

Foreign Direct Investment Inflow in India

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Abstract: *The Foreign Direct Investment plays a important role in economic growth of developing countries like India. FDI contributes for the Development of the country in the form of development of Multinational companies in India, which provides education training, employment for major part of population of India and brings new skills, information and technology to host country. Government of India allowed FDI in different sectors of Indian economy. With a view to infuse globally acceptable best practices, modern management skills and latest technology, it has been decided to allow foreign investment in India. The objective of the study is to provide a view on foreign direct investment inflow with the scene of different sectors. It also point out the sector-wise distribution of FDI inflow to know about which has concerned with the chief share. The present research study is based on secondary data collected from different sources and tries to find out the current scenario, Scope, and role of Foreign Direct Investment inflow in India.*

Keywords: Economy, foreign direct investment, MNCs, FDI Inflow

1. Introduction

After the government allow the foreign direct investment in India its stimulating economic growth is one of the controversial issues in the development of country. The growth able condition occurs with foreign direct investment by multinational corporations is that capital will stimulate dynamic growth in different sector of Indian industry. FDI is a major factor of boosting income and employment in India and the hope is that manufacturing FDI will bring knowledge that indirectly effect in building skill and technological capacities of local firms, catalyzing broad-based economic growth. The part played by foreign direct investment in the development process has undergone several changes. Foreign investments add a great deal to India's economy. The continuous inflow of foreign direct investment, which is now allowed across several industries, clearly shows the faith that overseas investors have in the country's economy. FDI inflows to India increased 17 per cent in 2013 to reach US\$ 28 billion, as per a United Nations report. The Indian government's policy regime and a robust business environment have ensured that foreign capital keep flowing into the country. The government has taken many initiatives in recent years such as relaxing FDI norms in 2013, in sectors such as defense, PSU oil refineries, telecom, power exchanges and stock exchanges, among others. The same year, big global brands such as Tesco, Singapore Airlines and Etihad lined up to invest in India as the government opened more sectors to foreign investment.

2. Market Structure

FDI inflows into India in the period April 2000–August 2014 touched US\$ 341,357 million. Total FDI inflows into India during the period April–August FY15 was US\$ 17,445 million.

The services sector (US\$ 2,336 million) attracted the highest FDI equity inflows in the period April–August 2014, followed by the services (US\$ 1,086 million) and drugs & pharmaceuticals (US\$ 903 million) sectors.

Mauritius led the share of top investing countries by FDI equity inflows into India with US\$ 3,934 million during April–August FY15, followed by Singapore (US\$ 1,892 million), the Netherlands (US\$ 1,562 million) and Japan (US\$ 897 million).

3. FDI Inflow in India

FACT Sheet on Foreign Direct Investment (FDI) from April, 2000 to March, 2014

A. Cumulative FDI Flows into India (2000-2014): (up dated up to March, 2014)

Total FDI Inflows (from April, 2000 to March, 2014):

1	CUMULATIVE AMOUNT OF FDI INFLOWS		US\$
	(Equity inflows + 'Re-invested earnings' + 'Other capital')	-	323912 million
2	CUMULATIVE AMOUNT OF FDI EQUITY INFLOWS	Rs.	US\$
	(excluding, amount remitted through RBI's +NRI Schemes)	1043897 crore	217581 million

B. FDI Inflows During Financial Year 2013-14 (from April, 2013 to March, 2014):

	Total FDI Inflows Into India		
1	(Equity inflows + 'Re-invested earnings' + 'Other capital') (as per RBI's Monthly bulletin dated: 12.05.2014).	-	US\$ 36,396 million
2	FDI Equity Inflows	Rs. 147,518 crore	US\$ 24,299 million

C. FDI EQUITY Inflows (Month-Wise) during the Financial Year 2013-14:

Financial Year 2013-14 (April-March)		Amount of FDI Equity inflows	
		(In Rs. Crore)	(In US\$ mn)
1	April, 2013	12,623	2,322
2	May, 2013	8,974	1,631
3	June, 2013	8,432	1,444

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4	July, 2013	9,903	1,657
5	August, 2013	8,899	1,408
6	September, 2013	26,351	4,132
7	October, 2013	7,556	1,227
8	November, 2013	10,257	1,638
9	December, 2013	6,819	1,101
10	January, 2014	13,589	2,189
11	February, 2014	12,557	2,017
12	March, 2014	21,558	3,533
2013-14 (from April, 2013 to March, 2014) #		147,518	24,299
2012-13 (from April, 2012 to March, 2013) #		121,907	22,424
%age growth over last year		(+) 21 %	(+) 8 %

