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An Analysis of Country-Wise FDI Inflows in India

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Abstract

Foreign Direct Investment (FDI) policies play a major role in the economic growth of developing countries around the world. Attracting FDI inflows with conducive policies has therefore become a key battleground in the emerging markets. For the overall development of any nation the domestic capital is occasionally insufficient. Thus the use of foreign capital is thought to be helpful in reducing the gap between domestic savings and investment. The current study focused to analyze the country wise inflow of FDI in India during the period of 2012-13 to 2021-22. The study covers the FDI inflows from Mauritius, Singapore, The United States of America, Cyprus, Japan, Netherlands, United Kingdom, Germany, United Arab Emirates, France, Switzerland, South Korea, Luxembourg, China, and Other Countries.

Keywords: FDI, FDI inflows, department of industrial policy and promotion

Introduction

Foreign Direct Investment has been a key source of capital flow for India's economic development. Following 1991, the government took many efforts to guarantee that foreign capital continued to flow into the nation. Foreign direct investment up to 100% is currently permissible in practically all industries with the exception of a few. The simplification of procedures and the inclusion of more and more sectors under the automatic route have led to greater FDI inflows into India. The Government of India's structural changes have elicited a significant favourable reaction from international investors. Foreign direct investment contributes to development through transferring financial resources, technology, and new and improved management approaches, as well as increasing productivity. Foreign investment is undertaken to reap the benefits of reduced salaries and tax breaks, among other things. Foreign direct investment inflows into India have increased dramatically since the liberalisation of investment rules in 1991.

The total FDI inflows comprise equity inflows, unincorporated body equity capital, re-invested earnings, and other capital. In India, total FDI inflows of US\$ 74.01 billion have been recorded for the calendar year 2021. According to RBI data, total FDI inflows of US\$ 74.01 billion were recorded in calendar year 2021, compared to US\$ 87.55 billion in calendar year 2020. FDI is essentially a matter of commercial business decisions, and FDI inflows are influenced by a various factors such as natural resource availability, market size, infrastructure, political and general investment climate, as well as macroeconomic stability and

foreign investors' investment decisions. FDI inflows declined by 15% in calendar year 2021 compared to calendar year 2020.

Research Methodology

The present study is confined to analyze the FDI inflows in India for a period of ten years starting from 2012-13 to 2021-2022. The qualitative and quantitative facts and figures pertaining to the period are to be systematically collected and analyzed. The present study primarily depends on secondary data. The prime objective of the study is to analyze the country wise inflow of FDI into India during the study period.

Analysis of Data

Mauritius

In accordance with government data, the Mauritius is the first largest source of foreign direct investment into India, during the year 2020-21 with inflows of USD 13,820 Million. According to the data by the Department for Promotion of Industry and Internal Trade (DPIIT), during the last financial year, India attracted USD 5,640 Million in FDI from Mauritius. In the year 2017-18 the maximum amount of USD 15,900 Million FDI has been received in India. In the year 2018-19 there was a drastic decline in the inflow of FDI USD 8,100 Million due to sever effect of the covid-19. During the study period the FDI inflows from Mauritius ranged between USD 3,695 Million and USD 15,900 Million. The average inflow of FDI is USD 8.567 Million with the average growth rate of 13 per cent.

Singapore

Singapore has come up as another top source nation in terms of FDI equity flows into India for the financial year 2021-22. India received 27.01 per cent of its overall FDI inflows from Singapore. It is noticed that the FDI inflows from Singapore to India ranged between USD 1,605 Million in the year 2012-13 and USD 17,400 Million in the year 2020-21. There was a slight decline of USD 15,900 Million in the year 2021-22. The average inflow of FDI is USD 10,656.5 Million with the annual growth rate of 45 per cent.

The United States of America

The USA replaced Mauritius as the second-largest source of FDI into India during 2020-21 with inflows of \$13,820 Million, according to government data. Singapore remained the top source of foreign direct investment into the country for the third successive fiscal at \$17,410 Million. The data reveals that almost there was an abnormal growth of FDI inflows from USA to India in the entire period of the study. Only in the year 2017-18 and 2021-22 the negative growth rates were recorded at 48.16 per cent and 23.91 per cent respectively. The inflow of FDI was abnormally increased by 236.59 per cent in year 2020-21. The total FDI inflow during the last 10 years was noticed at USD 42,938 Million. The average inflow of FDI during the study period is USD 4,293.80 Million with the average growth rate of 66.77 per cent.

