Trend and Pattern of FDI Inflows in India

Biswajit Bhoi[1] and Deepti Rani Rath[2]

ABSTRACT

FDI is considered as an engine of economic growth. Before the economic reforms the flow of FDI to India has been comparative limits because of the type of industrial development strategy and the various foreign investment policy followed by the nation. So, the study highlights the amount of FDI inflows to India during pre-liberalization and post-liberalization. Whereas post-liberalization policies simple, transparent and promote domestic and foreign investment. After a long journey, FDI was introduced in various sector and states in India, which led to economic growth. I inspired to do research on this concept which through FDI. This consists of meaning, nature and types. I have tried my best to give enough explanation as this concept required. The objective of this research paper is to analysis the country wise, sector wise and region wise inflows in India for the period of 1980-2016. The design of the study is descriptive in nature. The study based on secondary data. The relevant information collected from various sources like UNCTAD, RBI bulletin. To analyzing the data various tabular form and diagrams have been used.

Key words: FDI, Inflows, low tax.

1.1. INTRODUCTION:-

FDI is used to create or purchase facilities for undertaking direct production, usually joint with an Indian partner. FDI provides investment capital as well as a modern technology, increasing the growth rate of GDP and employment.

FDI is a term used to denote the acquisition abroad of physical assets, such as plant and equipment, with operational control ultimately residing with the parent compny in the home country.

Foreign direct investment (FDI) in India has played an important role in the development of the Indian economy. FDI in India has – in many ways – enabled India to achieve a certain degree of financial stability, growth and development. This money has allowed India to focus on the areas that may have needed economic attention, and address the various problems that continue to challenge the country. India has continually sought to attract FDI from the world’s major investors. In 1998 and 1999, the Indian national government announced a number of reforms designed to encourage FDI and present a favorable scenario for investors. may take a number of different forms including.

1. The establishment of a new enterprise in an overseas country – either as a branch or as a subsidiary.
2. The expansion of an existing overseas branch or subsidiary.
3. The acquisition of an overseas business enterprise or its assets.

FDI inflows route:

Foreign Direct Investments in India are approved through two routes:

1. Automatic approval by RBI :-

The Reserve Bank of India accords automatic approval within a period of two weeks to all proposals and permits foreign equity up to 24%; 50%; 51%; 74% and 100% depending on the category of industries and the sect oral caps applicable. The lists are comprehensive and cover most industries of interest to foreign companies. Investments in high-priority industries or for trading companies primarily engaged in exporting are given almost automatic approval by the RBI.

2. The FIPB route

Processing of non-automatic approval cases FIPB stands for Foreign Investment Promotion Board, which approves all other cases where the parameters of automatic approval are not met. Normal processing time is 4 to 6 weeks. Its approach is liberal for all sectors and all types of proposals, and rejections are few. It is not necessary for foreign investors to have a local partner, even when the foreign investor wishes to hold less than the entire equity of the company.

FDI Permitted Sector:-

Important sectors of the Indian Economy attracting more investments into the country are as follows:

1. Electrical Equipments (including Computer Software and Electronic)
2. Telecommunications (radio paging, cellular mobile, basic telephone service)
3. Transportation industry
4. Services Sector (financial and non-financial)
5. Fuels (Power + Oil Refinery)
6. Chemical (other than fertilizers)
7. Food Processing Industries
8. Drugs and Pharmaceuticals
9. Cement and Gypsum products

FDI in Forbidden Sectors:-

FDI is not permitted under these following sectors:

a. Arms & ammunition
b. Atomic energy
c. Coal & lignite
d. Business of cheat fund
e. Lottery business
f. Gambling & betting
g. Railway transport
h. Housing & real estate
i. Trading In Transferable Devt. Right(TDR)

Forms of investments:-

Foreign Direct Investment (FDI) is permitted as under the following forms of investments

1. Through financial collaborations.
2. Through joint ventures and technical collaborations.
3. Through capital markets via Euro issues.
4. Through private placements or preferential allotments.

FDI Incentives:-

FDI incentives may take the following forms:

a. Low corporate tax & income tax rates

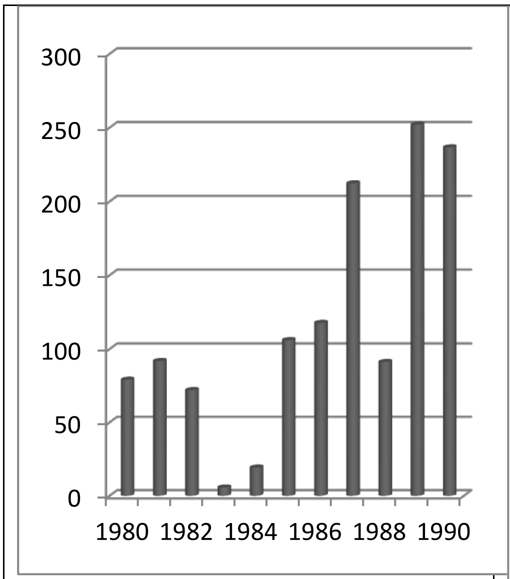
b. Tax holidays
c. Preferential tariffs
d. Special Economic Zones
e. Investment Financial Subsidies
f. Soft loans or loan guarantees
g. Free land & land subsidies
h. Job training & employment subsidies
i. Infrastructure subsidies
j. R & D Support

