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# MATHEMATICAL CALCULATION OF CHANGE IN FOREIGN DIRECT INVESTMENT BEHAVIOR, POLICY, ITS TRENDS, IMPACTS AND COMPOSITION WITH REFERENCE TO INDIA IN POST REFORM PERIOD: A REVIEW STUDY

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**Abstract:** Various theoretical researches on foreign direct investment have resulted in a better understanding of the financial mechanism and investor behaviour at both the micro and macro levels, enabling for the emergence of new economic theory. Microeconomic Foreign Direct Investment theories are firm-centered, linked to ownership and internal advantages, and aimed at, market inefficiencies, biases and industrial economics. Furthermore, macroeconomic FDI theories emphasize country-specific characteristics as well as directed international economy and commerce. The Portuguese were the first to establish a textile operation in India in 1500AD, accompanied by British and Dutch East India Companies. Till then FDI has become a key factor for the development of the developing nations and India is one of them. Developed countries enriched with the resources like technology, capital and management skills. They take the comparative advantage by investing in developing countries. Due to the large market size, cheap labour and abundance of natural resources, India has reached under one of the top emerging economies. Various sectors are emerging as a favorite destination for foreign investors. Some of the key fields of FDI are petroleum, mine, coals, and fuel, as well as banks, healthcare, transport, financing, manufacture, and retail. FDI is as much important as a growth engine for India. In 2014 Indian Government has taken important measures such as make in India, reduction in effective corporate tax from 25% to 17%, introduction of production linked incentive scheme in thirteen sectors that works as catalyst for attracting FDI.

**Keywords**: FDI, Foreign Investor, Investor Behaviour, International Economy, Internalization, New Industrial Policy

## Introduction

FDI means flow of capital, technology and human resources across the nations particularly from developed to developing countries. FDI is defined differently depending on the foreign investors' behaviour or the host country's perspective. When a firm of a home country acquires ownership by investing in host country and control over the management also by creating a lasting effect is known as Foreign Direct Investment. FDI is a dynamic process in terms of investment behavior pattern, resource commitment, production scale are changing over time. Developing countries generate

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lucrative growth for their economy by bringing foreign capital resources, upgraded technology and advance management skills through FDI inflow. Developing nations are considering it a key factor for their economic as well as technological development. So they are trying to make their nation conducive to attract more and more FDI. Vernon's (1966) theory, explains that for the first time after the Second World War US manufacturing firms made FDI in Western Europe. Hymer's (1976) theory has emphasized on firm-specific advantages against the cost of operations in foreign country considering imperfect market. If the home country indents to make FDI in host country they might have face different problems related to environment, infrastructure, legal system and consumer preferences etc. Dunning (1977), the **Eclectic** (OLI) theory has focused on three different paradigm (O-L-I) for foreign direct investments. According to this theory, before entering into FDI in host country the firm should confirm the three things such as benefit of Ownership, benefit of Location means size of market, infrastructure facilities, and policies of the government of host countries and benefit of Internalization means creation of internal market.

For developing countries, the mobilization of funds is a challenging task. The most important investors, such as international and bilateral organisations, play a crucial role in steering capital flows between countries because the majority of money is sourced domestically and established financial markets are primarily in industrialised nations (Francesca Larosa et al. 2022). Understanding the investment behaviour of foreign investors and their trading factors plays a very vital role for scholars, investors, and policymakers. The rational paradigm and the behavioural paradigm are the two strands that are used by the investors to make trading decisions. A rational paradigm presupposes rational investment behaviour and hence places a premium on fundamental characteristics like business size, market to stock price, profit, and cost of equity capital, among others. A behavioural model, on the other hand, indicates that actual traders do not follow rational activities, leading them to make poor decisions (N.T.P. Thao et al. 2022*)*.

The prime intent of this review study is to focus on changes in foreign direct investment behaviour, policies, trends, and impacts after the economic reform in the country. Two routes are opened for FDI inflow in India, one is automatic route and other is Government route for facilitating the country's foreign investment.

***FDI Policy in India post economic reform (1991-2021)***

**(1991–2000):** Before 1991 there were various disturbances in the country such as political instability, increasing rate of inflation, negative balance of payment, acute financial crisis. The reason behind this was centralized system of the economy after the independence.

