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Foreign Direct Investment in India: Trends and Prospects

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Abstract: ***Research Aims**: The present study aims to examine the pattern of Foreign Direct Investment in India and the impact of various indicators on FDI inflows. **Design/methodology/approach**: In this study secondary data has been used for a period of ten years from various government institutions. The methods include descriptive statistics as well as Correlation matrix and regression analysis in order to understand the association and impact of FDI with various indicators. **Research Findings**: With the help of regression analysis, it is proved that various indicators have significant impact on FDI inflows. The correlation matrix and regression explain the association of FDI with different indicators and impact in the previous years with measures which should be taken by the government has been suggested. **Theoretical Contribution/Originality**: FDI has played a significant role in developing economies like India and has provided a range of theoretical base by focusing on the inflows through productivity, innovation, knowledge transfers, infrastructure development, increasing human capital formation, ease of doing business etc. leading to a sustainable economic growth and emerging markets. This study improves the reliability of existing evidences on FDI with the help of latest data and provides measures for further improvement. **Managerial Implication in the South East Asian Context**: Through this study the policymakers get an insight about the position of FDI in different areas such as country - wise, sector - wise and state - wise through which new methods and policies for future can be made. The variables in the study would be helpful in understanding that FDI is affected by which of these determinants the most and avoid negative impacts. The major decision regarding development of India from a developing to developed country can be determined. **Research limitation & implications**: The limitation of this study is that there are only selected variables taken like GDP, FER etc. and more variables can be taken for the study.*

Keywords: Foreign direct investment, gross domestic product, trade openness, exchange rate, foreign exchange reserves

1. Introduction of FDI in India: Trends and Prospects

Foreign Direct Investment is that investment which is made by an individual/investor in a country having business interests with all its control and entity based in another country.

Definition of Foreign Direct Investment

According to International Monetary Fund (1993), Foreign Direct Investment is defined as international investment made by one economy's resident entity in the business operations of an entity resident in other economy.

According to the World Trade Organization (1996), foreign direct investment (FDI) arises when an investor based in one country i. e. the home country acquires an asset in another country i. e. the host country with the intent to manage that asset.

According to the World Bank (2004), Foreign Direct Investment is defined as that foreign investment that establishes a lasting interest in or effective (active) management control over an enterprise.

Routes of FDI

There are two routes for FDI in India. They are: -

1) **Automatic Route: - It** is the easiest route out of the two routes. In this route, there is no need to take approval from the Government of India or RBI. The foreign investor or the Indian company are only required to notify it to the relevant regional office of RBI about the inward remittances and issue of shares within 30 days of the occurrence of these activities.
2) **Government Approval Route: -** In this route, the foreign investor or the Indian company is required to obtain prior approval of the Government of India i. e. Foreign Investment Promotion Board and presented before the Cabinet Committee on Economic Affairs or the Cabinet Committee on Security.

Types of FDI

1) ***Based on Direction***:

a) **Inward FDI** – In this foreign capital is invested in local resources. Inward FDI is encouraged by:
   - Tax breaks, subsidies, low interest loans, lifting of certain restrictions.
   - Long term gain is worth more than the short - term loss. Inward FDI is restricted by: • Ownership limits.
   - Differential performance requirements.

b) **Outward FDI –** In this local capital is invested in foreign resources. Outward FDI is encouraged by:
   - Govt. - backed insurance to cover risk. Outward FDI is restricted by:
   - Tax incentives or disincentives on firms that invest outside of the home country.
   - Subsidies for local business.

