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Role of FDI: Status and Performance in Indian Economy

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Abstract: Foreign Direct Investment is considered as one of the important tool for the economic development particularly in the interest of the developing and underdeveloped countries. It transfers financial resources, innovative technology and management techniques which increases the productivity in the country. In India, company can raise Foreign Direct Investment through automatic route or government route. FDI in various sectors of an economy will show the relative opportunity and attractiveness of the sector. Huge amount of FDI in specific sector will show the potential development and opportunity in the sector. This paper is an attempt to study the role of FDI in India and it exhibit the sector-wise & year-wise analysis of FDI's in India. The results show that the computer software and hardware sector has attracted huge amount of FDI in India followed service sector. Further it has been observed that year by year the FDI have shown the increasing trend in an economy.
Keywords: Foreign Direct Investment, Sectorial Analysis, Economic Growth,

I. INTRODUCTION

Foreign Investment has contributed to the economic growth of various countries. Foreign Investment is required for enhancing production, distribution, trade and services, infrastructural support and technological capabilities of the country. Particularly developing countries which has limited resources and want to increase the industrialization and develop infrastructure facilities, such capital play very crucial role in these Endeavour. Hence Foreign direct investment in the country will result in economic growth of the country. In India, Foreign direct investment is a major monetary source for economic development. Foreign companies can invest directly in private Indian businesses to get the advantages of cheaper wages and changing business environment of India.

FDI is a one of the important source of external finance which means that countries with limited resources can receive finance beyond their national borders and from wealthier countries. Apart from being a significant driver of economic growth, foreign direct investment (FDI) is a major source of non-debt external monetary resource for the economic development of India. The Indian government's have taken many favorable steps and robust business environment have ensured that foreign investment keeps increasing into the country. The government has taken several initiatives in recent years such as relaxing FDI norms across sectors such as defence, telecom, power exchanges, PSU oil refineries, and stock exchanges, among others.

II. RESEARCH METHODOLOGY

This study is based on secondary data. Data have been collected from various sources including RBI bulletins, Economic Survey Reports, NSE India and BSE India Websites and also from various publications of Ministry of Commerce. This study considers last 06 years data i.e from 2015-16 to 2020-21. Values have been averaged to get the most appropriate representation on an annual basis in case of stock market movements.

A. Objectives

1) To Study the trends of FDI Flow in India during 2015-16 to 2020-21.
2) To analyze the FDI inflow in different sector of an economy.
3) To know the trend and pattern of FDI in different sector of an economy.

B. Analysis and Interpretation

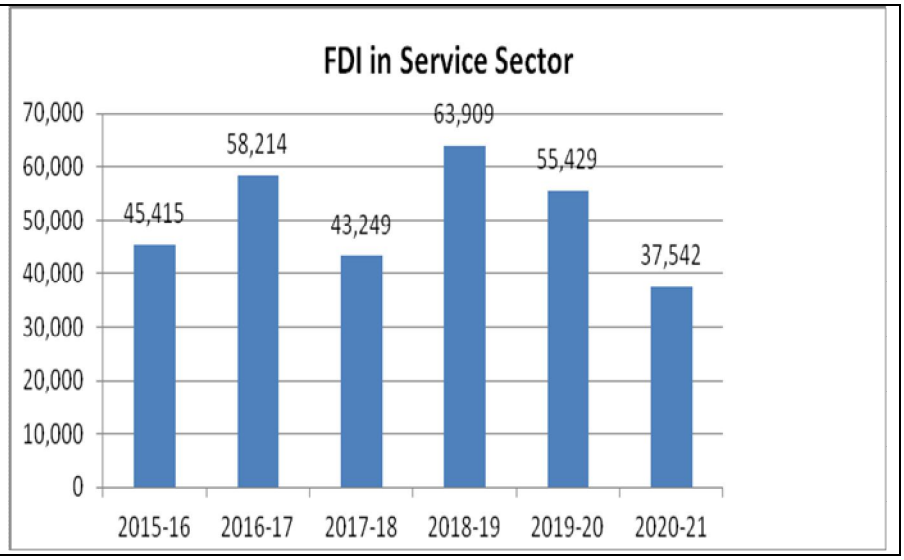
To achieve the objectives of this study we make an analysis on the basis of collected data. The results on the basis of secondary data are following as under:

