

## Study of Foreign Direct Investment Inflow Trend in India

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### Abstract

The International Monetary Fund describes FDI as an investment to acquire a long-term or permanent stake in businesses established outside the investor's economy. Total FDI inflows in the country in the F.Y. 2023-24 is \$17.96 Bn, and total FDI equity inflows stand at \$11.54 Bn. As of March 2024, India's total Foreign Direct Investment (FDI) inflow for 2023-2024 was \$17.96 billion, with equity inflows of \$11.54 billion. The top five countries for FDI equity inflows in 2023-2024 are Mauritius (26%), Singapore (23%), U.S.A. (9%), Netherlands (7%), and Japan (6%). This study analyses the inflow of FDI in the Indian Economy. There is a Cumulative Equity Inflow (April 2000-December 2023) highest from Mauritius, 1,70,918 USD Million, second highest from Singapore, 1,55,612 USD Million and third highest from the U.S.A., 63,031 USD Million. The modern global economy depends heavily on foreign direct investment (FDI). This occurs when a company or person from one nation invests in or buys property in another country. Although FDI has many advantages, it has its share of difficulties and disadvantages.

### Keywords

Foreign direct investment; FDI in India; FDI inflow; FDI Trend;

### 1. Introduction

Foreign direct investment (FDI) is a strategic move defined as "a direct investment into production or business in a country by an individual or company from another country." This strategic move can be executed by acquiring a company in the target country or by expanding the operations of an existing business with activities in that country. This strategic move is considered direct because the investor, who may be a foreign person, corporation, or collection of organizations, is attempting to control, manage, or exert considerable influence over the foreign enterprise. FDI is a significant source of external financing, implying that nations with limited capital levels can acquire funding from countries with more wealth. Foreign direct investment (FDI) is a crucial driver of economic growth. It serves as a significant economic catalyst for the advancement of developing nations. Foreign Direct Investment (FDI) significantly stimulates economic growth by bolstering domestic capital, productivity, and employment. Foreign Direct Investment (FDI) is crucial for enhancing technology, skills, and management competencies across all sectors of the economy. As an emerging nation, India benefits from foreign direct investment (FDI) as it catalyzes and fosters economic expansion. The inflow of foreign direct investment (FDI) has substantially impacted job possibilities and stimulated economic development rates since implementing the New Economic Policy in 1990. Before implementing economic reforms, India saw a relatively restricted inflow of foreign direct investment due to the stringent government policies regulating foreign capital. Typically, foreign investment was only allowed in high-technology sectors located in priority regions and areas focused on exporting. The influx of foreign direct investment (FDI) before the 1990s needed to be increased. Since 1990, the economic landscape has significantly changed, with new economic policies encouraging investment in local and foreign markets. India receives foreign direct investment inflows in the service, manufacturing, and agriculture sectors. FDI is often categorized into two strategic categories. As a result of the government's open-door policy implemented since 1991, foreign direct investment (FDI) inflows into the economy will be permitted via two distinct routes: (i) Government Route and (ii) Automatic Route

## **2. Review of Literature**

Here, we review existing literature on studies relating to growth and trends in FDI flows, as well as the determinants and economic impact of Foreign Direct Investment (FDI), to understand the crucial aspects of FDI and methodological issues.

Balasubramanyam V.N. and David Spasford (2007) attempted to compare the inflow of FDI in China and India. The study observes that India may not require increased FDI given India's factor endowments and the structure and composition of her economy.

Shailender Kumar Hooda (2017) studied the status and trends of foreign investment inflows in the Indian hospital sector. The study observes that during the liberalized foreign investment regime between 2000 and 2014, a large number of foreign players have been focusing on Indian hospital sector and have enlarged their presence through partnership and investment in joint venture projects.

Azher Parvez. M and Satyanarayana chary T (2017) studied Foreign Direct Investment (FDI) in the Telecommunication sector in India. The analysis reveals that FDI can work as a focal source for the capital formation of any country for its economic development in a significant manner.

Thus, many studies have been confined to only one or a few aspects of FDI and are not comprehensive. Such studies focusing only on a single aspect may not yield overall facts relating to FDI. Hence, a thorough, in-depth study focusing on essential elements of FDI impact on macroeconomic indicators of the Indian economy.

