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FOREIGN DIRECT INVESTMENT IN INDIA: AN OVERVIEW

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Abstract:-Foreign Direct Investment playing an important role in developing nations like India. In recent years, India focuses on inflow of FDI and trying to maintain the GDP growth rate. India opened up more sectors for FDI. This paper tries to find out the inflow of FDI in South Asian countries, especially in India. This paper has been divided into three parts. First part, deals with the country-wise inflow of FDI. Second part deals with the inflow of FDI in sector wise in India. Inflow of FDI through RBI's regional banks is discussed in the final part. This paper based on secondary data.

Keywords: Foreign Direct Investment , India focuses , fundamental element .

INTRODUCTION

Capital is a fundamental element of factor of production. India is a one of the prime developing countries and it needs too much capital but unfortunately India facing big problem of capital scarcity. India needs more capital to develop as well as maintain the growth rate, so country depends upon foreign investment. Foreign Direct Investment (FDI) plays a very important and crucial role in the development of the nation. But in India, income and savings are in low level. Low savings leads problem in capital formation and investment. FDI is main solution for fill up the scare capital. FDI gives more opportunities for exchange the technology to Indian producers. Therefore, FDI is very much necessary to India to development.

After independence, Indian policy makers focus on FDI to acquiring new advanced technology and other resources from foreign countries. For the boosting FDI, Indian policy makers provide incentives such as reducing tax, de-reserving some industries and simplification of licensing procedures etc. In 1973, India set up Foreign Investment Board and established Foreign Exchange Relation Act in order to regulate FDI. In 1991, India made an agreement with IMF and then after foreign investor can invest easily in the country. UPA 2nd government took major steps to improving FDI inflow in the county. This government rise limits of FDI in various sectors. FDI limit is 100% in hotels and tourism, roads and highway, education, advertisement, farm sector, petro chemical, pharmaceuticals, coal and lignite. Recently FDI limit rise up to 100% in Courier Service, Telecom, Asset Reconstruction and Single brand retail. In Multi brand retail 51%. 49% FDI limit in Civil Aviation, Petroleum Refining, Power Exchanges and Insurance Sector. 26% FDI limit in defense and print media.

OBJECTIVES OF THE STUDY

- 1)To find out the inflow of FDI in South Asian countries.
- 2)To study the FDI inflow according to country wise and sector wise in India.
- 3)To analysis the region wise inflow of FDI.

METHODOLOGY OF THE STUDY

This paper is based on secondary data. The data collected from 2006 to 2013 for the study. This data taken from various journals, RBI reports on FDI, central government database, world investment reports, news papers, and UNCTAD reports on FDI etc.

RESULT DISCUSSION

Table no 1 FDI inflows in South Asian countries
(US million dollars)

Country	2006	2007	2008	2009	2010	2011	2012	total
Afghanistan	238	188.7	94.4	75.7	211.3	83.4	93.8	985.3
Bangladesh	792.5	666.4	1086.3	700.2	913.3	1136.4	990	4062.4
Bhutan	72.2	3	7.2	18.3	25.8	10.4	15.9	152.8
India	20327.8	25349.9	47138.7	35657.3	21125.4	36190.4	25542.8	211332.3
Islamic Republic of Iran	1646.6	2005.1	1909.2	3047.6	3647.5	4150	4869.9	21275.9
Maldives	95.2	132.4	181.3	158	216.5	256.5	284	1323.9
Nepal	-6.6	5.9	1	38.6	86.7	95.5	92	313.1
Pakistan	4273	5590	5438	2338	2022	1327	846.7	21834.7
Sri Lanka	480	603.4	752.2	404	477.6	981.1	775.5	4473.8
total	27918.7	34544.8	55522	42437.7	28726.1	43094.3	33510.6	265754.2

Source: UNCTAD, FDI/TNC database (www.unctad.org/fdistatistics).

