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CONTRIBUTION OF FOREIGN DIRECT INVESTMENT AND FOREIGN PORTFOLIO INVESTMENT IN INDIAN ECONOMY: A COMPARATIVE STUDY

Nabanita Pal Assistant Professor in Commerce Sarat Centenary College, Dhaniakhali

ABSTRACT Foreign Direct Investment and Foreign Portfolio Investment have gained a significant role in Indian Capital Markets and its economy also. FIIs were permitted to invest in all the listed securities traded in Indian Capital Market for the first time in September 1992. As per the RBI, report on currency and finance (2003-04), since 1991 there has been continuous move towards the integration of the Indian Economy with World Economy. At the beginning of liberalization (1991) FDI and FPI flows to India have steadily grown in importance any economy in the world is major affected by the foreign investments and movement of its foreign capital as an indicator of performance of its various sectors in a particular industry. The don of 21st century has shown a real dynamism of stock market and the various benchmarking of sensitivity index (sensex) in terms of its highest peaks and sudden falls. A well developed stock market has its impact on the development of economy. This study is based on 16 years data from 2000 to 2016.

KEYWORDS : Foreign Direct Investment, Foreign Portfolio Investment, Total Foreign Investment, equity inflows, Liberalization.

INTRODUCTION

Foreign Direct Investment (FDI) is an investment directly into production and services in a country by a company located in another country, either by buying a company or by expanding business in that country. It is another mode of doing business in a foreign country (P Subba Rao 2009). A well-recognized stock market of any country has considered being an important part on the development on the economy. Returns on the stock market are combination of domestic as well as foreign investments. Financial system of any country which is inevitable constituent of economy facilitates mobilization of resources through financial markets. Stock exchange is one of the corporate secondary financial market which enables buying and selling of corporate shares or debentures. The article focuses on contribution made by foreign portfolio investment (FPI) and foreign direct investment (FDI) on Indian capital market.

Domestic or local investors seize greater knowledge about Indian financial markets than that of foreign investors who belongs to some other country. Stock market provides investors large number of scripts with huge degree of risk, return, and liquidity. There are wide range of options among the investors whether domestic or foreign investors in terms of asset which inducing more savings, increased competition, enhanced risk elements as well as enhanced the Gross Domestic Products (GDP) of the country, which is important indicator of a growing economy. Foreign capital plays significant role for every national economy, regardless of its level of development.

India has experienced fiscal and balance of payment crisis in 1990-91. In response, it embarked on the path of liberalization in 1992. During this era, for the first time permitted Foreign Institutional Investment (FII) to invest in all listed securities of Indian capital market in 14th September, 1992 to reduce country dependence on debt creating capital flows, correct the accurate balance of payment crisis and develop capital markets. FPI are considered to be an important part of a stock market movement. FIIs are termed as hot money which increases the inflow with in the country and contributed towards the volatility of BSE sensex. Inflow of foreign capital brings foreign currency into the country which contributes towards the development of the economy but large portion of capital in stock market comes through domestic route, in which Foreign Direct Investments play significant role.

LITERATURE REVIEW

- Klaus E Meyer (2005), in his paper "Foreign Direct investment in Emerging Economies" focuses on the impact of FDI on host economies and on policy and managerial implications arising from this (potential) impact. The study finds out that as emerging economies integrate into the global economies international trade and investment will continue to accelerate. MNEs will continue to act as pivotal interface between domestic and international market stand their relative importance may even increase further.
- Rajalakshmi K. and Ramachandran F., (2011), "Impact of FDI in India's automobile sector with reference to passenger car segment." The author has studied the foreign investment flows through the automobile sector with special reference to passenger cars. The research methodology used for analysis includes the use of ARIMA, coefficient, linear and compound model. The period of study is from 1991to 2011. This paper is an empirical study of FDI flows after post liberalisation period. The author has also examined the trend ad composition of FDI flow and the effect of FDI on economic growth.
- Singh Kr. Arun and Agarwal P.K., (2012), "Foreign direct investment: The big bang in Indian retail". In this article they have studied the relation of foreign investment and Indian retail business. The author discusses the policy development for FDI in the two retail categories: single brand and multi brand. The author concludes that FDI in multi brand retail should be considered better technology and employment, that openness of FDI in India would help India to integrate into worldwide market.
- Sharma Reetu and Khurana Nikita (2013), in their study on the sector-wise distribution of FDI inflow to know about which has concerned with the chief share, used a data from 1991-92 to 2011-2012 (post-liberalization period). This paper also discusses the various problems about the foreign direct investment and suggests the some recommendations for the same. In this study found that, Indian economy is mostly based on agriculture. So, there is a most important scope of agriculture services. Therefore, the foreign direct investment in this sector should be encouraged.

