecommunications, and Hotel & Tourism Sectors.

Table 3: Sectors attracting highest FDI inflows post COVID-19 outbreak

(In Rs. Crore)

Ranks	Sector	2019-20	2020-21	Percentage
1	COMPUTER SOFTWARE & HARDWARE	54,250	194,291	258.14%
2	CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	14,510	58,240	301.38%
3	SERVICES SECTOR	55,429	37,542	-32.27%
4	TRADING	32,406	19,349	-40.29%
5	AUTOMOBILE INDUSTRY	19,753	12,115	-38.67%

6	DRUGS & PHARMACEUTICALS	3,650	11,015	201.78%
7	CHEMICALS (OTHER THAN FERTILIZERS)	7,492	6,300	-15.91%
8	CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and construction-development projects	4,350	3,117	-28.34%
9	TELECOMMUNICATIONS	30,940	2,884	-90.68%
10	HOTEL & TOURISM	21,060	2,761	-86.89%

Notes: Raking is provided on FDI received in FY 2020-21.
Source: Report on FDI by DPIIT, Ministry of Commerce and Industry, GOI.

Table 4 shows sectors attracting highest FDI inflows in India post COVID-19 outbreak for the financial year 2021-22. The results reveal that FDI received in financial year 2021-22 in Computer Software & Hardware, Construction (infrastructure) activities, Drugs & Pharmaceuticals, Chemicals (other than fertilizers), Construction Development are less than financial year 2020-21. On other hand, FDI received In Financial Year 2021-22 in Automobile Industry, Services Sector, Trading, Hotel & Tourism, And Telecommunications are higher than financial year 2020-21. Moreover, our results provide that computer software & hardware, automobile industry, and services sectors received highest FDI inflows during COVID-19 outbreak.

Table 4: Sectors attracting Highest FDI Inflows Post COVID-19

(In Rs. Crore)

Ranks	Sector	2020-21	2021-22	Percentage
1	COMPUTER SOFTWARE & HARDWARE	194,291	76,068	-60.85%
2	AUTOMOBILE INDUSTRY	12,115	43,884	262.23%
3	SERVICES SECTOR	37,542	39,797	6.01%
4	TRADING	19,349	22,141	14.43%
5	CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	58,240	11,788	-79.76%
6	DRUGS & PHARMACEUTICALS	11,015	8,991	-18.37%
7	HOTEL & TOURISM	2,761	4,761	72.44%
8	CHEMICALS (OTHER THAN FERTILIZERS)	6,300	4,495	-28.65%
9	TELECOMMUNICATIONS	2,884	4,375	51.70%
10	CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and construction-development projects	3,117	668.78	-78.54%

Notes: Raking is provided on FDI received in FY 2021-22.
Source: Report on FDI by DPIIT, Ministry of Commerce and Industry, GOI.

V. Conclusion

This article has attempted to explain the impact of the decline of the inflow of remittances, FDIs and foreign aid, during the global pandemic, countries like India. It has been observed that while protracted lockdown has already taken a toll on the lower- and middle-income countries, the sharp decline of remittance, FDI and foreign aid has pushed the economies further in crisis. Despite the grave economic crises looming large over the Himalayan nation, the entire country has been held hostage by the power struggle in the ruling party, undermining government capacity to deal with the economic downfall, when it should be focused in making collective efforts to address the economic crisis through the implementation of required containment policies and strategic reopening of the economy.

The results reveal that post COVID-19 outbreak FDI from all sectors received less FDI in 2020-21 than 2019-20 except computer software & hardware and construction sectors. Results provide that COVID-19 outbreak adversely impact the inflows of FDI in India particular in Services, Trading, Automobile, Drugs & Pharmaceuticals, Chemicals, Construction Development, Telecommunications, and Hotel & Tourism Sectors.

However, after one year of COVID-19 outbreak around world, FDI in India has increased particularly in automobile sector, hotel and tourism and telecommunications sectors.

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