Cyprus

According to the Ministry of External Affairs the Cyprus is the 10th largest investor in India with an accumulative investment of USD 4,195 Million during the last 10 years. It is observed from the data that the FDI inflows from the Cyprus to India have annual growth rate of 31.57 and 34.98 per cent in the year 2013-14 and 2014-15. Then after it was declined by 33.79 per cent and 42.21 per cent continuously in the years 2015-16 and 2016-17. There was a slight increase by 2084 per cent in the year 2017-18 again in the year 2018-19 there was an abnormal decrease by 44.48 per cent due to pandemic situation. Immediately in the year 2019-20 the height inflows of FDI registered at USD 657 Million with an annual growth rate of 308.07 per cent. During the period of the study the average growth rate of FDI inflows from Cyprus to India is registered at 19.57 per cent.

Japan

The friendship between India and Japan is a long lasting relationship rooted in strong culture and civilization. The two countries have sustained their strong relationship as witnessed by several high-level meetings and economic ties. Japan is the 5th largest investor in Indian economy with cumulative FDI inflows of \$ 38,300 Million from April 2000 to December 2022. Currently, over 1455 Japanese companies are operating in India. It is evident that the FDI inflows from Japan to India have a significant recognition during the period of the study. There was a significant increase in the inflow of FDI by 33.96 per cent and 12.48 per cent in the year 2013-14 and 2014-15. There was a sharp decline in inflow of FDI from Japan is noticed at 9.96 per cent in the year 2015-16, then after an abnormal growth was recorded at 133.06 per cent in the year 2016-17. Similarly the negative growth rate of FDI inflows noticed in the year 2017-18, 2020-21 and 2021-22 at 62.24 per cent, 40.63 per cent and 21.05 per cent respectively. The average inflow of FDI during the period of the study is USD 2240.90 Million with an average growth rate of 15.53 per cent.

Netherlands

FDI from Netherlands to India has increased at a very fast pace over the last few years. Netherlands ranks sixth among all the countries that make investments in India. The total percentage of FDI from Netherlands to India stood at 4.5 per cent out of the total foreign direct investment in the country between 1991 and 2002. The Netherlands was India's fourth largest merchandise trading partner in the European Union, after Germany, Switzerland and Belgium. There is a continuous growth of FDI inflows from Netherlands to India except the negative growth of 32 per cent in 2013-14, 13 per cent in 2017-18 and 57 per cent in 2020-21. The abnormal growth rates of 86 per cent in the year 2014-15 and 67 per cent in the year 2019-20 were recorded. During the year 2021-22 the inflows of FDI registered with USD 4,600 Million. The average inflow of FDI during the period under review is USD 3117.50 Million with an average growth rate of 22 per cent.

United Kingdom

India and the United Kingdom (UK) share a modern partnership bound by strong historical ties. The UK is the 7th largest investor in India and has invested \$32,820 Million in FDI inflows between April 2000 and September 2022. There are currently around 572 UK companies in India with a combined turnover of \$ 48,000 Million and directly employing 4, 16,121 people directly as of the financial year 2020. The range of sectors attracting investment from the UK has witnessed strong growth in education, retail, consumer goods, life sciences, healthcare, and infrastructure. The data reveals that the FDI inflows from UK to India are fluctuating year to year and there was no clear cut trend emerged during the study period. The lowest amount of FDI inflows USD 111 Million was recorded in the year 2013-14. Whereas the height amount of FDI inflows USD 2000 Million was noticed in the year 2020-21. The average inflow of FDI from UK to India was noted at USD 1227.60 Million was registered with average annual growth rate of 175.26 per cent during the period of the study.