**3. Objectives:**

1. To study the trends of FDI inflow in India.
2. To Study the source of FDI inflow in India.

**4. DATA Source and Methodology**

The analysis is based on statistics on foreign direct investment in India obtained from the Department for Promotion of Industry and Internal Trade (DPIIT). The methodology included accomplishing a descriptive analysis of the provided FDI statistics. The critical trend study of FDI inflow volume and FDI source countries. A critical examination of the significance of FDI in India. This study analyzed FDI Inflow data from 2000-01 to present status.

**Table 1- FDI Inflow from 2000-01 to 2023-24.**

S. No	Year	FDI inflow into India (In USD Million)	Annual Growth
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1	2000-01	4029	-
2	2001-02	6130	(+) 52 %
3	2002-03	5035	(-) 18 %
4	2003-04	4322	(-) 14 %
5	2004-05	6051	(+) 40 %
6	2005-06	8961	(+) 48 %
7	2006-07	22826	(+) 155 %
8	2007-08	34843	(+) 53 %
9	2008-09	41873	(+) 20 %
10	2009-10	37745	(-) 10 %
11	2010-11	34847	(-) 08 %
12	2011-12	46556	(+) 34 %
13	2012-13	34298	(-) 26%
14	2013-14	36046	(+) 5%
15	2014-15	45148	(+) 25%
16	2015-16	55559	(+) 23%
17	2016-17	60220	(+) 8%
18	2017-18	60974	(+) 1%
19	2018-19	62001	(+) 2%
20	2019-20	74391	(+) 20%
21	2020-21	81973	(+) 10%
22	2021-22	84835	(+) 3%
23	2022-23 (P)	71355	(-) 16%
24	2023-24 (upto Dec. 23)	51503	

Source: <https://dpiit.gov.in/publications/fdi-statistics>

FDI data from table 1 shows there is considerable growth in FDI inflow from 4029 USD Million in FY20-21 to 84,835 USD Million in FY21-22, showing approximately two thousand per cent growth. In FY06-07, there was an instantaneous growth of 155 per cent, proving a turning point in the financial sector. FY01-02 & FY07-08 show a fifty-plus annual growth rate.

Table no. 1 and Figure 1 show a negative growth in FDI inflow in FY02-03, FY03-04, FY09-10, FY10-11, FY12-13 and FY22-23.