OBJECTIVES OF THE STUDY

1. To determine contribution made by Foreign Direct Investment on different sectors in India.
2. To determine contribution made by Foreign Direct Investment and Foreign Portfolio Investment in Indian economy.
3. A comparative analysis on FDI and FPI investment inflows.

Hypothesis of the study

- FDI and FPI inflows show a positive growth trend over the period from 2000 to 2016.

RESEARCH METHEDOLOGY

The present study is both explorative and empirical in nature. The explorative part is supported by various articles, literatures, published in news paper viz. Economic Times, Business Standard etc. And journals of national and international repute. Some information has also been gathered from different reference books and academic websites available in the area of study. Empirical part of the study is based upon the secondary data. Charts, tables have been used in this part of the study.

SOURCE OF DATA

Data is collected mainly on the basis of secondary sources. Different books, journals, literatures, publications are included here. Main data will be collected by searching websites. Articlels published in news papers, reference books and websites quoted there. Primarily sources of data are following:

- Annual report of SEBI
- RBI annual bulletin
- Different national and international journals
- Articles published
- Newspapers
- Academic websites etc.

FINDINGS AND ANALYSIS

India has followed very cautious and selective approach regarding foreign capital, but after economic reforms in 1991, it has liberalized the foreign direct investment (FDI) Policy. Numbers of measures were undertaken to promote FDI. From 2000-2016 India has fetched 288512 US $ million FDI inflows. According to UN report, India is the third most favoured destination for investment after China and the US for major global companies. India needs foreign capital due to inadequate domestic capital and also for economic development. FDI is generally known to be the most stable component of capital flows needed to finance the current account deficit. India has become an investment hub over last decade. The major areas of FDIs are- oil, mining, coal and gas, banking, insurance, transportation, finance, manufacturing, retailing etc. FDI is significant to India as an engine of growth.

Table no. 1 Cumulated FDI equity inflows from April 2000- March 2016 (sector-wise)