Table no 1 show the FDI inflows in South Asian countries. During the year of 2006 to 2012, 265754.2 million dollars of FDI inflows took place in these countries. India get highest share in FDI inflow i.e. 211332.3. Pakistan and Iran took 2nd and 3rd place in inflow of FDI and 21834.7, 21275.9 million dollars invested in these countries respectively. 4473.8, 4062.4 and 1323.9 million dollars of FDI invested in Sri Lanka, Bangladesh and Maldives respectively. Afghanistan (985.3 million dollars), Nepal (313.1 million dollars) and Bhutan (152.8 million dollars) get little amount of FDI in these years.

India is most pre dominant country to attract more FDI in the matter of south Asian countries. There is fluctuation in inflow of FDI in India as well as other countries. India got more than half of the share in total FDI. In 2006, India got 20327.8 million dollars FDI and 47138.7 million dollars in 2008. But, the amount of FDI decreased to 35657.3 million dollars, then after 21125.4 million dollars in 2009 and 2010 respectively. FDI rose up to 36190.4 million dollars in 2011 and again fall in 2012 at the level of 25542.8 million dollars. Iran and Pakistan are other two countries who gain more FDI followed by India. Nepal and Bhutan countries stand last positions in the matter of gaining FDI. Totally 313.1 million dollars FDI invested in Nepal during 2006 to 2012 and Bhutan got only 152.8 million dollars FDI in during these years. Sri Lanka got 603.4, 752.2, 981.1 and 775.5 million dollar FDI in 2007, 2008, 2011 and 2012 respectively.

COUNTRYWISE INFLOW OF FDI IN INDIA

Table no 2 FDI inflows from some major investing countries in India.
(US million dollars)

Country/Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (for April, 2013)	total
Mauritius	6363	11096	11208	10376	6987	9942	9497	355	65824
Singapore	578	3073	3454	2379	1705	5257	2308	1293	20047
USA	856	1089	1802	1943	1170	1115	557	149	8681
UK	1878	1176	864	657	755	7874	1080	9	14293
Netherlands	644	695	883	899	1213	1409	1856	173	7772
Cyprus	58	834	1287	1627	913	1587	490	25	6821
Japan	85	815	405	1183	1562	2972	2237	41	9300
Germany	120	514	629	626	200	1622	860	25	4596
UAE	260	258	257	629	431	353	180	10	2378
France	117	145	467	303	734	663	646	41	3116
others	4767	4884	6073	5212	3757	2327	2712	200	29932
Total *	15726	24579	27329	25834	19427	35121	22423	2321	172760

Note: *Includes inflows under NRI Schemes of RBI, stock swapped and advances pending for issue of shares.
Source: <http://dipp.nic.in>
<http://dipp.nic.in>

Table no 2 shows some major FDI invested countries in India. Totally 172760 US million of dollar FDI invested during 2006-07 to 2013-14. 65824 million dollar of FDI came from Mauritius and this country take first place in investment in India. Singapore, UK and Japan invested 20047, 14293 and 9300 million dollars of FDI respectively. India got 8681, 7772, 6821 and 4596 million dollar of FDI from USA, Netherland, Cyprus and Germany respectively. France 3116 and UAE 2378 million dollar of FDI invested in India. 29932 million dollar of FDI came from rest of the world.

Mauritius is main investment country for India. 11096, 11208 and 10376 million dollar FDI came from Mauritius. But 355 million dollar of FDI came from Mauritius in 2013-14 (for April, 2013) and this amount is too less then Singapore and at this time 1293 million dollar FDI came from this country. USA's FDI increasing from 2006-07 to 2009-10, 856, 1089, 1802 and 1943 million dollar inflow in India from USA in this time period but it decreasing from 2010-11 to 2012-13. 1170, 1115 and 557 million dollars FDI came from USA in these years. There is fluctuation in India's FDI inflow which is coming from these countries, except Netherlands. Netherland's investment is growing continuously from 2006-07 to 2012-13. 644, 695, 883, 899, 1213, 1409 and 1856 million dollar invested by Netherlands during 2006-07 to 2012-13. Fluctuation rate is very high in Germany's investment. 120 million dollar invested by Germany in 2006-07 and 626 million dollar in 2009-10. The investment decrease to 200 million dollar in 2010-11 and investment rise sharply and reach 1622 million dollar in 2011-12. Again investment fall nearly half of previous investment and reaches 860 in 2012-13 million dollars. France's and other countries investment are also fluctuated during these years.

