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Original Research Paper

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THE RATIO OF FOREIGN DIRECT INVESTMENT IN INDIA

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ABSTRACT

The importance of foreign direct investment as a source of capital in developing world has increased significantly over the last couple of decades. By the down of millennium, more than half of all capital flows to developing countries took the form of FDI. Foreign Direct Investment (FDI) plays a very important role in the development of the nation. It is very much vital in the case of underdeveloped and developing countries. A typical characteristic of these developing and underdeveloped economies is the fact that these economies do not have the needed level of savings and income in order to meet the required level of investment needed to sustain the growth of the economy. In such cases, foreign direct investment plays an important role of bridging the gap between the available resources or funds and the required resources or funds. It plays an important role in the long-term development of a country not only as a source of capital but also for enhancing competitiveness of the domestic economy through transfer of technology, strengthening infrastructure, raising productivity and generating new employment opportunities. In India, FDI is considered as a developmental tool, which help sin achieving self-reliance in various sectors and in overall development of the economy.

Based on above background, the researchers made an attempt to analyze the "Ratio of Foreign Direct Investment in India" with following objectives.

KEYWORDS :

Objective

- To analyze the inflow ratio of India
- To study the outflow ration of India
- To compare the marginal growth performance of inflow and outflow

Period of the Study

The study totally dependence on the secondary data. the secondary data were collected for 26 years from 1990-92 to 2015-16. depending on the availability of data for hand book of statistics on Indian economy.

Sources of Data

The data for inflow and outflow ratio and marginal growth rate wre collected from hand book of statistics on Indian economy, website and sample registration system-satistical reports research for 26 year of 1990-91 to 2015-16.

Tools of Analysis

Compound growth rates were used to analysis the secondary data.

Review of Literature

Arslan Razmi (2005), studied applies the Balance of Payments Constrained Growth model to India, a large developing country with a relatively low trade to GDP ratio. Rather than assuming similar elasticity's of substitution between goods produced in different regions, the study extends the model to relax these assumptions. Johansen's cointegration technique is employed to estimate trade parameters. Short-run adjustments are explored within a vector error correction framework.

Nanditasethi and Jayashree (2011), attempts to analyze the impact of the global recession on the external sector of the Indian economy. A pre and post-recession (2008) analysis is undertaken to see the impact on trade, capital flows, exchange rates and foreign exchange reserves and external debt. The analysis reveals that while India was adversely impacted due to the slowdown in trade, capital flows and outsourcing; the impact has not been as much as in many other Asian economies.

TABLE : 1 MARGINAL GROWTH AND RATIO OF FROEIGN DIRECT INVESTMENT OF INDIA : 1990-91 TO 2015-16 (US $ million)

Years	Inflow	Outflow	Marginal I Growth	Marginal O Growth	I/O
1990-91	107	10			10.7
1991-92	147	18	40	8	8.16
1992-93	345	30	198	12	11.5
1993-94	651	65	306	35	10.01
1994-95	1351	8	700	-57	168.87
1995-96	2174	30	823	22	72.46
1996-97	2864	22	690	-8	130.18
1997-98	3596	34	732	12	105.76
1998-99	2518	38	-1078	4	66.26
1999-00	2170	3	-348	-35	723.33
2000-01	4101	829	1931	826	4.94
2001-02	6229	1495	2128	666	4.16
2002-03	5168	1951	-1061	456	2.64
2003-04	4464	2076	-704	125	2.15
2004-05	6087	2374	1623	298	2.56
2005-06	9178	6144	3091	3770	1.49
2006-07	22959	14480	13781	8336	1.58
2007-08	37321	21429	14362	6949	1.74
2008-09	36261	18763	-1060	-2666	1.93
2009-10	37920	18191	1659	-572	2.08
2010-11	38609	26775	689	8584	1.44
2011-12	49007	26947	10398	172	1.81
2012-13	39786	19967	-9221	-6980	1.99
2013-14	43582	22018	3796	2051	1.97
2014-15	51796	20544	8214	-1474	2.52
2015-16	59878	23857	8082	3313	2.50
CGR	28.79	36.49			

Source: Hand Book of Statistics on Indian Economy.
I – Inflow, O -Outflow.

The above table-1. Explains the marginal growth of inflow was always very high in throughout the analyzed period. It is found that the top 10 sources of equity foreign investment in India were Singapore, Mauritius, the United States, the Netherlands, Japan, Germany, United Kingdom, China, Hong Kong and the United Arab Emirates, said the UN official. Singapore and Mauritius alone accounted for nearly three-fifths of the total foreign equity investment, reflecting a rise in significant business connections with

the former and a degree of round-tripping FDI via the latter. Last year saw a sizeable jump in Indian greenfield investment announced in manufacturing, especially in industries such as electrical and electronic equipment ($13.5 billion), metal products ($5.9 billion) and motor vehicles ($3.6 billion).

The momentum created by the huge increase in announced greenfield investments, including in manufacturing is likely to carry through into realised FDI in 2016 and beyond.

Globally, 2015 had greenfield investments worth $63 billion surpassing the highest level of investment in 2008 with $62 billion for investment levels in the past decade.