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Table No. 1. FDI in Service Sector

FDI in Service Sector(Amount in Rs. Crores)	
Year	FDI
2015-16	45,415
2016-17	58,214
2017-18	43,249
2018-19	63,909
2019-20	55,429
2020-21	37,542
Average	50626.33333
CAGR	-3.74%

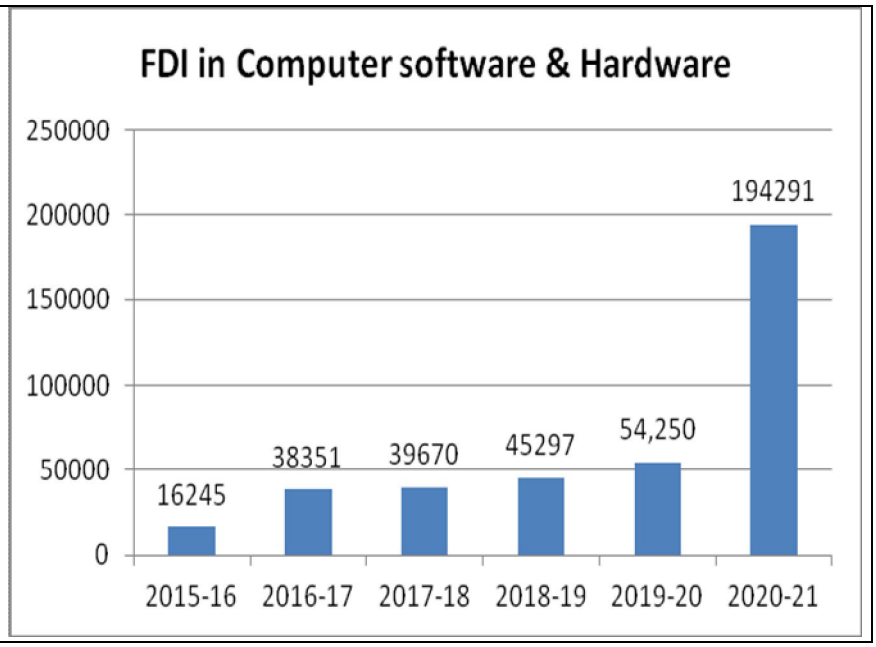


Source: Department for Promotion of Industry and Internal Trade

Table 1 shows the FDI in service sector during the period of 2015-16 to 2020-21. During the study period (2018-19 to 2020-21) a negative and fluctuating trend has been observed for FDI in service sector. Further there is negative growth rate of -3.74% is observed during the study period. Service sector has shown lowest investment in 2020-21 in comparison with whole study period.

Table No. 2. FDI in Computer Software & Hardware

FDI in Computer software & Hardware(Amount in Rs. Crores)	
Year	FDI
2015-16	16245
2016-17	38351
2017-18	39670
2018-19	45297
2019-20	54,250
2020-21	194291
Average	64684
CAGR	64.27%



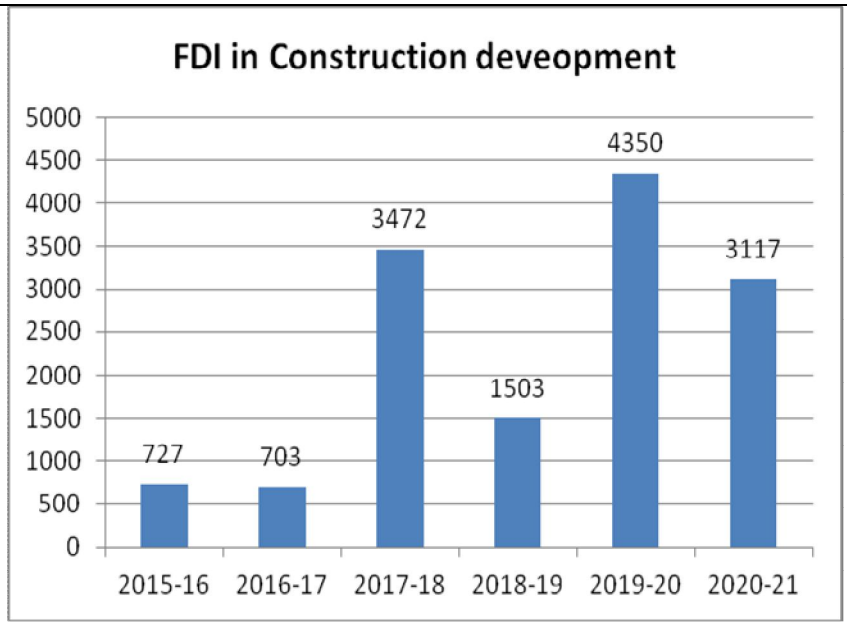
Source: Department for Promotion of Industry and Internal Trade