Ranks	Sector	Amount of FDI inflows (□ in crore)	Amount of FDI inflows (US$ in millions)	% of total inflows
1	Services sector	2,58,354.22	50,792.42	17.60
2	Construction development : township, housing, development projects etc.	1,13,936.35	24,187.94	8.38
3	Computer software and hardware	1,12,183.92	21,017.77	7.28
4	Telecommunications	92,728.71	18,382.35	6.37
5	Automobile industry	81,394.21	15,064.59	5.22
6	Drugs and pharmaceuticals	70,097.36	13,849.50	4.80
7	Chemicals (other than fertilizers)	59,555.37	11,900.29	4.12
8	Trading	68,836.54	11,872.47	4.12
9	Power	52,613.34	10,476.15	3.63
10	Hotel and Tourism	49,709.68	9,227.33	3.20
11	Metallurgical industry	43,427.34	8,890.34	3.08
12	Construction activities (infrastructure)	47,897.17	7,956.75	2.76
13	Food processing industry	40,264.87	6,815.69	2.36
14	Petroleum and natural gas	32,659.51	6,675.76	2.31
15	Information and broadcasting	26,336.17	4,977.02	1.73
16	Non- conventional energy	24,260.55	4,397.94	1.52
17	Electrical equipments	21,864.52	4,336.72	1.50
18	Industrial machinery	22,042.84	4,064.57	1.41
19	Hospital and diagnostic centre	19,783.21	3,592.11	1.25
20	Consultancy services	17,619.11	3,356.58	1.16
21	Cement and gypsum products	14,776.62	3,109.11	1.08
22	Miscellaneous mechanical & engineering industry	15,182.50	3,068.10	1.06
23	Fermentation industry	12,894.51	2,376.96	0.82
24	Mining	12,026.96	2,216.09	0.77
25	Rubber goods	11,772.91	2,084.26	0.72
26	Sea transport	10,435.27	1,977.50	0.69
27	Textiles	9,610.46	1,852.47	0.64
28	Agricultural services	9,275.85	1,844.31	0.64
29	Ports	6,730.91	1,637.30	0.57
30	Electronics	8,171.00	1,636.03	0.57
31	Prime mover	7,914.27	1,451.29	0.50
32	Education	6,870.77	1,256.08	0.44
33	Soaps, cosmetics & toilet preparation	6,086.00	1,111.32	0.39
34	Medical & surgical appliances	5,971.26	1,097.13	0.38
35	Paper and pulp	5,498.68	1,093.82	0.38
36	Air transport	5,184.29	931.05	0.32
37	Machine tools	4,346.88	837.96	0.29
38	Diamond, gold ornaments	4,183.70	772.05	0.27
39	Ceramics	3,617.40	744.72	0.26
40	Railway related components	3,925.80	710.98	0.25
41	Vegetable oil and Vanaspati	3,165.41	589.06	0.20
42	Printing of books	3,208.09	581.49	0.20
43	Fertilizers	3,060.09	564.80	0.19
44	Retail trading	3,275.28	537.61	0.17
45	Glass	2,623.90	499.77	0.15
46	Agricultural machinery	2,259.34	433.99	0.12
47	Commercial, office & household equipments	1,761.39	346.03	0.12
48	Earth-moving machinery	1,799.11	337.16	0.07
49	Sugar	1,110.62	188.51	0.06
50	Scientific equipments	1,002.49	178.27	0.06
51	Leather, leather goods and pickers	883.07	164.91	0.05
52	Timber products	838.15	147.46	0.05
53	Boiler and steam generating plants	823.55	141.24	0.04
54	Tea and coffee	505.49	109.62	0.03
55	Dye- stuffs	438.88	77.71	0.03
56	Industrial instruments	363.80	75.34	0.02
57	Photographic raw film and paper	273.76	67.29	0.01
58	Glue and gelatin	211.52	37.78	0.01
59	Coal production	119.19	27.73	0.00
60	Mathematical, surveying and drawing instrument	39.80	7.98	0.00
61	Defence industry	25.48	5.12	0.00
62	Coir	22.05	4.07	0.00
63	Miscellaneous industry	47,474.61	9,747.04	3.38
	Sub total	14,95,326.10	2,88,512.78	99.80

Source: RBI annual bulletin

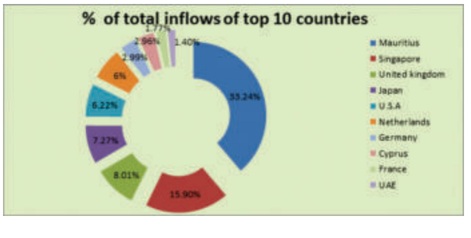
From the above table no. 1 shows that the summery, Equity is the important route of FDI inflow that is ⊠ 1495326.10 cr. (288512.78 million dollar) in India. It has been cumulated the amount of FDI investment from April 2000 to March 2016, the top position holds by services sector and possess a good share in percentage of total inflows. Here investment inflows depict the picture of 63 sectors and their share of percentage details. From the above table it is clear that cumulated investment details of 63 companies has been flourished and their percentage of total. First ten sectors include Services sector, Construction development, Computer Software and Hardware, Telecommunication, Automobile industry, Drugs and Pharmaceuticals, Chemical, Trading, Power and Hotel & Tourism. So not only quantity of FDI is not important but it is more important that where this amount is invested. As if FDI is coming from in heavy industry, Services sector, Construction development, Computer Software and Hardware, Telecommunication, Automobile industry, Drugs and Pharmaceuticals, Chemical, Trading, Power and Hotel & Tourism etc, certainly it will be fruitful and would increase the growth and production of Indian economy. If it will be invested in the more profit making non-priority industries such as luxurious, semi-luxuries industries i.e. A.C, T.V. Refrigerator, cosmetics etc. there will be increase in the consumption rate only and not in the capital formation in Indian economy. The data pertaining to the above discussion is given in table no……. During the period 2000-16 highest amount of FDI went to financing sector and Insurance sector. Real estate, Business services and construction got the second place in same period. The third important sector which attracted next highest amount of FDI was computer services industry and telecommunication industry that held the 4th place and automobile industry held the 5th place in same period. While investment through FDI came lowest in etc in Coal production, Mathematical instrument, Defence industry and Coir industry above said period. On the base of above discussion it is clear that most of the FDI has gone to developmental sector. FDI depends on profitability, industrial policy, customs, rates, FERA, regulations etc. So in case of India inflow of FDI is satisfactory for the point of view of objectives of development of industries. So, it is concluded from the above table that investment inflows has been shown above is very positive and strong impact on Indian economy.