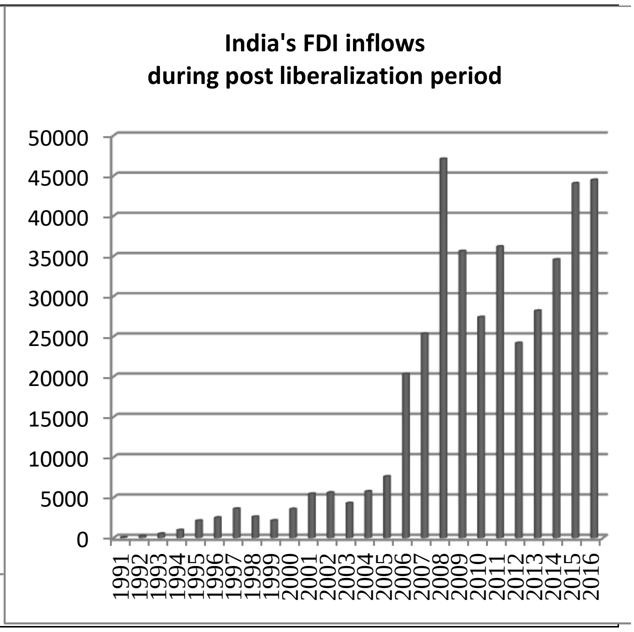
Developing coutries like India suffers from low level of income nd low level of capital formation. In India, the privte foreign capital has allowed in 2 main forms- The FDI and portfolio invesdtment. The improvement in FDI flows since 2000's has reflected through initiatives taken to create and enabling environment for FDI and inclusion of technologies and management practices in India.

The study of FDI in India has evolved over the pre and post-independence period in two distinct phases, which is convenient to look t these phases in two separate period as following figure.

STEPS TAKEN BY Govt. TO INCREASE INFLOW OF FDI

Pre-liberalisation period(1981-90)	**Post-liberlisation period (1991-2016)**
• Comentency had become inadequte to chllenge the international environment. So, counter mesures were needed to stop the economy down turn and reduce the country's isolation. • Liberalized facilities with regrd to bank deposits and investment in equity shares of the corporte sector. • Relaxations granted to NRIa investment were subject to a specific limit (5%). • Govt. established the estate duty, results remittance to india by NRI increase. • The surcharge on Income tax on NRI's abolished.	• Economic REforms were introduced in 1991, liberalisation, privatisation policy ws declared. • FDI with a much more liberal trade reforms besides reforms of capital market and exchange control. • Paradigm shift in direction of FDI in July 1991. • In 2000-01, FDI upto 100% has been permitted in e-commerce





Sources: UNCTAD, INDIA STAST 2016-17.

1.2. REVIEW OF LITERTURE:-

Nagrajan (2003)[1] states that, as India's trend shows the size of India's domestic market is relatively small, given the low levels of per capita income. After meeting the needs of food and clothing (wage goods), income left for spending on products that most foreign firms offer seems small; their price- income ratio too high for Indian consumers.

Niti (2004)[2] in an edited book on "Foreign Direct Investment" gives an explanatory and analytical study of FDI trends and policies in the world and in India. This study also gives a comprehensive account of the emerging scenario of international trade and investment under the WTO regime , post – liberalization Foreign Direct Investments policy of GOI and its effectiveness in the face of competitions from other Asian countries , to attract financial inflows into India and further evaluates the Foreign Direct Investments Policies of the government pursuade since the beginning of the economic reforms and charts out future course of action to compete with the world to attract Foreign Direct Investments inflows . The main observation of this study is that "the simplification and modernization of laws , rules and regulations , elimination of controls and bans, introduction of modern and professional regulatory systems and other policy reforms result in greater gross domestic investment as well as increasing the flows of Foreign Direct Investments".

In a detailed study by **Nayak and Dev (2005)**[3] on the topic "Low Bargaining Power of Labour Attracts Foreign Direct Investments to India" has looked into the question that whether there exists any nexus between the bargaining power of labor and the flow of Foreign Direct Investments? Because in the present era of economic liberalization, due to disempowerment of labor-numerical, decline of the organized workforce, weakening of trade unions and the consequent decline in the bargaining power of labor have become quite visible. This study suggests that notwithstanding low and declining capital-output ratio and high labor efficiency as the obvious determinants of increasing Foreign Direct Investments flow, the Indian scenario suggests that Foreign Direct Investments flows to the destinations where workers have a low and declining bargaining power.

Francis (2010)[4] opined that, "India the lasting interest is not evinced by any minimum holding of percentage of equity capital/ shares/ voting rights in the investment enterprise. To her, foreign investors operating in the same sector in their home countries & can be expected to be long-term players & bring capital and benefit on their strength. In addition, suggesting FDI ownership of 10% or more the voting power of an enterprise resident in economy of another economy. By arguing there, is some problem relating to classification & involving dangers with trade negotiations.

Rajalakhmi K.et al. (2011)[5,] "Impact of FDI in Indians automobile sector with reference to passenger car segment". The author had studied the foreign investment flows through the automobile sector with special reference to passenger cars and examining the trend and composition of FDI flow and effect of FDI on eco. Growth and identifying the problem faced by India in FDI growth of automobile sector through policy suggestion.

Seth et al. (2011)[6] analyzes about high technology, govt. incentives that are ineffective in china. His study provides more holistic view of factor impacting FDI location decisions. It is useful to MNE managers to better match the firm strategy requirements with the industry firm specific FDI incentives among the increasing number of contending FDI location now becoming available & helped to policy maker the efficiency of invest incentives & the time lag for benefits to materialize. This shifts the focus away from country level to more precise province level analyzes FDI inflows.