Table no.2 shows the FDI in Computer software & Hardware during the period of 2015-16 to 2020-21. During the study period a sharp positive trend has been observed for FDI in Computer software & Hardware. Further there is positive growth rate of 64.27% is observed during the study period. In the year 2020-21, the sector has attracted highest FDI in comparison to all other sector. This sector have shown very good performance with respect to FDI attraction.

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Table No. 3. FDI in Construction Development

FDI in Construction development (Amount in Rs. Crores)	
Year	FDI
2015-16	727
2016-17	703
2017-18	3472
2018-19	1503
2019-20	4350
2020-21	3117
Average	2312
CAGR	33.80%

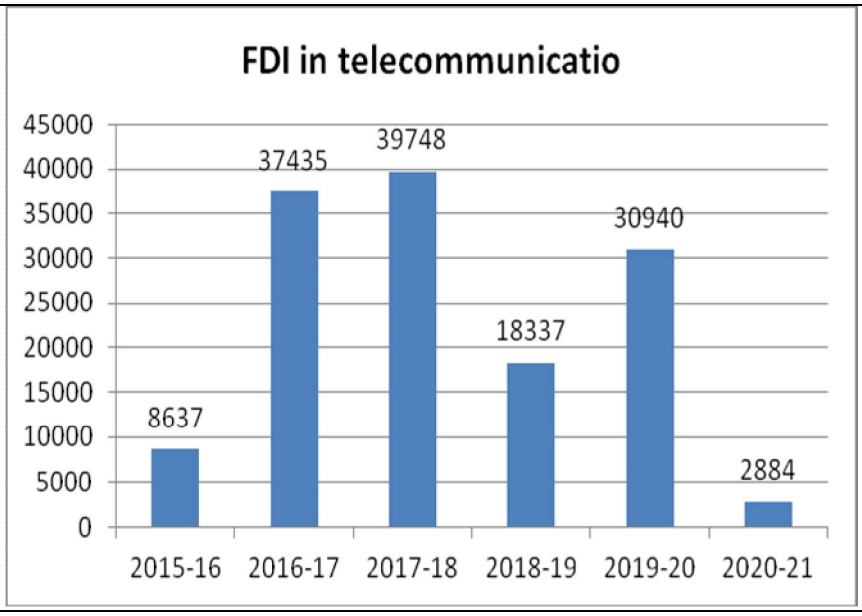


Source: Department for Promotion of Industry and Internal Trade

Table no.3 shows the FDI in Construction development during the period of 2015-16 to 2020-21. During the study period a fluctuating trend has been observed for FDI in Construction development. Further there is a positive growth rate of 33.80% is observed during the study period. This sector have shown average performance with respect to attract FDI.

