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Examining the Trends of FDI inflows in India

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Abstract: The aim of the study is to investigate the trends of FDI inflows in India. For this purpose data have been collected from different reliable sources for the period 2000-01 to 2019-20 and different statistical and econometric techniques have been used to meet the objectives of the study. The findings of this study provide that FDI inflows has increased to US \$ 73,455 from 4,029, respectively, from 2000-01 to 2019-20. Therefore, the inflows of FDI has shown tremendous increment. In addition, our findings reveal that India received highest FDI inflows from Mauritius and Mauritius accounted for 30.36 percent of total inflows from April 2000 to March 2020. Services sector attracted highest FDI in last two decades, which accounted for 17.45 percent of total FDI inflows from April 2000 to March 2020. More specifically, data shows that state of Maharashtra attracted most FDI inflows US \$ 7262.56 million, which count for 30.35 percent of total FDI inflows. The findings of our study has provided relevant implications different stakeholders.

Keywords: FDI, India, Service sector, GDP.

I. INTRODUCTION

Attributable to the monetary and innovative dispossession, the agricultural nations have seen FDI to be an extra hotspot for financing their development programs (UNCTAD, 2013). Accordingly, these nations have adjusted their financial arrangements for FDI inflows (Asongu, 2014). In the mid 1990s, the Indian Government opened the economy for outside financial backers and embraced a liberal exchange strategy to give a force to the monetary development programs. Attributable to these drives, India has encountered critical development in the monetary front (Sharma et al., 2018). For instance, in 2011, the help area's commitment to the total national output (GDP) expanded to 56 percent, which was simply 38% during the 1980s (Government of India, 2012). The experimental examinations have uncovered that the improvement of the help area has colossally been impacted by FDI inflows in India (UNCTAD, 2005; Dash and Parida, 2013). By considering the requirement for unfamiliar speculation, the public authority has facilitated the course of FDI contracts (Bedi and Kharbanda, 2014), which has diverted India from drowsy to prepared to-contribute objective for the expected financial backers (Sharma et al., 2018).

Government Policies impact development and the worldwide acknowledgment of a country in the global market. However, the rewarding idea of FDI has been perceived, still a few nations keep up with limitation on crossborder ventures (Nicoletti, Golub, and Hajkova, 2003). Such limitations are regularly found in the creating scene, yet the fostered world's states for the most part don't empower or deter the progression of capital and lets the market influences work (Richardson, 2011). Arrangements coordinated at Outward FDI streams are basic to its development particularly in the creating scene. Therefore, this article attempt to study the trend of FDI in India. The rest of article is organized as follows. Section 2 shows the review of literature. In Section 3, we provides the research methods which deals with analysis the data and Section 4 shows the analysis of data. In Section 5, we concludes the findings.

II. REVIEW OF LITERATURE

Tsai (1994) tracked down a positive connection among GDP and FDI inflows. The higher GDP per capita suggests better possibilities for the FDI in the host economy and this is substantial for market-chasing FDI. FDI will go to nations that pay a better yield on capital and presume that GDP assumes a significant part to draw in more FDI into an economy.

Blomstrom and Kokko (1997) tracked down the idea of the effect of exchange related arrangements on intra-local FDI not entirely settled by the intention and nature of pre-understanding intra local venture. The expulsion of exchange boundaries between the incorporating nations can bring down intra-local FDI when it is primarily of a market - looking for or levy - bouncing nature. With brought down exchange boundaries, organizations with high fixed expenses might pack their movement in one nation and serve the accomplice markets through sends out instead of setting up auxiliaries in every one of them.

Gupta and Sharma (1997) documented that, Extra-territorial FDI may likewise be impacted by the particular exchange limitations of the RTAs various ways. The RTAs might raise the feeling of dread toward future security for the outer financial backers, instigating them to wander inside the area and procure the situation with being insiders.

Bajpai and Sachs (1999) laid out that overdependence on horticulture and local variations among created and in reverse states had made a fad effect and constrained the FDI just in specific regions, fragments, and areas of the economy.

Desai et al. (2005) found evidences that indirect taxes have an effect on the FDI that is in the same range as corporate income taxes. The bilateral international tax treat on the FDI activity affects flow of the FDI in a significant manner. This literature has recently examined other related taxes beyond corporate income tax.

Narasimhulu and Irfana (2006) investigated and communicated their view that India needed to invite inflow of the FDI in such a manner, which would empower us to accomplish our valued objectives like fast monetary turn of events, expulsion of neediness, bury individual, and between local variations in the degree of advancement and to accomplish confidence and modernization of the country.

