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AN ANALYSIS OF THE SHARE OF TOP TEN REGION-WISE FDI INFLOWS RECEIVED IN INDIA

Economics

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ABSTRACT

This study intends to analyse the trend and growth of foreign direct investment inflows in India during 1990-91 to 2011-12 and this study examines the share of top ten region-wise FDI inflows received by India from 2006 to 2013 also. With a view to assess the inflow of FDI, regional wise data for ten regions have been collected through Reserve Bank of India. Further it is aimed to ascertain the favorable factors cozy for the investors in different regions taker for the study and it is proposed to suggest measures to be adopted by the government of India for fostering GDP, savings, exports, freedom for all the state governments in our federalism.

KEYWORDS

GDP, FDI, and RBI.

Introduction:

Since the launch of Economic reforms in 1991, India has been one of the fastest growing countries in the world with the active participation of foreign direct Investment in the economy. The FDI has been recognized as an important driver for economic growth and development. One of the most striking developments during the last decades is the spectacular growth of FDI in the global economic landscape. In this study, an attempt is made to analyze the broad trends of FDI inflows in India. To be more specific, this study describes the FDI inflows in terms of the actual value, annual growth rate, compound annual growth rate and the percentage share of FDI in Gross Domestic Product (GDP) in India. Furthermore, this study focuses on the share of top ten region-wise FDI inflows received in India. In this research paper the key elements like FDI inflows in terms of the actual value, annual growth rate, compound annual growth rate and the percentage share of FDI in Gross Domestic Product which determine the inflows of FDI in the regions taken for the study in India.

Review of Literature:

In recent years, there has been an increasing amount of literature on the relationship between FDI and economic growth of many countries or regions. This section briefly discusses some previous theoretical and empirical studies based on the relationship between FDI and economic growth developed and developing countries[Siddharthan N.S. and Lal K. (2003); Sadiq Ahmed and Zaidi Sattar (2004); Liu Ying and Cui Riming (2008); Prasanna, N. (2010); Neelam Rani and Neelam Dhanda (2011); Dilawar Khan, et.al.,(2012); Sangjoon Jun (2013,) Priyanka Sahni (2014); Robert Grosse (1988); Bernard Tail Khian Mien(1999); Bishwanath Goldar and Etsuro Ishigami(1999); Donghyun Park and Insoo Kang (2000); Nguyen Nhu Binh and Jonathan Haughton(2002); Sethi D., et. al., (2003); Ghosh D.N. (2005); Nagesh Kumar (2005); Indrani Chakraborty (2006); Dawood Ali M. Mithani, et. al., (2009); Somia Iram and Muhmmad Nishat (2009); Chengang Wang and Balasubramanyam V.N. (2011); Ila Chaturvedi (2011)]. The survey points out the trend and growth of region-wise FDI inflows in India are limited in number. This explains the need for the present study.

The Trend and Growth of FDI Inflows in India:

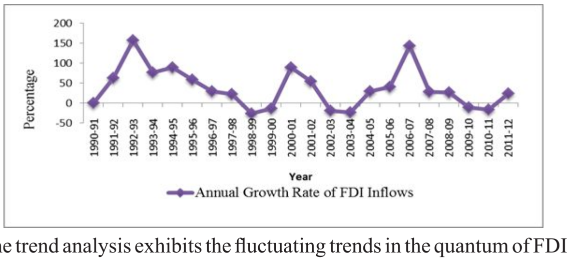
In order to analyse the trends of growth of FDI inflows in India, the data published by Reserve Bank of India in the Handbook of Statistics on Indian Economy covering the period 1990-91 to 2011-12 have been ingrained and recorded. The data shown in Table 1 reveals that inflow of FDI has gone up from the tune Rs. 5.126 billion during 1990-91 to Rs. 1375.45 billion in 2011-12. It is showing an increase of 268.33 folds over the base periods used for the study. It is due to the promulgation of economic reforms by government of India.

Table 1: The Trend and Growth of FDI Inflows in India: 1990-91 to 2011-12

Year	FDI Inflows in Billion Rupees	Annual Growth Rate of FDI Inflows (in Pe cent)	FDI Inflows as a Percentage of GDP
1990-91	5.126	-	0.034
1991-92	8.366	63.20	0.056
1992-93	21.518	157.21	0.136
1993-94	38.035	76.76	0.229
1994-95	71.862	88.93	0.406
1995-96	113.680	58.19	0.596
1996-97	146.880	29.20	0.717
1997-98	180.632	22.98	0.847
1998-99	132.488	-26.65	0.585
1999-00	114.641	-13.47	0.465
2000-01	216.353	88.72	0.845
2001-02	333.359	54.08	1.242
2002-03	271.033	-18.70	0.973
2003-04	209.653	-22.65	0.698
2004-05	272.340	29.90	0.840
2005-06	381.151	39.95	1.076
2006-07	928.833	143.69	2.399
2007-08	1192.358	28.37	2.805
2008-09	1501.531	25.93	3.400
2009-10	1328.590	-11.52	2.773
2010-11	1114.654	-16.10	2.110
2011-12	1375.480	23.40	2.442