Table No. 4. FDI in Telecommunication

FDI in Telecommunication	
Year	FDI
2015-16	8637
2016-17	37435
2017-18	39748
2018-19	18337
2019-20	30940
2020-21	2884
Average	22997
CAGR	-19.70%

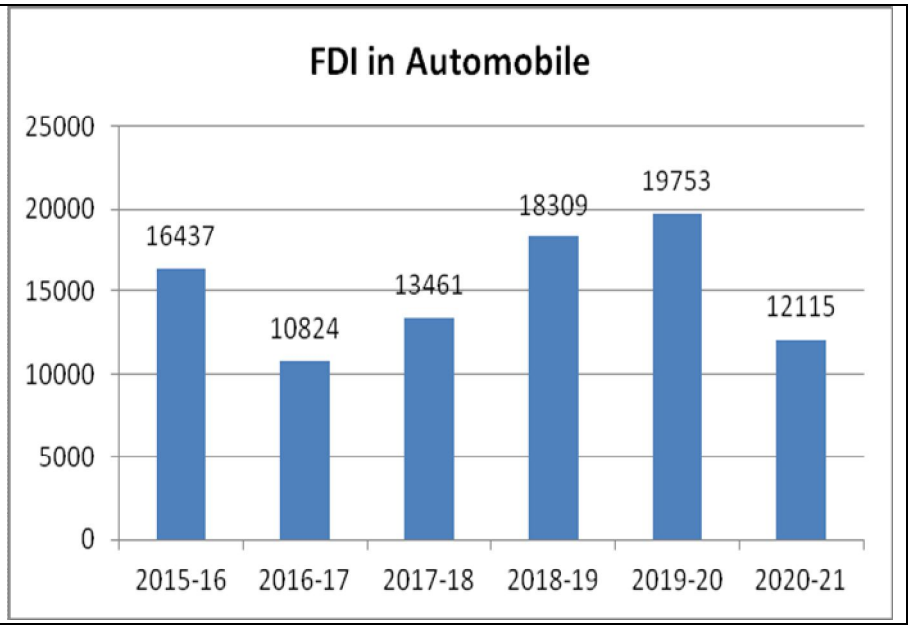


Source: Department for Promotion of Industry and Internal Trade

Table no.4 shows the FDI in Telecommunication sector during the period of 2015-16 to 2020-21. During the study period a negative trend has been observed for FDI in Telecommunication. Further there is a negative growth rate of -19.70% is observed during the study period. This sector has shown poor performance with respect to attract FDI.

Table No. 5. FDI in Automobile

FDI in Automobile	
Year	FDI
2015-16	16437
2016-17	10824
2017-18	13461
2018-19	18309
2019-20	19753
2020-21	12115
Average	15150
CAGR	-5.92%

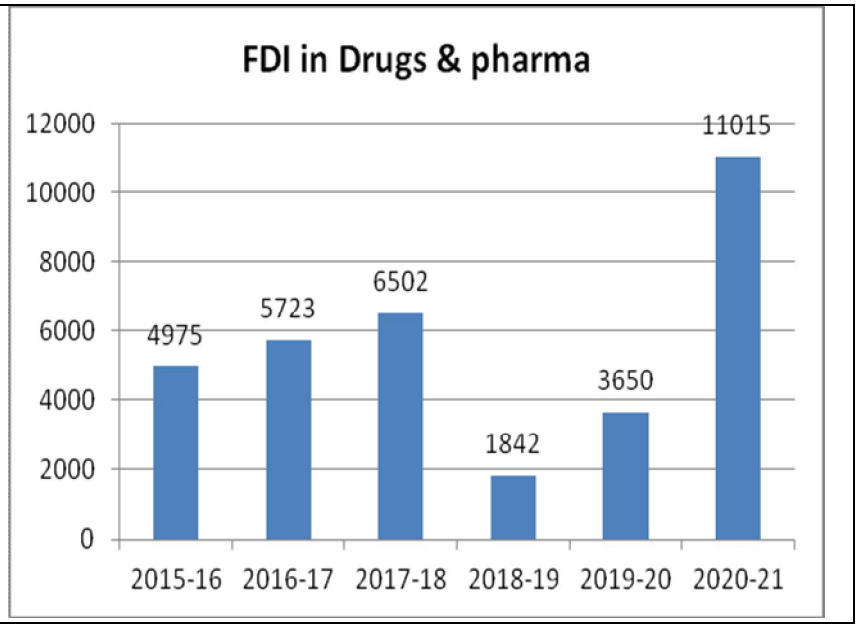


Source: Department for Promotion of Industry and Internal Trade

Table no.5 shows the FDI in Automobile sector during the period of 2015-16 to 2020-21.During the study period a fluctuating trend has been observed for FDI in Automobile sector. Further there is a negative growth rate of -5.92% is observed during the study period. This sector has shown average performance with respect to attract FDI.

