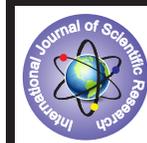


# Impact of Selected Sectors on Total Fdi Inflow in India



## Commerce

**KEYWORDS :** Foreign Direct Investment, FDI inflow, sectors, comparison, impact.

**Mrs. S VIJAYALAKSHMI**

Assistant Professor and Head, Department of B.Com(PA) PSGR Krishnammal College for Women Coimbatore

**P. PAVITHRA**

M.phil Research Scholar, Department of Commerce PSGR Krishnammal College for Women Coimbatore

### ABSTRACT

*Foreign direct investment (FDI) is considered to be the lifeblood of economic development especially for the developing and underdeveloped countries. FDI is considered as a development tool, which can help in developing the economy by generating employment, revenues in the form of tax and incomes, financial stability to the government, development of infrastructure, productivity, business infrastructure, and act as support for financial system. The present paper is attempted to analyze the impact of selected sectors inflow on total FDI using the statistical tools namely correlation, regression and variance. It is concluded that telecommunication sector has strong impact on total FDI. Further this paper recommends that government should adopt innovative policies to attract more and more FDI in telecommunication sector to develop the nation.*

### INTRODUCTION

FDI is an investment made by a company or entity based in one country into a company or entity based in another country. FDI plays a major role in developing countries like India. They act as a long term source of capital as well as a source of advanced and developed technologies. The investors also bring along best global practices of management. More and more industries are set up as large amount of capital comes in through these investments. This helps in increasing employment and also helps in promoting international trade.

FDI plays a vital role in the up gradation of technology, skills and managerial capabilities in various sectors of the economy. FDI inflows made in various sectors i.e. service, power, telecommunication, petroleum & gas, trading, education, hospital & diagnostic centers, electronics, sea transport, agricultures etc. From these sectors there are 8 sectors selected for this study. The sectors are

- Service sector
- Telecommunication
- Computer hardware & software
- Chemicals
- Power
- Automobile industry
- Metallurgical industries
- Hotel and tourism

### OBJECTIVES

- To compare the FDI inflows in selected sectors.
- To know about the impact of selected sectors inflow on total FDI.

### STATEMENT OF THE PROBLEM

FDI has been involved behind the growth of various sectors in India. The present study attempts to analyze significance of the FDI

**TABLE: 1**  
**COMPARATIVE ANALYSIS OF SELECTED SECTORS**

	Service Inflow	Telecommunication inflow	computer hardware & software inflow	Chemicals inflow	Power Inflow	Automobile industry-inflow	Metallurgical industry-inflow	Hotels & tourism- inflow
Service-inflow	1	.180	-.048	.070	.279	.154	.073	.462
telecommunication-inflow		1	.340	.221	.538	.678*	-.716*	-.226
computer hardware & software inflow			1	-.314	-.400	.317	-.198	-.308
Chemicals-inflow				1	.668*	.049	.298	-.075
power-inflow					1	.351	-.347	-.005
Automobile industry-inflow						1	-.484	.378
Metallurgical industry-inflow							1	.312
Hotels & tourism-inflow								1

inflows in selected Indian sectors from 2005-2006 to 2014- 2015.

### REVIEW OF LITERATURE

**Bhavya Malhotra (2014)**, conducts a study on “FDI: Impact on Indian Economy”. This study examines the impact of FDI on the Indian economy, particularly after two decades of economic reforms and analyze the competition for FDI. For Indian economy which has tremendous potential, FDI has had a positive impact.

**N. J. Saleena (2013)**, conducts a study on “Impact of FDI on Services Export: Evidence from India”. This paper is examines empirically the role of FDI on services export using econometric tools and the importance of FDI in export promotion in the services sector in India should be pursued as a long-term policy objective.

### RESEARCH METHODOLOGY

Research in common parlance refers to a search for knowledge. Once can also define research as a scientific and systemic search for pertinent information on a specific topic. In fact, research is an art of scientific investigation.

### Data collection

The study is based on the secondary data collected from the sources like RBI, DIPP, magazines, journals and internet sources.

