

## To Study the Trends in FDI in Different Sector in India



### Management

**KEYWORDS :** FDI, Country inflows, Different Sector etc

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### ABSTRACT

*Foreign direct investment (FDI) is a direct investment into production or business in a country by an individual or company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds. India is now recognized as one of the most attractive investment destinations by reputed international rating organizations. This paper is focusing on FDI concept and its advantages. This paper focusing on Country-wise Inflows of FDI in top ten country from 2001-2013 and trends in FDI in different sector in India .*

### Introduction:

Foreign direct investment (FDI) is a direct investment into production or business in a country by an individual or company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country. Foreign direct investment is in contrast to portfolio investment which is a passive investment in the securities of another country such as stocks and bonds. Foreign direct investment (FDI) is one of the fastest growing strategic activities that corporations are pursuing around the world. Foreign investment is a strategic instrument of development policy. It plays an important role in the long-term economic development of a country by augmenting availability of capital, enhancing competitiveness of the domestic economy through transfer of technology, strengthening infrastructure, raising productivity, generating new employment opportunities, and boosting exports. FDI is generally defined as "A form of long term international capital movement ,made for the purpose of productive activity and accompanied by the intention of managerial control or participation in the management of foreign firm."The government of India has taken several measures to encourage foreign investment in almost all sectors of the economy. However, the emphasis has been on foreign direct investment (FDI) inflows in the development of infrastructure, technological upgrade of industry, and the setting up of special economic zones. India is now recognized as one of the most attractive investment destinations by reputed international rating organizations. This paper is focusing on FDI concept, and its advantages. This paper focusing on Country-wise Inflows of FDI in top ten country and trends in FDI in different sector in India.

### TYPES OF FDI:

**Horizontal FDI** arises when a firm duplicates its home country-based activities at the same value chain stage in a host country through FDI.

**Platform FDI** Foreign direct investment from a source country into a destination country for the purpose of exporting to a third country.

**Vertical FDI** takes place when a firm through FDI moves upstream or downstream in different value chains i.e., when firms perform value-adding activities stage by stage in a vertical fashion in a host country.

### BENEFITS OF FDI:

- It helps for employment generation and increase in production.
- Help in capital formation by bringing fresh capital.
- Helps in transfer of new technologies, management skills, intellectual property.
- Increases competition within the local market and this brings higher efficiencies.
- It helps in increasing exports and also increases tax revenues.

### ADVANTAGES OF FDI IN RETAIL IN INDIA :

- It helps to increase economic Growth

- It creates number of Job Opportunities
- It provides benefits to farmers and consumers.
- Expansion of import and export business in different countries is increased.
- Availability of new technology
- Long term cash liquidity.
- It helps for country's economic growth.

### OBJECTIVES OF THE STUDY:

1. To Know the FDI concept and advantages of FDI in India.
2. To study the Country-wise Inflows of FDI in top ten country.
3. To Study the trends in FDI in different sector in India

### RESEARCH METHODOLOGY:

Secondary method is used for data collection. The relevant secondary data has been collected from reports of the Ministry of Commerce and Industry, Department of Industrial Promotion and Policy, Government of India.

### SINGLE BRAND:

Single brand implies that foreign companies would be allowed to sell goods sold internationally under a 'single brand', viz., Reebok, Nokia and Adidas. FDI in 'Single brand' retail implies that a retail store with foreign investment can only sell one brand.

### MULTI BRAND

FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof. Opening up FDI in multi-brand retail will mean that global retailers including Wal-Mart, Carrefour and Tesco can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous 'kirana' store.