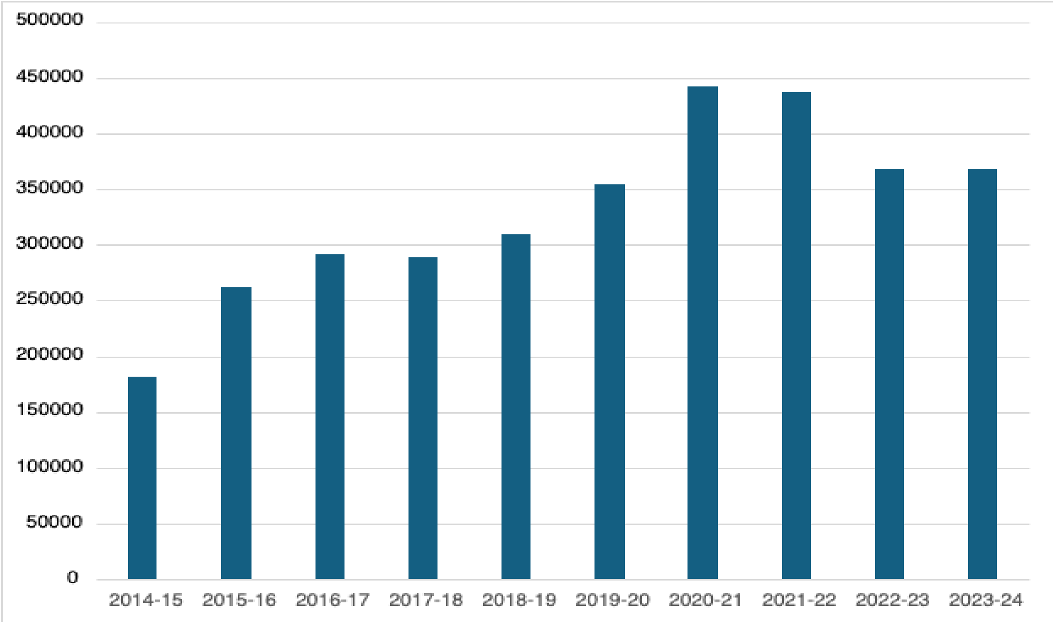
2) ***Based on Target***

a) **Green Field Investment** – Building up new production capacity and expansion of existing production takes place.
b) **Merger and Acquisition -** Transfers of existing assets from local firms to foreign firms takes place.
c) **Horizontal FDI** – Company investment is made for conducting similar business operations in another country.
d) **Vertical FDI** – The firm expands in production process other than that of the original business. (Nagarja, 2018)

3) Based on Motive

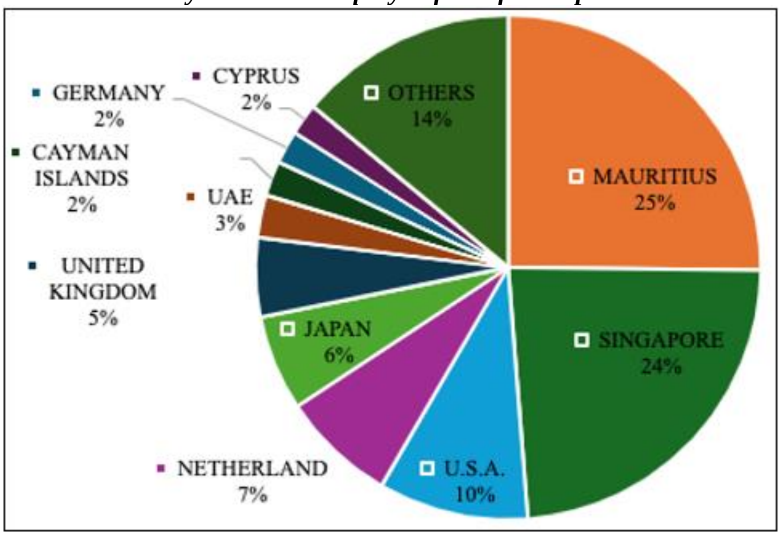
a) **Resource Seeking** – It refers to obtaining or acquiring factors of production that is more efficient than obtainable in home country of the firm.
b) **Market Seeking** – Investment which aims at penetrating in new market or existing ones.
c) **Efficiency Seeking** – Investments which firms hope will increase their efficiency by exploiting the benefits of economies of scale and common ownership.
d) **Strategic Asset Seeking** – A tactical investment to prevent the gain of resource to a competitor.
(Linkedin.)

Trends of FDI Inflows to India (2014 - 15 To 2023 - 24)



From the above graph it can be inferred that there has been significant growth of FDI in the last 10 years with wide variations over the years. Annual growth of FDI in the year 2014 - 15 was to the tune of 22 percent increase from the last year with Rs.1, 81, 682 crores and it has further increased in the year 2015 - 16 at 35 percent annual growth rate with Rs.2, 62, 322 crores and is continuously increasing at a slow rate up to the year 2019 - 20. In the year 2020 - 21 there has been highest FDI inflow in the last ten years up - to - date with Rs.4, 42, 569 crores. In the year 2021 - 22 it decreased slightly maintaining to be the second highest FDI with Rs.4, 37, 188 crores FDI inflows and - 1 % in the year. The FDI inflows are continuously fluctuating with Rs.3, 67, 435 crores inflows in the year 2022 - 23 going down to - 22 percent followed by slight increment with Rs.3, 67, 899 crores in the year 2023 - 24.

Statement on Country - wise FDI Equity Inflows from April 2000 to June 2024



From the above figure it can be concluded that Mauritius is at the top in contributing the FDI inflows with 25% and thus emerging as an important source of FDI. Singapore provides the second highest level of FDI inflows to India with 24%. The 10% of the investment is made by United States of America at third position and Netherland standing at the fourth position with 7% of investment. Japan ranks at fifth position with 6% FDI inflows. At the sixth position is United Kingdom with 5% inflows. United Arab Emirates stands at seventh rank and Cayman Islands at eighth with 3% and 2 % inflows respectively. Germany is the second last country in terms of FDI inflows of top 10 countries with 2.02 %

