

Foreign Direct Investment: A Comparative Study Of Indian Sectors and Foreign Countries Attracting Highest FDI Inflow

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Abstract - Foreign Direct Investment (FDI) is investment directly in a country by a company located in another country, either by buying a company in the target country or by enlarging operations of an existing business in that country. Foreign Direct Investment is done for many reasons including to take benefit of cheaper wages in the country, special investment privileges such as tax exemption offered by the country as an incentive to gain tariff-free access to the markets of the country. And when we analyse the importance of Foreign Direct Investment in a developed developing economy like India the role of FDI becomes more and more important. In recent time the margin of FDI in most of the sectors of the economy has also been increased from the previous limits set by government which tells us the growing importance of FDI in Indian Economy. Oracle Global (Mauritius) Ltd., Vodafone (Mauritius) Ltd., NISSAN Motor Co. Ltd.(Japan), BARCLAYS Bank PLC (Singapore), Standard Chartered Bank (U.K), Volkswagen (Netherlands) are few examples of FDI in India by foreign companies. In this paper I shall study the impact of Foreign Direct Investment in Indian Economy and make comparative study of Indian Sectors attracting highest FDI Inflow and the top investing countries in India.

Keywords: Foreign Direct Investment, Indian Economy, FDI Inflow

enterprise operating in an economy other than that of investor. It is well organised fact that Foreign Direct Investment is playing a vital role and in strengthening the Indian economy. The economic development witnessed during the last two decades rests to great extent on FDI. Foreign Direct Investment is not only boosting the development projects in Indian economy but also playing the role of life blood in the economy. The “Make In India” Programme started by NDA Government is also a product of Government of India’s policy of promoting more and more foreign investment in the country. The financial year 2014-15 saw a notably large increase in the FDI inflow in the country. India’s pioneering business policies have contributed a great deal in making this possible in attracting a large number of foreign investors to invest in our country. The first five months of the 2014-15 financial year observed a net inflow of US\$ 14.1 million FDI in India, amounting to 33.5 percent rise in the FDI arrival registered for the corresponding period during the previous financial year. It has also been assumed that FDI is also supposed to have a positive effect on the employment scenario by generating approximately 4 million job opportunities.

INTRODUCTION

OBJECTIVE



- 1- The basic objective of this paper is to know the impact of Foreign Direct Investment on Indian Economy this shows how the FDI affects Indian sectors in attracting inflows.
- 2- To study different variables like service sector, construction development, computer hardware and software, telecommunication and automobile and top investing countries.
- 3- To make comparative study of the top investing countries.

Foreign Direct Investment includes “mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations and intra company loans”. Foreign direct Investment can be defined as net inflows of investment to acquire a lasting management interest in an

METHODOLOGY

To present the research impact of Foreign Direct Investment on Indian Economy and comparative study of top five investing countries is based on secondary data. I collected this data from Department Of Industrial Policy and Promotion, Government of India, Ministry Of Commerce and Industry, books and online resources.

RESULT AND DISCUSSION

Impact of Foreign Direct Investment:

TABLE A: HIGHEST FDI EQUITY INFLOW SECTORS
(Amount in Crores)

Rank	Sector	2013-2014 to 2015-16		Cumulative Inflow (Apr.'00-Sep.'15)	
		Rs.	US \$	Rs.	US\$
1	Service Sector	50067	8132	222343	45367
2	Construction Development	12676	2076	113726	24156
3	Computer: Software & Hardware	40562	6479	93337	18170
4	Telecommunications	29597	4861	88329	17717
5	Automobile Industry	35105	5707	74274	14002

(Source: Department of Industrial Policy & Promotion: FDI_Factsheet_JULYAGUSTSEPTEMBER2015)

The top five sectors attracting FDI in India are: Firstly, Service Sector which includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Technology Testing and Analysis; Secondly Construction Development which includes township, housing, built-up and infrastructure; Thirdly Computer software and hardware; Fourthly Telecommunications which include radio paging, cellular mobile, basic telephone services and lastly the Automobile Industry.

