

Volume 10, Issue 4, April 2022

International Journal of Advance Research in Computer Science and Management Studies

Research Article / Survey Paper / Case Study

Available online at: www.ijarcsms.com

Analysis of FDI inflow post COVID-19 outbreak: Evidence from India

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Abstract: The purpose of this article is analysis the trends of FDI post COVID-19 outbreak using the data for period of April 2021 to December 2021. Our results show that COVID-19 negatively influence the inflows of FDI in India. India received highest FDI in month of May 2021, thereafter, FDI inflows is downward trends. Our results show that India received highest FDI from Singapore which is top leading country for FDI inflow. Further, our results provide that USA is second highest country counted for FDI inflow in India and Mauritius, Cayman Islands, and Netherland secured rank third, fourth and fifth, respectively. Furthermore, the computer software and hardware and secured first rank and the automobile sector ranked second. Similarly, service sector secured third rank for FDI inflow in India. This study provides practical implications for RBI, Government of India, state governments and investors. In addition, this study reveal latest trends of FDI inflows which helps to formulate new policy and strategy to attract FDI inflow in India.

Keywords: FDI, COVID-19, India.

I. INTRODUCTION

To contain the spread of the COVID-19 pandemic, many nations have implemented strict public health measures. These public health policies have wreaked havoc on the economy, influencing business decisions on foreign direct investment (FDI). Governments have also made considerable economic policy efforts to avoid or mitigate the economic effects of the public health issue. The success of both these public health and economic policy measures will determine the ultimate influence on FDI flows. In the long run, the pandemic may force firms to reorganise their foreign operations geographically. MNEs may, for example, assess and maybe shorten their GVCs to shield themselves against supply-chain interruptions; alternatively, they may pursue geographic diversification to limit susceptibility to location-specific shocks and costs, allowing them to better deal with crises.

There are, however, reasons to be sceptical about the role that FDI can play. While FDI inflows ebbed elsewhere, India saw 13 percent growth in FDI in 2020 despite the COVID-19 epidemic, supported by investments in the digital industry. China was the only other country judged to have had FDI increase. Many experts believe that, in light of the COVID-19 epidemic, the government should reconsider whether the 2020 Amendment is still justifiable in its current form. If not, it might be changed to include an investment screening procedure that balances corporate India's needs with the government's national security and economic concerns.

Furthermore, essential notions like "beneficial ownership" demand immediate clarification. Finally, the FDI approval procedure under the current regime (where the sectoral ministry is the appropriate authority) has taken longer than it did under the previous regime, and thus urgently needs to be streamlined to eliminate inefficiencies. Therefore, present study try to analyze the influence of COVID-19 pandemic on FDI inflow in India. Moreover, the rest of article is organized as follows.

Section 2 and 3 shows review of literature and methodology to deal of research problem of this study. Section 4 analyze the data. In Section 5, we concludes the findings.

II. LITERATURE REVIEW

The existing literature on the pattern and determinants of FDI inflows into a country offers contradictory empirical evidence. Market size, human capital, interest rate, and trade openness are determined to be the primary factors of FDI inflows in Asian emerging countries. (Kumari & Sharma, 2017; Adhikary, 2017). FDI inflows to China are similarly influenced by market size, trade openness, labour quality, and infrastructure (Na & Lightfoot, 2006). Zhang (2011) found that labour cost, tax rate, market size, and location attracted FDI at the regional level, while wage rate, employment, degree of state ownership, market size, and exchange rate drew FDI at the sectoral level in China.

Furthermore, the tax rates and market size promote FDI inflows to Russia, just as they do in China, although trade does not. Several research have used the K-C model to study the FDI determinants based on the two distinct FDI motives, horizontal and vertical. According to Nguyen and Cieslik (2020), total incomes and market size similarities between Europe and Asia encouraged horizontal FDI in Asia, but disparities in skilled labour supply encouraged vertical FDI in Asia. In contrast, the most significant predictors of FDI inflows to Asian countries were found to be generally spoken language, GDP gap between home and host country, trade cost to both countries, and distance (Nguyen et al., 2019).