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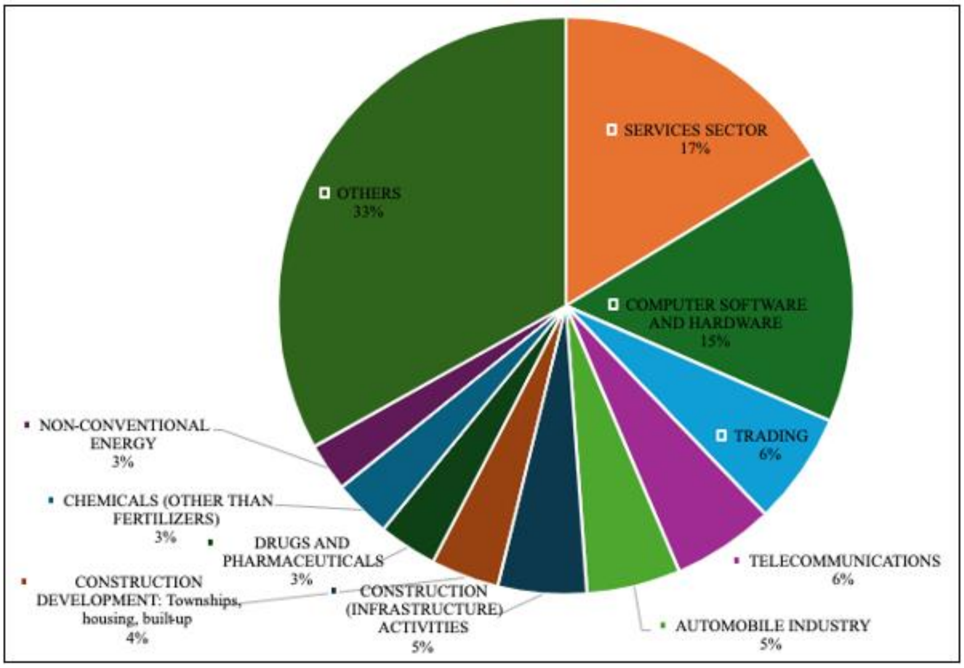
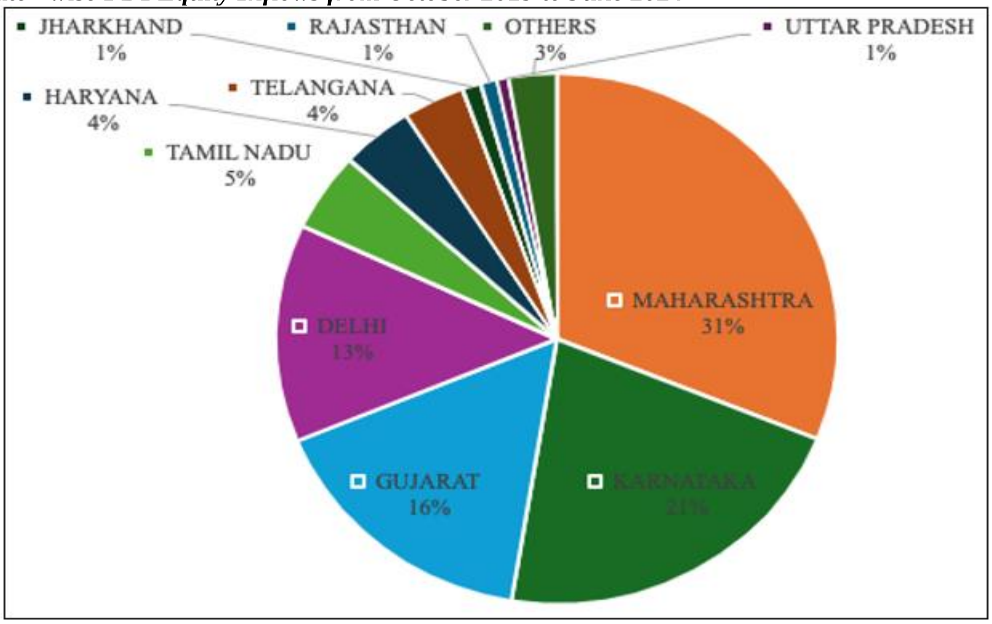
investment and at the last position stands Cyprus with 2% contribution to India. The rest of the countries contribute nearly 14% FDI investment in India.

Statement on Sector - wise FDI Equity Inflows from April 2000 to June 2024



From the figure it can be concluded that most of the FDI inflows has been made in the services sector including Financial, Banking, Non - Financial, Insurance, Business, Outsourcing, R&D, Courier, Technology Testing and Analysis and other with RS.7, 20, 196 crores which is 17% of the total inflows. Computer Software and Hardware is the second highest in FDI inflows which is 15% of total inflows. The third highest sector is Trading with Rs.3, 03, 091.02 crores and 6.31% of total inflows. The fourth sector with highest FDI inflows is Telecommunications with Rs.2, 38, 636.78 and contributes 6% of total inflows. Automobile Industry is the fifth highest sector with Rs.2, 38, 542.87 and contributes 5.2% of total inflows. The sixth sector is Construction Infrastructure activities with Rs.2, 45, 109.86 crores and contributes 4.98 or 5%. Construction Development including townships, housing, built - up etc. are the seventh sector with Rs.1, 31, 582.61 crores and 4% of total inflows. Drugs and Pharmaceuticals are at the eighth position with Rs.1, 36, 852.19 crores and contributes 3.28% FDI inflows. At the ninth position stands the Chemicals other than fertilizers with Rs.1, 38, 403.32 crores and 3.27% of total inflows. Non - Conventional Energy stands at the tenth position among the top 10 sectors with Rs.1, 34, 812.79 contributing 2.72 or 3% of total inflows. The rest of the sectors falling in the other's category contributes 33% FDI inflows in the country.