Table no. 2 FDI equity inflows by top 10 countries from April 2000 – March 2016

rank	Name of the country	Amount of foreign direct investment inflows		% with inflows (in terms of US$)
		₹ in crore	US$ in million	
1	Mauritius	4,80,363.08	95,909.73	33.24
2	Singapore	2,56,666.81	45,879.60	15.90
3	United kingdom	1,15,591.93	23,108.35	8.01
4	Japan	1,10,671.35	20,965.96	7.27
5	U.S.A	94,574.89	17,943.35	6.22
6	Netherlands	94,533.14	17,314.46	6.00
7	Germany	44,870.10	8,629.27	2.99
8	Cyprus	42,680.76	8,552.40	2.96
9	France	26,525.03	5,111.48	1.77
10	United Arab Emirates (UAE)	21,648.17	4,029.89	1.40

Source: RBI

Chart no.1



From the above table no.2, it is clear that here top 10 countries' investment has been flourished. These first 10 countries performance is excellent and these countries make a very favourable impact on Indian capital market during the last 16 years from April 2000- March 2016. But apart from these ten countries, another 140 countries including Switzerland, Spain, Luxembourg, Italy, Hong Kong, south Korea, china, Sweden, Belgium, Australia, Malaysia, Canada, Poland, Jamaica, Bangladesh, Sudan etc. also invest in Indian capital market. First 10 countries invest above 85 % (i.e. 85.76%) of total inflows from April 2000 – March 2016. Rest of the 140 countries invests only 14.24 % of the total inflows where as only Singapore invests 15.09 % shares of total inflows in Indian capital market. And hold the second position of the list. Therefore these top 10 countries invest maximum capital in Indian capital market. Top investing country is Mauritius. Investment inflows come from this country is highest i.e. ₹480363.08cr. (US$ 95909.73 million), especially this individual country invests 33.24% of total inflows in Indian capital market. Out of the 150 countries Mauritius and Singapore, invest almost 50% (49.14%) of total inflows. So the above two countries affect Indian economy at large. United Kingdom and Japan invest ₹115591.93 cr. (US$ 23108.35 million) and ₹110671.35 cr. (US$ 20965.96 million) respectively. These countries acquire share 8.01% and 7.27% respectively. U.S.A and Netherland invest almost the same investment i.e. ₹94574.89 cr. (US$ 17943.35 million) and ₹ 94533.14 cr. (US$ 17314.46 million) respectively and acquire almost same percentage of share i.e. 6.22% and 6.00% of total inflows also. Germany and Cyprus hold seventh and eighth position and these two countries like USA and Netherlands, invest very close investment i.e. ₹ 44870.10 cr. (US$ 8629.27 million) and ₹ 42680.76 cr. (US$ 8552.40 million). These countries share of investment is also very close i.e. 2.99% and 2.96% of total inflows. France and United Arab Emirates (UAE) make a very good investment in Indian capital market. Out of the 150 countries, these two countries position is ninth and tenth and acquire 1.77% and 1.40% share of total inflows.