International financial organizations such as World Bank and IMF pressurized to make decentralize of Indian economy by adopting structural changes; in this direction India adopted a series of policies like LPG policy and NIP reforms etc to make the economy more competitive and more efficient by relaxing the restrictive industrial policies, by abolishing the licensing system in India in (1991) for encouraging the private sector.LPG policy of 1991 was a major step for changing the Indian economy today.

***Factors responsible for 1991 economic reforms are:***

- Increased Inflation: The inflation rate was increased from 6.7% to 16.7%, due to acute increase in money supply. The economic condition of the country was very poor.
- Severe Fiscal Deficit: The country was facing acute financial crisis due to increased fiscal deficit, public debt and interest. The government’s expenditure was increased exceptionally against its revenue. So the liability of interest was also increased up to 36.4% of government’s total expenditure.
- Balance of Payments: It was Rs. 2214 crore in 1980-81, and it increased by Rs. 17,367 crores in 1990-91. The Indian government made up for this massive loss by borrowing money from the World Bank and the International Monetary Fund. Due to increased interest rates, this gave rise to financial crisis in the economy.
- During the Iraq War in 1990-91, Gulf countries raised petrol prices that led to stop foreign currency.
- Poor Public Sector Unit Performance: The government's liabilities arose from the public sector units' poor performance.
- India's foreign exchange reserves were eroded to the point where they could only fund two weeks' worth of imports in 1990-91.

To Deal with this severe financial crisis Govt. has to take some steps, LPG reforms in the form of New Industrial Policy was one of them. The main highlights of this reform were:

- To promote the free trade in our country by removing all kinds of restrictions on national as well as international trade.
- To abolish the licensing system for facilitating to establish the new enterprises.
- To attract the FDI for the purpose of increasing income as well as employment.
- To open the economy for the private players to increase the competition.
- To shorten the public sector monopoly in key areas.
- To reduce the tariff duty on import.
- To regulate the tax system.

**In 1992,** the government majorly focused on Foreign Technology Agreements**.** According to the New Industrial Policy, the government has liberalised foreign investment policy by approving investment with up to 51% foreign equity and foreign technology agreement for high-priority sectors by automatic route.

**In 1994,** it was first time decided to raise the foreign equity capital by listed Indian companies to foreign investors at market price of the shares. Government of India, consulting with RBI issued the guidelines for determining the issue price of preferential shares.

**In 1997,** a set of rules for investors' information and foreign direct investment proposals were issued by the Foreign Investment Promotion Board (FIPB). It was determined to offer automatic approval for direct foreign investment in high priority industries up to 50/51/74 percent foreign equity.

There was the list of activities were opened to foreign investors, "Forex Broking" was one of them. And also 14 NBFCs were permitted for FDI (Press Note No.4/1997 Series).

There was 35 industries were approved for foreign equity up to 51% through automatic route for foreign technology agreements and foreign direct investment.

**In 1998,** the government had decided to permit FDI participation up to 100% through automatic route for electric generation, transmission and distribution projects (Press Note No.2, 1998 Series).

**In 1999,** (FERA 1973) was replaced with (FEMA1999) for facilitating the foreign trade. For attracting foreign capital into the country, two routes were approved; one was 'Automatic route' and another was 'Foreign Investment Promotion Board' (FIPB) route. These two paths were governed by (FEMA 1999). In a specific industry, FDI can be made via (a) the automated route or (b) the FIPB route. Foreign investors must notify the RBI using the automated procedure within 30 days of their investment.

According to the FDI requirements, foreign NBFCs with 100 percent equity in Non-Banking Financial Companies (NBFC) can act as a holding corporation, while step-down units can carry out other specialised types of operations with a required domestic equity of 25 percent. (DIPP: Press Note No. 11, 1999 Series).

**In 2000**, except a few sectors, most of the sectors were opened under the automatic route in place of (FIPB) for 100 percent foreign equity participation. Up to 100% foreign direct investment through the automatic route was allowed to receive projects for construction and maintenance.

- 100% FDI was permissible in Hotels & Tourism sector.
- Up to 100% FDI was allowed in Power sector.
- FDI up to 74% was allowed in Drugs & Pharmaceuticals.
- FDI up to 100% was allowed in Information Technology Sector.
- Broadcasting, print media, agriculture (including plantations), and defence and strategic industries were all prohibited from allowing FDI, NRI, or OCB investment.

