

RECENT TRENDS OF FDI IN INDIA

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Abstract

In early 90s Indian economy faced a 'Balance of Payment' crisis. Serious difficulties posed challenge for exports. The external debts were putting pressure on the economy. Thus there was a serious threat to the Indian economy. Because of such adverse situations the policy makers decided to adopt a more liberal approach thereby, opening its door to Foreign Direct Investment inflows in order to restore the confidence of foreign investors.

Since the liberalization in 1991, Foreign Direct Investment (FDI) in India has played a vital role in the economic growth and development of the Indian economy. Thereby Indian economy could achieve a certain degree of financial stability and growth.

Trend in Total FDI Inflows of India:

The table (1) clearly depicts that, Foreign Direct Investment total inflows in the year 2000-01 was US \$ 4029 million, but 2005 onwards, the foreign investors started showing keen interest in Indian Economy. FDI inflows rose drastically from US \$ 6051 million in 2004-05 to US \$ 46556 million in 2011-12.

Table (1): Total FDI Inflows into India (Value in US \$ Million)

S. No.	Financial Year (April-March)	FOREIGN DIRECT INVESTMENT (FDI)					
		Equity				FDI FLOWS INTO INDIA	
		FIPB Route/RBI's Automatic Route/Acquisition Route	Equity capital of unincorporated bodies	Reinvested earnings	Other capital	Total FDI Flows	% age growth over previous year (in US \$ terms)
FINANCIAL YEARS 2000-01 TO 2018-19							
1.	2000-01	2,339	61	1,350	279	4,029	-

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2.	2001-02	3,904	191	1,645	390	6,130	(+)52%
3.	2002-03	2,574	190	1,833	438	5,035	(-)18%
4.	2003-04	2,197	32	1,460	633	4,322	(-)14%
5.	2004-05	3,250	528	1,904	369	6,051	(+)40%
6.	2005-06	5,540	435	2,760	226	8,961	(+)48%
7.	2006-07	15,585	896	5,828	517	22,826	(+)155%
8.	2007-08	24,573	2,291	7,679	300	34,843	(+)53%
9.	2008-09	31,364	702	9,030	777	41,873	(+)20%
10.	2009-10	25,606	1,540	8,668	1,931	37,745	(-)10%
11.	2010-11	21,376	874	11,939	658	34,847	(-)08%
12.	2011-12	34,833	1,022	8,206	2,495	46,556	(+)34%
13.	2012-13	21,825	1,059	9,880	1,534	34,298	(-)26%
14.	2013-14	24,299	975	8,978	1,794	36,046	(+)5%
15.	2014-15	30,933	978	9,988	3,249	45,148	(+)25%
16.	2015-16	40,001	1,111	10,413	4,034	55,559	(+)23%

Source:

(a) RBI's Bulletin January, 2019

The tremendous increase in India's FDI during 2008-09 & 2011-12 is due to the successive Indian governments which have emphasized openness for foreign investment.

Top Investing Countries of India:

Since the liberalism of Indian economy, the perceptions of foreign investors towards India have changed significantly as a result of the change in the policy regime. Various countries have been investing in India in different sectors, based on their distinct motives and requirement of resources like labour forces, huge market size, and potential consumers, natural resources and infrastructural

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facilities.

Source of Foreign Direct Investment to India from top ten investing countries have been discussed in following Table (2).

Table (2): Top Ten Investing Countries in India
(Values in US \$ in millions)

Ranks	Country	<u>2016-17</u> (April-March)	<u>2017-18</u> (April-March)
1.	MAURITIUS	15,728	15,941
2.	SINGAPORE	8,711	12,180
3.	JAPAN	4,709	1,633
4.	U.K.	1,483	847
5.	NETHERLANDS	3,367	2,800
6.	U.S.A.	2,379	2,095
7.	GERMANY	1,069	1,124
8.	CYPRUS	604	417
9.	FRANCE	614	511
10.	UAE	675	1,050
TOTAL FDI INFLOWS FROM ALL COUNTRIES		43,478	44,857

Source: RBI's Bulletin January 2019

From the above Table: (2) it has been observed that Mauritius, Singapore, Japan, United Kingdom, Netherland, U.S.A., Germany, Cyprus, France, UAE are the prime investors of India. Among all the top ten investing nations **Mauritius** has been in top position throughout the study period, its investment is US \$ 15941 million in 2017-18.

Sector-wise FDI Inflows in India:

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Sector-wise classification of FDI inflows in India has been discussed below:

Table (3): Sector-Wise Investment in India
(Values in US \$ in millions)

Ranks	Sector	2015-16 (April-March)	2016-17 (April-March)	2017-18 (April, 17-March, 18)
1.	SERVICES SECTOR **	6,889	8,684	6,709
2.	COMPUTER SOFTWARE & HARDWARE	5,904	3,652	6,153
3.	TELECOMMUNICATIONS	1,324	5,564	6,212
4.	CONSTRUCTIONS : DEVELOPMENT : Townships, housing, built-up infrastructure and construction development projects	113	105	540
5.	TRADING	3,845	2,338	4,348
6.	AUTOMOBILE INDUSTRY	2,527	1,609	2,090
7.	CHEMICALS (OTHER THAN FERTILIZERS)	1,470	1,393	1,308
8.	DRUGS & PHARMACEUTICALS	754	857	1,010
9.	POWER	869	1,113	1,621
10.	CONSTRUCTION (INFRASTRUCTURE ACTIVITIES)	4511	1,861	2,730

**Services sector includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis.

Source: RBI's Bulletin January 2019 dt. 10.01.2019

The above table shows that in India's service sector had been the growth driver.

The table shows that FDI inflows in the sectors of Computer Software and Hardware, Telecommunications, Construction Development, Trading, Automobile Industry, Chemicals, Drugs and Pharmaceuticals, Power, and Construction of Infrastructures activities have all witnessed significant growth in past few years.

Conclusion

Foreign Direct Investment in India has been proved to be pivotal for the industrial growth. In the last

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twenty years various foreign investors showed keen interest in Indian Economy. The prominent reason for the growth in FDI was the policy regime of Liberalization. During year 2017-18 Mauritius was the top investor in India with a value of 15,941 US \$. The total FDI inflows from ten top investing countries stood up to 44,857 US \$. The sectors like Telecommunications, Computer software, Chemicals, Power, Pharmaceuticals witnessed significant growth in the last few years. The government of India has now opened hindered percent foreign direct investment in various sectors. This will lead a high growth in GDP and employment rate.

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