### Tools used

- Correlation
- Regression
- Analysis of variance and covariance

### ANALYSIS AND INTERPRETATION

#### CORRELATION ANALYSIS

Correlation analysis has been used to study the degree of relationship between various sectors in FDI inflow.

The correlation result shows that telecommunication sector was highly correlated with automobile sector with the r value of 0.678 and the next highest correlation is found between chemicals and power sectors (0.668). It was negatively correlated with metallurgical sector with the r value of -0.716 and next lowest correlation is found between automobile and metallurgical sectors (-0.484).

**TABLE: 2**  
**GROUP STATISTICS – SELECTED SECTORS**

Mean		Foreign direct inflow		
		S.D	No.	
Sector	Service	19,776.80	7,868.52	10
	telecommunication	7,759.80	5,063.30	10
	computer h/w & s/w	6,550.80	3,588.71	10
	Chemicals	4,817.90	5,586.81	10
	Power	4,239.50	2,410.24	10
	Automobile industry	5,910.20	4,426.47	10
	Metallurgical industry	5,283.00	2,259.82	10
Hotels & tourism	4,182.50	5,198.35	10	

The above table shows that the highest mean value Rs.19,776.80 crores was found in service sector, which implies that they have higher inflow when compared to other sectors.

Ho: There is no significant relationship between selected sectors and total FDI.

**TABLE: 3**  
**ANOVA FOR FDI IN SELECTED SECTOR**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.877E9	7	2.681E8	11.339	**
Within Groups	1.703E9	72	23,646,790.782		
Total	3.579E9	79			

The ANOVA result shows that the value of F-statistics 11.339 is significant at 1% level of significance. This shows that there is a significant difference in the average inflow among the eight sectors during the study period. Hence null hypothesis is rejected.

**REGRESSION**

The effect of each sector on total FDI inflow was calculated using regression analysis.

**TABLE: 4**  
**IMPACT OF SERVICE SECTOR ON TOTAL FDI INFLOW**  
**Dependent Variable: Total FDI inflow**

	Regression Coefficient (B)	Std. Error	Correlation	T	Sig.
(Constant)	52,551.153	40,372.188			
Service-inflow	3.241	1.910	.515	1.697	Ns

The regression equation estimated service sector inflow shows that there is a moderate positive coefficient between total FDI inflow and service sector inflow(r = 0.515). The regression coefficient shows that service inflow effects positively to total FDI.

**TABLE: 5**  
**IMPACT OF TELECOMMUNICATION SECTOR ON TOTAL FDI INFLOW**  
**Dependent Variable: Total FDI inflow**

	Regression Coefficient (B)	Std. Error	Correlation	T	Sig.
(Constant)	59,019.848	20,578.890			
telecommunication-inflow	7.428	2.255	.759	3.294	**

The regression equation estimated telecommunication sector inflow shows that there is a high positive coefficient between total FDI inflow and telecommunication sector inflow(r = 0.759). The regression coefficient shows that telecommunication inflow effects positively to total FDI.

**TABLE: 6**  
**IMPACT OF COMPUTER HARDWARE & SOFTWARE SECTOR ON TOTAL FDI INFLOW**  
**Dependent Variable: Total FDI inflow**

	Regression Coefficient (B)	Std. Error	Correlation	t	Sig.
(Constant)	107,392.485	35,864.444			
computer hardware & software-inflow	1.414	4.858	.102	.291	Ns

The regression equation estimated computer hardware & software sector inflow shows that there is a low positive coefficient between total FDI inflow and computer hardware & software sector inflow(r = 0.102). The regression coefficient shows that computer hardware & software inflow effects positively to total FDI.

**TABLE: 7**  
**IMPACT OF CHEMICAL SECTOR ON TOTAL FDI INFLOW**  
**Dependent Variable: Total FDI inflow**

	Regression Coefficient (B)	Std. Error	Correlation	t	Sig.
(Constant)	99,386.737	20,553.935			
chemicals-inflow	3.584	2.870	.404	1.249	Ns

The regression equation estimated chemical sector inflow shows that there is a low positive coefficient between total FDI inflow and chemical sector inflow(r = 0.404). The regression coefficient shows that chemical inflow effects positively to total FDI.