Market potential and cheap labour costs attract FDI and provide horizontal and vertical FDI in this region for transition economies (Anghel, 2007). Human capital endowment, physical capital endowment, and market size, on the other hand, boost FDI influx from OECD countries, whereas investment costs hinder inward FDI (Cieslik, 2020). Most studies look at FDI inflows, but Cieslik and Tran (2019) looked at FDI outflows from emerging nations and found that geographical distance, skilled labour abundance, trade cost, investment cost, and market size were all important determinants in FDI outflows. The availability of trained labour and the size of the market determined the outflow of vertical and horizontal FDI from the United States to other countries (Xiaolong & Shuhui, 2016).

According to some previous studies, the impact of FDI on the host country varies depending on the type of FDI. According to Beugelsdijk et al. (2008), horizontal FDI has a greater positive influence on host country economic growth than vertical FDI. In Southeast Asian countries, however, the increase in vertical and horizontal FDI exacerbated financial limitations for domestic firms (Bun, 2021). Sohn (2016) found that China's surge in FDI had a large synergic effect on FDI flows to ASEAN countries from OECD countries, based on country-pair data for China and ASEAN countries with OECD countries.

III. METHODOLOGY

Because the purpose of this paper is to examine trends in FDI inflows in India, specifically month-by-month, sector-by-sector, and state-by-state FDI inflows in India from April 2021 to December 2021, we obtained the necessary data from the DPIIT website of the Ministry of Commerce and Industry of India. We also analyse the data using MS Excel and SPSS V.24. In this study, we looked at statistics such as the months, sectors, and states that attracted the most FDI after the COVID-19 outbreak. Our research also looks at the share of FDI inflows from the top investment countries during the same time period. Our study also shows the FDI inflow in India from financial year 2000-01 to 2020-21 for term analysis of FDI inflows in India.

IV. DATA ANALYSIS

Table 1 shows the FDI inflow from April 2021 to December 2021. The findings of the study reveal that India receive Rs. 33,064 of FDI in April 2021. Further, India receive Rs. 76,652 crore, Rs. 19,603 crore, Rs. 21,231 crore of FDI in May, June, and July 2021, respectively. In addition, Table 1 shows that India receive Rs. 46,236 crore, Rs. 33,143 crore, Rs. 27,864 crore of FDI in August, September, and October 2021, respectively. In last, our results show that India receive Rs. 32,703 crore and Rs. 29,480 crore of FDI in November and December 2021.

Table 1: FDI inflow from April 2021 to December 2021

Financial Year 2021-22	Amount of FDI Equity inflows	
	(In Rs. Crore)	(In US\$ mn)
April, 2021	33,064	4,440
May, 2021	76,652	10,462
June, 2021	19,603	2,665
July, 2021	21,231	2,849
August, 2021	46,236	6,233
September, 2021	33,143	4,505
October, 2021	27,864	3,719
November, 2021	32,703	4,390
December, 2021	29,480	3,911

Table 2 shows contribution of 10 top investing countries FDI equity inflows from April 2021 – December 2021. Our results show that India received highest FDI of Rs. 86,780 Cr. from Singapore which is top leading country for FDI inflow. Further, our results provide that USA is second highest country counted for FDI inflow in India and invested Rs. 55811 Crore as FDI. Then, our results show that India received Rs. 48815 Crore, Rs. 20302 Crore, Rs. 19723 Crore from Mauritius, Cayman Islands, and Netherland, respectively, and secured rank third, fourth and fifth, respectively. Furthermore, our results show that India received Rs. 10,661 Crore, Rs. 6814 Crore, Rs. 6277 from UK, Japan, and UAE, respectively. In last, Germany and Cyprus accounted for ninth and tenth highest country for FDI inflow in India and invested Rs. 4326 Crore and Rs. 1036.83, respectively.

