

**FDI INFLOWS IN INDIA IN 21ST CENTURY****Yogesh Kumar**

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Abstract

India needs huge funds for the development of different sectors. The domestic funds are not sufficient to fulfill the requirement so external finance is needed. The FDI is one of the best way to get external finance. The overall trend of FDI in India is positive, except some years. The Maharashtra and Delhi NCR regions get 49 percent of total FDI. The FDI is coming in a particular region due to certain reasons. The trend also shows that maximum FDIs are coming from few countries, such as Mauritius (35 percent), Singapore (14 percent) and U.K. (7 percent). The investment is also coming in India in the form of FII. The FIIs investment in India is not consistent since 2000-01, but in 2014-15 it has increased significantly. India needs to be cautious and less depend upon FIIs.



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Introduction

India is an emerging country with young population. It introduced New Economic Policy in 1991, which is popularly known as Economic Reform. Since then the policies were framed to move from controlled to free economy. The government introduced economic reform through liberalization, privatization and globalization and further more reforms are done over the period. The process of globalization has allowed the foreign players to do the business in India. The MNCs are coming into India to do business through Greenfield and Brownfield investments. In this process they are bringing FDI in India. Many foreign players are investing in India in the form of FIIs. The country aspire to achieve high economic growth, which can be attained through more economic activities and it possible when funds are sufficiently available and more invest are done. The government earlier used to borrow from the market both domestic and foreign, for which she pays interest. The FDI in India has brought investment but there is no interest liability. The FDI is bringing new investment and

advanced technologies in the country, which is good for the economy. But at the same time it has some disadvantages which the other parts of the world have already experienced in the past. Therefore the government needs to be cautious also. The FIIs are also coming to India and its share in foreign capital in India has remarkably increased. It definitely strengthen the financial market and ultimately the economy, but the volatility nature of FIIs needs to be taken into consideration.

FDI in India:

The FDI in India has increased from US \$ 4029 million in 2000-01 to US \$ 44291 million. The jump in FDI in India in 15 years is almost eleven times. This shows the India is able to attract foreign capital through FDI for economic activities. The growth rate of FDI during 2000-01 and 2014-15 has also been negative the years, 2002-03, 2003-04, 2009-10, 2010-11 and 2012-13. In 2002-03 and 2003-04 the growth rate in FDI was negative due to the sharp slowdown in India's GDP growth, whereas the low GDP growth rate primarily because of 3.1 percent fall in agriculture production (Times of India, June 30, 2003). The fall in FDI in India 2009-10, 2010-11 and 2012-13 was due to the global economic slowdown and policy inaction (Business Today Aug 11, 2012). This indicates that FDI inflows depends upon both internal and external factors. Some of the internal factors may be controlled by the government but some are not due to lack of infrastructure, particularly in the agriculture sector. The agriculture production depends upon the weather and rainfall. If these things are normal as predicted then the agriculture sector perform well in terms of production. But if these two things deviate from the normal situation, excessive or shortfall of rainfall and extreme weather conditions then the production falls. The agriculture sector contributes approximately 14 in GDP and 58 percent in employment in India. The performance of economy significantly depend upon the performance of agriculture sector.

The Maharashtra and Delhi NCR has 49 percent of total FDI in India. The better infrastructure facilities and pro-active approach of the state governments has played important role in attracting FDIs (The Hindu Businessline, Feb 8, 2015)

Table-1 Financial Year-wise FDI Inflows
(US Dollar in million)

Financial Year	FDI Flows into India	% growth. over previous yr	Investment by FIIs (net)
FY (Mar-Apr)	Total FDI Flows		
2000-01	4029		1847
2001-02	6130	52	1505
2002-03	5035	-18	377
2003-04	4322	-14	10918
2004-05	6051	40	8686
2005-06	8961	48	9926
2006-07	22826	155	3225
2007-08	34843	53	20328
2008-09	41873	20	-15017
2009-10	37745	-10	29048
2010-11 (P)	34847	-8	29422
2011-12(P)	46556	34	16812
2012-13(P)	34298	-26	27582
2013-14(P)	36046	5	5009
2014-15(P)	44291	24	40923
2015-16 (P) Apr-May' 15	9457		3129