Statement on State - wise FDI Equity Inflows from October 2019 to June 2024



From the above table it can be concluded that Maharashtra contributes the highest FDI inflow state - wise with Rs.6, 03, 223.99 crores covering 31% FDI. Karnataka is the second highest contributor with Rs.4, 08, 541.97 crores and contributes 21% FDI. The third highest state is Gujarat with Rs.3, 08, 132.86 crores covering 16% inflows. At the fourth position stands Delhi contributing Rs.2, 54, 861.58 crores with 13% FDI. Tamil Nadu is the fifth highest state with Rs.92, 568.57 crores contributing 4.8 or 5%. At the sixth position is Haryana with Rs.81, 087.77 crores contributing 4%. Telangana contributes Rs.69, 883.13 crores at seventh position covering 3.56 or 4%. Jharkhand is at the eighth position in contributing FDI inflows state - wise with Rs.19, 382.14 crores and 1.07% inflows. Rajasthan is at the ninth position with Rs.18, 363.43 crores covering 0.96 or 1% and at last is Uttar Pradesh among the top 10 in state - wise list with Rs.12, 985.36 crores and 0.67% inflows. The rest of the states contribute 3% FDI inflows in the country.

2. Literature Review

According to Mbukanma and Rena in their study examined the growth of India's FDI equity inflow during the Covid - 19. It was found that there has been major drop in FDI flows globally but increase in India. The major sectors such as services, computer software, trading etc. attracted maximum FDI in during the pandemic. The study suggested important policies for strengthening and promotion of FDI.

According to Chattopadhyay Arup et. al in their study examined the motives of FDI inflows through various channels and studied the impact of Covid - 19 on FDI in BRICS countries. The methodology used is Kinked Exponential trend, Zivot and Andrew's trend equations, dynamic panel data analysis. The study concludes that there has been positive FDI inflows in BRICS countries except India and horizontal as well as vertical channels play a dominating role in influencing FDI inflows of BRICS countries.

Singh and Aggarwal in their study highlighted pattern of FDI inflows from different countries in different sectors of India and the impact of the global pandemic Covid - 19 on the flows of FDI for the time period 2009 - 2021. The methodology used is common deterministic trend slope equation and it was found that there has been significant growth in FDI inflows in India and sectors such as Computer services and transport have mainly increased after post pandemic.

Khanna Pooja in the study analyzed the outward flow of FDI from India with the help of RBI database. The study points out that service sector is most dominating one in terms of outward flows of FDI specifically the private sector. In this paper detailed case study has been done on changes in Indian overseas investment due to Covid - 19. The data has been collected from Reserve Bank of India and specific trend analysis has been done. It was found that services and its subsectors were majorly affected by the pandemic and secondly manufacturing sector was hit with a change in the pattern of outflows to Mozambique. South Korea etc.

According to Duggal examined the trends and patterns of foreign direct investment in India including the hypothesis of the study that there exists null hypothesis which means that there is no significant difference. The methodology used in the study is mainly quantitative in nature and descriptive design is adopted. The data from 2005 - 2017 of foreign direct investment has been collected from primary sources such as RBI, India Bulletins etc. It has been concluded that FDI flows in India have been fluctuating every year and after 2013 it has been consistently increasing till the year 2017.

Pattayat in the study investigated the determinants of FDI in India. The methodology used is Johnson co - integration test to study the effects of determinants of FDI. The data is taken from secondary sources such as RBI, UNCTAD, IFS and IMF from the year 1980 - 2013. It is found that domestic product, trade openness and exchange rate are the cardinal determinants which influences inward foreign direct investment. The limitation of the study is that only one country is taken for research, instead there should be more countries taken.

Dar and Singh concluded the flow, patterns and directions of FDI and its impact on Economic Growth in India and China, examined which country is in better position for attracting more FDI and enhancing their economic growth and which country's economy is performing well as compared to other in terms of FDI and Economic Growth. The methodology used is qualitative and descriptive research methods and explained with Karl Pearson's Coefficient Model. The required secondary data is collected from World Bank, IMF and UNCTAD. It is found that the study examines the status of inward Foreign Direct Investment flow into India and China. It also reveals that FDI is a significant factor influencing the level of economic growth in India. The limitation of this study is that it is very difficult to obtain entire data on China and India on different parameter.

Malhotra emphasized on the trends and pattern of flow of FDI, assessed the determinants of FDI inflows, evaluated the impact of FDI on the Indian economy and the flow of investment in India. The data is collected from secondary sources such as World Bank and IMF for the period 1991 - 2012. The study concluded that for Indian economy which has tremendous potential, FDI has had a positive impact. FDI inflow increases domestic capital as well as the technology and skills of existing companies and establish new companies. The limitation of the study is that there should more collection of data from other sources as well.

Dr. Ibrahim and Muthusamy examined the Foreign Direct Investments secured by the country, analyzed the trends of Foreign Direct Investment, assessed the impact of the FDI in the economic development of a country and offered suggestion for the improvement of the FDI. The methodology used is of analytical nature and makes use of secondary data. The data is collected from various sources such as Publications of Government of India, Handbook of Statistics on the Indian Economy, RBI, Various Issues etc. The various statistical tools used are growth rates, regression and correlation through EXCEL and SPSS Software. The period of the study is ten years starting from the year 2003 - 04 to 2012 - 13. It is concluded that foreign investments provide opportunities to host countries to enhance their economic development and opens new panoramas for home countries to enhance their earnings by employing the ideal resources. The limitation of the study is confined only to review and analyze the selected indicators for the period of ten years.