Source: Handbook of Statistics on Indian Economy by Reserve Bank of India

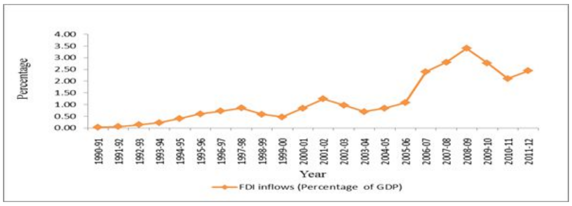
Figure 1: The Annual Growth Rate of FDI Inflows in India: 1990-91 to 2011-12



The trend analysis exhibits the fluctuating trends in the quantum of FDI inflows reflected in the annual growth rate in FDI inflows. The annual growth rate was negative in first six years and positive in the remaining 16 years. The highest annual growth rate of 157.21 per cent was seen in the year 1992-93 while the lowest rate of 22.98 occurred in 1997-98.

Overall, the varying annual growth rates confirm fluctuations in the inflows of FDI in India. These fluctuations may be due to the macro level changes in India and policy parameters at the national and global level coupled with the psychology and confidence levels of foreign investors. The wide variations in the annual growth rates are vividly captured in Figure 1 below.

Figure 2: The Percentage Share of FDI Inflows in GDP in India: 1990-91 to 2011-12



Based on the Table 1 and figure 2, it can be inferred that the details of FDI inflows as share of GDP in India. It may be seen that this share was as high as 3.4 per cent in 2008-09 and as low as 0.034 per cent in 1990-91. FDI inflows constituted 2.442 per cent in 2011-12. On an average, this share was 1.17 per cent in the last 22 years. But one notable feature was that it exceeded 2 per cent in all the years after 2006-07. In these years, the presence of FDI was considerable and noticeable in India in the current context. This is because of the realisation on the part of policy makers that FDI is the life blood and an important variable for economic growth of India. The inflow of FDI has a significant impact on country's trade balance, transfer of technology and innovative ideas, increasing labour standards and skills, and general business climate. Further, FDI also offers opportunity for technological transfer and upgradation, optimal utilization of human capabilities and natural resources, access to global managerial skills and practice, innovative ideas, skills and the general business climate.

FDI also offers opportunity for technological transfer and upgradation, access to global managerial skills and practice, making industry internationally competitive, opening up of export market, access to international quality goods and services and enlarging employment opportunities. Further in this study, it has been proposed to evaluate the share of Top Ten Region-wise FDI inflows in India.

The Share of Top Ten Regions in FDI Inflows in India:

Although after economic reform India is getting more FDI inflows, it has never led to the equal development of all regions in the economy as the distribution of FDI inflows among different regions in India is not uniform. Therefore, this chapter also analyses the top ten region-wise FDI inflows received in India during the period from 2006 to 2013. This study uses the secondary data by Ministry of Commerce and Industry, Government of India. This study listed top ten RBI Regional Office-wise FDI inflows received in India such as, Mumbai, New Delhi, Chennai, Bangalore, Ahmedabad, Hyderabad, Kolkata, Bhopal, Chandigarh, and Kochi. These regions covered some States, which are presented in Table 2 below.

Table 2: The Share of Top Ten Regions in FDI Inflows in India: 2006 to 2013

(Rs. in Million)