Note: P is provisional

Source: dipp.nic.in/English/Publications/FDI_Statistics/FDI_Statistics.aspx

Figure-1

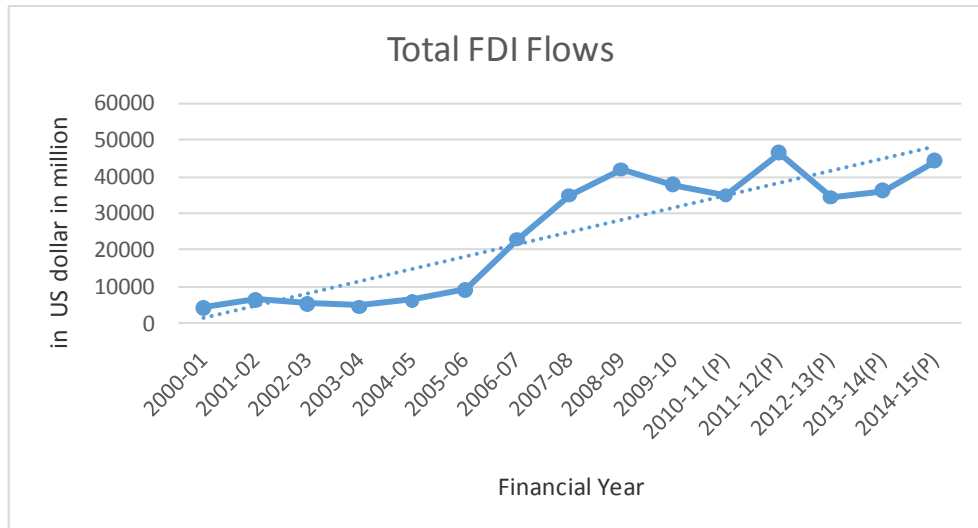


Figure-2

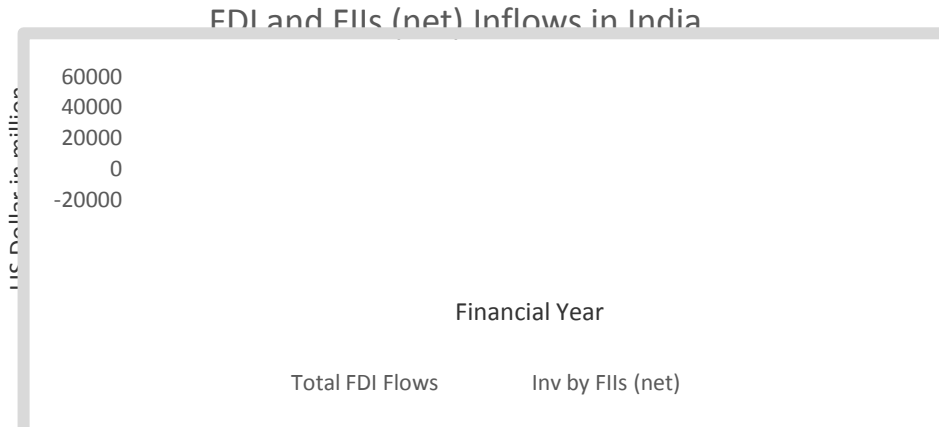


Table-2 States Received FDI Equity Cumulative Inflows
(Apr, 2000 - Mar, 2015 in US Dollar in million)