The TABLE A shows top five sector-wise FDI attracting sectors with a comparative analysis of FDI Equity Inflow in the financial year 2013-14 to 2015-16. The “2015-16” Financial Year includes (April’15 to September’15). And Cumulative inflow from April’00 to September’15 which is clearly suggesting the regular investment by foreign investors in these top five sectors of the Indian economy from April’00-September’15. Here analysis will be done sectoral wise one by one:

- 1- Service sector: It includes all those activities which are related with finance, banking and insurance and which shows a large amount of FDI equity inflow from the 2013-14 to 2015-16 which when calculated in %age to total inflows (In terms of US\$) it shows an increase of 17%.
- 2- Construction Development: It includes townships, housing, built-up infrastructure which is at present the second largest sector attracting the FDI Equity inflow in the country from 2013-14 to 2015-16 and when calculated in %age to total inflows (In terms of US\$) it shows an increase of 9%.
- 3- Computer: Software & Hardware: It include all those activities which are related with the IT Industry which is emerging as major sector in the developed developing Indian economy and is the third highest FDI Equity inflow sector from 2013-14 to 2015-16 and when calculated in %age to total inflows (In terms of US\$) it shows an increase of 7%.
- 4- Telecommunications: It includes the Cellular Mobiles, Basic Telephone services and is the third highest FDI Equity inflow sector in the country from 2013-14 to 2015-16. And when calculated in %age to total inflows (In terms of US\$) it shows an increase of 7% which is as same as IT Sector.
- 5- Automobile Industry: The automobile industry is always a key player in the economic growth of the Indian Economy and fifth largest FDI Equity inflow sector from 2013-14 to 2015-16. And when calculated in %age to total inflows (In terms of US\$) it shows an increase of 5%.

The above analysis clearly shows that the increase in all these sectors has come due to a more liberal outlook, access to global managerial skills and practices, optimal utilization of

Human and natural resources, opening up export markets, providing backward forward linkages and increasing the investment limit in all these sectors for foreign investors by Government of India.

COMPARATIVE STUDY OF TOP INVESTING COUNTRIES

Making an in depth analysis of Top Investing countries in Indian Economy seems to be a rigid task. All the top

investing countries are front runners of global economy and are among the world’s most diversified nations. For making an analysis of the Top Investing Countries here we are making the analysis on the basis of Cumulative Country wise FDI Equity Inflows in India from April’00-September’15 from the data published in the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India.

TABLE-B

Ranks	Countries	Amount in Rs. Crores (US\$ in Million)
1-	MAURITIUS	449,147.57 Rs. (91,222.36 \$)
2-	SINGAPORE	210,253.02 Rs. (38,881.97 \$)
3-	U.K.	111,941.33 Rs. (22,562.98 \$)
4-	JAPAN	98,614.76 Rs. (19,166.91 \$)
5-	NETHERLANDS	84,275.04 Rs. (15,769.45 \$)

Note: (Cumulative Country wise FDI Equity Inflows: From April, 00-September, 15)

- 1- Mauritius: has been the top investing country in terms of FDI Equity Inflow in India and when calculated in terms of %age with inflows it is 34.40%. The major foreign investors in India are: Oracle Global (MAURITIUS) Ltd, Software Development; Vodafone MAURITIUS Ltd. Telephone Communication Services; MAURITIUS Debt Management Ltd. Commercial Loan Companies’ activities.
- 2- Singapore: has been the second top most investing country in India and when calculated in terms of %age with inflows it is 14.66%.The major foreign investors in India are: DAL Singapore Investments PTE Ltd. Construction; BARCLAYS Bank PLC Financial Leasing Companies Activities; BIOMETRIX Marketing P. Ltd. Bottling of Natural Gas or Liquefied Petroleum Gas.
- 3- U.K.: has been the third rank country in the top investing country list in terms of FDI Equity Inflow in India and when calculated in terms of %age with inflows it is 8.51%. The major foreign investors in India are: HSBC Bank PLC Operating Port Facilities; STANDARD CHARTERED Bank providing Other

Financial Services; J.P. MORGAN International Finance Ltd. providing Investment Research and Counselling Activities.

- 4- Japan: has always been a top investing country for India and when calculated in terms of %age with inflows it is 7.23%. The major foreign investors in India are: SUZUKI Motor Co. Ltd., HITACHI Construction Machinery Co. Ltd. providing Manufacturing Construction Equipment; NISSAN Motor Company Ltd.
- 5- Netherlands: has been the fifth top most investing foreign country in India and when calculated in terms of %age with inflows it is 5.95%. The major foreign investors in India are: Horizon India B.V. providing Construction of Residential Buildings; Hewlett Packard Leiden B.V. providing computer software; Volkswagen Manufacturer of Motor vehicles for the transport of goods manufacturing special purpose heavy motor.

CONCLUSION

Foreign Investment in the country is becoming more and more important for the development of the country. Foreign Investment in the country not only leads to the economic development of the country but also in generating more and more employment opportunities to the different sections of the society , facilitating technology up gradation and making healthier and more stronger trade relations with other countries. In the second part of the paper while making a comparative analysis of top investing countries it provides an overview of the top investing countries and the major companies investing in India.

India’s policy towards the foreign direct investment is a welcoming step for the foreign investors in comparison to the previous policy measures. FDI had a positive impact on development agenda of India and all of these will lead India in making developed economy from a developed developing economy.

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