Table 2: Share of 10 top investing countries FDI equity inflows (April 2021 – December 2021)

Ranks	Country	Amt. in Rupees Crores	Rs.
1	SINGAPORE	Rupees Crores	86,780
2	U.S.A.	Rupees Crores	55,811
3	MAURITIUS	Rupees Crores	48,815
4	CAYMAN ISLANDS	Rupees Crores	20,302
5	NETHERLANDS	Rupees Crores	19,723
6	U.K.	Rupees Crores	10,661
7	JAPAN	Rupees Crores	6,814
8	UAE	Rupees Crores	6,277
9	GERMANY	Rupees Crores	4,326
10	CYPRUS	Rupees Crores	1036.85

Table 3 shows sector-wise FDI inflow in India from April 2021 to December 2021. Our results show that India received Rs. 76068 Crores of FDI in the computer software and hardware and secured first rank. In addition, the India received Rs. 43884 Crores of FDI in the automobile sector and ranked second highest sector for FDI inflow in India. Service sector received Rs. 39797 Crore of FDI and secured third rank for FDI inflow in India. Trading, Construction, Drugs & Pharmaceuticals received Rs. 22141 Crore, Rs. 11788 Crore and Rs. 8991 Crore, respectively and secured fourth, fifth and sixth rank, respectively. Moreover, our result show that India received Rs. 4761 Crore, Rs. 4495 Crore, Rs. 4375 Crore, and Rs. 668.78 Crore of FDI in hotel & tourism, chemicals, telecommunications and Construction development sector, respectively.

Table 3: Sector-wise FDI inflow from April 2021-December 2021

Ranks	Sector	Amt. in Rupees Crores	Amount
1	COMPUTER SOFTWARE & HARDWARE	Rupees Crores	76068
2	AUTOMOBILE INDUSTRY	Rupees Crores	43884
3	SERVICES SECTOR **	Rupees Crores	39797
4	TRADING	Rupees Crores	22141
5	CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	Rupees Crores	11788
6	DRUGS & PHARMACEUTICALS	Rupees Crores	8991
7	HOTEL & TOURISM	Rupees Crores	4761
8	CHEMICALS (OTHER THAN FERTILIZERS)	Rupees Crores	4495
9	TELECOMMUNICATIONS	Rupees Crores	4375
10	CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and construction-development projects	Rupees Crores	668.78

Table 4 shows state-wise FDI inflow from April 2021 to December 2021. Our results reveal that state of Maharashtra received FDI of Rs. 245,799.41 Crore which is highest amount of FDI as compared to other states. Similarly, Karnataka received Rs. 215,198.47 Crore of FDI during the April 2021 to December 2021. Moreover, Gujarat, Delhi and Tamil Nadu received Rs. 197,117.38 Crore, Rs. 116,478.32 Crore, and Rs. 42,139.82 Crore as FDI. In addition, Table 4 also shows the FDI received by other states and union-territories.