Foreign equity in the Insurance sector was allowed up to 26% under the automatic route. It was prescribed in the 'Insurance Act 1999' (DIPP: Press Note No. 10, 2000 Series).

**(2001- 2010):** The Indian government invited FDI into the tertiary sector in 2001. The pharmaceutical, hotel and tourism sectors, as well as NBFC's for operating subsidiaries, were allowed up to 100.0 percent foreign equity via automatic route. It should be compliance with RBI's guidelines. For the manufacture of medications and pharmaceuticals, FDI up to 100% via automatic route was approved. FDI of more than 74 percent required prior clearance from the government, and it was allowed up to 100 percent in airports. The defence sector was opened up to the Indian private sector 100 percent, with up to 26 percent FDI allowed. Under the automatic route, FDI up to 49% in the banking sector was permitted from all sources Press Note No. 4 (2001 Series). The government has granted authority to international financial institutions such as International Finance Corporation (IFC), Commonwealth Development Corporation (CDC), and Asian Development Bank (ADB) to invest in domestic enterprises via the automatic route (Press Note No. 1, 2001 SERIES).

According to the World Investment Report 2002, emerging countries attracted 28% of total FDI inflows worldwide. Global FDI inflows, on the other hand, fell by 51% in 2001. It also affected the FDI inflow of developing countries which was a 14% decrease in 2000 from US $ 238 billion to US $

205 billion in 2001. In spite of the worldwide slowdown in FDI inflow, India and China achieved considerable FDI inflow among a few developing countries. This was the good indication for attracting the foreign equity. There was a steady increase in foreign stock inflows into the country in the early 1990s, when the reform agenda was just getting started. In 2001-02, it was US $ 4 billion, compared to US $ 129 million in 1991-92. Up to 2001, India, Malaysia and Singapore had become the favorite destination for FDI.

**In 2002,** lottery business, gambling and betting sector were completely prohibited for any kind of foreign investment and foreign technology collaboration (Press Note No. 5, 2002 Series).

**In 2005**, up to 100% foreign equity was allowed via automatic route in the infrastructure sector. At the same time Special Economic Zones Act was enacted. The main objective of SEZ was to encourage both domestic as well as foreign investment for increasing more and more economic activities, promoting exports, creating employments and developing infrastructure facilities. During 2004-2005 service sector attracted more FDI in India due to quick returns on investment and growth potential of enterprises. In the Telecom Sector FDI grew to 74 % from 49 % (Amendment to Press Note 5 (2005 Series)

**In 2006,** up to 51% FDI was allowed with prior approval from the Government in retail trade of 'Single Brand' products for attracting the investments in production and marketing. Also, it was done for increasing the competition level in Indian enterprises by accessing advance global technologies and management skills, (Press Note 3, 2006 Series).

**In 2008,** Real estate, gaming and betting, lottery industry, Nidhi Company, chit funds, and manufacturing of cigar, cheroots, cigarette, and smokes using tobacco were all forbidden by the government (Press Note 1-6 (2008).

**Routes of FDI Inflow in India**

There are two routes dealing with FDI Inflow in India: (1) RBI Route and (2) Government Route.

1. **RBI (Automatic) route:** There is no need to take prior permission from the government for the investment under automatic route.

2. **FIPB (Government Route):** the government deals with the foreign investment proposals and its related affaires under this route. The three main government entities such as Foreign Investment Promotion Board (FIPB), Secretariat for Industrial Assistance (SIA), and Foreign Investment Implementation Authority (FIIA) deal with FDI related issues.

**FDI Inflows Trends in India (2001-2010)**

Prior to 2001, India became a popular destination for foreign direct investment due to a considerable growth in FDI inflows. It increased over $6 billion in 2001-02 to around US$ 38 billion in 2008-09. After introducing the NIP in 1991, an exceptional increase in FDI inflows is noticeable in the country.