Agrawal G. et al. (2011)[7], " Impact of FDI on GDP: a comparative study of china and India", FDI refers to long-term participation by country a into country b in terms of managerial skill, transfer of technology and joint venture which plays a vital role in globalization process. There is strong evidence for promoting growth FDI has a vital contribution, in the sense generation of employment, fulfilling saving gap etc. & by reviewing article, they concluded that FDI has the positive impact on growth mainly in developing countries only in the presence of skilled labor. The study highlight bout whether the effect of FDI leads to economic growth of china and India or not & its comparative analysis of these two countries. To prove it they take into account multiple regression models by assuming the period of 1993-2009. The implication of the result is 1% increase in FDI would result in something increase in GDP of china & India respectively. This is due to presence of redtrapism & poor performance in competitiveness, lack of advance technology etc. to avoid these bottlenecks govt. should follow regulation policy for occupying a better position than china.

According to Jha R. (2011)[8], "FDI can only enhance in making of deep cuts in tariff that possible by substituting investment for domestic privatization program me". In short, FDI policy integrates with trade reform & privatization policy.

Anitha (2012)[9] views that in his article "FDI & economic growth in India", The FDI inflows during pre-liberalization period was CAGR of 25.46% which very minimum due to "Inward Looking Strategy" & dependence of external borrowings. In addition, during post liberalization it was increased by 34.73%. She include 30 years from 1980-81 to 2009-10 by ARIMA model.

Zeheng P.(2013)[10]**,** " The variation in Indian inward FDI patterns", it provides systematic & religious analysis, concluded that only market seeking FDI attracted more in early stage later. Resource seeking and efficiency seeking become more popular due to changed govt. Attitude towards policies also it is affected by geographical location due to cheap labor for efficiency purpose in developing country & suggests that Indian FDI experience may provide a guideline for other developing countries in formulating specific policy.

Prerna et al. (2013)[11] argued that, "FDI inflows rising but not enough because global FDI inflows declined by 8% in the first half as the world economy which not compete to other developed countries. Here author wants to give a long term lasting relationship ideas to policy makers."

Aliya & Parmer (2013)[12] highlighted in article, “Putting the money of your country in a company in functioning in some other country is FDI. To them, FDI is needed for decreasing deficit in BOP, development of basic infrastructure etc. as well various shortcomings like unbalanced growth, political instability can be found. India has seen an eightfold increase in its FDI, Govt. of India allowed FDI aviation up to 74%, in multi brand retail 100% & it was the second most developing retail growing & emerging markets. In the sect oral development context, FDI will benefit Agriculture & create employment opportunities.

Kirthika et al. (2014)[13] views about the relationship between FDI economic growths. For this, her studies were descriptive & analytical in nature also. They took the period of 10 years that is 2003-13. The author proved the hypothesis through Karl Pearson correlation coefficient and used the term CAGR. By using these, they came to conclude that, in case of GDP with FDI, Coefficient of 0.87%, which means economic moves toward FDI inflows, with GNP also in same manner. However, with BOP, an increase in FDI inflow leads to decrease in overall BOP where the coefficient is 0.46.

According to **Teli R.B (2014)**[14]**,** ” A critical analysis of FDI inflows in India”. In his article he tried to find out or analyzing the growth & trends& pattern of FDI inflow in India & to study the impact of FDI on growth over the period 1991-201. For this he used collected data, statistical tool and least square, concluded that India’s decision to allow 100% FDI in single brand retail as a revolution, textile in India & prospects that in the next 5 years, the countries aim is to have $250 billion FDI coming to India about impact of FDI, the correlation analysis shows that there is a very high correlation between the FDI & the economic growth and suggesting that the regulatory policies should be made favorable and avoid uncertainties for boosting FDI in India.

Jammu S. et al (2014)[15] stated in “FDI in India” that foreign capital is a good servant, but a bad master. Their focus was to examine the sector wise, state wise FDI inflow during 2000-2010, and showing the trends in FDI & total foreign investment by taking CGR and semi log trend model. In the context of state wise analysis Maharashtra and suggests further that it is mainly concerned in south and north further. The relationship between FDI and GDP, by using regression equation, economic growth leads to more attraction of FDI and inverse relationship between GDP & FDI.

Ibrahim et al. (2014)[16], “FDI plays a vital role in global business & also in the form of investment in foreign institutional investor (FIIs) & investment through American Depository Receipts (ADR) etc. The history of it was the establishment of East India Company for Britishors own interest, thus this force Indian economists to make foreign investment policy for acquiring advance technology & to mobilize foreign exchange reserve (FER) due to inadequate domestic capital, lack of entrepreneurship, capital formation & so on. The objective of this study is to explore the relationship between the inflow of FDI & its impact on Indian economy. For this he used period of 10 year from 2003-04 to 2012-13 & secondary data. By concerning inflows of FDI with India’s export, GDP & FER, he concluded that the CAGR of FDI flow was 23.9%, export rate 16.76% & GDP was 12.68% and the increase over the period was 3.88 times of FER. He suggests that, in India foreign capital helps in increasing productivity of labor, to build FER to meet current account deficit. Therefore, govt. should provide tax concession, simplification of licensing to encourage foreign investment. During this period, Indian economy is developing very rapidly and become fifth largest country in the world.

Naveen (2015)[17] opines that, “3d‟s- democracy, demography and demand are the unique traits of Indian economy and India is having superior marketplace at global level, the government has launched „make in India‟. Also suggesting India is far better on most of the countries FDI inflows into the service sector increased from $ 2.22 billion in 2013-14 to $3.25 billion in 2014-15 i.e. Increase by 46 % , the growth rate has picked up the pace, external account is better as foreign reserves are at record high, inflation has been moderate and fiscal deficit is manageable. Thus for the acceleration of rate of economic growth, India needs to augment FDI inflows by using simple statistical tool like correlation and regression.