Table 4: State-wise FDI inflow from April 2021 to December 2021

Sr. No.	State Name	Amount of Foreign Direct Investment Inflows	
		Amount (in Rs Crore)	Amount (in US\$ Million)
1	MAHARASHTRA	245,799.41	33,418.94
2	KARNATAKA	215,198.47	29,214.16
3	GUJARAT	197,117.38	26,539.86
4	DELHI	116,478.32	15,865.96
5	TAMIL NADU	42,139.82	5,707.82
6	HARYANA	32,916.92	4,449.48
7	TELANGANA	23,051.74	3,124.40
8	JHARKHAND	19,203.41	2,644.52
9	RAJASTHAN	7,112.52	965.43
10	WEST BENGAL	6,843.13	922.31
11	UTTAR PRADESH	5,758.17	785.55
12	PUNJAB	5,695.29	778.73
13	KERALA	4,260.87	574.27
14	ANDHRA PRADESH	3,298.35	450.86
15	MADHYA PRADESH	2,374.58	321.27
16	BIHAR	1,249.53	167.09
17	HIMACHAL PRADESH	1,196.71	160.74
18	Dadra and Nagar Haveli and Daman and Diu	1,054.10	143.6
19	UTTARAKHAND	918.56	123.91
20	GOA	815.28	112.27
21	ODISHA	513.24	69.52
22	PUDUCHERRY	430.86	58.66
23	CHANDIGARH	320.44	43.15
24	ASSAM	121.93	16.5
25	ARUNACHAL PRADESH	40.95	5.55
26	MEGHALAYA	8.17	1.1
27	CHHATTISGARH	7.51	1.01
28	TRIPURA	4.2	0.56
29	JAMMU AND KASHMIR	1.61	0.22
30	LADAKH	0.85	0.12
31	State Not Indicated	172.06	23.28
	Gross-Total	934,104.38	126,690.84

Table 5 shows the FDI inflow in India from financial year 2000-01 to 2020-21. Our results show that India received Rs. 4029 crore of FDI inflow, thenafter, India received attract more and more FDI. Similarly, India received Rs. 6,130 Crore, Rs. 5035 Crore, Rs. 4322 Crore and Rs. 6051 Crore as FDI inflow in the financial year 2001-02, 2002-03, 2003-04, and 2004-05, respectively. On other hand, India received Rs. 60,974 Crore, Rs. 62,001 Crore, Rs. 74,391 Crore and Rs. 81,973 Crore as FDI inflow in the financial year 2017-18, 2018-19, 2019-20, and 2020-21, respectively. Therefore, our results show that in recent years India received FDI in increasing numbers.

Table 5: FDI inflow in India from financial year 2000-01 to 2020-21

Financial Year	Total FDI Flows
2000-01	4,029
2001-02	6,130
2002-03	5,035
2003-04	4,322
2004-05	6,051
2005-06	8,961
2006-07	22,826

2007-08	34,843
2008-09	41,873
2009-10	37,745
2010-11	34,847
2011-12	46,556
2012-13	34,298
2013-14	36,046
2014-15	45,148
2015-16	55,559
2016-17	60,220
2017-18	60,974
2018-19	62,001
2019-20	74,391
2020-21 (P)	81,973

V. CONCLUSION AND MANAGERIAL IMPLICATIONS

The purpose of this article is analysis the trends of FDI post COVID-19 outbreak using the data for period of April 2021 to December 2021. The COVID-19 epidemic has had a profound impact on practically every element of human society throughout our lifetime. The economic impact, in particular, has been immediate and will certainly disrupt a wide spectrum of political and social institutions. The disruption of commerce, investment, and people between countries has had a significant impact on cross-border economic operations. These economic shifts also had an impact on multinational businesses' FDI, which had previously been a major source of global value chains.

Our results show that COVID-19 negatively influence the inflows of FDI in India. India received highest FDI in month of May 2021, thenafter, FDI inflows is downward trends. Our results show that India received highest FDI from Singapore which is top leading country for FDI inflow. Further, our results provide that USA is second highest country counted for FDI inflow in India and Mauritius, Cayman Islands, and Netherland secured rank third, fourth and fifth, respectively. Furthermore, the computer software and hardware and secured first rank and the automobile sector ranked second. Similarly, service sector secured third rank for FDI inflow in India. Trading, Construction, Drugs & Pharmaceuticals secured fourth, fifth and sixth rank, respectively. In addition, when we analyzed the data from 2000-01 to 2020-21, we found that in recent years India received FDI in increasing numbers.

This study provides practical implications for RBI, Government of India, state governments and investors. In addition, this study reveal latest trends of FDI inflows which helps to formulate new policy and strategy to attract FDI inflow in India.

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