Javed and Javed emphasized on the trends and patterns of flow of FDI into India from 1991–1992 to December 2015 and analysed the share of top investing countries FDI inflow. The study is based on secondary data collected from the Reserve Bank of India (RBI), United Nations Conference for Trade and Development (UNCTAD), Secretariat for Industrial Assistance (SIA), Central Statistical Organization (CSO) and Economic Survey of Government of India. The statistical tools used are percentage, simple growth rates, mean average, frequency tables and correlation. The limitation of the study is that lack of continuous time series data in the RBI and other sources of publication, so some tables have been framed only with available data.

Kobrin examines the relationship between industrialization, social change, and the relative economic importance of foreign direct investment. The methodology used is multiple regression and cross - regression analysis and the data are taken for 59 countries. The data is collected from Reserve Bank of India bulletins, SIA newsletters, FDI factsheets and other publications of Department of Industrial Policy and Promotion (DIPP) Govt. of India. It is concluded that this finding is inconsistent with a theory of underdevelopment in which integration into the world capitalist system inhibits, or even prevents, broad scale industrialization. The limitation of the study is that it requires a transformation.

Nagaraj examines the trends in foreign direct investment in India in the 1990s. The methodology is based on quantitative information. The data is collected from Handbook of Industrial Policy and Statistics, 2001 for the period 1991 to 1998. It is concluded that India sought to compete with the successful restrictive foreign investment policy in 1991. The limitation of the study is that data is collected from easily available resources, instead it should be taken from various other sources.

Mittal and Agrawal examine pattern and direction of FDI flow in India, identifies factors responsible for comparatively lesser flow of FDI and FDI flows in different sectors. The methodology of the study is analytical in nature and makes use of secondary data. The secondary data is collected from various publications of Government of India; Reserve Bank of India, websites, annual reports, World Bank reports, research reports. The study period of the data is from 2001 - 2011. It is concluded that India is attracting a low level of FDI largely due to poor business environment prevailing in the country. The limitation of the study is that FDI alone is not a solution for poverty eradication, unemployment and other economic ills.

Gupta and Dr. Chaturvedi emphasized on FDI inflows and make prediction of FDI inflows in India, FDI inflows to India from various countries, analyzed the top sectors receiving FDI and comparison of FDI inflows to India with regards to other BRIC countries. The secondary sources of data have been used for the study and it is collected from the Ministry of Commerce and Industry, Department of Industrial Promotion and Policy, Government of India, Centre for Monitoring Indian Economy, UNCTAD, Reserve Bank of India. It is concluded that top sectors receiving FDI are Services, Construction development, Computer software, Telecommunications, Automobile, Drugs and Pharmaceuticals, Trading, Chemicals, Power and Hotel and Tourism.

Dr. Gori emphasized on the trends and pattern of flow of FDI, assessed the determinants of FDI inflows, evaluated the impact of FDI on the Indian economy and the flow of investment in India. The methodology is used from secondary data and collected from Ministry of Commerce and Industry, Department of Industrial Promotion and Policy, Government of India, Centre for Monitoring Indian Economy, UNCTAD, Reserve Bank of India. It is concluded that the Government should design the FDI policy in such a way where FDI inflows can be utilized as means of enhancing domestic production, savings and exports through the equitable distribution among states so that they can attract FDI inflows at their own level. The limitation of the study is that only FDI is not the factor responsible for sustainable growth.

Krishna examined determinants influencing the inflows at present with a view to understanding of the prospects for the magnitude of PFI flows in future. The methodology used is multiple discriminant analysis and multiple regression. The period of study is from 1991 to 2001. The data is collected from Reserve Bank of India bulletins, SIA newsletters, FDI factsheets and other publications of Department of Industrial Policy and Promotion (DIPP) Govt. of India. It is found that reform policies of the government with regard to foreign investment have been successful in attracting foreign investment inflows to India.

Khan and Parveen analysed the overall Global FDI inflows in India since 2000 and examined the Global FDI inflows in India across the selected countries. The methodology used in the study is mean, standard deviation, F - Test and Anova Scheffe Test. The data is collected from World Bank, UNCTAD, RBI Bulletins, Annual Reports and Handbook of statistics on Indian economy, Department of Industrial Policy and Promotion (DIPP), SIA Newsletter. It is concluded from the study that FDI inflows are significantly differ across the selected country. The limitation of the study is that some more countries should be considered.

3. Research Methodology

Objectives of the study

1) To analyze the trend of FDI inflows in the last 10 years.
2) To study the inflows of FDI sector - wise, country - wise and state - wise.
3) To analyze the impact of selected variables like Gross Domestic Product, Foreign Exchange Reserves, Exchange Rate and Trade Openness on FDI inflows.

Research Gap

The present study is done on the basis of current scenario of FDI in India and the variables taken in the study are different from the past study.

Hypotheses

$H_{0:}$ There is no significant impact of the Gross Domestic Product of India on Foreign Direct Investment inflows.