*Table 1: Trends of FDI Inflow in India from FY (2000-01) to (2010-11)* *(US $ Million)*

| Components of FDI | | | | | | |
|---|---|---|---|---|---|---|
| Financial Year (April-March) | Foreign Equity Inflow: Automatic, FIPB, and Acquisition route | Equity Capital (unincorporated entities)# | (Reinvested Earnings) + | (Other Capital) | Total (FDI Inflow) | Growth % (in US$) |
| 2000-01 | 2,339 | 61 | 1,350 | 279 | 4,029 | |
| 2001-02 | 3,904 | 191 | 1,645 | 390 | 6,130 | (+) 52 % |
| 2002-03 | 2,574 | 190 | 1,833 | 438 | 5,035 | (-) 18 % |
| 2003-04 | 2,197 | 32 | 1,460 | 633 | 4,322 | (-) 14 % |
| 2004-05 | 3,250 | 528 | 1,904 | 369 | 6,051 | (+) 40 % |
| 2005-06 | 5,540 | 435 | 2,760 | 226 | 8,961 | (+) 48 % |
| 2006-07 | 15,585 | 896 | 5,828 | 517 | 22,826 | (+) 155 % |
| 2007-08 | 24,573 | 2,291 | 7,679 | 300 | 34,843 | (+) 53 % |
| 2008-09 | 31,364 | 702 | 9,030 | 777 | 41,873 | (+) 20 % |
| 2009-10 | 25,606 | 1,540 | 8,668 | 1,931 | 37,745 | (-) 10 % |
| 2010-11 | 21,376 | 874 | 11,939 | 658 | 34,847 | (-) 08 % |

*(Source: From RBI Bulletin May, 2021).*

i. The transfer of a participation stake from RIL to BP Exploration Alpha Limited resulted in net Foreign Direct Investment in March 2011, August 2011, and October 2011.
ii. The RBI included a $3.1 billion share swap as part of the equity components in December 2006.
iii. The sums for (reinvested earnings) and (other capital) were computed using two year average.
iv. Equity capital amounts of unincorporated organisations have been determined as a tentative '#'.

### *Sectoral FDI Inflow from FY (2000-01 to 2010-11)*

- The services sector has had 41 percent growth in FDI inflows in India over the last five years, followed by the manufacturing sector with a 23 percent increase. The majority of which came from Mauritius, which accounted for 43 percent of the five-year average, and Singapore, which accounted for roughly 11 percent.
- However, FDI inflow from the services sector declined over the years from around 57 % in 2006-07 to almost 30 % in 2010-11.
- Over the same period, from the manufacturing sector and others comprising of electricity and other power generation sectors, FDI Inflow was increased.
- Manufacturing sector attracted highest FDI in India during 2010-11. However some moderation was noticeable due to downfall in gross FDI equity inflows. Due to this downfall some sectors were more affected such as construction, real estate, services, and mining sectors.
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***Impact of FDI during 1991-2010***

Due to the drastic rational change in the behavior of governance, it was made easier to access the global market. After introducing liberalization and economic reforms policy in India in 1991, there was a dramatic change occurred. It increased the economic growth by embracing the world economy. All the restrictions that were imposed on easy opening of business enterprises and investment for new projects were removed. The system was opened to access updated foreign technology, management skills and foreign capital. The government has taken a number of efforts to liberalise foreign investment:

- Approval of dual route for FDI inflow in the country is automatic route and government route.
- The Automatic Route allowed access to technologies in high priority industries.
- In high-priority areas, up to 100 percent investment was allowed to Non-Resident Indians and Overseas Corporate Bodies.
- Up to 51% foreign equity participation was increased for the existing companies and use of foreign brands name was also liberalized.
- Government signed on the Convention of Multilateral Investment Guarantee Agency (MIGA) for the purpose of protecting the foreign investments.

All the efforts to make easier the foreign direct investment were supported by the Foreign Exchange Management Act (FEMA) in 1999 which was previously known as Foreign Exchange Regulation Act (FERA) in 1973. These rational measures encouraged FDI inflow in India. There were a series of financial sector reforms were made for liberalizing the capital account of India.

*Table 2: Sector Wise: Entry- Route for FDI*

| Sector Wise FDI in India | | |
|---|---|---|
| **Sectors** | **FDI Capital in (%)** | **Entry Route for FDI** |
| Agriculture sector | 100 | Automatic route |
| Tea Sector including (Plantation) | 100 | FIPB/Govt. route |
| Mining | 100 | Automatic route |
| Coal and Lignite sector | 100 | Automatic route |
| Alcohol- Distillation & Beverage sector | 100 | Automatic route |
| Coffee & Rubber processing sector | 100 | Automatic route |
| Production in Defense sector | 26 | FIPB/Govt. route |
| Hazardous chemicals sector | 100 | Automatic route |
| Manufacture of Industrial explosives | 100 | Automatic route |
| Pharmaceuticals sector | 100 | Automatic route |
| Power | 100 | Automatic route |
| Civil aviation (Greenfield projects) | 100 | Automatic route |
| Asset Reconstruction companies | 49 | FIPB/Govt. route |
| Banking - Private Sector | 74 | Automatic (49%), FIPB (49-74%) |