Table no. 3 FDI equity inflows in India from 2000-2001 to 2015-16

Financial year	Amount of FDI inflows		% growth over the previous year(in terms of US $)
	₹ in crore	US$ in million	
2000-2001	10,733	2,463	-
2001-2002	18,654	4,065	(+) 65 %
2002-2003	12,871	2,705	(-) 33%
2003-2004	10,064	2,188	(-) 19 %
2004-2005	14,653	3,219	(+) 47 %
2005-2006	24,854	5,540	(+) 72 %
2006-2007	56,390	12,492	(+) 125%
2007-2008	98,642	24,575	(+) 97%
2008-2009	1,42,829	31,396	(+) 28%
2009-2010	1,23,120	25,834	(-) 18%
2010-2011	97,320	21,383	(-) 17 %
2011-2012	1,65,146	35,121	(+) 64 %
2012-2013	1,21,907	22,423	(-) 36 %
2013-2014	1,47,518	24,299	(+) 8%
2014-2015	1,89,107	30,931	(+) 27%
2015-2016	2,62,322	40,001	(+) 29%
Cumulative Total (April 2000- March 2016)	14,95,860	2,88,635	

Source: RBI

Chart no.

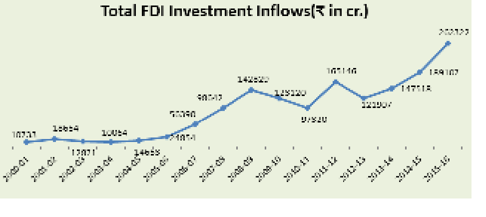


Table no.3 shows FDI equity investment of last 16 years from April 2000- March 2016 in volume and its percentage growth over the previous years. After analyzing the percentage growth of last 16 years, it can be concluded that in 2001-02, the growth rate of investment inflows is very high i.e. 65%. But in the year 2002-03 growth rate has been decreased to 33% and investment inflows has been decreased by ₹5783 cr. (US$ 1360 million), the declination rate has been increased by 14% (from 33% to 19%) in 2003-04; though overall growth rate fall down. In the year 2004-05, the growth rate has been increased to 47% and investment inflows increased by ₹ 4589 cr. (US$ 1031 million) also. In the year 2005-06, growth rate has been risen up enormously. In that year progress rate increased to 72%. In 2006-07, growth rate is maximum i.e. 125% over the previous year. Overall investment increased more than 2 times (2.29 times) than the previous year. ₹56390 cr. (US$ 12492 million) has been invested in that year. In the year 2007-08, growth rate is very much satisfactory. 97% growth has been done in that year. Total investment inflows almost double of the previous year. ₹98642 cr. (US$ 24575 million) has been invested in that year. In the year 2008-09 rate of growth has been decreased by 69% (from 97% to 28%) though overall growth has been increased by 28% from the previous year due to Global Financial Crises and other external factors also. Last four years preceding the year 2009-10, growth rate is very much positive and upward trend. But after that in the year 2009-10 and 2010-11 the investment growth rate fall down 18% and 17% respectively. But after that in the year 2011-12 the rate of growth is very much high and raise up by 64% than the previous year. But in the year 2012-13 and 2013-14, the rate of growth is very much heterogeneous. In 2013-14 it fall down to 36% and the next year the rate increased by 8%. So these respective three years (2011-12, 2012-13, and 2013-14), the growth rate picture is very much zigzag (highly positive, highly negative and again positive) line. In 2014-15 and 2015-16, these two years performance is comparatively a stable situation. In that case both the years have positive growth by 27% and 29% respectively and overall investment stands to ₹ 189107 cr. (US$ 30931 million) and ₹262322 cr. (US$ 40,001million) respectively.

So from the above analysis it can be concluded that though the investment scenario is ups and down, it can be said that overall investment and growth trend is very good and satisfactory. In 2015-16, the investment inflows in equity are ₹ 262322 cr. (US$ 40,001 million) (ignoring the time value of money) where as only ₹10733 cr. (US$ 2463 million) investment inflows have been done in 2000-01. In 2015-16, the investment inflows in equity are ₹ 262322 cr. (US$ 40,001 million) (ignoring the time value of money) where as only ₹10733 cr. (US$ 2463 million) investment inflows have been done in 2000-01. So from the difference it can be understood that there is a radical improvement occurred in Foreign Direct Investment inflows. It rises up above 24 times (24.4 times) in last 16 years. So from this picture it is very much clear that Indian economy has been enriched by new employment and reinvestment of profit. Therefore, foreign investment makes Indian economy strong.