Table No. 6. FDI in Drugs & pharmaceutical

FDI in Drugs & Pharmaceutical	
Year	FDI
2015-16	4975
2016-17	5723
2017-18	6502
2018-19	1842
2019-20	3650
2020-21	11015
Average	5617.833333
CAGR	17.23%



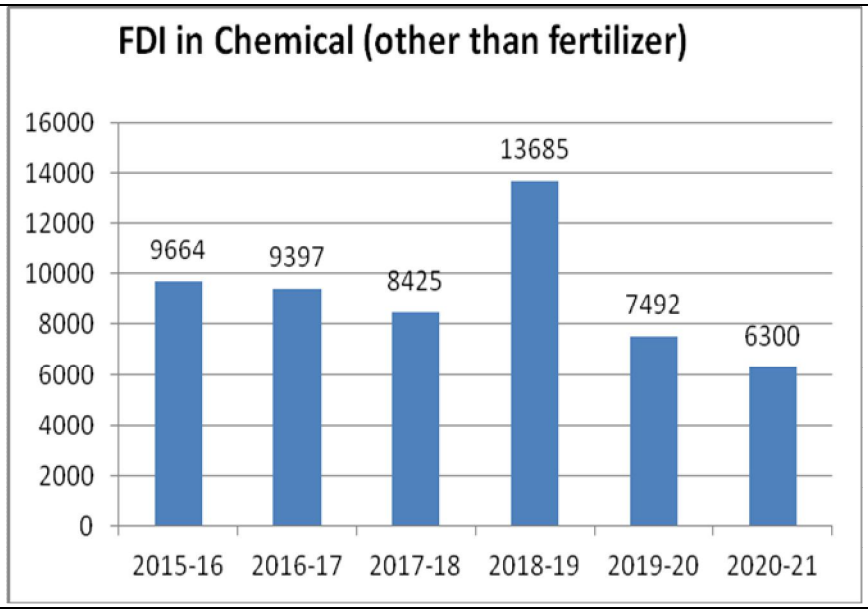
Source: Department for Promotion of Industry and Internal Trade

Table no.6 shows the FDI in Drugs & Pharmaceutical sector during the period of 2015-16 to 2020-21. During the study period a positive trend has been observed for FDI in Drugs & Pharmaceutical sector. Further there is a positive growth rate of 17.23% is observed during the study period. This sector have shown good performance with respect to attract FDI.

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Table No. 7. FDI in Chemical (other than Fertilizer)

FDI in Chemical (other than fertilizer)	
Year	FDI
2015-16	9664
2016-17	9397
2017-18	8425
2018-19	13685
2019-20	7492
2020-21	6300
Average	9161
CAGR	-8.20%