| | | |
|---|---|---|
| Banking - Public Sector | 20 | FIPB/Govt. route |
| NBFCs | 100 | Automatic route |
| FM Radio, Cable Network, Direct to Home | 20 | FIPB/Govt. route |
| Commodity Exchanges | 49 | FIPB/Govt. route |
| Insurance | 26 | Automatic route |
| Petroleum and natural gas | 49 | FIPB/Govt. route |
| Refining | 100 | Automatic route |
| Print Media | 26 | FIPB/Govt. route |
| scientific magazines Publishing | 100 | FIPB/Govt. route |
| Telecommunications sector | 74 | Automatic (49%), FIPB (49-74%) |

*Source: Consolidated FDI Policy of Govt. of India (DIPP), October 2010.*

To make investment policies more adaptive, acceptable, and sustainable there are significant modifications are undertaken. This has prompted a number of scholars from throughout the world to examine investment behavioral pattern and policies, particularly FDI, in both developed and developing nations.

### *FDI Policy in India since (2011-2021)*

***Table 3:*** *Trend of FDI Inflow in India from FY (2011-12) to (2020-21)* *(US $ Million)*

| Components of FDI | | | | | | |
|---|---|---|---|---|---|---|
| Financial Year (April-March) | Foreign Equity Inflow: Automatic, FIPB, and Acquisition route | Equity Capital (unincorporated entities)# | (Reinvested Earnings) + | (Other Capital) | Total (FDI Inflow) | Growth % (in US$) |
| 2011-12 | 34,833 | 1,022 | 8,206 | 2,495 | 46,556 | (+) 34 % |
| 2012-13 | 21,825 | 1,059 | 9,880 | 1,534 | 34,298 | (-) 26% |
| 2013-14 | 24,299 | 975 | 8,978 | 1,794 | 36,046 | (+) 5% |
| 2014-15 | 30,933 | 978 | 9,988 | 3,249 | 45,148 | (+) 25% |
| 2015-16 | 40,001 | 1,111 | 10,413 | 4,034 | 55,559 | (+) 23% |
| 2016-17 | 43,478 | 1,223 | 12,343 | 3,176 | 60,220 | (+) 8% |
| 2017-18 | 44,857 | 664 | 12,542 | 2,911 | 60,974 | (+) 1% |
| 2018-19 (P) | 44,366 | 689 | 13,672 | 3,274 | 62,001 | (+) 2% |
| 2019-20 (P) | 49,977 | 1,757 | 14,175 | 8,482 | 74,390 | (+) 20% |
| 2020-21 (P) | 59,636 | 1,787 | 16,216 | 4,082 | 81,722 | (+) 10% |

*(Source**:** From RBI Bulletin May, 2021).*

i. Equity inflows in March, August, and October 2011 include net Foreign Direct Investment from the transfer of a participation stake from RIL to BP Exploration Alpha Limited.
ii. Under equity components, the RBI included a share swap for US$ 3.1 billion in December 2006.

iii. The amounts of (Reinvested Earnings) and (Other Capital) were calculated using the average of the previous two years.
iv. Unincorporated bodies' equity capital amounts have been calculated as a tentative '#'.

Total FDI inflow into India was US$ 763,576.00 million from April 2000 to March 2021 (according to the RBI's May 2021 Bulletin).