S. No.	RBI's Office	Regional State covered	Cumulative Inflows	%age of T. Inflows
1	Mumbai	Maharastra, Dadra&Nagar Haveli, Daman& Diu	73118	29
2	New Delhi	Delhi, Part of UP and Haryana	49410	20
3	Chennai	Tamil Nadu, Pondicherry	17014	7
4	Bangalore	Karnataka	16120	7
5	Ahmedabad	Gujarat	11041	4
6	Hyderabad	A.P.	10015	4
7	Kolkata	W.B, Sikkim, Andaman&Nicobar I.	2981	1
8	Chandigarh	Chandigarh, Punjab, Haryana, H.P.	1331	0.5
9	Jaipur	Rajasthan	1264	0.5
10	Bhopal	M.P., Chattisgarh	1216	0.5
11	Kochi	Kerala, Lakshadweep	1211	0.5
12	Panaji	Goa	823	0.3
13	Kanpur	U.P., Uttranchal	483	0.2
14	Bhubaneshwar	Orissa	398	0.2
15	Guwahati	Assam, Arunchal, Manipur, Mizoram, N'land, Tripura	84	0
16	Patna	Bihar, Jharkhand	50	0
17	Jammu	J&K	4	0
18	Regions not indicated	Others	61951	24.9

Source: dipp.nic.in/English/Publications/FDI_Statistics/FDI_Statistics.aspx

Figure-3

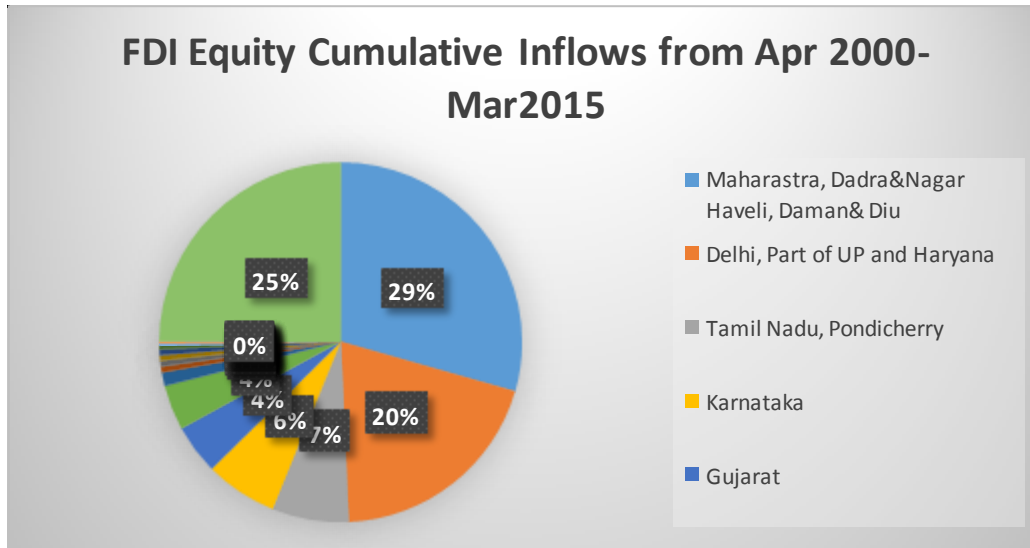


Table-3 Share of Top Investing countries FDI Equity Inflows
(Cumulative Inflows (April 2000 -May 2015)in US Dollars in million)

Ranks	Country	Cumulative Inflows	%age of total Inflows
1	Mauritius	89241	35
2	Singapore	35089	14
3	U.K.	22265	9
4	Japan	18647	7
5	Netherlands	15258	6
6	U.S.A.	14303	6
7	Germany	8155	3
8	Cyprus	8066	3
9	France	4607	2
10	UAE	3091	1
	Others		14