**TABLE: 8**  
**IMPACT OF POWER SECTOR ON TOTAL FDI INFLOW**  
**Dependent Variable: Total FDI inflow**

	Regression Coefficient (B)	Std. Error	Correlation	T	Sig.
(Constant)	54,095.052	24,396.420			
power-inflow	14.757	5.065	.718	2.914	*

The regression equation estimated power sector inflow shows that there is a high positive coefficient between total FDI inflow and power sector inflow(r = 0.718). The regression coefficient shows that power inflow effects positively to total FDI.

**TABLE: 9**  
**IMPACT OF AUTOMOBILE SECTOR ON TOTAL FDI INFLOW**  
**Dependent Variable: Total FDI inflow**

	Regression Coefficient (B)	Std. Error	Correlation	t	Sig.
(Constant)	64,485.060	17,664.053			
Automobile industry-inflow	8.827	2.436	.788	3.623	**

The regression equation estimated automobile sector inflow shows that there is a high positive coefficient between total FDI inflow and automobile sector inflow(r = 0.788). The regression coefficient shows that automobile inflow effects positively to total FDI.

**TABLE: 10**  
**IMPACT OF METALLURGICAL SECTOR ON TOTAL FDI INFLOW**

**Dependent Variable: Total FDI inflow**

	Regression Coefficient (B)	Std. Error	Correlation	T	Sig.
(Constant)	159,638.863	41,062.630			
Metallurgical industry-inflow	-8.136	7.202	-.371	-1.130	Ns

The regression equation estimated metallurgical sector inflow shows that there is a negative coefficient between total FDI inflow and metallurgical sector inflow( $r = -0.371$ ). The regression coefficient shows that metallurgical inflow effects negatively to total FDI.

**TABLE: 11**  
**IMPACT OF HOTELS & TOURISM SECTOR ON TOTAL FDI INFLOW**

**Dependent Variable: Total FDI inflow**

	Regression Coefficient (B)	Std. Error	Correlation	T	Sig.
(Constant)	104,392.014	20,744.412			
Hotels & tourism-inflow	2.932	3.208	.308	.914	Ns

The regression equation estimated hotels & tourism sector inflow shows that there is a moderate positive coefficient between total FDI inflow and hotels & tourism sector inflow( $r = 0.308$ ). The regression coefficient shows that hotels & tourism inflow effects positively to total FDI.

**TABLE: 12**  
**IMPACT OF SELECTED SECTORS ON TOTAL FDI**

**Dependent Variable: Total FDI inflow**

	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	-80,251.228	104,136.572		
Service-inflow	-.194	2.004	-.097	Ns
telecommunication-inflow	5.990	4.921	1.217	Ns
computer h/w & s/w-inflow	5.202	6.438	.808	Ns
chemicals-inflow	-2.165	6.168	-.351	Ns
power-inflow	17.384	11.319	1.536	Ns
Automobile industry-inflow	-.359	7.817	-.046	Ns
Metallurgical industry-inflow	7.666	17.654	.434	Ns
Hotels & tourism-inflow	4.431	6.594	.672	Ns

R	R Square	F	Sig.
.991	.983	7.144	Ns

It is been analyzed from the above table that the service, chemicals and automobile sector have negative impact on total FDI inflow. The T-Test results shows that there is no significance difference of eight sectors and total FDI inflow.

Multiple correlation coefficient was found out to find the causes of all the dependent variables on total FDI inflow. The R value was found to be (0.991) it shows that there is high correlation between sectors and total FDI inflow. The R square value is found to be (98.3%). The F ratio value was found to be (7.144) and it shows that there is no significant relationship between sectors and total FDI inflow.

**CONCLUSION**

The growth of FDI in various sectors gives opportunities to Indian industry for technological up gradation, gaining access to global managerial skills and practices, optimizing utilization of human and natural resources and competing internationally with higher efficiency.

The present study analyzed the FDI inflow in selected sectors in India during 2006-2015. It is concluded that telecommunication sector is playing important role in the inflow of FDI than the other sectors and it is one of the most dynamic and fastest growing sector in India. Telecommunication sector is projected to be on a high growth line in the next five years and it has strong impact on total FDI. It can be said that government should adopt innovative policies to attract more and more FDI in telecommunication sector.

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