Germany

Germany has been one among the top ten investing countries in India since 1991, the year of liberalization. During the financial year 2014-15, Germany was the 7th largest investing country in India with investments amounting to US\$ 1,125 Million which formed 3.6 per cent of the total FDI inflows into India during the fiscal year, which was 8.4 per cent greater than the investment made by German investors in the financial year 2013-14. During the fiscal year 2014-15, the Indian economic sectors which received the bulk of the FDI from German investors, were the following automotive, services, infrastructural constructions, industrial machineries, and drugs and pharmaceutical products. For these investments by German companies, the most popular investment locations were the States of Maharashtra, Tamil Nadu, New Delhi, Karnataka, and Andhra Pradesh. It is observed that the highest amount of FDI inflows of USD 1,100 Million was received from Germany in the year 2017-18 with an annual growth rate of 30.18 per cent. Whereas the lowest amount of FDI inflows USD 467 Million and USD 500 Million was received in the year 2012-13 and 2019-20 respectively. The FDI inflows of USD 700 Million received in each year 2020-21 and 2021-22. The average inflow of FDI from Germany to India is USD 773.10 with the average growth rate of 9.02 per cent during the period under review.

United Arab Emirates

As per the report published by Ministry of State for External Affairs in the Rajya Sabha, the United Arab Emirates ranks number one in the terms of FDI in India coming from the Gulf region. The report is revealed that between 2017 and 2021, close to \$6,488.35 Million has come to India via FDI specifically from this country alone. The United Arab Emirates ranks among the top 10 FDI contributors in India among all countries of the world. Over the past three years, about \$5,500 Million has been invested in India from Middle Eastern countries. According to MEA, the major investments from Gulf countries are \$6,488.55 Million from the UAE, \$3,058.25 Million from Saudi Arabia, \$223.49 Million from Qatar, \$181.45 Million from Bahrain, \$109.25 Million from Oman and \$37.91 Million from Kuwait. The data that the highest amount of FDI inflows from United Arab Emirates to India during the period of the study is USD 4,200 Million in the year 2020-21 with an annual growth rate of 1,300 per cent. Whereas the lowest amount of FDI inflows from United Arab Emirates to India is USD 173 Million in the starting year of the study i.e., 2012-13. It is noticed that the average amount of FDI inflows during the ten years period of the study is USD 974.50 Million with an average growth rate of 159.79 per cent.

France

France has emerged as a major source of FDI for India with more than 1,000 French companies already existing in India. According to statistics provided by the Department for Promotion of Industry and Internal Trade (DPIIT), France is the 10th largest foreign investor in India with a cumulative investment of USD 10,310 Million from April 2000 to June 2022, which represents 1.70 per cent of the total FDI inflows into India. The highest FDI equity inflows are in the services sector (18.17 per cent), with Cement & Gypsum products (9.43 per cent) in the second place, followed by Air Transport including Air Freight (7.72 per cent), miscellaneous industries (7.38 per cent) and Petroleum & Natural Gas (7.22 per cent). These five sectors represent 49.92 per cent of the total equity inflow from France from April 2000 to June 2022. It is noticed that the FDI inflows from France to India moved between USD 229 Million with a negative growth rate 58.14 per cent in the year 2013-14 and USD 1,900 Million with an annual growth rate of 375 per cent in the year 2019-20. From the year 2014-15 onwards there was a continuous growth in the FDI inflows from France to India up to 2017-18. In the year 2018-19 the FDI inflows were declined by 20 per cent and immediately abnormal increase was registered by 375 per cent in the year 2019-20. Then after the FDI inflows were drastically declined by 31.58 per cent and 76.92 per cent in the year 2020-21 and 2021-22 respectively. It is observed that the average FDI inflows from France to India during the period of the study is registered at USD 640.20 Million with average annual growth rate of 31.08 per cent.