Vyas (2015)[18] in the article entitled**,** "An analytical study of FDI in India". Here we tried to achieve the objective the FDI inflows to India in sector, country and region wise and reached conclusion that FDI creates jobs for skilled employee and plays vital role in development of infrastructure and it has good further growth. In retailing & real sector because relaxation of norms for foreign investment. In region wise, Mumbai was top with 29% to total FDI. A country wise shows Mauritius in top followed by Singapore, Japan, and U.K. This study suggesting for flexible labor laws relook at sect oral caps, geographical disparities of FDI should be removed result more and more inflow of FDI into a country.

Sirisha et al. (2015)[19] revealed that**,** "A study in the changing trends in the flow of FDI" stated that, in the content of country wise inflow the CAGR ranges from -19.53% of minimum & maximum of 65.28%. There are Luxemburg, Singapore, Japan witnessed positive & Mauritius, USA, Hongkong witnessed negative. In the context of sector analysis CAGR ranged between -52.22 to 52.33, which witnessed highest FDI in communication, and lowest in trading industry. For this, the author studied for 7 yr that is 2007-08 to 2014-15, by using the term AGR.

Sharma et al. (2016)[20]**,** in his article suggests that, there is a positive relationship between FDI and economic factors like (inflation, deficit in BOP, GDP etc.). From their study, it is concluded that after liberalization FDI is a key factor considered developing indicator of Indian economy, by analyzing sector wise, service sector's contribution was 17.03% during 1991 onwards to 2015. By analyzing region wise, Mumbai is the fast destination which attracting FDI that is 29% by following Delhi, Chennai.

Shyam (2017)[21] proposed in his article, "FDI: future demand of India" mentioned, "consumer are always hungry for modern ways of shopping, Indian retail & employment potential is growing fast too. In his study, it was mentioned about retail scene that they are rethinking of best pricing system which e prudent to encourage FDI in retail further.

1.3. OBJECTIVE:-

To analyses the trends of FDI inflow into India from 1980's to 2016 in countrywise, sectorwise and regionwise.

1.4. RESEARCH QUESTION:-

Based on objective it has following question:

What will be the trend and pattern of FDI in country wise, sector wise, region wise in India?

1.5. HYPOTHESIS:-

There is a significant growth in the amount of FDI inflows since post-liberalization period.

1.6. DATAS AND METHEDOLOGY:-

The present study completely relies upon the secondary data published by the Reserve Bank of India (RBI), United Nations Conference for Trade and Development (UNCTAD), Central Statistical Organization (CSO) and Economic Survey of Government of India. The secondary data relating to various dimensions of FDI such as inflow of FDI into India, the sectors attracting highest FDI inflows into India etc. have all been collected for economic analysis.

For data illustration, suitable diagrams and trend lines have also been used. The collected data have been classified, tabulated and analyzed. This research is a descriptive study in nature.

1.7. LIMITATIONS :-

There are certain limitations in the present study namely,

Lack of continuous time series data in the RBI Bulletin and other sources of publication, so some tables have been framed only with available data.

1.8. SCOPE OF THE STUDY:-

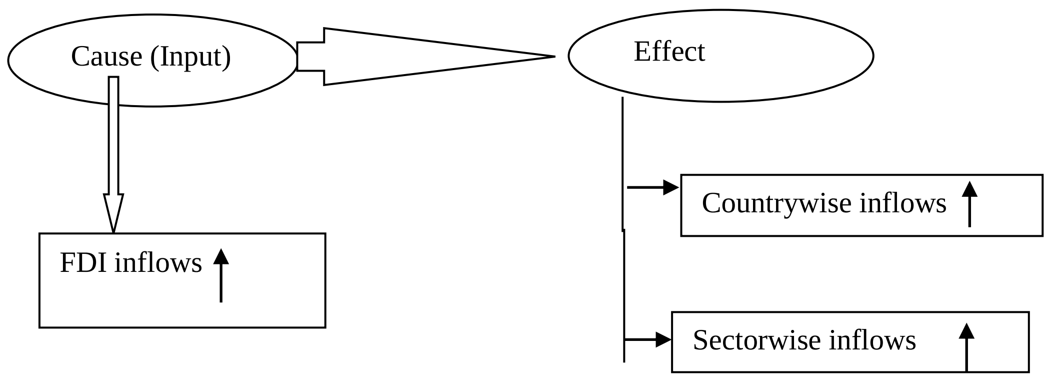
1. The study is aimed to understand the flow of FDI in the Indian economy.
2. Finding out the reason for the differences in FDI inflows.

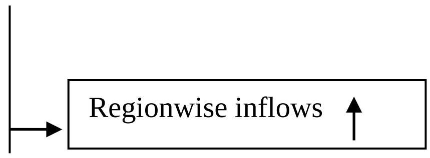
1.9. SIGNIFICANCE:-

The role of Foreign Direct Investment in the present world is noteworthy. It acts as the lifeblood in the growth of the developing nations. Flow of the FDI to the countries of the world truly reflects their respective potentiality in the global scenario. Flow of FDI truly reflects the country's both economic and political scenario. A larger Foreign Direct Investment Inflows require for the development of multi various activities in different sectors like agriculture, health, education, energy, national highways, industries, and infrastructure and employment generation. The FDI inflows play a peculiar role in the development of the economy. In a globalised economy the FDI inflows is must for the development of the economy. The present study brings about an economic analysis of the Foreign Direct Investment inflows into India

1.10. CONCEPTUAL FRAMEWORK:-

In order to show the trend and inflow of FDI in countrywise, sectorwise and regionwise, I have classified it into 3 section like section 1,section 2, and section 3.





In order to show pattern and composition of FDI inflows in the pre and post liberalization period, year-wise, state-wise, sector-wise and county-wise data is presented in three sections. Namely section 1 contains country wise analysis, section 2 contains sector wise analysis and section 3 contains region wise, analysis in the form of tables, figures, graphs, diagrams and on some data statistical tools have been used for more precise and accurate analysis and interpretation. This is an attempt to provide a broad picture of the FDI inflows into India.