### TRENDS IN FDI INFLOWS IN DIFFERENT COUNTRY IN INDIA: Analysis of Country-wise Inflows of FDI from of top 10 countries [Amount rupees in crore]

Table No: I

Ranks	Country	2011-12 (April - March)	2012-13 (April - March)	2013-14 (April-July, 2013)	Cumulative inflows (April '00 - July '13)	%age to total inflows (in terms of US \$)
1.	MAURITIUS	46,710 (9,942)	51,654 (9,497)	10,629 (1,853)	351,754 (75,519)	38 %
2.	SINGAPORE	24,712 (5,257)	12,594 (2,308)	12,403 (2,214)	102,585 (21,674)	11 %
3.	U.K.	36,428 (7,874)	5,797 (1,080)	416 (73)	80,874 (17,622)	9 %
4.	JAPAN	14,089 (2,972)	12,243 (2,237)	1,339 (234)	71,433 (14,785)	7 %
5.	U.S.A.	5,347 (1,115)	3,033 (557)	2,090 (371)	53,013 (11,492)	6 %
6.	NETHERLANDS	6,698 (1,409)	10,054 (1,856)	2,968 (520)	45,346 (9,486)	5 %

7.	CYPRUS	7,722 (1,587)	2,658 (490)	805 (141)	33,133 (7,030)	4 %
8.	GERMANY	7,452 (1,622)	4,684 (860)	2,865 (518)	28,377 (5,998)	3 %
9.	FRANCE	3,110 (663)	3,487 (646)	639 (112)	17,503 (3,685)	2 %
10.	U.A.E.	1,728 (353)	987 (180)	372 (65)	11,679 (2,488)	1 %
	TOTAL FDI INFLOWS FROM ALL COUNTRIES	165,146 (35,121)	121,907 (22,423)	39,931 (7,053)	936,844 (200,457)	

Source : Government of India (GOI) (2009). FDI Statistics, Ministry of Commerce & Industry, Department of Industrial Policy and Promotion , page2

It is observed from above table that more than 50 per cent of the total FDI inflows received by India came from Mauritius, Singapore and the USA. Economic development, rise in purchasing power, growing consumerism and brand proliferation has led to retail modernization in India. India's perception abroad has been changing steadily over the years. This is reflected in the ever growing list of countries that are showing interest to invest in India. Mauritius emerged as the most dominant source of FDI contributing 38 % of the total investment in the country. Singapore was the second dominant source of FDI inflows with 11% of the total inflows. However, UK was the third position by contributing 9% of the total inflows. They maintained continuous increasing trend under the period of study. Japan occupied fourth position with 7% followed by USA with 6%, Netherland with 5%, Cyprus with 4%, Germany with 3%, France with 2%, UAE with 1%.

FINANCIAL YEAR-WISE FDI EQUITY INFLOWS:  
(As per DIPP's FDI data base - equity capital components only): Table No: II

FINANCIAL YEARS 2000-01 to 2013-14 (up to July, 2013)		Amount of FDI Inflows		%age growth over previous year (in terms of US \$)
S. No.	Financial Year (April – March)	In Rs crores	In US\$ million	
1.	2000-01	10,733	2,463	-
2.	2001-02	18,654	4,065	(+) 65 %
3.	2002-03	12,871	2,705	(-) 33 %
4.	2003-04	10,064	2,188	(-) 19 %
5.	2004-05	14,653	3,219	(+) 47 %
6.	2005-06	24,584	5,540	(+) 72 %
7.	2006-07	56,390	12,492	(+) 125 %
8.	2007-08	98,642	24,575	(+) 97 %
9.	2008-09	142,829	31,396	(+) 28 %
10.	2009-10	123,120	25,834	(-) 18 %
11.	2010-11	97,320	21,383	(-) 17 %
12.	2011-12	165,146	35,121	(+) 64 %
13.	2012-13	121,907	22,423	(-) 36 %
14.	2013-14 (Apr-Jul, 2013)	39,931	7,053	
CUMULATIVE TOTAL (from April, 2000 to July, 2013)		936,844	200,457	

Source Government of India (GOI) (2009). FDI Statistics, Ministry of Commerce & Industry, Department of Industrial Policy and Promotion page 4

It is observed from above table that, FDI inflows is considered for last decade in research paper. Maximum inflows in the year 2011-12 i.e. 165,146 crore. Minimum inflows in the year 2000-01 i.e. 10733 crore and it slowly increased in 2001-02. FDI inflows is increased to 121,907 crore in the year 2012-13. Total

FDI inflows during the year 2000 to July 2013 is 936844 crore in India.