Switzerland

Switzerland ranks eleventh in the list of foreign investors making investments in India and sixteen in the list of countries for approvals of FDI in India. The total amount of investments that have been approved in India under the route of FDI for the Swiss companies came to around US\$ 870 Million from 1990 to 2000. The amount of FDI from Switzerland to India during fiscal year 2022 was estimated to be about 4,300 Million U.S. dollars, up from about 200 Million U.S. dollars in the previous fiscal year. It is noticed

that the amount of FDI inflows from Switzerland to India were registered at a minimum of USD 195 Million in the year 2015-16, and a maximum of USD 4,300 Million in the year 2021-22. The annual growth rate of FDI inflows moved from 40 per cent in the year 2018-19 to 2,050 per cent in the year 2021-22. It is also observed that the average inflows of FDI from Switzerland to India is USD 711.30 Million with an average growth rate of 235.04 per cent during the period of ten years study.

South Korea

At present, South Korea is the 12th largest FDI source in India, investing US\$ 4,970 Million between April 2000 to June 2021, led by companies like Tata Daewoo, Ssangyong, and Novelis. The amount of FDI from South Korea to India during fiscal year 2021 was about 400 Million U.S. dollars, down from about 777 Million U.S. dollars in the previous fiscal year. The data reveals that the India has received the total of FDI inflows of USD 4,190 Million from South Korea during the study period of ten years with an average growth rate of 30.45 per cent. The highest amount of FDI inflows of USD 982 Million with an annual growth rate of 235.15 per cent registered in the year 2018-19. Whereas, the lowest amount of FDI inflows of USD 138 Million with an annual growth rate of -26.98 per cent in the year 2014-15. There was a continuous decline of FDI inflows at -20.88 per cent and -48.52 per cent in the year 2019-20 and 2020-21 respectively.

Luxembourg

According to official Indian statistics, Luxembourg is the 13th largest foreign direct investor in India. Between 2021 and 2022, the FDI from Luxembourg to India reached around US\$3,360 Million, which is 0.65 per cent of total FDI inflows into India. Luxembourg's investment fund industry has established solid links with India. About 148 investment funds have currently invested in India, and the potential for further growth in this sector remains promising. The data represents that the highest amount of FDI inflows attracted by India from the Luxembourg in the years 2013-14, 2015-16 and 2021-22 with an amount of USD 539 Million, 784 Million and 500 Million respectively. It is noticed that continuously the constant amount of FDI inflows of USD 300 Million was recorded from year 2017-18 to 2020-21. However, the negative growth rates of 62.15 per cent and 87.37 per cent were recorded in the year 2014-15 and 2016-17 respectively. The average inflow of FDI USD 336 Million received from Luxemburg during the period under review with an average growth rate of 209.98 per cent.

China

The amount of FDI inflow from China to India in fiscal year 2020 was estimated to be around 162 Million U.S. dollars. This estimate was a decline from the previous financial year. The single largest Chinese investment in India is the \$1,100 Million acquisition of Gland Pharma by Fosun in 2018. This accounts for 17.7 per cent of all Chinese FDI into India, but it is unique. This includes the \$300 Million investment by MG Motors. China is most active in India in the start-up space. Gateway House in its research study on Chinese Investments in India has identified over 75 companies, with Chinese investors concentrated in e-commerce, fintech, media, social media, aggregation services and logistics. A majority – more than half – of India's 30 Indian unicorns (start-ups with a valuation of over \$1 billion) have a Chinese investor. It is noticed that the highest amount of FDI inflows of USD 505

Million received with an annual growth rate of 317.35 per cent from China in the year 2014-15, whereas the lowest amount of FDI inflows of USD 121 Million received with an annual growth rate of -18.24 per cent in the year 2013-14. The total FDI inflow from China to India during the study period is USD 2454 Million with an average annual growth rate of 39.85 per cent.

Other Countries

India has been receiving the FDI inflows from worldwide Countries. The top 14 Countries were identified individually which contributes highest amount of FDI inflows into India during the period under review. In addition to these 14

Countries India has also receiving the FDI inflows from various other Countries, for this study they are categorized under the head of Other Countries. The data explains that there was a continuous growth of FDI inflows into India except the year 2013-14, 2016-17 and 2021-22. The highest amount of FDI inflows USD 6,300 Million from all Other Countries were recorded in the year 2020-21. Whereas the lowest amount of FDI inflows USD 1,109 Million were received in the year 2016-17. India has receive an average inflow of FDI USD 2966.40 Million from all Other Countries with an average annual growth rate of 30.15 per cent during the period under review.