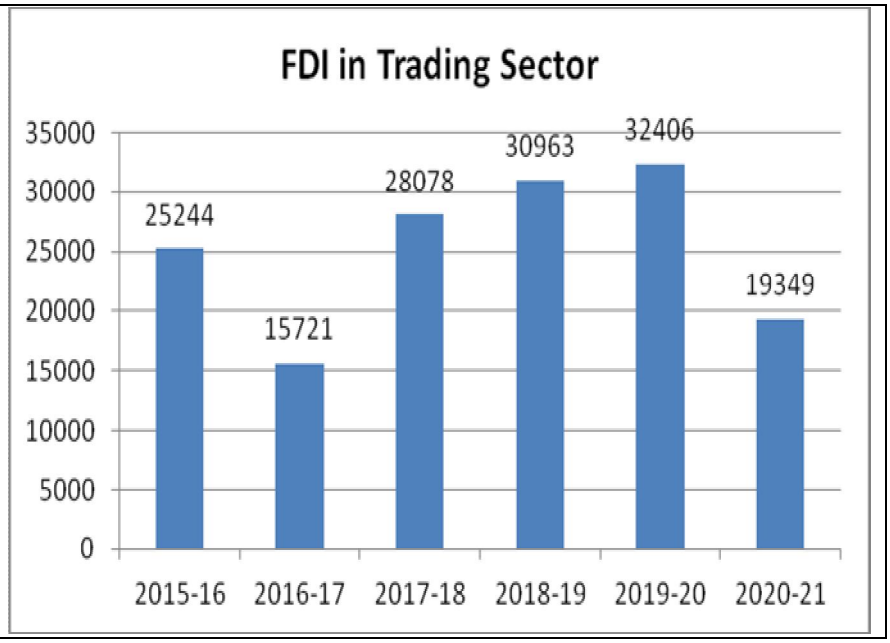


Source: Department for Promotion of Industry and Internal Trade

Table no.7 shows the FDI in Chemical sector during the period of 2015-16 to 2020-21.During the study period a negative trend has been observed for FDI in Chemical sector. Further there is a negative growth rate of -8.20% is observed during the study period. This sector has shown average performance with respect to attract FDI.

Table No. 8. FDI in Trading Sector

FDI in Trading Sector	
Year	FDI
2015-16	25244
2016-17	15721
2017-18	28078
2018-19	30963
2019-20	32406
2020-21	19349
Average	25293.5
CAGR	-5.18%



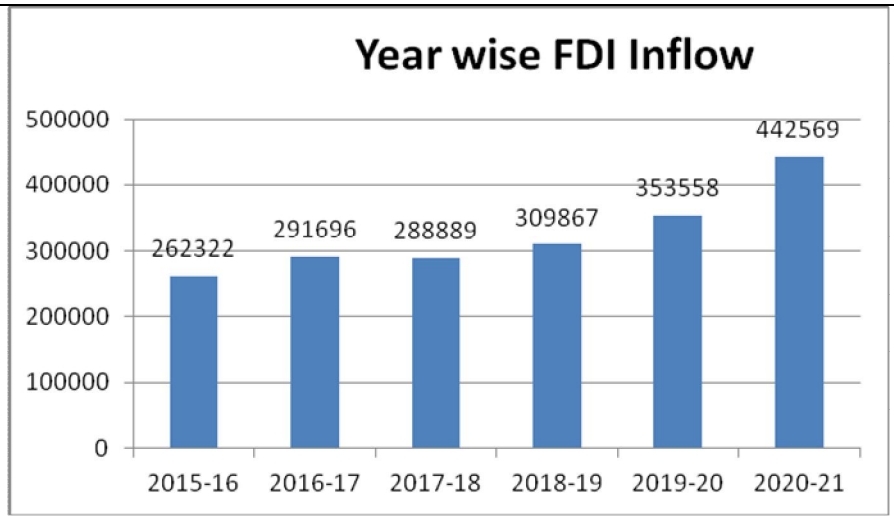
Source: Department for Promotion of Industry and Internal Trade

Table no.8 shows the FDI in Trading sector during the period of 2015-16 to 2020-21.During the study period a fluctuating trend has been observed for FDI in Trading sector. Further there is a negative growth rate of -5.18% is observed during the study period. This sector has shown average performance with respect to attract FDI.

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Table 9. FDI in Power Sector

FDI in Power Sector	
Year	FDI
2015-16	262322
2016-17	291696
2017-18	288889
2018-19	309867
2019-20	353558
2020-21	442569
Average	324816.8333
CAGR	11.03%