***FDI Inflow: Country-wise and Sector-wise from (2013-14) to (2017-18)***

***Table 4:*** *FDI Inflows in India (country-wise)* *(US $ Million)*

| **Country- wise FDI** | **2013-2014** | **2014-2015** | **2015-2016** | **2016-2017** | **2017-2018P** | **% change from (2013-14) to (2017-18)** |
|---|---|---|---|---|---|---|
| Mauritius | 3,695.00 | 5,878.00 | 7452.10 | 13,383.00 | 13415.02 | 263.06 |
| Singapore | 4,415.01 | 5,137.012 | 12,479.11 | 6,529.03 | 9,273.12 | 110.03 |
| Netherlands | 1,157.00 | 2,154.01 | 2,330.00 | 3,234.12 | 2,677.01 | 131.37 |
| U.S.A. | 617.02 | 1,981.03 | 4,124.00 | 2,138.01 | 1,973.00 | 219.77 |
| Japan | 1,795.11 | 2,019.10 | 1,818.12 | 4,237.00 | 1,313.13 | -26.85 |
| Cayman Islands | 25.00 | 72.01 | 440.13 | 49.11 | 1,140.13 | 4460.00 |
| Germany | 650.01 | 942.00 | 927.02 | 845.11 | 1,095.00 | 68.46 |
| Hongkong | 85.02 | 325.02 | 344.03 | 134.11 | 1,044.00 | 1128.24 |
| United Kingdom | 111.13 | 1,891.14 | 842.02 | 1,301.01 | 716.03 | 545.05 |
| Switzerland | 356.01 | 292.03 | 195.11 | 502.11 | 506.00 | 42.13 |
| U.A.E | 239.00 | 327.14 | 961.13 | 645.00 | 408.01 | 70.71 |
| France | 229.01 | 347.00 | 392.00 | 487.01 | 403.03 | 75.98 |
| China | 121.11 | 505.12 | 461.11 | 198.01 | 350.02 | 189.26 |
| Italy | 185.00 | 167.03 | 279.04 | 364.00 | 308.01 | 66.49 |
| South Korea | 189.01 | 138.02 | 241.11 | 466.12 | 293.13 | 55.03 |
| Cyprus | 546.01 | 737.00 | 488.01 | 282.03 | 290.04 | -46.89 |
| Canada | 11.00 | 153.01 | 52.03 | 32.01 | 274.01 | 2390.91 |
| Others | 1,626.01 | 1,682.00 | 2,243.01 | 1,490.00 | 1,889.11 | 16.17 |
| Total FDI | 16,052.46 | 24,747.78 | 36,068.10 | 36,316.79 | 37,367 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | .80 | |
| **Sector wise FDI** | **2013-2014** | **2014-2015** | **2015-2016** | **2016-2017** | **2017-2018P** | **% change from (2013-14) to (2017-18)** |
| Communication sec. | 1,256.01 | 1,075.00 | 2,638.02 | 5,876.03 | 8,809.00 | 601.35 |
| Manufacturing sec. | 6,381.11 | 9,613.02 | 8,439.03 | 11,972.00 | 7,066.11 | 10.73 |
| Retail & Wholesale | 1,139.12 | 2,551.11 | 3,998.13 | 2,771.01 | 4,478.00 | 293.15 |
| Financial Services | 1,026.01 | 3,075.12 | 3,547.00 | 3,732.03 | 4,070.04 | 296.69 |
| Computer Services | 934.00 | 2,154.01 | 4,319.12 | 1,937.03 | 3,173.00 | 239.72 |
| Business services | 521.00 | 680.01 | 3,031.11 | 2,684.00 | 3,005.03 | 476.78 |
| Electricity sector | 1,284.02 | 1,284.00 | 1,364.01 | 1,722.01 | 1,870.02 | 45.64 |
| Construction sec. | 1,276.00 | 1,640.02 | 4,141.01 | 1,564.01 | 1,281.02 | 0.39 |
| Transport sector | 311.00 | 482.11 | 1,363.02 | 891.03 | 1,267.01 | 307.40 |
| Miscellaneous Services | 941.00 | 586.00 | 1,022.01 | 1,816.02 | 835.11 | -11.26 |
| Hospitality sector | 361.02 | 686.01 | 889.00 | 430.01 | 452.03 | 25.21 |
| Real Estate sector | 201.04 | 202.00 | 112.01 | 105.11 | 405.12 | 101.49 |
| Education sector | 107.00 | 131.01 | 394.02 | 205.01 | 347.02 | 224.30 |
| Mining sector | 24.02 | 129.01 | 596.00 | 141.02 | 82.00 | 241.67 |
| Trading sector | 0 | 228.01 | 0 | 0 | 0 | #DIV/0! |
| Others | 293.00 | 232.02 | 215.03 | 470.00 | 226.01 | -22.87 |
| **Total FDI inflow** | 16,052.25 | 24,747.36 | 36,068.42 | 36,316.32 | 37,367.52 | |

Source: From Monthly RBI Bulletin

P-Provisional.
Note: FDI inflow included from Govt. route (SIA/FIPB) and Automatic route (RBI).