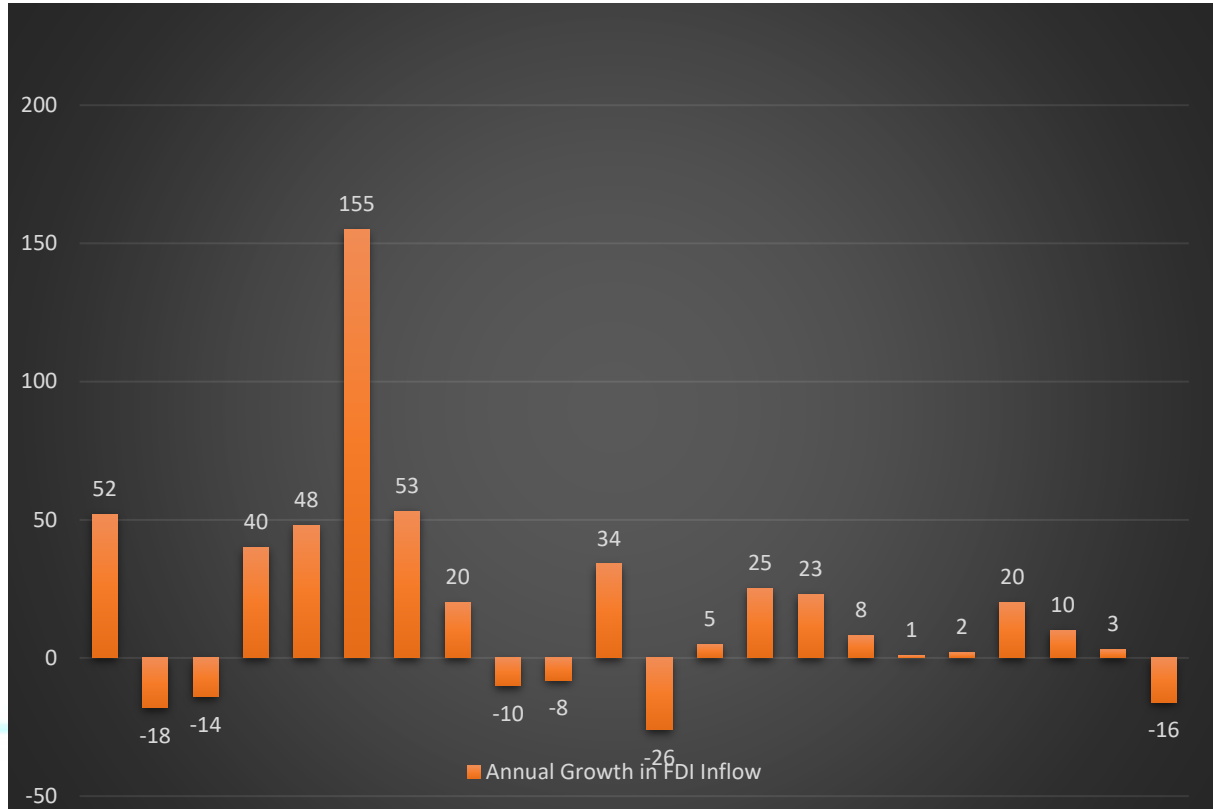


Figure 1- Annual growth in FDI inflow.

The FDI Inflow in crore rupee FY21-22 shows the highest inflow of 84,835 USD Million—total FDI inflow from top FDI investors. There is a Cumulative Equity Inflow (April, 2000-December, 2023) highest from Mauritius, 1,70,918 USD Million, second highest from Singapore, 1,55,612 USD Million and third highest from the U.S.A., 63,031 USD Million.

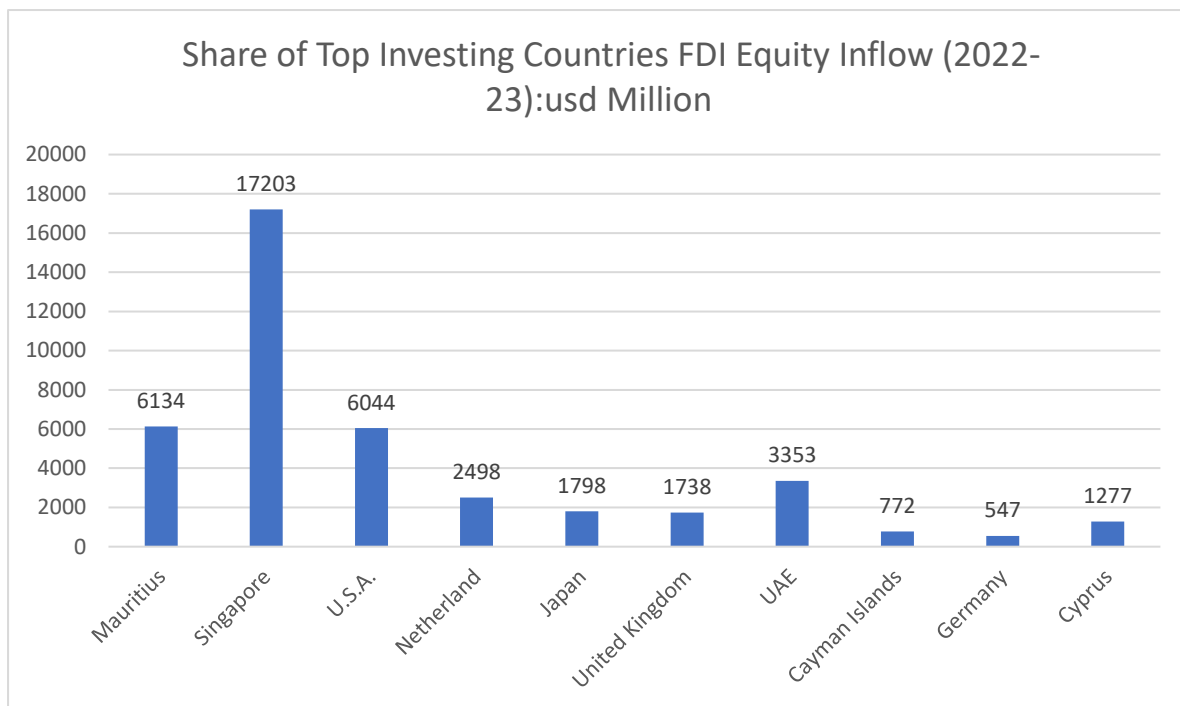


Figure 2-Total FDI Equity Inflow from top ten countries.

Figure four depicts the total FDI Equity Inflow from top countries in FY22-23. Singapore was the top FDI investor with 17203 USD million, then second highest from Mauritius 6134 USD million and third top FDI Inflow from USA of 6044 USD million .

