A STUDY ON FOREIGN DIRECT INVESTMENT INFLOW IN INDIA

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ABSTRACT

A foreign direct investment (FDI) is a major tool in investment and it has vital relationship between countries. Foreign direct investment is an investment in the form of a monitoring ownership in one country by an entity situated in another country. Foreign direct investment (FDI) is not only flow of fund but also flow of technology from one country to another. This present paper is a descriptive analysis based on the secondary data and information which throws light on foreign direct investment inflow in financial services sector in India.

Key words: FDI, Monetary, Demographic dividend

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INTRODUCTION
As the name suggests, it is an investment by foreign individual(s) or company (ies) into business, capital markets or production in the host country. FDI plays a crucial role in the economic development of a country. The capital inflow of foreign investors strengthens infrastructure, increases productivity and creates employment opportunities in India. Further, FDI acts as a medium to acquire advanced technology. It also helps to earn foreign exchange. Availability of foreign exchange reserves in the country allows RBI to intervene in the foreign exchange market and control any adverse movement and stabilizes the foreign exchange rates. As a result, it provides a more favourable economic environment for the development of Indian economy.

OBJECTIVES OF STUDY

- To analyse the foreign direct investment in Financial Service Sector in India
- To review the literature on FDI
- To point out the benefits of FDI.

RESEARCH METHODOLOGY
The present paper is based on secondary sources of data and information and it is a descriptive study. The data collected from reports of RBI, reports of FDI, e-journals & different web sites were employed to do the analysis

REVIEW OF LITERATURE

“International Economic Integration plays a vital role in Economic Development of any country. Foreign Direct Investment is one and only major instrument of attracting International Economic Integration in any economy. It serves as a link between investment and saving. Many developing countries like India are facing the deficit of savings. This problem can be solved with the help of Foreign Direct Investment. Foreign investment helps in reducing the defect of BOP. The flow of foreign investment is a profit making industry like insurance, real estate and business services and serving as a catalyst for the growth of economy in India. The present study is based on the objectives like (a) to know the requirement of amount of foreign investment by India, for its economic Development and (b) to analyze the trend and role of FDI & FIIs in improving the quality and availability of goods
has been beyond doubt. After analyzing all the facts it may be concluded that maximum global foreign investment’s flows are attracted by the developed countries rather than developing and under developing countries. Foreign investment flows are supplementing the scare domestic investments in developing countries particularly in India. Further this paper recommends that we should welcome the inflow of foreign investment because it enable us to achieve our cherished goal like making favourable the balance of payment, rapid economic development, removal of poverty, and internal personal disparity in the development and also it is very much convenient and favourable for Indian economy”.(Jasbir Singh, Sumita Chadha & Anupama Sharma 2012)¹

“The spectacular and unprecedented growth of FDI in the global economic landscape over the last two decades has made it an integral part of the development strategy of both the developed and developing nations. It acts as a major catalyst in the development of a country through up-gradation of technology, managerial skills and capabilities in various sectors. Foreign Direct Investment (FDI) is considered to be the lifeblood of economic development especially for the developing and underdeveloped countries. It plays an important role in the long-term development of a country not only as a source of capital but also for enhancing competitiveness of the domestic economy through transfer of technology, strengthening infrastructure, raising productivity and generating new employment opportunities. Allowing FDI proves good as improvements in supply chain technologies and informational externalities to local players and competitive dynamics that could benefit consumers and suppliers. The present paper is an attempt to study the trends in flow of FDI in Indian Economy. The paper also focuses on the correlation of FDI inflows with various economic indicators.”(Smitha B Nair & Minimol M.C 2017)²

Benefits of Foreign Direct Investment

- *Growth of Economic*
- *Growth of employment*
- *Human Resource Development*
- *Rural Development*
- *Technology Improvement*
- *Increase of Export*
DATA ANALYSIS AND INTERPRETATATION

The following are the table and chart shows that foreign direct investment in the sub sector of financial services and this sector is constantly growing from the year 2014 to 2018.

Table: 1- Foreign Direct Investment In Financial Services(Sector)In India

<table>
<thead>
<tr>
<th>Years</th>
<th>Investment(USD million)</th>
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<tbody>
<tr>
<td>2014-15</td>
<td>3,075</td>
</tr>
<tr>
<td>2015-16</td>
<td>3,547</td>
</tr>
<tr>
<td>2016-17</td>
<td>3,732</td>
</tr>
<tr>
<td>2017-18</td>
<td>4,070</td>
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</tbody>
</table>

Sources: RBI Report 2019

Chart: 1-Investment Inflow

Source: Authors Compilation from RBI Report 2019

Table-1 and Chart-1 shows that, FDI inflow in financial services in India is frequently growing from 2014 to 2018. It was 3,075 (USD million) in 2014-15, and it was 3,547 (USD million) in 2015-16, in 2016-17 it was 3,732 (USD million), in 2017-18 the investment was 4,070 (USD million). This result witnessed about the trend of continues increase in FDI in Indian financial sectors.
CONCLUSION

From 2014 to 2018 the FDI flow in Indian Financial sector witnessed a tremendous growth is a good sign as it will boost the economic development. The FDI will be attracted towards countries which are having comparative advantages. Though we found FDI is most prominent in developed counties nevertheless in case of developing countries like India it is not an exception. There are few key variable (reasons) are responsible in attracting FDI inflows to India. Among them relaxation in FDI norms is one important reason.

The following notable changes like real estate broking services, the government has done away with the need for approvals up to 100% and Department of Revenue approvals will no longer be required for FDI proposals, the government has allowed 100% FDI in single brand retail through the automatic route. FDI in defence is further sought to been enhanced to 51% through the automatic route from 49% now. Apart from this India is having a young and cheap labour force (demographic dividend), great size of the market, economic performance, technological innovations and capabilities which created a good business environment resulted in continuous increase in FDI inflows in India.

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