Year	2006	2007	2008	2009	2010	2011	2012	2013	Cumulative inflows	Percentage	Rank
Mumbai	159073.2	185171.5	628425.8	541550.8	291636.4	417219.8	428512.6	263926.6	2915516.61	33.31	1
New Delhi	97848.07	138569.8	93542.6	365398.9	202745.1	313542.9	243547.5	169582.6	1624777.45	18.56	2
Chennai	51925.27	28918.82	58155.86	49827.13	59865.01	60473.44	111537.8	150629.6	571332.97	6.53	3
Bangalore	28192.09	49632.24	96529.63	60465.41	59340.35	65925.9	55727.34	96564.11	512377.07	5.85	4
Ahmedabad	16387.57	11833.93	173302.8	49884.01	24168.51	50898.13	34329.83	43397.28	404202.04	4.62	5
Hyderabad	25174.72	31846.67	62029.81	54401.78	55154.03	44365.97	52600.09	46169.19	371742.26	4.25	6
Kolkata	2882.89	16192.16	21508.3	2191.42	8239.9	17610.98	15919.65	26052.96	110598.26	1.26	7
Bhopal	749.42	2045.52	1226.11	2762.6	19860.14	7087.85	8988.38	10479.44	53199.46	0.61	8
Chandigarh	848.63	1922.65	NA	2330.73	21887	7021.63	6133.85	4387.36	44531.85	0.51	9
Kochi	944.49	1027.81	3516.57	5586.83	2344.7	17353.32	8922.84	4270.34	43966.9	0.50	10
Other States	119546.3	330194.5	259017.3	175398.8	214908.5	272123.4	249694.6	479365.3	2100248.8	24.00	
Grand Total	503572.7	797355.6	1397255	1309799	960149.6	1273623	1215914	1294825	8752493.74	100.00	

Source: Ministry of Commerce and Industry, Government of India

Table 2 portrays the performance of top ten regions in terms of attraction of FDI inflows, approved by the Government of India during the years 2006 to 2013.

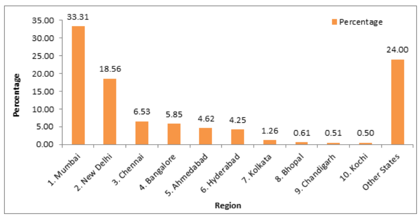
India's 76 per cent of cumulative FDI is contributed by these top ten regions while remaining 24 per cent is by rest of the States. This analysis of region-wise inflows of FDI in India indicates that during 2006-2013, the total amount of Rs. 8752493.74 million of FDI was received from different parts of the world.

Maharashtra with total FDI inflows of Rs. 2915516.61 million, New Delhi Rs. 1624777.45 million, Chennai Rs. 571332.97 million, Bangalore Rs. 512377.07 million, Ahmedabad Rs. 404202.04 million, Hyderabad Rs. 371742.26 million, Kolkata Rs. 110598.26 million, Bhopal Rs. 53199.46 million, Chandigarh Rs. 44531.85 million and Kochi Rs. 43966.9 million respectively occupied the first ten position.

The figure 3 shows the highest inflows of FDI over the period of 2006 to 2013 have been received by Mumbai, its share in these inflows have been as high as 33.31 per cent. New Delhi is second with a share of 18.56 per cent. Chennai is third with a share of 6.53 per cent.

The remaining regions which include Bangalore, Ahmedabad, Hyderabad, Kolkata, Bhopal, Chandigarh and Kochi have got their share of FDI inflows in the following percentages 5.85, 4.62, 4.25, 1.26, 0.61, 0.51, and 0.50 respectively.

Figure 3: The Percentage Share of Top Ten Regions in FDI Inflows in India: 2006 to 2013



The distribution of FDI inflows among different regions in India is not uniform. FDI inflows seemed to have been flowing rapidly to those regions that are already well developed in terms of infrastructure facilities or to those regions that offer attractive tax and other concessions. FDI inflows into India have principally gone to top ten regions. According to figure 3, FDI inflows varied considerably over the geographic span of India. These top ten regions have continually sought to attract FDI from the world's major investors. The State Governments announced a number of incentives, by conducting global investor meeting, designed to encourage FDI and to present a favorable scenario for investors. The inflow of FDI shows inclination towards regions with investor friendly business environment. Despite troubles in the world economy, India continued to attract FDI inflows mainly because government of India open-up FDI with flexible investment regimes and policies that prove to be attractive for the foreign investors in finding the investment opportunities in the nation.

Conclusion:

This study has elaborately analysed the trend and growth of FDI inflows in India during the study period from 1990-91 to 2011-12. This analysis clearly shows that the inflow of FDI has a significant effect on the economic growth of the nation. Furthermore, this study has analysed the top ten regions-wise inflows of FDI inflows in India from 2006 to 2013. This study has analyzed and listed top ten RBI Regional Office-wise FDI inflows received in India such as, Mumbai, New Delhi, Chennai, Bangalore, Ahmedabad, Hyderabad, Kolkata, Bhopal, Chandigarh, and Kochi. These top ten regions have continually sought to attract FDI from the world's major investors. The state government announced a number of incentives, by conducting global investor meeting, designed to encourage FDI and present a favorable scenario for investors. This study concludes that the government may design the FDI inflows policy in such a way where FDI inflows can be utilized as means of enhancing domestic production, saving and exports through the equitable distribution among the states by providing much freedom for the states, so, that they can attract more FDI inflows at their own level. FDI inflows can help to raise the output, productivity and trade at the sectoral level of the Indian economy.

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