### 5. Data Analysis & Discussion

We use S&P Global and the Reserve Bank of India data to illustrate the growth in FDI inflows into India between 1999–2000. Data is up to March 2023, the end of the fiscal year 2022–2023. India's FDI History From 2000 to 2023. In 1991, in response to a dire balance of payments crisis, the Indian economy underwent a wave of economic liberalization that included lowering import tariffs and "opening up" industries to international investment. Mauritian, Singaporean, and American FDI inflows rank among the nation's top five sources of FDI. Even though China is a significant commercial partner, a 2020 rule requiring further screening for FDI investments from bordering nations has affected China's investments in India. Logistics still significantly hampered FDI flows, especially FDI, which is efficiency-seeking. The government must prioritize addressing structural problems such as inconsistent policies and regulations, the proliferation of line ministries and agencies handling the industry, and suboptimal modal share in freight movement, as well as ensuring that vital infrastructure projects like the designated

freight corridors are completed on schedule. To assure long-term investment, it is equally necessary to maintain a stable and consistent policy regime, notably about e-commerce.

## **6. Significance and Impediments**

India has attracted a total FDI inflow of USD 70.97 Billion during 2022-23. Total FDI inflows in the country in the last 23 years (April 2000 - March 2023) are USD 919 bn, while the total FDI inflows received during the previous nine years (April 2014- March 2023) was USD 595.25 bn, which amounts to nearly 65% of total FDI inflow in last 23 years. The top 5 sectors receiving the highest FDI Equity Inflow during F.Y. 2022-23 are Services Sector (Fin., Banking, Insurance, Non-Fin/ Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other) (16%), Computer Software & Hardware (15%), Trading (6%), Telecommunications (6%) and Automobile Industry (5%). Mauritius (26%), Singapore (23%), U.S.A. (9%), Netherlands (7%) and Japan (6%) emerge as the top 5 countries for FDI equity inflows into India FY 2022-23. The top 5 States receiving the highest FDI Equity Inflow during F.Y. 2022-23 are Maharashtra (29%), Karnataka (24%), Gujarat (17%), Delhi (13%), and Tamil Nadu (5%). The modern global economy depends heavily on foreign direct investment (FDI). This occurs when a company or person from one nation invests in or buys property in another country. Although FDI has many advantages, it has its share of difficulties and disadvantages.

Foreign direct investment can benefit host nations greatly by fostering economic expansion, creating new jobs, and transferring knowledge. It also presents difficulties, such as the possibility of losing power, rivalry for resources, and susceptibility to global economic trends. When engaging in FDI, governments and businesses must carefully weigh these advantages and disadvantages to maximize gains and minimize risks. FDI benefits and drawbacks must be balanced if sustainable economic growth and national sovereignty are to be attained.

## **7. Conclusions**

Total FDI inflows in the country in the F.Y. 2023-24 is \$17.96 Bn, and total FDI equity inflows stand at \$11.54 Bn. As of March 2024, India's total Foreign Direct Investment (FDI) inflow for 2023-2024 was \$17.96 billion, with equity inflows of \$11.54 billion. The top five countries for FDI equity inflows in 2023-2024 are Mauritius (26%), Singapore (23%), U.S.A. (9%), Netherlands (7%), and Japan (6%). The top five sectors receiving the highest FDI equity inflow in 2023-2024 are the services sector, Finance, Banking, Insurance, and Non-financial

business. In April-December 2023, FDI inflows in India declined by 13% to \$32 billion, compared to \$36.74 billion in the previous nine months. However, inflows in October-December 2023 increased by 18% to \$11.6 billion, compared to \$9.83 billion in the same quarter of 2022-2023. There has been massive growth in FDI inflow from 4029 USD Million in FY20-21 to 84,835 USD Million in FY21-22, showing approximately two thousand per cent growth. In FY06-07, there was an instantaneous growth of 155 per cent, proving a turning point in the financial sector. FY01-02 & FY07-08 show a fifty-plus annual growth rate. Also, there was a negative growth in FDI inflow in FY02-03, FY03-04, FY09-10, FY10-11, FY12-13, and FY22-23. There is a Cumulative Equity Inflow (April, 2000-December, 2023) highest from Mauritius, 1,70,918 USD Million, second highest from Singapore, 1,55,612 USD Million and third highest from the U.S.A., 63,031 USD Million.

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