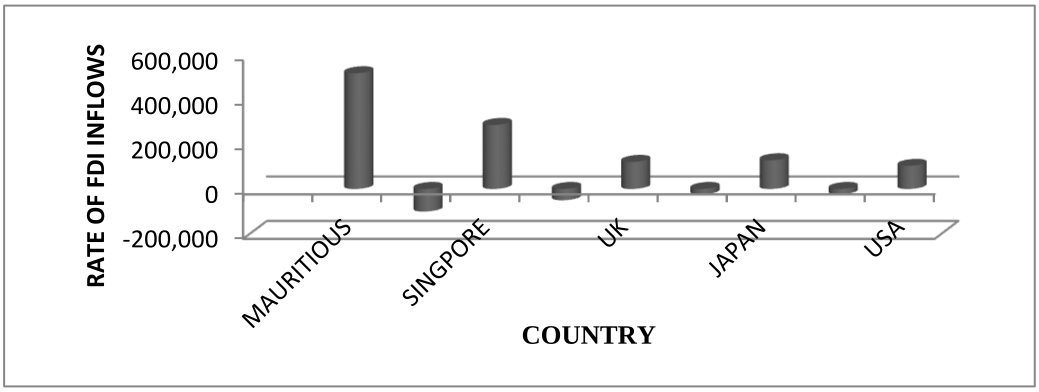
DATA ANALYSIS
COUNTRYWISE FDI INFLOWS

SECTION-1

India is able to attract FDI inflows from all the major economies. More number of new firms was established by investing the more than 120 countries in India. Apart from these, non-resident Indians (NRIs) and Foreign Institutional Investors (FII's) are also taking part in the Investment activities. In order to analyze the country wise FDI inflows to India, I have taken only 10 major countries. took only these major countries because for the sake of simplification of the study.

The following bar diagram (showing the share of top ten investing countries) in India for the years 2000 to 2016.

Share of top investing countries FDI inflows from 2000-2016



source: RBI bulletin (2000-2016)

The highest investment was invested by Mauritius in India, which covers 33 per cent of the total investment of top 10 investing countries in India. The lowest investment UAE was invested by in India, which covers 2 per cent of the total investment of the top ten investing countries in India for the year 1990-91 to 201516. United States of America and Singapore have invested 16 and 6 % respectively. UK, Cyprus and Netherland have invested 8%, 3%, 6%respectively. France, Japan and Germany have invested 2%, 8%, 3%respectively. It is interesting to note that Mauritius Investment in India, The difference between the Investment of Mauritius and other nine countries of top ten investing countries in India is only 23%. Hence, Mauritius has occupied a vital role in Foreign Investment in India.

Reasons:-

- Mauritius getting the top rank in the list of investing countries in India.

- India and Mauritius have very close and unique relationship, which encompasses virtually all aspects of bilateral and multilateral cooperation characterized by common kingship, culture, religion and interests.
- India has signed bilateral agreements with Mauritius on civil aviation, and avoidance of double taxation. Moreover, special tax treatment is accorded in India to investments routed through Mauritius.
- On the other hand, it needs to be pointed out that the FDI inflow from Mauritius to India is misleading. This is so because Mauritius has low rates of taxation and an agreement with India on double-tax avoidance regime.

SECTION-2

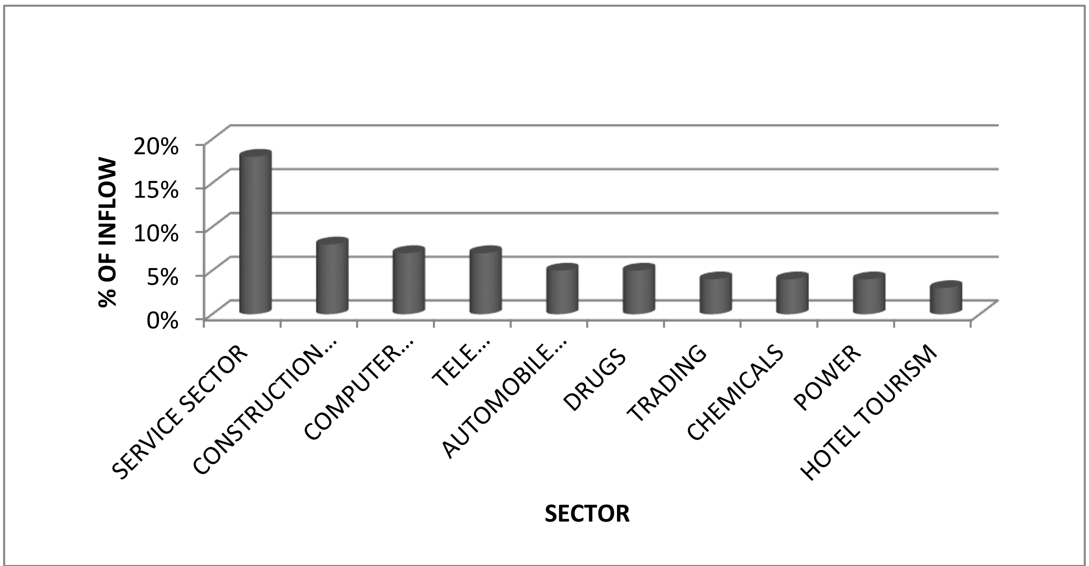
SECTORWISE FDI INFLOWS

Another important dimension of trend analysis of FDI flows into India has been their sect oral distribution. It would be interesting to observe in which sectors foreigners evince their interest to invest in India. The Government of India gradually open-up new sectors and has raised the caps for foreign investment. FDI up to 100 percent is now permitted on automatic route in all sectors except a few selected sectors and prohibited FDI investments in few sensitive sectors.