***Country wise and Sector wise FDI Inflow from FY 2018-19 to 2020-21***

*Table 5: Country wise FDI* *(US $ Million)*

| **Country wise FDIs** | **2018-2019** | **2019-2020** | **2020-2021(P)** |
|---|---|---|---|
| Mauritius | 6,570.00 | 7,498.01 | 4,491.02 |
| Singapore | 14,632.00 | 12,612.02 | 15,908.01 |
| Netherlands | 2,519.11 | 5,295.00 | 2,138.02 |
| U.S.A. | 2,823.01 | 3,401.02 | 13,204.00 |
| Japan | 2,745.13 | 2,308.02 | 1,794.04 |
| Cayman Islands | 863.02 | 3,496.11 | 2,558.12 |
| Netherlands | 2,519.02 | 5,295.00 | 2,138.03 |
| Germany | 817.12 | 443.00 | 626.01 |
| Spain | 109.00 | 83.02 | 425.11 |
| South Korea | 982.12 | 777.02 | 400.02 |
| Luxembourg | 251.03 | 252.00 | 267.03 |
| Belgium | 56.00 | 388.02 | 246.00 |
| Taiwan | 24.01 | 44.12 | 219.11 |
| United Kingdom | 1,211.00 | 1,125.02 | 779.11 |
| Switzerland | 280.03 | 140.12 | 188.02 |
| U.A.E | 853.00 | 323.01 | 4,071.00 |
| Saudi Arabia | 27.02 | 89.13 | 2,815.02 |
| France | 375.00 | 1,167.12 | 810.01 |
| Others | 3,607.02 | 3,188.11 | 1,604.03 |
| Total FDI Inflow | 41,263.64 | 47,924.87 | 54,681.71 |
| **Sector wise FDIs** | **2018-2019** | **2019-2020** | **2020-2021(P)** |
| Communication Services Sector | 5,365.00 | 6,838.02 | 2,314.01 |
| Manufacturing Sector | 7,919.03 | 8,153.11 | 6,739.12 |
| Retail & Wholesale Sector | 4,311.00 | 4,914.02 | 2,960.03 |
| Financial Services Sector | 6,372.11 | 4,326.00 | 2,728.01 |
| Computer Services Sector | 3,453.00 | 4,104.12 | 23,050.03 |
| Business services Sector | 2,597.01 | 3,684.02 | 1,750.03 |
| Electricity other energy Generation sec. | 2,427.00 | 1,906.01 | 989.11 |
| Education, Research & Development | 736.00 | 528.11 | 963.03 |
| Construction Sector | 2,009.01 | 1,937.00 | 1,746.01 |
| Transport Sector | 1,019.03 | 2,333.01 | 7,584.03 |
| Miscellaneous Services Sec. | 1,226.02 | 443.01 | 671.00 |
| Hospitality Sector | 749.00 | 2,546.01 | 278.02 |
| Real Estate Sector | 213.03 | 564.01 | 401.00 |
| Mining Sector | 247.00 | 217.11 | 186.02 |
| Trading Sector | 0 | 0 | 0 |
| Other Sectors | 102.01 | 137.03 | 187.00 |
| Total FDI inflow | 38,745.25 | 42,630.59 | 52,546.45 |

*Source: From Monthly RBI Bulletin*
*P-Provisional.*
*Note: FDI inflow included from Govt. route (SIA/FIPB) and Automatic route (RBI).*

Total FDI from April, 2000 to March, 2021 is 3,175,014 Crores or US$ 529,755 Million (RBI's Bulletin for May, 2021)

*Table 6: Top ten sectors which contributed the highest FDI equity inflows in India from (April 2000 to March 2021):*

| **Sectors** | **FDI inflow (US$ Million)** | **% value of total FDI inflow** |
|---|---|---|
| Services | 87063.18 | 16.44 |
| Computer sector | 71055.91 | 13.42 |
| Telecommunication sector | 37663.06 | 7.1 |
| Trading sector | 30203.17 | 5.70 |
| Construction & Development sector | 26084.42 | 4.92 |
| Automobile sector | 25848.13 | 4.88 |
| Infrastructure Construction Activities | 24721.43 | 4.67 |
| Chemicals except Fertilizers | 18486.55 | 3.49 |
| Pharmaceutical sector | 17991.11 | 3.40 |
| Tourism & Hotel industry | 15657.93 | 2.96 |