Source: dipp.nic.in/English/Publications/FDI_Statistics/FDI_Statistics.aspx

Figure-4

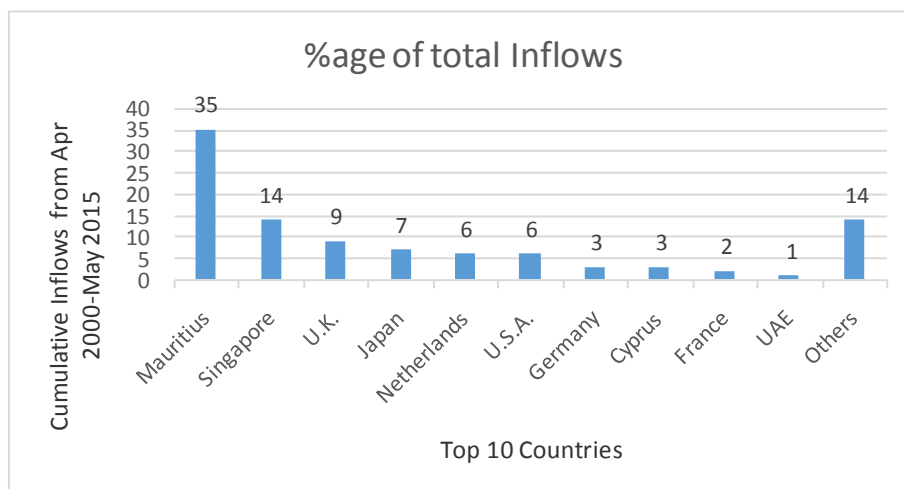
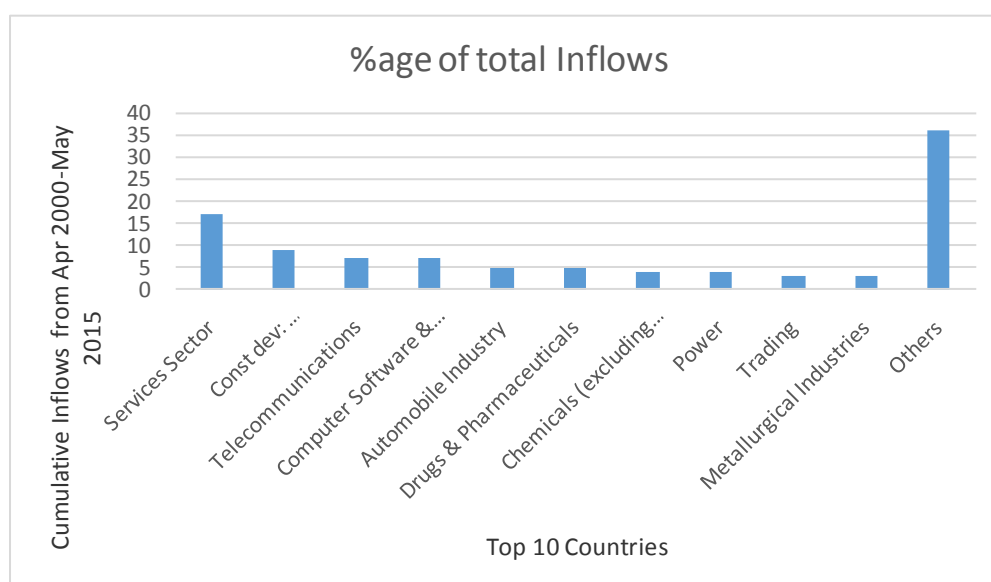


Table-4 Sectors Attracting Highest FDI Equity Inflows
(Cumulative Inflows (April 2000 -May 2015)in US Dollars in million)

Rank	Sector	Cumulative Inflows	%age of total Inflows
1	Services Sector	43202	17
2	Const dev: Township, Housing Build-up Infra.	24066	9
3	Telecommunications	17422	7
4	Computer Software & Hardware	17291	7
5	Automobile Industry	13390	5
6	Drugs & Pharmaceuticals	13280	5
7	Chemicals (excluding Fertilizers)	10487	4
8	Power	9712	4
9	Trading	8724	3
10	Metallurgical Industries	8621	3
	Others		36

Source: dipp.nic.in/English/Publications/FDI_Statistics/FDI_Statistics.aspx

Figure-5



Conclusion:

The inflow FDI in India is gradually increasing due to economic reforms and better opportunities for MNCs. Even during global financial crisis of 2007-08 the FDIs have been increasing. The inflows of FIIs is not consistent and it is very sensitive towards external factors. The major share of FDIs are coming in few regions, which may create economic imbalance in India. The major FDIs are coming from Mauritius, Singapore, and United Kingdom.

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