Source: Department for Promotion of Industry and Internal Trade

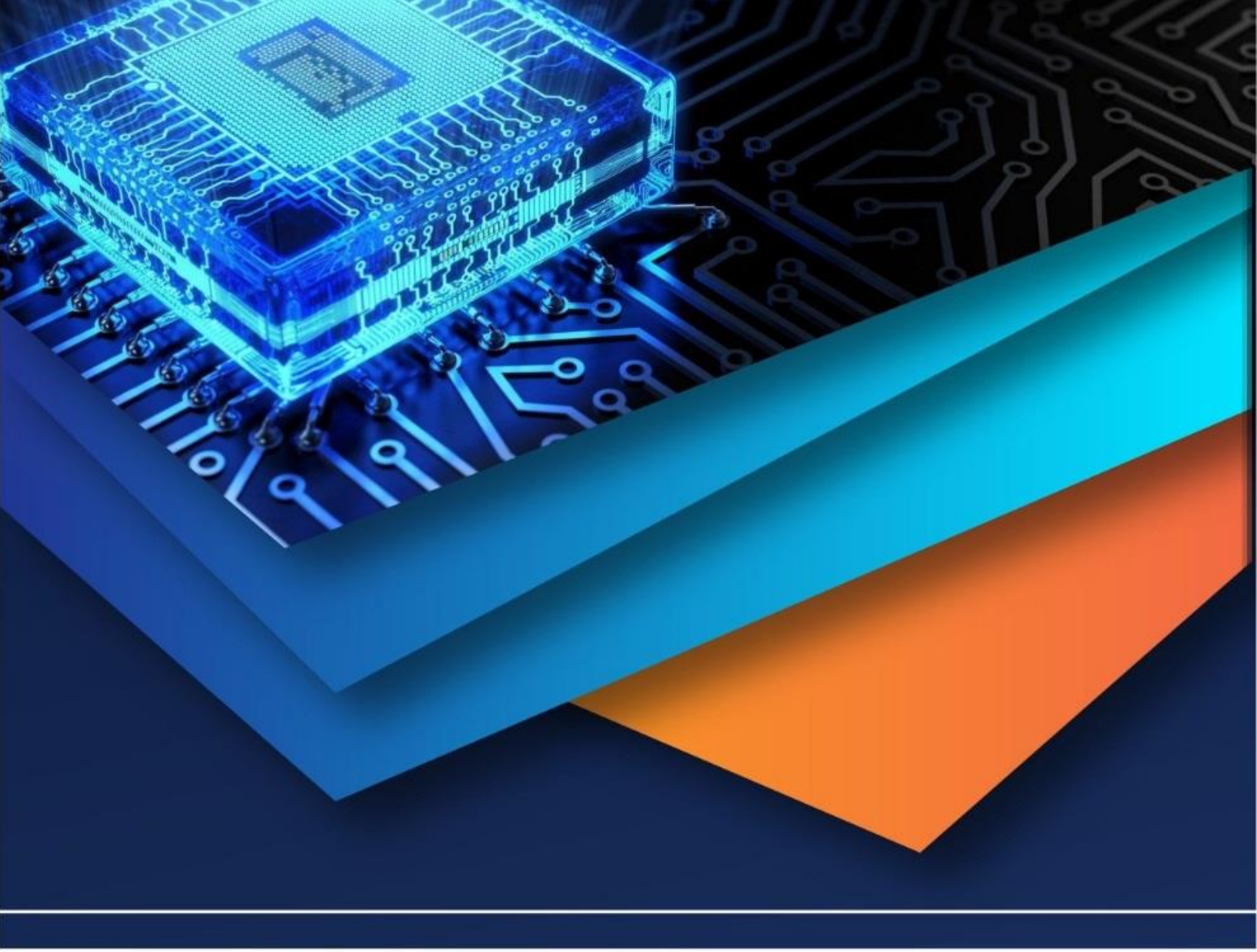
Table no.9 shows the FDI in economy during the period of 2015-16 to 2020-21.During the study period a positive trend has been observed for FDI in overall economy. Further there is a positive growth rate of 11.03% is observed during the study period.

III. CONCLUSION

Foreign Investment is one of the strategic tool for enhancing production, distribution, trade and services, infrastructural support and technological capabilities of the country. This study shows the different level of FDI in different sector of an economy. Service sector, Computer software & hardware and telecommunication sector are the predominance sector which has attracted huge amount of foreign direct investment during the study period. In the year 2020-21, the Computer software & hardware sector has attracted highest FDI in comparison to all other sector of an economy. Further telecommunication, automobile, chemical and trading sector have shown negative trend with respect to foreign direct investment in India. Balanced development of all the sector of an economy is essential for overall development and growth of the country. Country should see the level of FDI in all the sector and make efforts and plan to increase the level of FDI in all the sector to achieve balance growth of all the sectors as well as development of an overall economy.

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