In the country-specific (Kinuthia and Murshed, 2015; Rai and Sharma, 2018) and region specific studies (Kinda, 2010; Asongu, 2014), the linear impact of GDP growth, population, capital, consumption expenditure and economic policies on FDI has regularly been examined (Tsai, 1994; Kubo, 2015; Rai and Sharma, 2018).

However, the inflow of FDI may not be uniform across the regions in an economy. The regional disparities in the inflows of FDI among the regions within the emerging countries have been very high (Boermans et al., 2011; Bickenbach et al., 2014; Chatterjee et al., 2013; Chikte, 2011; Mallick, 2013).

III. RESEARCH METHODOLOGY

As aim of this article is to study trends of FDI inflows in India. We collected the required data from 2000-01 to 2019-20 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 article, we analyzed the data such as follows: (i) FDI inflows in India from April 2000 to March 2020; (ii) Country-wise FDI Equity inflows in India from April 2000 to March 2020; (iii) Sector-wise FDI Equity Inflows in India from April 2000 to March 2020; and (iv) state-wise distribution of FDI Equity Inflows from April 2000 to March 2020.

IV. DATA ANALYSIS

Table 1 presents foreign direct investment [FDI] inflows in India from April 2000 to March 2020. In the monetary year 2000-2001, India was accounted for FDI inflows by the US \$ 4,029 million. In the new monetary year 2019-2020, India has gotten FDI inflows by US \$ 73,455 million, inferred that India has recorded 1723.157 percent development in FDI inflows from monetary year 2000-2001 to 2019-2020. As found in Table 1, most recent ten years is observer of achievement FDI inflows. Further, information uncovers that monetary years 2002-03, 2003-04, 2009-10, 2010-11, 2012-13 announced negative

development in FDI inflows, separately, 18%, 14%, 10%, 08%, and 26 percent. Furthermore, Figure 1 shows graphically FDI inflows in India from April 2000 to March 2020. Also, pattern line in figure shows up patterns in FDI inflows in India.

Table 1: FDI inflows in India from April 2000 to March 2020

FY (April-March)	FDI inflows (In US \$ million)	% growth over previous year	Investment by FIIs (net) (In US \$ million)
2000-01	4,029	-	1,847
2001-02	6,130	52	1,505
2002-03	5,035	(18)	377
2003-04	4,322	(14)	10,918
2004-05	6,051	40	8,686
2005-06	8,961	48	9,926
2006-07	22,826	155	3,225
2007-08	34,843	53	20,328
2008-09	41,873	20	(15,017)
2009-10	37,745	(10)	29,048
2010-11	34,847	(08)	29,422
2011-12	46,556	34	16,812
2012-13	34,298	(26)	27,582
2013-14	36,046	5	5,009
2014-15	45,148	25	40,923
2015-16	55,559	23	(4,016)
2016-17	60,220	8	7,735
2017-18	60,974	1	22,165
2018-19	62,001	2	(2,225)
2019-20	73,455	18	247

Notes: FY, financial year; FDI, foreign direct investment; FIIs, foreign institutional investors. Negative value is in parentheses.