*Source: Fact Sheet on FDI for FY 2000-01 to 2020-21.*

*Table 7: Top 10 States contributing highest FDI equity inflows from October 2019 to March 2021:*

| **S.N.** | **Highest FDI from States** | **U.S $ Million** | **% value of total Inflows** |
|---|---|---|---|
| 1 | Gujarat | 24,481.00 | 30 |
| 2 | Maharashtra | 23,432.13 | 28 |
| 3 | Karnataka | 11,959.11 | 14 |
| 4 | Delhi | 9,444.33 | 11 |
| 5 | Tamil Nadu | 3,329.03 | 4 |
| 6 | Jharkhand | 2,644.04 | 3 |
| 7 | Haryana | 2,423.05 | 3 |
| 8 | Telangana | 1,835.13 | 2 |
| 9 | Punjab | 741.12 | 1 |
| 10 | Uttar Pradesh | 665.00 | 1 |

*Source: Fact Sheet on Foreign Direct Investment (FDI) From FY 1999-00 to 2020-21*

FDI received via government route (FIPB/SIA), automatic route (RBI) and acquisition of existing shares.

The government, according to the PIB (Ministry of Commerce and Industry), has taken numerous efforts to encourage rational change in investment behaviour patterns, such as FDI reform regulations and ease of doing business, resulting higher FDI inflows into the country. In 1991 with economic reform policy government introduced FDI policy in India which facilitated the foreign trade and accelerated the economic well being of the country. The government has made a number of steps to promote and attract FDI in order to replenish local capital, skills and technology of the country. Make in India Policy was one of them that were launched in 2014, which attracted unprecedented FDI inflow in the country. Being an Emerging Market Economy (EME) India has become the most favorite destination for FDI among all the developing countries. In today's time India has become the preferred destination for investment globally. Various administrative and governance policies have been aggressively adopted in making significant reforms to India's investment behavioral pattern and regulations in recent years. This allowed the country to establish and improve the investment pattern of businesses with greater global connectivity.

Investor protections, market features, the legal or regulatory environment, and broader macro environmental elements like as economic openness and culture all have a significant impact on business practises and firm characteristics at the national level. While corporate ownership is an important aspect and a firm level factor, which is influenced by a variety of national business system elements such as past business development patterns, governmental policies, regulations and so on. (Bokayo Roba Gutola & Mrva Milos, 2022). Countries with better human capital levels, which are reflected in higher wages, may be more attractive to foreign investors. Another explanation is that foreign investors can endure high pay rates because of good capital returns. Aside from the direct cost of wages, there has been investigation into whether labour market restrictions and the associated rigidity in terms of hiring, firing, hours, and other critical aspects impede international investment (Leonce Ndikumana and Sher Verick, 2008). In industrialised and democratic countries, FDI behaviour, modalities, and forecasts differ from those in transition countries (Nazmi Zeqiri and Hykmete Bajrami, 2016).

**Conclusion**

The robust increase in FDI in India in different sectors is due to the changed rational behavioral investment pattern in governance policies adopted by the government. At the macro level in the economy, efforts have been undertaken to ratisonalize the investment pattern of established investors so that the firm can benefit from the shared governance of geographically dispersed operations. During the FY (2014-15) India received US$ 19.78 billion FDI inflow. However, it was US$ 81.72 billion in FY (2020-21) which is approximately 313% greater than in fiscal year 2014-15. India received the largest total FDI influx of US$ 81.72 billion in the fiscal year 2020-21, up 10% from the previous fiscal year's intake of US$ 74.39 billion in 2019-20. Singapore leads the top three investing countries with 29 percent, followed by the United States with 23 percent and Mauritius with 9 percent for the fiscal year 2020-21. The top three sectors that attracted the most FDI were Computer Software & Hardware (44%), Construction Activities (13%), and the Service Sector (8%) in (2020-21). Gujarat, with 78 percent, Karnataka, with 9%, and Delhi, with 5%, is the biggest recipients of the 'Computer Software & Hardware' sector in FY (2020-21). Saudi Arabia leads the top ten countries in fiscal 2020-21, with US$ 2816.08 million, a rise of US$ 89.93 million over the previous fiscal year (2019-20). In compared to the previous fiscal year, FDI equity inflows from the United States increased by 227 percent, while those from the United Kingdom increased by 44 percent (2019-20).

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