SECTORWISE INFLOW OF FDI IN INDIA

Table no 3 FDI inflows in various sector in India
(US million dollars)

Sector/Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (for April, 2013)	Total
Service Sector	4664	6615	6116	4176	3296	5216	4833	238	35154
Computer Hardware And Software	2614	1410	1677	872	780	796	486	10	8645
Tele communication	478	1261	2558	2539	1665	1997	304	6	10808
Construction Activities	985	1743	2028	2852	1103	3141	1332	32	13216
Power	157	967	985	1272	1272	1652	536	12	6853
Automobile Industry	276	675	1152	1236	1299	923	1537	22	7120
Metallurgical Industries	173	1177	961	420	1098	1786	1466	18	7099

Source: <http://dipp.nic.in>

Table no 3 represents the highest FDI attracting sectors. Service sector is most dominant sector in attracting more FDI. 35154 US million dollar of FDI invested in service sector. Construction activities and telecommunication sector took 2nd and 3rd place in attracting the FDI. Amount of 13216 and 10808 US million dollar FDI inflows during 2006-07 to 2013 in construction activities and telecommunication sector. In recent years, computer hardware and software sector growing rapidly in India. This sector shows confidence in profitability. Foreign investor focused on this sector and invested 8645 US million dollar in between 2006-07 to 2013. Automobile industry, metallurgical industries and power sector are another major sectors and 7120, 7099 and 6853 US million dollar investment came through FDI respectively.

Service sectore is most dominant in attracting more FDI. Service sector stands firmly in the gaining of more FDI. Computer hardware and software sector gain second spot in gaining of FDI. 2614 million dollar FDI came into Computer hardware and software sector in 2006-07. 1677 million dollar FDI invested in 2008-09 and then after investment decrease continuously and 486 million dollar FDI invested in this sector. Tele communication and construction activities sectors compite each other for gaining more FDI. 478, 2558, 1997 and 304 million dollar FDI invested in 2006-07, 2008-09, 2011-12 and 2012-13 telecommunication sector respectively. 985, 2028, 3141 and 1332 million dollar invested in 2006-07, 2008-09, 2011-12 and 2012-13 construction activities sector respectively. There is steady increasing in inflow of FDI in power and automobile industry sector. 157 million dollar in 2006-07, 985 million dollar in 2008-09, 1272 million dollar in 2010-11 and 1652 million dollar invested in 2011-12 but in 2012-13, power sector gain only 536 million dollar. In auto mobile industry, 276

million dollar in 2006-07, 1152 million dollar in 2008-09 and 1537 million dollar invested in 2012-13 but 923 million dollar FDI inflows in 2011-12 in automobile industry sector. Fluctuation is in inflow of FDI of metallurgical industries. In 2006-07, 173 million dollar fdi came to this sector and suddenly jumps to 1177 million dollar in 2007-08. 420 and 1786 million dollar FDI gained by this sector.

FDI INFLOWS IN INDIA THROUGH RBI BANKS

Table no 14 FDI inflows through RBI's regional banks in India.
(US million dollars)