Annexure

Table 1: Country wise Inflow of FDI in to India

Country	Year									
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Mauritius	8059 (-)	3695 (-54)	5878 (59)	7452 (27)	13383 (80)	15900 (19)	8100 (-49)	8200 (1)	5600 (-32)	9400 (68)
Singapore	1605 (-)	4415 (175)	5137 (16)	12479 (143)	6529 (-48)	12200 (87)	16200 (33)	14700 (-9)	17400 (18)	15900 (-9)
USA	478 (-)	617 (29.08)	1981 (221.07)	4124 (108.18)	2138 (-48.16)	2100 (-1.78)	3100 (47.62)	4100 (32.26)	13800 (236.59)	10500 (-23.91)
Cyprus	415 (-)	546 (31.57)	737 (34.98)	488 (-33.79)	282 (-42.21)	290 (2.84)	161 (-44.48)	657 (308.07)	386 (-41.25)	233 (-39.64)
Japan	1340 (-)	1795 (33.96)	2019 (12.48)	1818 (-9.96)	4237 (133.06)	1600 (-62.24)	3000 (87.50)	3200 (6.67)	1900 (-40.63)	1500 (-21.05)
Netherlands	1700 (-)	1157 (-32)	2154 (86)	2330 (8)	3234 (39)	2800 (-13)	3900 (39)	6500 (67)	2800 (-57)	4600 (64)
UK	1022 (-)	111 (-89.14)	1891 (1603.60)	842 (-55.47)	1310 (55.58)	800 (-38.93)	1400 (75.00)	1300 (-7.14)	2000 (53.85)	1600 (-20.00)
Germany	467 (-)	650 (39.19)	942 (44.92)	927 (-1.59)	845 (-8.85)	1100 (30.18)	900 (-18.18)	500 (-44.44)	700 (40.00)	700 (0.00)
UAE	173 (-)	239 (38.15)	327 (36.82)	961 (193.88)	645 (-32.88)	1000 (55.04)	900 (-10.00)	300 (-66.67)	4200 (1300.00)	1000 (-76.19)
France	547 (-)	229 (-58.14)	347 (51.53)	392 (12.97)	487 (24.23)	500 (2.67)	400 (-20.00)	1900 (375.00)	1300 (-31.58)	300 (-76.92)
Switzerland	268 (-)	356 (32.84)	292 (-17.98)	195 (-33.22)	502 (157.44)	500 (0.40)	300 (-40.00)	200 (-33.33)	200 (0.00)	4300 (2050.00)
South Korea	224 (-)	189 (-15.63)	138 (-26.98)	241 (74.64)	466 (93.36)	293 (-37.12)	982 (235.15)	777 (-20.88)	400 (-48.52)	480 (20.00)
Luxembourg	34 (-)	539 (1485.29)	204 (-62.15)	784 (284.31)	99 (-87.37)	300 (203.03)	300 (0.00)	300 (0.00)	300 (0.00)	500 (66.67)
China	148 (-)	121 (-18.24)	505 (317.35)	461 (-8.71)	198 (-57.05)	350 (76.77)	229 (-34.57)	162 (-29.25)	280 (72.53)	- (-)
Other Countries	1540 (-)	1249 (-18.90)	1250 (0.08)	2016 (61.28)	1109 (-44.99)	4200 (278.72)	4200 (0.00)	4700 (11.90)	6300 (34.04)	3100 (-50.79)

Source: RBI Annual Reports.

Conclusion

On the basis of above analysis of country wise inflow of FDI, it can be concluded that the Singapore has emerged as the top source nation in terms of FDI equity flows into India for the financial year 2021-22. India received 27.01 per cent of its overall FDI inflows from Singapore, followed by 17.94 per cent from the US in the year 2021-22. Mauritius ranked third on the list with 15.98 per cent share in the country's FDI inflows, followed by the Netherlands 7.86 per cent and Switzerland 7.31 per cent. Despite of the ongoing pandemic and global headwinds, India received the highest annual FDI

inflows of \$84,830 Million in the year 2021-22, overtaking last year's FDI by \$2,870 Million.

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