D. FDI Equity Inflows (Month-Wise) during the Calendar Year 2014:

Calendar Year 2013(Jan.-Dec.)	Amount of FDI Equity inflows	
	(In Rs. Crore)	(In US\$ mn)
1 January, 2014	13,589	2,189
2 February, 2014	12,557	2,017
3 March, 2014	21,558	3,533
Year 2014 (up to March, 2014) #	47,704	7,739
Year 2013 (up to March, 2013) #	29,670	5,478
%age growth over last year	(+) 61 %	(+) 41 %

Note:Country & Sector specific analysis is available from the year 2000 onwards, as Company-wise details are provided by RBI from April, 2000 onwards only.

Figures are provisional, subject to reconciliation with RBI, Mumbai.

Share Of Top Investing Countries FDI Equity Inflows (Financial years): Amount Rupees in crores (US\$ in million)

Ranks	Country	2011-12 (April -March)	2012-13 (April -March)	2013-14(April -March)	Cumulative Inflows (April '00 -March '14)	%age to total Inflows (in terms of US \$)
1	Mauritius	46,710	51,654	29,360	370,485	36%
		-9,942	-9,497	-4,859	-78,525	
2	Singapore	24,712	12,594	35,625	125,807	12%
		-5,257	-2,308	-5,985	-25,445	
3	U.K.	36,428	5,797	20,426	100,885	10%
		-7,874	-1,080	-3,215	-20,764	
4	Japan	14,089	12,243	10,550	80,644	8%
		-2,972	-2,237	-1,718	-16,268	
5	U.S.A.	5,347	3,033	4,807	55,730	6%
		-1,115	-557	-806	-11,927	
6	Netherlands	6,698	10,054	13,920	56,298	5%
		-1,409	-1,856	-2,270	-11,236	
7	Cyprus	7,722	2,658	3,401	35,729	3%
		-1,587	-490	-557	-7,446	
8	Germany	7,452	4,684	6,093	31,605	3%
		-1,622	-860	-1,038	-6,519	
9	France	3,110	3,487	1,842	18,706	2%
		-663	-646	-305	-3,879	
10	Switzerland	1,728	987	2,084	13,148	1%
		-353	-180	-341	-2,708	
Total FDI Inflows From		165,146	121,907	147,518	1,044,430	
All Countries *		-35,121	-22,423	-24,299	-217,703	-

*Includes inflows under NRI Schemes of RBI.

Note: (i) Cumulative country-wise FDI equity inflows (from April, 2000 to March, 2014) are at – **Annex-‘A’.**

S.no	Financial Year (April-March)	FOREIGN DIRECT INVESTMENT (FDI)						Investment by FII's Foreign Institutional Investors Fund (net)
		Equity		Re-invested earnings	Other capital	FDI Flows Into India		
		FIPB Route/RBI's Automatic Route/n Route	Equity capital of unincorporated#			Total FDI Flows	%age growth over previous year (in US\$ terms)	
FINANCIAL YEARS 2000-01 to 2013-14 (up to March, 2014)								
1	2000-01	2,339	61	1,350	279	4,029	-	1,847
2	2001-02	3,904	191	1,645	390	6,130	(+) 52 %	1,505
3	2002-03	2,574	190	1,833	438	5,035	(-) 18 %	377
4	2003-04	2,197	32	1,460	633	4,322	(-) 14 %	10,918
5	2004-05	3,250	528	1,904	369	6,051	(+) 40 %	8,686
6	2005-06	5,540	435	2,760	226	8,961	(+) 48 %	9,926
7	2006-07	15,585	896	5,828	517	22,826	(+) 146 %	3,225
8	2007-08	24,573	2,291	7,679	300	34,843	(+) 53 %	20,328
9	2008-09	31,364	702	9,030	777	41,873	(+) 20 %	(-) 15,017

10	2009-10 (P) (+)	25,606	1,540	8,668	1,931	37,745	(-) 10 %	29,048
11	2010-11 (P) (+)	21,376	874	11,939	658	34,847	(-) 08 %	29,422
12	2011-12 (P)	34,833	1,022	8,206	2,495	46,556	(+) 34 %	16,812
13	2012-13 (P)	21,825	1,059	9,880	1,534	34,298	(-) 26%	27,582
14	2013-14 (P)(Apr, 2013-Mar, 2014)	24,299	984	9,047	2,066	36,396	(+) 6%	5,010
CUMULATIVE TOTAL (from April, 2000 to March, 2014)		219,265	10,805	81,229	12,613	323,912	-	149,663

(ii) %age worked out in US\$ terms & FDI inflows received through FIPB/SIA+ RBI's Automatic Route + acquisition of existing shares only.