After analysis of FDI equity investment, Foreign Portfolio Investments (FPI) is also the important forms of foreign capital investment. FPI aims to reap profits by investing in shares and bonds of the invested entity without controlling the company. FPI on the other hand is investment in shares, bonds, debentures, etc. According to the IMF, portfolio investment is defined as cross-border transactions and positions involving debt or equity securities, other than those included in direct investment or reserve assets. FPI on the other hand is investment aimed at getting profits from shares, interests from deposits etc. It is otherwise known as hot money. So, investment inflows in FPI during the last sixteen years are analyzed below:

Table no.4 Foreign Portfolio Investment inflows in India from 2000-01 to 2015-16

Financial year	FPI net investment inflows (INR crores)			% growth over the previous year
	In equity (₹ in	In debt (₹ in crore)	Total (₹ in crore)	
2000-01	10,207	(-)273	9,933	-
2001-02	8,072	690	8,763	(-)12%
2002-03	2,527	162	2,689	(-)69%
2003-04	39,960	5,805	45,765	(+)1602%
2004-05	44,123	1,759	45,881	(+)0.25%
2005-06	48,801	(-)7,334	41,467	(-)10%
2006-07	25,236	5,605	30,840	(-)26%
2007-08	53,404	12,775	66,179	(+)115%
2008-09	(-)47,706	1,895	(-)45,811	(-)169%
2009-10	1,10,221	32,438	1,42,658	(+)411%
2010-11	1,10,121	36,317	1,46,438	(+)3%
2011-12	43,738	49,988	93,726	(-)36%
2012-13	1,40,033	28,334	1,68,367	(+)80%
2013-14	79,709	(-)28,060	51,649	(-)69%
2014-15	1,11,333	1,66,127	2,77,461	(+)437%
2015-16	(-)14,172	(-)4,004	(-)18,176	(-)107%
Cumulative total	7,95,607	3,02,224	10,97,831	

Source: SEBI report

Chart no

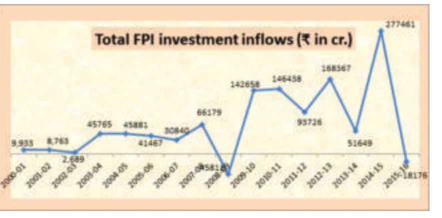


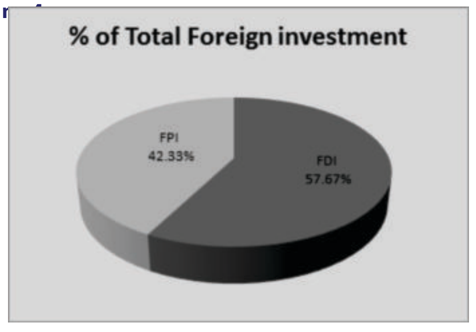
Table no. 4 shows the picture that FPI total investment in debt and equity in the period in 2000-01 was about ₹ 9933 cr. according to data provided by SEBI. The table given above is providing the detail of FPI investment in India from 2000-01 to 2015-16. The above chart is presenting the net investment of FPI in financial year from 2000 to 2016. FPI started their investment with its main instrument as Equity, which was ₹13 cr. in 1992, the value of Debt securities was ₹ 0 but after that in the year 1996-97 it first invest in debt of ₹ 29 cr. (which is not listed in the table) . From 2000 -2001 FPI Equity has increased but negative in debt, but it can be observed that 2002-03 FPI investment in both the instrument had declined. From 2003 equity investment performance had improved but not improved in case of debt folio. When we move to 2008-09 investment portfolio, it can be observed that investment in Equity become negative ₹ -47,706 due to huge withdrawal (outflow) of FPI in India because of which total investment of FPI also become negative during global crises. After crises, the performance of FPI had improved in Indian stock market. But again till 2015-16 investment inequity and debt has decreased and total investment also declined. Chart no-3 also depicts the same fluctuation in FPI investment during 2000-01 to 2015-16 which affected Indian capital market adversely as well as positively. On the basis of above discussion and data interpretation, it can be concluded that investments made by FPI, have greater impact on Indian stock market as well as on Economy. But FPI investment was not consistent during global crises. This crisis also shows that FPI are mainly concentrating in banking sector as they were investing more in banking sector even during crises and after crises period but their investment decreased in all sectors till 2016. FPI investment with huge inflow ₹ 142,658.3 cr. in 2009 had changed the position of India and India becomes main destination for FPI investments in comparison to other Asian countries. The highest FPI investment was made worth ₹ 277461 cr. in 2014-15. So India is holding a top position in Asian countries for FPI stake. FPI investments were more before crises, negative in 2008-2009 and then increase or decrease till 2015-16 as shown in trends.