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

Figure 1: FDI inflows in India from April 2000 to March 2020

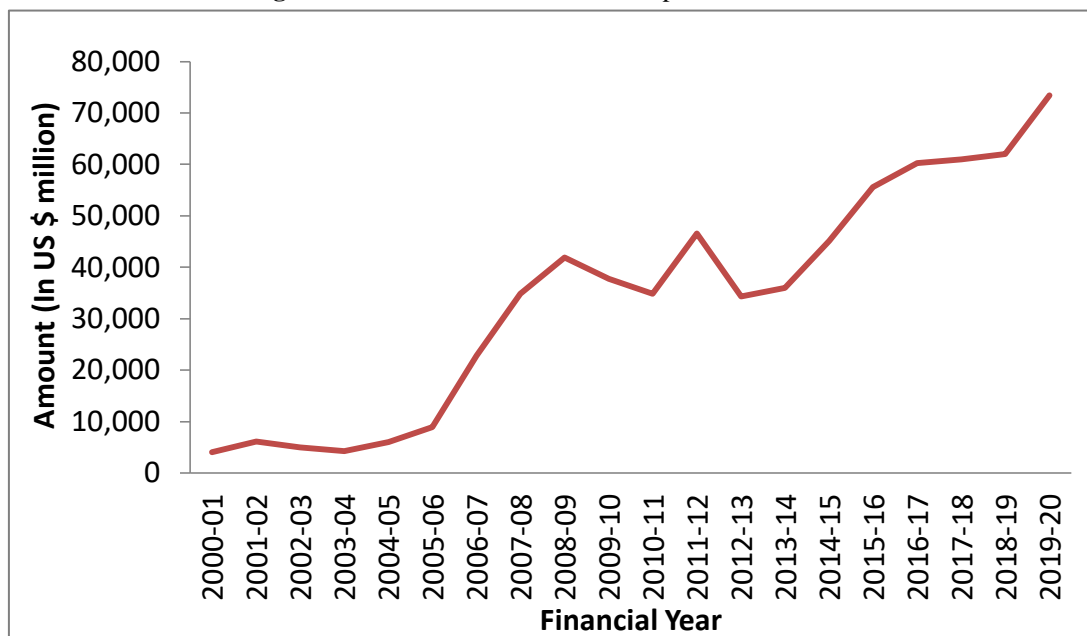


Table 2 reports country-wise FDI value inflows in India from April 2000 to March 2020. All the more explicitly, India got most noteworthy FDI inflows from Mauritius US \$ 142,710.44 million. Mauritius represented 30.36 percent of all out inflows from April 2000 to March 2020, trailed by Singapore which represented 20.78 percent of complete inflows. Further, countries like Netherland, Japan, USA, UK, Germany, Cyprus and France are additionally rich wellspring of FDI inflows in India. What's more, India detailed least FDI inflows from nations like Philippines, Saudi Arabia, Taiwan, Austria, and South Africa. Additionally, India got US \$ 470,118.99 million FDI value from April 2000 to March 2020.

Table 2: Country-wise FDI Equity inflows in India from April 2000 to March 2020

Country	(In US \$ million)	% with inflows
Mauritius	142,710.44	30.36
Singapore	97,669.64	20.78
Netherland	33,852.04	7.20
Japan	33,499.21	7.13
USA	29,779.40	6.34
United Kingdom	28,210.85	6.00
Germany	12,196.01	2.59
Cyprus	10,748.39	2.29
France	8,539.31	1.82
Cayman Islands	7,535.86	1.60
UAE	6,990.60	1.49
Switzerland	4,842.38	1.03
South Korea	4,478.14	0.95
Hong Kong	4,407.98	0.94
Luxembourg	3,082.70	0.66
Spain	2,991.18	0.64
Italy	2,927.77	0.62
China	2,378.71	0.51
Belgium	1,977.60	0.42
Canada	1,937.14	0.41
British Virginia	1,700.21	0.36
Sweden	1,623.37	0.35
Russia	1,256.84	0.27
Malaysia	1,038.75	0.22
Australia	959.69	0.20
Ireland	929.50	0.20
Poland	684.44	0.15
Indonesia	638.00	0.14
Denmark	610.59	0.13
Virgin Islands(US)	561.18	0.12
Oman	534.40	0.11
Finland	510.14	0.11
Thailand	503.18	0.11
The Bermudas	502.07	0.11
South Africa	501.52	0.11
Bermuda	446.06	0.09
Austria	428.59	0.09
Taiwan	360.48	0.08
Saudi Arabia	318.22	0.07
Philippines	315.91	0.07

Notes: This table represents FDI equity inflows from first 40 countries from April 2000 to March 2020. India received US \$ 470,118.99 million FDI equity from April 2000 to March 2020.

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

Table 3 shows area shrewd FDI value Inflows in India from April 2000 to March 2020. Administrations area pulled in US \$ 82,002.96 million in most recent twenty years, which represented 17.45 percent of absolute FDI inflows from April 2000 to March 2020. PC programming and equipment industry detailed US \$ 44,911.21 second most noteworthy FDI inflows over the most recent twenty years, trailed by broadcast communications, exchanging, and development improvement businesses, separately, US \$ 37,270.95, US \$ 27,594.95, and US \$ 25,662.33. On other hand, coir, guard ventures and coal creation areas detailed least measure of FDI inflows somewhat recently.