RBI's - Regional Office	State covered	2009-10	2010-11	2011-12	2012-13	Total
Mumbai	Maharashtra, Dadra & Nagar Haveli, Daman & Diu	8,249	6,097	9,553	8,716	32,615
New Delhi	Delhi, Part Of Up And Haryana	9,695	2,677	7,983	3,222	23,577
Chennai	Tamil Nadu, Pondicherry	774	1,352	1,422	2,807	6,355
Bangalore	Karnataka	1,029	1,332	1,533	1,023	4,917
Ahmadabad	Gujarat	807	724	1,001	493	3,025
Hyderabad	Andhra Pradesh	1,203	1,262	848	1,159	4,472
Kolkata	West Bengal , Sikkim, Andaman & Nicobar Islands	115	95	394	424	1,028
Chandigarh	Chandigarh, Punjab, Haryana, Himachal Pradesh	224	416	130	47	817
Bhopal	Madhya Pradesh, Chhattisgarh	54	451	123	220	848
Kochi	Kerala, Lakshadweep	128	37	471	72	708
Panaji	Goa	169	302	38	9	518
Jaipur	Rajasthan	31	51	33	132	247
Bhubaneswar	Orissa	149	15	28	52	224
Kanpur	Uttar Pradesh, Uttaranchal	48	112	140	31	331
Guwahati	Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura	11	8	1	5	25
Patna	Bihar, Jharkhand	-	5	24	8	37
Region Not Indicated*		3,148	4,491	11,399	4,004	23,042
Total		25,834	19,427	35,121	22,424	102,806

Note-Includes „equity capital components” only.

* Represents, FDI inflows through acquisition of existing shares by transfer from residents to non residents. For this, RBI Regional wise information is not provided by Reserve Bank of India. Not include RBI's NRI scheme
Source: <http://dipp.nic.in>

Table no 4, represents the FDI inflow in India through RBI's regional banks from 2009-10 to 2012-13. There is no doubt about Mumbai and Delhi is two major economic capitals of India. Huge amount of FDI came through Mumbai and New Delhi's regional RBI's banks. 32615 and 23577 US million dollar of FDI came through these banks during 2009-10 to 2012-13. 6355 US million dollar of FDI received by RBI's regional bank of Chennai. In the years of 2009-10 to 2012-13, 4917, 4472 and 3025 US million dollar of FDI came through Bangalore, Hyderabad and Ahmadabad respectively. RBI's regional banks of Kolkata, Bhopal, Chandigarh and Kochi received 1028, 848, 817 and 708 US million dollar FDI in between 2009-10 to 2012-13. Kanpur, jaipur and Bhubaneswar's RBI regional banks received 331, 247 and 224 US million dollar FDI from 2009-10 to 2012-13. Little amount of FDI received from regional banks of RBI Patna and Guwahati that is 37 and 25 US million dollar respectively.

High amount of FDI came that is 9,695 million dollar in 2009-10 from New Delhi and at this period 8,249 million dollar FDI came from Mumbai's SBI branches. But in 2010-11 and 2011-12, only 2,677 and 3,222 million dollar FDI came from Mumbai's SBI branches. There is steady increasing of FDI inflow from Chennai and Bangalore's branch office of RBI. 774, 1352, 1422, 2807 million dollar FDI came from Chennai in 2010-11 to 2012-13 respectively and also 1029, 1332, 1533 million dollar FDI came from Bangalore but 1023 million dollar FDI came from this regional of RBI in 2012-13. 1001, 493 million dollar FDI came Ahmadabad RBI branch office. The inflow of FDI from Hyderabad RBI branch office is almost same accept 2011-12 and this time only 848 million dollar FDI came. Goa is popular pace for tourism and there a huge chance for more FDI inflow but fact is unbelievable. Only 38 and 9 million dollar of FDI came from Goa's RBI branch office in 2011-12 and 2012-13. North east states of India also got some amount of FDI but it is very low. The total amount of FDI is only 25 million dollar from 2009-10 to 2012-13. Bihar and Jharkhand are naxal affected states but still they able to gain some amount of FDI. Totally 37 million dollar of FDI came through Patna RBI branch office.

CONCLUSION

India is one of the major developing countries, especially in Asian region. FDI is now become main key tool for the development India. In recent years India took major steps for FDI inflow into the country. Now India succeeds to get sufficient FDI for its progress. India gets more FDI other than south Asian countries. Indian policy makers try to do more simplification of the terms of FDI inflow and raise the limit of FDI to allow investing more FDI in several sectors.

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