H_1: There is significant impact of the Gross Domestic Product of India on Foreign Direct Investment inflows.
H_0: There is no significant impact of Foreign Exchange Reserves of India on Foreign Direct Investment of India.
H_1: There is significant impact of Foreign Exchange Reserve of India on the Foreign Direct Investment of India.
H_0: There is no significant impact of Exchange Rate of India on the Foreign Direct Investment of India.
H_1: There is significant impact of the Exchange Rate of India on the Foreign Direct Investment of India.
H_0: There is no significant impact of Trade Openness of India on the Foreign Direct Investment of India.
H_1: There is significant impact of Trade Openness of India on the Foreign Direct Investment of India.

Tools And Techniques: Multiple Regression Analysis, Correlation Matrix and Descriptive Statistics

Variables Used in the Study:
1) Foreign Direct Investment inflows (FDI)
2) Gross Domestic Product (GDP)
3) Foreign Exchange Reserves (FER)
4) Exchange Rate (ER)
5) Trade Openness (TO)

***Gross Domestic Product*: -** The gross domestic product (GDP) or gross domestic income (GDI) is the market value of all final goods and services produced within a country in a given period of time.

Trade Openness: Trade is nothing but the relationship among the different counties through transforming goods and services from one country to another country. It is also called as international Trade, External trade or Inter - Regional trade. It consists of imports, exports and entrepot. The inflow of goods in a country is called export trade. Trade openness is the ratio of the sum of export, import of a country and GDP of a country.

Exchange Rate: In finance, the exchange rates also known as the foreign - exchange rate, forex rate or FX rate between two currencies specify how much one currency is worth in terms of the other. It is the value of a foreign nation's currency in terms of the home nation's currency. The concept of exchange rate is National currency per US dollars, end of period.

Foreign Exchange Reserves: Foreign exchange reserves are assets held on reserve by a central bank foreign currency. These reserves are used to back liabilities and influence monetary policy. It includes any foreign money held by a central bank, such as the U. S. Federal Reserve Bank.

Study Period: The study is conducted for a period of 10 financial years starting from 2014 - 15 to 2023 - 24.

4. Results and Discussion

This chapter is divided into 3 categories shown in the format of a table, i. e. Descriptive Statistics, Correlation Matrix and Regression Analysis.

1) Descriptive Statistics

a) Foreign Direct Investment for last 10 years.

Year	Rs. in Crores
2014 - 15	189107
2015 - 16	262322
2016 - 17	291696
2017 - 18	288889
2018 - 19	309867
2019 - 20	353558
2020 - 21	442569
2021 - 22	437188
2022 - 23	367435
2023 - 24	265030

Source: DIPP

b) Gross Domestic Product for last 10 years

Year	Rs. in Crores
2014 - 15	10527307
2015 - 16	11381001
2016 - 17	12196007
2017 - 18	13144582
2018 - 19	13992914
2019 - 20	14534641
2020 - 21	13687118
2021 - 22	15021846
2022 - 23	16071429
2023 - 24	17381722

Source: RBI

c) Foreign Exchange Reserves for last 10 years

Year	Rs. in Crores
2014 - 15	2137640
2015 - 16	2378740
2016 - 17	2398200
2017 - 18	2760850
2018 - 19	2855882
2019 - 20	3602155
2020 - 21	4218953
2021 - 22	4598819
2022 - 23	4754265
2023 - 24	5391256

Source: RBI

d) Exchange Rate for last 10 years

Year	Re (Per Unit of Foreign Currency)
2014 - 15	62.59
2015 - 16	66.33
2016 - 17	64.83
2017 - 18	65.04
2018 - 19	69.17
2019 - 20	75.38
2020 - 21	73.50
2021 - 22	75.80
2022 - 23	82.21
2023 - 24	83.37

Source: RBI

e) Trade Openness for last 10 years

Year	Rs. in Crores
2014 - 15	0.489221
2015 - 16	0.419229
2016 - 17	0.400824
2017 - 18	0.407424
2018 - 19	0.435986
2019 - 20	0.393867

2020 - 21	0.378709
2021 - 22	0.454230
2022 - 23	0.499653
2023 - 24	0.459218

Source: RBI

Summary of Descriptive Statistics of FDI and Its Determinants

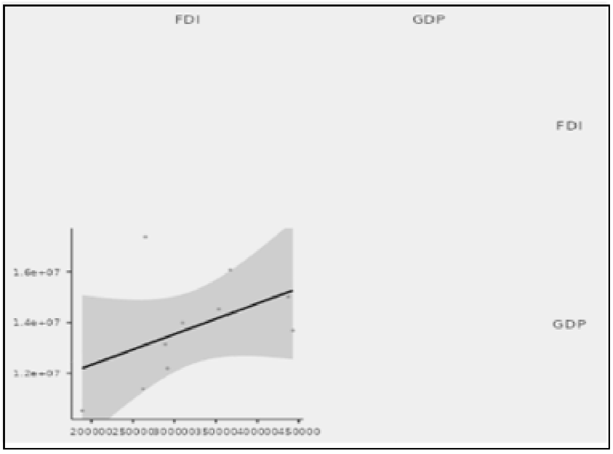
	Mean	SD	Minimum	Maximum
FDI	320766.1	79916.3834	189107	442569
TO	0.434	0.041	0.379	0.5
GDP	1.38E+07	2.10E+06	10527307	17381722
FER	3.51E+06	1.16E+06	2137640	5391256
ER	71.822	7.3777	62.59	83.37

This is the summary of the descriptive statistics of FDI and the various selected variables for the last 10 years. The above table shows that the average FDI inflow into India for the period is Rs.320766.100 crores. From the maximum and minimum values of FDI it can be analyzed that it has increased approximately 3 times from the minimum value. The GDP has increased from 10527307 crores to 17381722 crores in the year 2023 - 24. The Foreign Exchange Reserves is also showing an upward trend and has increased from 2137640 crores to 5391256 crores in the year 2023 - 24. From the minimum and maximum value of Exchange Rate it can be analyzed that it has also increased from 62.590 to 783.370 Rs per unit of foreign currency. The Trade Openness is indicating a rise from 0.379 to 0.500.