From the above it is very much clear that FPI investment growth over the previous year is very much inconsistent. After studying 16 years of period, it depicts the line very much zigzag way. There is very much up and downward trend. Growth rate of FPI investment is some time decreasing and some time is very much increasing trend. In 2001-02 and 2002-03, it has been decreased to 12% and 69% respectively. But in the year 2003-04, it is mentionable. In this year it became a miracle situation. Growth rate has been raised to 1602%. In 2004-05 it has been slightly increased by 0.25%. In 2005-06 and

2006-07 growth rate has been decreased by 10% and 26% respectively. In 2007-08, there is a rapid increase and touch the line of 115%. In 2008-09, FPI investment line has been fall and touch the line of (-) 169% because of global financial crisis. But there is a remarkable change in 2009-10 and 2014-15. These two years growth rate have been increased by 411% and 437% respectively. But in 2015-16, there is a negative changes and growth rate has been decreased by 107%. Actually here total FPI investment consists of investment in equity and investment in debt. Some financial period equity investment is high but debt investments are very low or negative and via-versa. Some time both are negative.

From 2000-01 to 2015-16 Total Foreign Investment was ₹ 2536691cr. 57.67% covered by Foreign Direct Investment and 42.33% acquired by Foreign Portfolio Investment.

Chart n



Comparative analysis on FDI and FPI investment inflows:

- After analysis of data from the above tables and charts it is very much clear that FDI and FPI contribute very healthy amount in Indian economy. But in total foreign investment, value FDI investment is more than the FPI investment. FDI investment is almost 60% whereas FPI investment just above the 40%.
- Nature of FDI investment is relatively static but FPI investment is volatile.
- Scope of employment and reinvestment of profit strengthen the Indian economy is possible for investment in FDI but in case of FPI investment, there is no opportunity for such.
- FDI investment line is upward but FPI investment line is zigzag way.
- In case of liquidity of money and emerging situation FPI investment is better than FDI investment.

FINDINGS

- Total Foreign Investment during the last 16 years very much influential (i.e. ₹ 2593691cr.) to Indian economy.
- Percentage of growth of FDI inflows is highest in 2006-07 i.e. 125% and of FPI in 2003-04 is 1602%.
- There was a negative FPI inflow (₹ -45811cr.) in 2008-09 due to Global financial crisis and 2015-16 (₹ - 18176 cr.) for demonetization effect.
- In the year of Global financial crisis, FDI performs sound investments (i.e. ₹ 142829 cr.) though performance of FPI was negative.
- Highest investments come from the country Mauritius, Singapore, UK, Japan, USA and so on. That means maximum investments are coming from the developed countries which indicate green signal of our economy.
- Maximum equity inflows attract in service sectors. And then construction sectors that means real estate companies that strengthen Indian economy.
- FDI and FPI inflows show a positive growth trend over the period from 2000-01 to 2015-16.

CONCLUSIONS

FDI in India will bring various benefits like advancement of knowledge, technology, skill, export, employment, and management. FDI increased due to adoption of more liberal foreign policy and series of measures are undertaken by GOI, though there is a chance of currency drainage from India. FPI is also performing a pivotal role in Indian economy. FDI and FPI inflows show a positive growth trend during the period from 2000-01 to 2015-16. From the above data analysis and discussion this hypothesis has to be accepted that FDI and FPI have positive growth and great contribution on Indian economy.

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