The investment channels of FDI in India reveal that only 10 sectors folly made of the FDI in the country as mentioned in Table.

The following bar diagram showing the top ten sectors attracting highest FDI inflows into India for the years 2000 to 2016.

Sectors attracting highest FDI inflows from 2000-2016



source: RBI bulletin (2000-2016)

The highest investment viz. RS 293,722 crore was invested in the service sector which covers 18 per cent in terms of $ among the ten sectors attracting highest FDI inflow into India. The lowest investment viz. Rs.53, 207 crore was invested in hotel & tourism sector which covers 3 per cent in terms of $ among the top ten sectors attracting investment in India. Rs. 111,388 crore was invested in table communication sector. Rs.114, 350 crore was invested in Housing and Real Estate (Real Estate only for the NRI Investment), invested in construction activities, Rs.56,357 crore was invested in power sector, Rs.86,259 crore was invested in Automobile Industry and Rs.63,116 crore was invested in chemical industry.

REASONS:-

- It is noteworthy to note that the highest attracting sector investment is in service sector, this in because of the liberalization foreign policy of India in 1991 reform measures.
- The sector wise analysis of FDI inflows in India reveals that maximum FDI has taken place in the service sector including the telecommunication & many others. The service sector is followed by the computer hardware & software in terms of FDI. High volume of FDI took place in telecommunication, real estate, construction, power, automobile, etc.
- FDI inflows to construction, housing sector in India have developed the sector. The increased flow of FDI in this sector in India has helped in the growth, development & expansion of the sector. It is a phenomenal growth in the life of the country. India has become one of the prime destinations in terms of construction activities.
- The FDI in automobile sector has experienced huge growth in the past few years. The increase in demand for motors & other vehicles is powered by the increase in levels of disposable income in India.
- The increased FDI inflows to metallurgical & chemical industry in India have helped in the growth & development of the sector. This has led to development, expansion & growth of the industry; this in turn leads to improvement in the quality of products from the industry.

SECTION 3

REGIONWISE FDI INFLOWS ANALYSIS

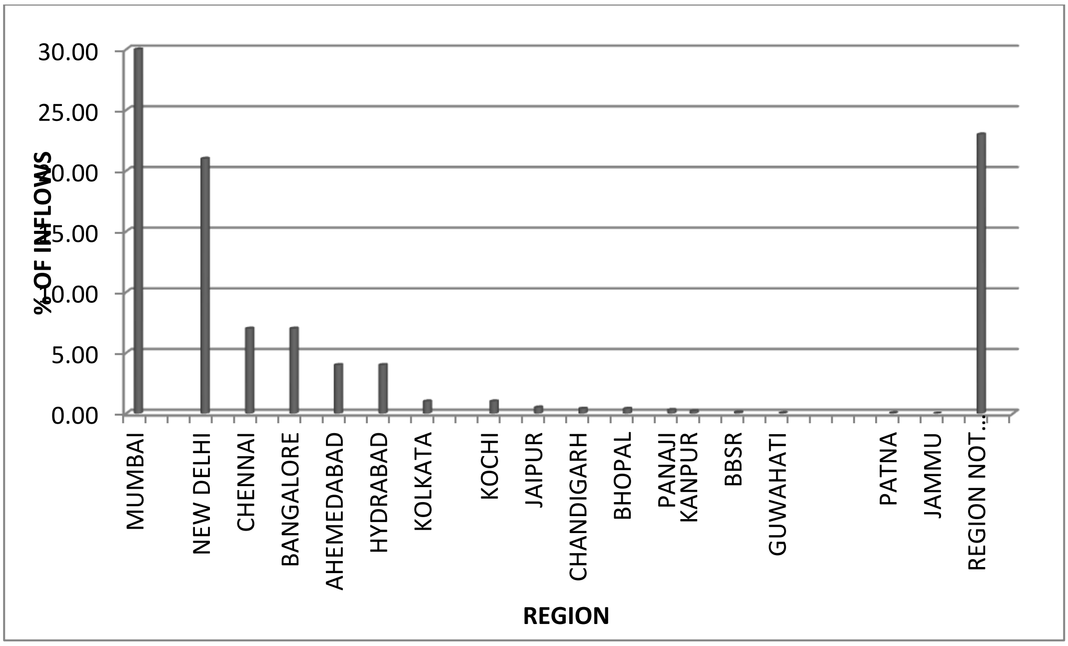
In order to analyze the region wise FDI inflows in India, I have taken RBI regional offices with state covered for the period of 2000-2016. The table 3.2.3 in appendix reveals that the status of FDI inflows for the period of 2000-16 state wise in India. Of the total amount of inflow of Rs 1,640,000 crore Mumbai occupies first position by attracting of Rs 484,163 crore and 30 percent by covering. Second place was held by New Delhi, which attracts FDI investment of Rs 355,727 crore with a share of 21 percent. Chennai & Bangalore followed in the 3rd & 4^{th} place by accounting for up to 7 percent of total FDI inflows, which covers the state of Tamil Nadu, Pondicherry. Jammu, Patna, Guwahati, BBSR etc. by contributing 0, 0.03, 0.03, 0.1 per cent respectively, held the last place.

The following bar diagram showing the RBI's regional offices, which received highest FDI inflows into India for the years 2000 to 2016.

TABLE-1

RBI's regional offices (with state covered) receive

FDI inflows (2000-2016)



source: RBI bulletin (2000-2016)

Reasons- Most software companies are in Mumbai & Bangalore where the Indian industry originally developed, but they are also developing quickly in Delhi. As to the main poles of competitiveness, they are mainly concentrated in the south on the axis of Bangalore & Ahmadabad has grabbed the attention of foreign investors due to presence of strong road & rail network, availability of skilled work force.