2) *Correlation Matrix*

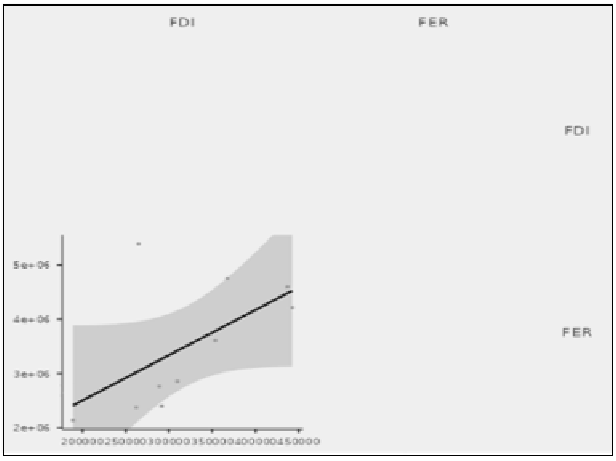
a) Correlation between FDI and GDP

		FDI	GDP
FDI	Pearson's r	—	
	df	—	
	p - value	—	
GDP	Pearson's r	0.462	—
	df	8	—
	p - value	0.179	—



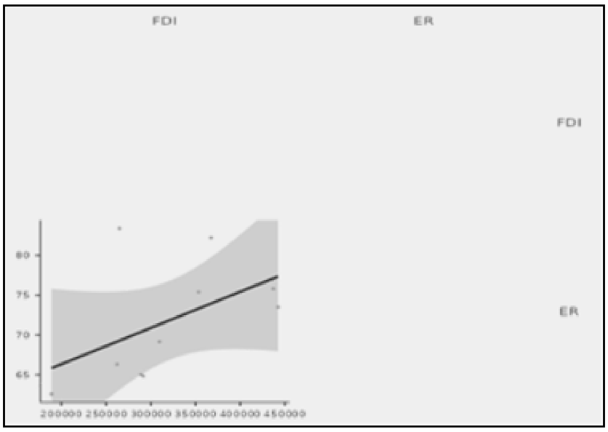
b) Correlation between FDI and FER

		FDI	FER
FDI	Pearson's r	—	
	df	—	
	p - value	—	
FER	Pearson's r	0.573	—
	df	8	—
	p - value	0.083	—



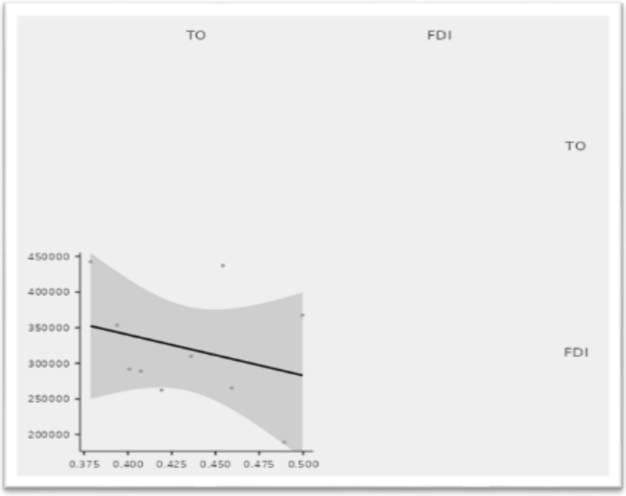
c) Correlation between FDI and ER

		FDI	ER
FDI	Pearson's r	—	
	df	—	
	p - value	—	
ER	Pearson's r	0.492	—
	df	8	—
	p - value	0.149	—



d) Correlation between FDI and TO

		TO	**FDI**
FDI	Pearson's r	—	
	df	—	
	p - value	—	
TO	Pearson's r	-0.294	—
	df	8	—
	p - value	0.41	—



From the results of correlation given in the table it can be concluded that there exists a positive linear relationship between FDI and GDP with the value of 0.462 which lies in the correlation range i. e. +1 to - 1. The value of correlation is significant at 0.01 level and the analysis shows 0.179 which is statistically significant. The value of correlation between FDI and FER is 0.573 which shows there exists a positive linear relationship between FDI and FER. Since, the value of correlation is significant at the 0.01 level and the result shows value as 0.083 which depicts significant relation. The correlation value between FDI and ER is 0.492 which also shows a positive linear relationship among them. Lastly, the value of correlation between FDI and Trade Openness is - 0.294 which shows negative linear relationship among them.

3) Regression Analysis

To examine the impact of GDP on GDI inflows.