II. Financial Year-Wise FDI Inflows Data:

A. AS PER INTERNATIONAL BEST PRACTICES: (Data on FDI have been revised since 2000-01 with expended coverage to International Best Approach Practices)(Amount US\$ million)

- (ii) Inflows under the acquisition of shares in March, 2011, August, 2011 & October, 2011, include net FDI on account of transfer of participating interest from Reliance Industries Ltd. to BP Exploration (Alpha).
- (iii) RBI had included Swap of Shares of US\$ 3.1 billion

- under equity components during December 2006.
- (iv) Monthly data on components of FDI as per expended coverage are not available. These data, therefore, are not comparable with FDI data for previous years.
- (v) Figures updated by RBI up to March, 2014.

**# Figures for equity capital of unincorporated bodies for 2010-11 are estimates. (P) All figures are provisional*

“+” Data in respect of ‘Re-invested earnings’ & ‘Other capital’ for the years 2009- 10, 2010-11, 2012-13 & 2013-14 are estimated as average of previous two years.

B. DIPP’S – Financial Year-Wise FDI Equity Inflows

(As per DIPP’s FDI data base – equity capital components only):

S. No	Financial Year (April – March)	Amount of FDI Inflows		%age growth over previous year (in terms of US \$)
		In Rs crores	In US\$ million	
Financial Years 2000-01 to 2013-14 (up to March, 2014)				
1	2000-01	10,733	2,463	-
2	2001-02	18,654	4,065	(+) 65 %
3	2002-03	12,871	2,705	(-) 33 %
4	2003-04	10,064	2,188	(-) 19 %
5	2004-05	14,653	3,219	(+) 47 %
6	2005-06	24,584	5,540	(+) 72 %
7	2006-07	56,390	12,492	(+) 125 %
8	2007-08	98,642	24,575	(+) 97 %
9	2008-09 *#	142,829	31,396	(+) 28 %
10	2009-10 #	123,120	25,834	(-) 18 %
11	2010-11 #	97,320	21,383	(-) 17 %
12	2011-12 # ^	165,146	35,121	(+) 64 %
13	2012-13 #	121,907	22,423	(-) 36 %
14	2013-14 (Apr-Mar, 2014)	147,518	24,299	(+) 8%
CUMULATIVE TOTAL (from April, 2000 to March, 2014)		1,044,431	217,703	-
Note:	(i)	including amount remitted through RBI's-NRI Schemes (2000-2002).		
	(ii)	FEDAI (Foreign Exchange Dealers Association of India) conversion rate from rupees to US dollar applied, on the basis of monthly average rate provided by RBI (DEPR), Mumbai.		

Figures for the years 2009-10, 2010-11, 2011-12 & 2012-13 (from April, 2012 to September, 2012) are provisional subject to reconciliation with RBI.

^ Inflows for the month of March, 2012 are as reported by RBI, consequent to the adjustment made in the figures of

March, '11, August, '11 and October, '11.

4. Conclusion

FDI in India has a significant role in the economic growth and development of India. FDI in India to various sectors can attain sustained economic growth and development

through creation of jobs, expansion of existing manufacturing industries. The inflow of FDI in service sectors and construction and Development sector, from April, 2000 to March, 2014 attained substantial sustained economic growth and development through creation of jobs in India. Computer, Software & Hardware and Drugs & Pharmaceuticals sector were the other sectors to which attention was shown by Foreign Direct Investors (FDI). The other sectors in Indian economy the Foreign Direct Investors interest was, in fact has been quite poor. India's Foreign Direct Investment (FDI) policy has been gradually liberalized to make the market more investor friendly. The results have been encouraging. These days, the country is

consistently ranked among the top three global investment destinations by all international bodies, including the World Bank, according to a United Nations (UN) report. For Indian economy which has tremendous potential, FDI has had a positive impact. FDI inflow supplements domestic capital, as well as technology and skills of existing companies. It also helps to establish new companies. All of these contribute to economic growth of the Indian Economy Recently.

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