1.10. Distribution of FDI with in India:

FDI inflows in India are heavily concentrated around two cities, Mumbai (US$ 92,848 million) and Delhi (US$ 65,252 million). Bangalore, Ahmadabad and Chennai are also receiving significant amount of FDI inflows. Mumbai and Delhi together received 51 per cent of total FDI inflows to India during 2000 to 2016.

Mumbai received heavy investment from Mauritius (29%), apart from U.K. (17%), USA (10%), Singapore (9%) and Germany (4%).The key sectors attracting FDI inflows to Mumbai are services (30%), computer software and hardware (12%), power (7%), metallurgical industry (5%) and automobile industry (4%).

Delhi received maximum investment from Mauritius (58%), apart from Japan (10%), Netherlands (9%), and UK (3%).While the key industries attracting FDI inflows to Delhi region are telecommunications (19%), services (18%), housing and real estate (11%), automobile industry (8%) and computer software and hardware (6%).

The other major investing countries in Bangalore are USA (15%), Netherlands (10%), Germany (6%), and UK (5%). Top sectors reported the FDI inflows are computer software and hardware (22%), services (11%), housing and real estate (10%), telecommunications (5%), and fermentation industries (4%). Chennai received FDI inflows from Mauritius (37%), USA (13%), Singapore (9%) and Germany (4%). The key sectors attracting FDI inflows are construction activities (21%), telecommunications (10%), services (10%), computer software and hardware (7%), automobile industry (7%).

1.11.Prospects of FDI in India :-

The advantages of India as an investment destination rest on strong fundamentals, which include a large and growing market, world-class scientific, technical and managerial manpower, cost effective and highly skilled labor, abundant natural resources, a large English speaking population, independent judiciary, etc. This is now recognized by a number of global investors who have either already established a base in India or is in the process of doing so. Ongoing initiatives, such as further simplification of rules and regulations and improvement in infrastructure are expected to provide the necessary impetus for increasing FDI inflows in future. The inflows of FDI would depend on domestic economic conditions, world economic trends, and strategies of global investors. It must be appreciated that the present government is fully committed to creating strong economic fundamentals and an increasingly proactive FDI policy regime in India.

APPENDIX

Amount of FDI inflows

(Pre- liberalization period)

(US$ Million)

YEAR	FDI Inflows	AGR
1980	79.16	
1981	91.92	13.8816
1982	72.08	-27.525
1983	5.64	-345.32
1984	19.24	70.6861
1985	106.09	81.8645
1986	117.73	30.4642
1987	212.32	44.5507
1988	91.25	-132.68
1989	252.1	67.9581
1990	236.69	-6.5106
Mean	116.747	
Standard Deviation	82.754	
Sample Variance	6848.23	

Sources: UNCTAD, INDIA STAST 2016-17.

(Post liberalization period)

Amount of FDI's inflows to India

(US$ Million)

YEAR	India($)	AGR
1991	75	
1992	252	70.2381
1993	532	52.6316
1994	974	45.3799
1995	2151	54.7187
1996	2525	14.8119
1997	3619	30.2294
1998	2633	-37.448
1999	2168	-21.448
2000	3587.99	39.5762
2001	5477.64	34.4975
2002	5629.67	2.70057
2003	4321.08	-30.284
2004	5777.81	25.2125
2005	7621.77	24.1934
2006	20327.8	62.5056
2007	25349.9	19.8113
2008	47102.4	46.1813
2009	35633.9	-32.184
2010	27417.1	-29.97
2011	36190.5	24.2423
2012	24195.8	-49.574
2013	28199.5	14.1977
2014	34582.1	18.4565
2015	44064.1	21.5187
2016	44485.6	0.94748
TOTAL	414894	
Mean	15957.4	
Standard Deviation	16375.6	

Sources: UNCTAD, INDIA STAST 2016-17.

Section 1

Share of top investing countries FDI inflows from 2000-2016

Amount Rupees in Corers (US$ in terms of Million)

RANKS	COUNTRY	CUMMULATIVE INFLOWS	% OF TOTAL INFLOWS (in terms of US $)
1	MAURITIOUS	519,500 -101,760	33%
2	SINGPORE	287,949 -50,560	16%
3	UK	122,028 -24,072	8%
4	JAPAN	129,416 -23,760	8%
5	USA	104,193 -19,380	6%
6	NETHERLANDS	105,328 -18,929	6%
7	GERMANY	48,806 -9217	3%
8	CYPRUS	45,227 -8933	3%
9	FRANCE	27,750 -5294	2%
10	UAE	24,024 -4385	1%

source: RBI bulletin (2000-2016)

Section 2

Sectors attracting highest FDI inflows

Amount Rupees in Corers

(US$ in Millions)

	SECTOR	CUMULATIVE INFLOWS	% OF TOTAL INFLOWS
1	SERVICE SECTOR	293,722 -56,080	18%
2	CONSTRUCTION DEVT., TOWNSHIPS HOUSING, BUILT-UP INFRASRTUCTURE	114,350 -24,250	8%
3	COMPUTER SOFTWRE & HARDWARE	119,087 -22,050	7%
4	TELE COMMUNICATION	111,388 -21,169	7%
5	AUTOMOBILE INDUSTRY	86,259 -15,793	5%
6	DRUGS & PHARMACEUTICALS	74,367 -14,490	5%
7	TRADING	78,772 -13,354	4%
8	CHEMICALS (OTHER THAN FERTILIZERS)	63,116 -12,433	4%
9	POWER	56,357 -11,035	4%
10	HOTEL TOURISM	53,207 -9,750	3%