ANALYSIS OF DIFFERENT SECTORS HIGHEST FDI EQUITY INFLOWS: Amount in Rs. Crores (US\$ in million)  
Table No: III

Rank	Sector	2011-12 (April - March)	2012-13 (April - March)	2013-14 (April-July, 2013)	Cumulative Inflows (April '00- July '13)	% age to total Inflows (In terms of US\$)
1	SERVICES SECTOR **	24,656 (5,216)	26,306 (4,833)	5,770 (1,021)	178,046 (38,255)	19 %
2	CONSTRUCTION DEVELOPMENT: TOWNSHIPS, HOUSING, BUILT-UP INFRASTRUCTURE	15,236 (3,141)	7,248 (1,332)	2,092 (359)	103,141 (22,439)	11 %
3	TELE COMMUNICATIONS (radio paging, cellular mobile, basic telephone services)	9,012 (1,997)	1,654 (304)	66 (12)	58,798 (12,868)	6 %
4	COMPUTER SOFTWARE & HARDWARE	3,804 (796)	2,656 (486)	1,244 (215)	54,019 (11,906)	6 %
5	DRUGS & PHARMACEUTICALS	14,605 (3,232)	6,011 (1,123)	5,453 (1,002)	54,333 (11,320)	6 %
6	CHEMICALS (OTHER THAN FERTILIZERS)	18,422 (4,041)	1,596 (292)	2,069 (354)	42,567 (9,235)	5 %
7	AUTOMOBILE INDUSTRY	4,347 (923)	8,384 (1,537)	3,576 (637)	42,746 (8,932)	4 %
8	POWER	7,678 (1,652)	2,923 (536)	1,199 (208)	37,336 (8,043)	4 %
9	METALLURGICAL INDUSTRIES	8,348 (1,786)	7,878 (1,466)	1,090 (190)	35,904 (7,697)	4 %
10	HOTEL & TOURISM	4,754 (993)	17,777 (3,259)	694 (123)	33,954 (6,755)	3 %

Source Government of India (GOI) (2009). FDI Statistics, Ministry of Commerce & Industry, Department of Industrial Policy and Promotion, page 2

It is observed from above table that, different sectors are taking into consideration like Services Sector, Construction Development: Townships, Housing, Built-Up Infrastructure, Telecommunications (Radio Paging, Cellular Mobile, Basic Telephone Services, Computer Software & Hardware, Drugs & Pharmaceuticals, Chemicals (Other Than Fertilizers), Automobile Industry, Power, Metallurgical Industries, Hotel & Tourism from this academic year i.e. 2011-12 to 2013-July 13. Commulative inflows is maximum for service sector i.e. 178,046 crore. Minimum commutative inflows is 33,954 crore for Hotel and Tourism sector in India. Commutative inflows for Telecommunications (radio paging, cellular mobile, basic telephone services) is decreased to 58,798 crore as compared to Construction Development:

Townships, Housing, Built-Up Infrastructure and Computer Software, Hardware and Drugs & Pharmaceuticals are near about same i.e. 54,019 and 54,333.

CONCLUSION:

Foreign direct investment (FDI) is one of the fastest growing strategic activities that corporations are pursuing around the world. Foreign investment is a strategic instrument of development policy. There are three types of FDI namely Horizontal FDI, Platform FDI and Vertical FDI. It concluded that FDI has different advantages like it helps to increase economic growth. It creates number of Job Opportunities. It provides benefits to farmers and consumers. Availability of new technology It helps for country's economic growth. Commutative inflows is maximum for service sector i.e. 178,046 crore. Minimum commutative inflows is 33,954 crore for Hotel and Tourism sector in India. Commutative inflows for Telecommunications (radio

ping, cellular mobile, basic telephone services) is decreased to 58,798 crore as compared to Construction Development: Townships, Housing, Built-Up Infrastructure. Top ten countries are taking into consideration to understand the commutative inflows of different country. It shows that more than 50 per cent of the total FDI inflows received by India came from Mauritius, Singapore and the USA. This is reflected in the ever growing list

of countries that are showing interest to invest in India. Mauritius emerged as the most dominant source of FDI contributing 38 % of the total investment in the country. Singapore was the second dominant source of FDI inflows with 11% of the total inflows. However, UK was the third position by contributing 9% of the total inflows.

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