Table 3: Sector-wise FDI Equity Inflows in India from April 2000 to March 2020

Sector	Amount of FDI Inflows (In US \$ million)	% of total FDI inflows
Services sector (Fin., Banking, Insurance, Non Fin/Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other)	82,002.96	17.45
Computer Software & Hardware	44,911.21	9.56
Telecommunications	37,270.95	7.93
Trading	27,594.95	5.87
Construction Development (Townships, housing, built-up infrastructure and	25,662.33	5.46

construction-development projects)		
Automobile Industry	24,210.68	5.15
Chemicals (other than fertilizers)	17,639.48	3.75
Construction Activities (infrastructure)	16,846.88	3.58
Drugs & Pharmaceuticals	16,500.62	3.51
Hotel & Tourism	15,288.97	3.25
Power	14,987.93	3.19
Metallurgical industries	13,401.78	2.85
Food processing industries	9,980.75	2.12
Non-conventional energy	9,225.51	1.96
Information & Broadcasting (including print media)	9,208.14	1.96
Electrical equipment	8,604.02	1.83
Petroleum & Natural Gas	7,824.16	1.66
Hospital & Diagnostic Centres	6,726.93	1.43
Consultancy services	5,834.81	1.24
Industrial machinery	5,619.50	1.20
Cement and Gypsum products	5,281.37	1.12
Sea Transport	4,241.88	0.90
Miscellaneous Mechanical & Engineering Industries	3,636.79	0.77
Textiles (including dyed and printed)	3,447.53	0.73
Education	3,244.83	0.69
Rubber Goods	3,018.07	0.64
Fermentation industries	2,989.45	0.64
Electronics	2,791.11	0.59
Air Transport (including air freight)	2,751.92	0.59
Mining	2,731.07	0.58
Prime Mover (other than electrical generators)	2,227.49	0.47
Agriculture services	2,164.72	0.46
Medical and Surgical Appliances	2,129.50	0.45
Retail Trading	2,127.01	0.45
Printing of Books (including litho printing industry)	1,787.15	0.38
Ports	1,637.30	0.35
Soaps, Cosmetics & Toilet preparations	1,594.08	0.34
Paper and Pulp (including paper products)	1,450.57	0.31
Diamond, gold ornaments	1,177.01	0.25
Railway related components	1,107.60	0.24
Machine tools	980.78	0.21
Vegetable Oils and Vanaspati	978.82	0.21
Ceramics	871.16	0.19
Fertilizers	688.21	0.15
Glass	681.98	0.15
Agricultural machinery	574.48	0.12
Earth-Moving machinery	466.80	0.10
Commercial, Office & Household Equipments	388.88	0.08
Scientific Instruments	286.84	0.06
Boilers and Steam generating plants	263.37	0.06
Sugar	213.90	0.05
Leather, leather goods and pickers	206.33	0.04
Timber Products	187.96	0.04
Tea and Coffee	151.76	0.03
Glue and Gelatin	148.20	0.03
Dye-Stuffs	95.07	0.02
Industrial instruments	88.36	0.02
Photographic raw film and paper	67.29	0.01
Coal production	27.73	0.01
Defence industries	9.52	0.00
Mathematical, surveying and drawing instruments	7.98	0.00
Coir	4.07	0.00
Miscellaneous industries	11,729.20	2.50

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

Table 4 presents state-wise dispersion of FDI value inflows from April 2000 to March 2020. All the more explicitly, information shows that province of Maharashtra pulled in most FDI inflows US and 7262.56 million, which count for 30.35 percent of absolute FDI inflows. Likewise, territory of Karnataka, Delhi, Gujarat, Jharkhand, Tamil Nadu and Haryana