Sources: RBI bulletin (2000-16)

Section 3

Region wise FDI Inflows Analysis

Statement on RBI's Regional Offices (With State Covered) Received FDI Inflows

S.NO	RBI'S REGIONAL OFFICES	STATE COVERED	CUMMULATIVE INFLOWS	% OF TOTAL INFLOWS
1	MUMBAI	MAHARASHTRA,	484,163	30
		DADRA HAVELI,	-92,848	
		DAMAN & DIU		
2	NEW DELHI	DELHI, PART OF UP & HARYANA	355,727	21
			-65,652	
3	CHENNAI	TAMIL NADU,	122,683	7
		PONDICHERRY	-22,161	
4	BANGALORE	KARNATAK	116,128	7
			-21,318	
5	AHEMEDABAD	GUJRAT	70,927	4
			-13,653	
6	HYDRABAD	A.P	66,760	4
			-12,648	
7	KOLKATA	WEST BENGAL,	21,055	1
		SIKKIM,	-3,967	
		ANDAMAN & NIKOBAR ISLAND		
8	KOCHI	KERALA,	8,938	1
		LAKSHADEEP	-1,629	
9	JAIPUR	RAJASTAN	7,879	0.5
			-1,457	
10	CHANDIGARH	CHANDIGARH,	6,576	0.4
		PUNJAB,HIMACHAL PRADESH	-1,364	
11	BHOPAL	M.P., CHHATISHGARH	6,782	0.4
			-1,321	
12	PANAJI	GOA	4,022	0.3
13	KANPUR	U.P., UTTARANCVHAL	3,008	0.2
			-569	

			2,025	
14	BBSR	ORISSA	-407	0.1
		ASSAM,	456	
		ARUNACHAL PRADESH,	-95	
		MANIPUR, MEGHALAYA,		
		MIZORAM, NAGALAND,		
15	GUWAHATI	TRIPURA		0.03
		BIHAR,	551	
16	PATNA	JHARKHAND	-95	0.03
			39	
17	JAMMU	JAMMU & KASHMIR	-6	0
			362,281	
18	REGION NOT INDICATED	-----------	-70,132	23
19	SUB TOTAL		-310,137	----

Sources: RBI bulletin (2000-2016)

REFERENCES:-

1) Anitha R. (2012). FDI & Economic growth in India. *International journal of marketing financial services & management research,* 1(8), pp 108-114
2) Damodar, N. Gujarati. Basic Econometrics. IV edn. Second Reprint, Tata McGraw Hill Publishing Co. Ltd., New Delhi (2004)
3) Dua P. and Rashid A.I. (1998). FDI & Economic activity in India. Dept. of Economics, Delhi School of Economics, University of Delhi, Vol.33, no. 2, pp. 153-168
4) Dar.A.J. & Singh.M. (2014). FDI inflows in India & China since 2003: A comparative analysis. *Journal of Education & Social Policy,* 1(2). Pp 12-13. ISSN 2375-0782(PRINT) 2375-0790 (ONLINE)
5) Economic Survey of India (2017-18), Ministry of Finance, Government of India.
6) Francis S. (2010). FDI concept: Implication & Negotiations. *Economic & Political weekly*, 45(22), pp. 31-36
7) Goldman Sachs (2007): Global Economic Papers No.99
8) Hooda S. (2011), A study of FDI and Indian economy. Unpublished thesis of Deemed University, Haryana
9) Jammu S. & Welling J.S. (2014). FDI in India. International journal of econometrics & financial management, 2(3). Pp 95-101.
10) Kirthika M. & Nirmala S. (Oct 2014). A study on the effect of India's FDI inflows & its economic growth. *International Journal of Informative & Futuristic Research,* 2(2), pp.350-359
11) Moudatsou A. and Kyrkills D. (2011), FDI & Economic growth: causality for the EU & ASEAN. *Journal of economic integration*. vol.26 no3, pp. 554-577
12) Mishra S. (2017). FDI: Future demand of India. *Journal of Accounting, finance & marketing technology,* 1(2), pp. 1-4
13) Makki S.S. and Somwaru A. (2004), Impact of FDI & Trade on Economic Growth: Evidence from developing economics. Oxford Journals. Vol. 86, No. 3, pp. 795-801
14) Nagraj R.(2003). Foreign Direct Investment in India in the 1990s Trends and Issues. *Economic and Political Weekly,* Vol. 38, No. 17. pp. 1701-1712

15) Rizvi S.Z.A. and Nishat M. (2000), The impact of FDI on employment opportunities: panel data analysis: empirical evidence from Pakistan, India, china. The Pakistan development review, vol. 48, no.4, pp. 841-851
16) Sirisha S. & Mayadri P. (2015). A study on the changing trend in the flow of FDI. *Arabian journal of business and management review*, 6(11), pp 2-5.
17) Sethi D., Judge W.Q. et al. (2011). *FDI* distribution within china: An integratyive conceptual framework for analyzing intra-country FDI variations. *Asia pac J manag*,28,325-352 doi: 10.1007/s10490-009-9144-5
18) Sharma M. (Jan 2016). Impact of FDI on Indian Economy. *International journal of innovative research*, 5(2), pp. 202-04. (Retrieved from www.ijird.com)
19) Singh V.K. (2015), Role of FDI IN promoting small & medium enterprises sector in India. Unpublished thesis. Tamil Nadu University
20) Sahoo D. (2004). An analysis of the impact of FDI n the Indian economy. Unpublished Thesis of ISEC, Bangalore
21) Singh J. et al. Role of Foreign Direct Investment in India: An Analytical Study. *International Journal of Engineering and Science* ISSN: 2278-4721, Vol. 1, Issue 5 (October 2012), PP 34-42