Model Fit Measures

Model	R	R^2	Adjusted R^2
1	0.462	0.213	0.115

Note. Models estimated using sample size of N=10

Model Coefficients - FDI

Predictor	Estimate	SE	t	p
Intercept	78318.8111	166463.0299	0.470	0.651
ER	0.0176	0.0199	1.472	0.179

From the results in the above table the value of $R^2 = 0.213$ which means that the independent variable GDP explains 21.3% of the variations in the dependent variable which is FDI inflows.

To examine the impact of Foreign Exchange Reserves on the FDI inflows.

Model Fit Measures

Model	R	R^2	Adjusted R^2
1	0.573	0.329	0.245

Note. Models estimated using sample size of N=10

Model Coefficients - FDI

Predictor	Estimate	SE	t	p
Intercept	182515.6062	73240.2157	2.49	0.037
ER	0.0394	0.0199	1.98	0.083

In this table the value of $R^2 = 0.329$ which means that the independent variable Foreign Exchange Reserve explains 32.9% of the variation in the dependent variable which is FDI inflows.

To examine the impact of Exchange Rate on FDI inflows.

Model Fit Measures

Model	R	R^2	Adjusted R^2
1	0.492	0.242	0.147

Note. Models estimated using sample size of N=10

Model Coefficients – FDI

Predictor	Estimate	SE	t	p
Intercept	-61915	240618	-0.257	0.803
ER	5328	3334	1.598	0.149

In this table the value of $R^2 = 0.242$ which means that the independent variable Exchange Rate explains 24.2 % of the variation in the dependent variable which is FDI inflows.

To examine the impact of Trade Openness on FDI inflows

Model Fit Measures

Model	R	R^2	Adjusted R^2
1	0.294	0.0863	-0.0279

Note. Models estimated using sample size of N=10

Model Coefficients - FDI

Predictor	Estimate	SE	t	p
Intercept	569384	287191	1.983	0.083
TO	-573068	659340	-0.869	0.41

In the table given the value of $R^2 = 0.0863$ which means that the independent variable Trade Openness explains 8.63% of the dependent variable FDI inflows.

Managerial Implications in the South East Asian Context

In Southeast Asia, policymakers must provide support in identifying the potential gaps and areas where there is room for improvement. The FDI data after Covid - 19 crisis helps in analyzing the investment opportunities and tailoring their policies in order to attract more investments. This study also provides a brief information to the multinational corporations looking forward in expanding in this region and may see it as an opportunity by investing in the Southeast region as a secondary market. FDI is one of the most significant factors in maintaining cordial relations and enhancing investment opportunities with those Indian firms having strong international footprints in sectors such Computer and hardware, Trading etc. Through this study the policymakers can understand about the market size of India which has a larger consumer base and make economic development strategies according to varied sizes.

5. Theoretical Implications

The findings of this study provide valuable insights in understanding FDI in India through key economic indicators each explaining their impacts. This study links the theoretical aspect of DI with the practical reality where it is found that Service Sector has the highest amount of FDI inflows with Rs

7, 20, 195.65 crores. In terms of countries, Mauritius and Singapore are the top 2 countries with maximum FDI in India. States like Maharashtra and Karnataka boost huge inflows having the highest FDI inflows state – wise in the period October 2019 to June 2024. From the data, it is concluded that FDI has increased 2.3 times in the last few years and GDP has also increased 1.65 times. The Foreign Exchange Reserves of India has shown increment 2.5 times from the past figures. Exchange Rate has also shown an upward trend i. e. from 62.59 to 83.37. Trade Openness in India has also increased 1.31 times. It is thus concluded that the study accepts alternative hypothesis that there is impact of different variables on the FDI inflow.

6. Suggestions

1) The government should focus more on other sectors as well such as Coir sector, Defence Industries, Mathematical, Surveying and Drawing Instruments where there is no FDI inflows. The country should take steps for the development of backward sectors.
2) The government should allow for more investment from other foreign countries where the FDI inflows are least such as Austria, Finland, Sri Lanka, Brazil etc. with 0.1, 0.08, 0.01 and 0.01 percent inflows respectively.
3) Due to lack of proper initiatives by the government there is FDI inflows only in few states. The government should take steps to promote FDI inflows in other regions of the country as well the backward states such as Jammu and Kashmir, Nagaland and Chhattisgarh etc. which have least FDI inflows.
4) The government should focus on the research and development of the country for strengthening the technological powers of the country.

7. Conclusion

Foreign Direct Investment (FDI) is one of the most essential components for the economic growth of India. FDI has great impact in the development of the economy leading to large number of employment opportunities, expansion of number of manufacturing and construction industries, increase in the imports and exports. In this study, data of last 10 years are explained through table, charts, graphs and various tests conducted concluded that FDI has increased tremendously in the past years which is a good indication for the developing country India. In terms of country - wise FDI inflows, Mauritius provides the highest level of investment to the country followed by Singapore, USA, Netherland etc. which brings the global market together. When it comes to sector - wise FDI has the highest contribution in service sector followed by computer software and hardware and trading. FDI has also influenced various states of the country such as the highest in Maharashtra, Karnataka etc. Thus, FDI has helped a lot in the sustainable growth and plays an important role as one of the measures of economic globalization.

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