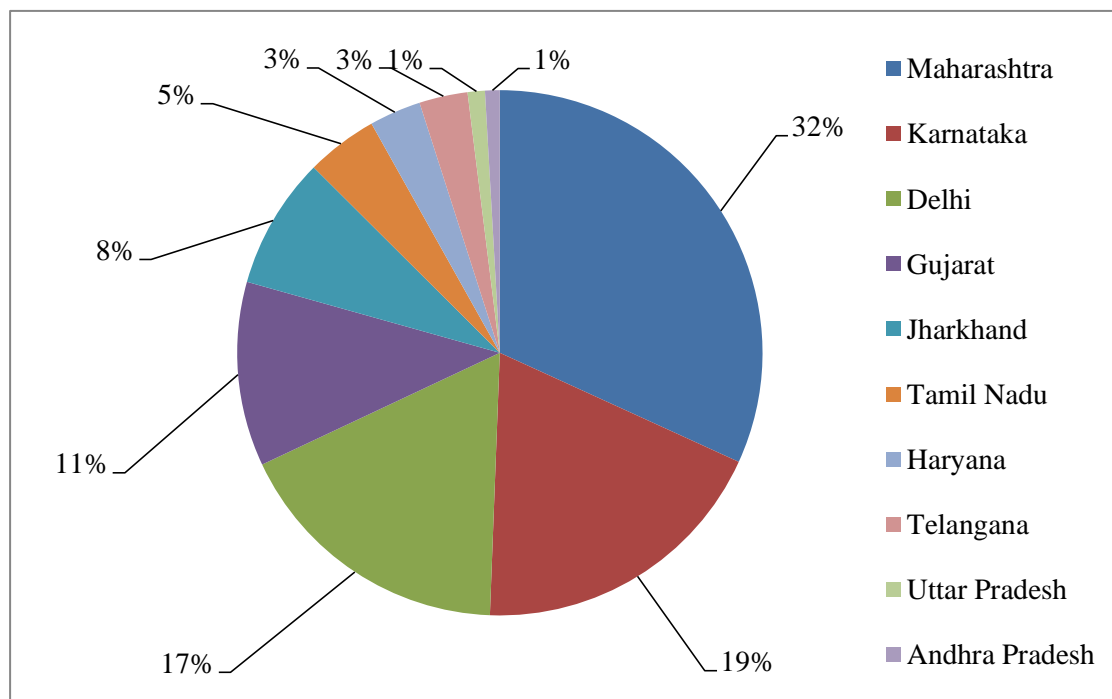
announced 4288.56, 3972.77, 2591.08, 1852.04, 1006.07, and 725.75, individually. On opposite side, Pondicherry, Chhattisgarh, Arunachal Pradesh, Chandigarh, and Bihar pulled in least measure of FDI inflows. Moreover, Figure 2 shows state-wise conveyance of FDI Equity Inflows from April 2000 to March 2020 for top 10 states.

Table 4: State-wise distribution of FDI Equity Inflows from April 2000 to March 2020

State	Amount of FDI Inflows (In US \$ million)	% of total FDI inflows
Maharashtra	7262.56	30.35
Karnataka	4288.56	17.92
Delhi	3972.77	16.6
Gujarat	2591.08	11.05
Jharkhand	1852.04	7.7
Tamil Nadu	1006.07	4.21
Haryana	725.75	3.03
Telangana	679.86	2.84
Uttar Pradesh	242.87	1.01
Andhra Pradesh	205.96	0.86
Rajasthan	189.18	0.79
West Bengal	190.21	0.79
Punjab	96.77	0.41
Madhya Pradesh	75.65	0.32
Goa	64.5	0.27
Kerala	57.33	0.24
Uttarakhand	14.69	0.06
Himachal Pradesh	11.9	0.05
Orissa	13.05	0.05
Bihar	5.54	0.02
Assam	2.93	0.01
Chandigarh	3.58	0.01
Dadra & Nagar Haveli	2.94	0.01
Arunachal Pradesh	0.61	0.00
Chhattisgarh	0.03	0.00
Pondicherry	0.45	0.00
State not indicated	324.44	1.37

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

Figure 2: State-wise distribution of FDI Equity Inflows from April 2000 to March 2020



V. CONCLUSION

The aim of the study is to investigate the trends of FDI inflows in India. For this purpose data have been collected from different reliable sources for the period 2000-01 to 2019-20 and different statistical and econometric techniques have been used to meet the objectives of the study. The findings of this study provide that FDI inflows has increase to US \$ 73,455 from 4,029, respectively, from 2000-01 to 2019-20. Therefore, the inflows of FDI has shown tremendous increment.

In addition, our findings reveal that India received highest FDI inflows from Mauritius US \$ 142,710.44 million. Mauritius accounted for 30.36 percent of total inflows from April 2000 to March 2020, followed by Singapore which accounted for 20.78 percent of total inflows. Further, nations like Netherland, Japan, USA, UK, Germany, Cyprus and France are also rich source of FDI inflows in India. Services sector attracted US \$ 82,002.96 million in last two decades, which accounted for 17.45 percent of total FDI inflows from April 2000 to March 2020.

More specifically, data shows that state of Maharashtra attracted most FDI inflows US & 7262.56 million, which count for 30.35 percent of total FDI inflows. In addition, state of Karnataka, Delhi, Gujarat, Jharkhand, Tamil Nadu and Haryana reported 4288.56, 3972.77, 2591.08, 1852.04, 1006.07, and 725.75, respectively. The findings of our study has provided relevant implications different stakeholders.

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