

Foreign Direct
Investment



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Introduction

FDI means “cross-border investment by a resident entity in one economy with the objective of obtaining a lasting interest in an enterprise resident in another economy”.

Or ‘capital inflows from abroad that is invested in or to enhance the production capacity of the economy’.

FDI is considered to be the life blood for developing nations.

It provides opportunity for technological transfer and up gradation and others.

It helps in broaden the market accessibility for both host and home countries.

It helps in invention and innovation of international markets



BENEFITS OF FDI FOR HOST COUNTRIES

1. Policy framework for FDI

- Economic, political, and social stability
- Rules regarding entry and operations
- Standards of treatment of foreign affiliates
- Policies on functioning and structure of markets (especially competition and policies governing mergers and acquisitions)
- International agreements on FDI
- Privatization policy
- Trade policy (tariffs and nontariff barriers) and coherence of FDI and trade policies
- Tax policy



BENEFITS OF FDI FOR HOST COUNTRIES

2. Economic determinants & Business facilitation

- Investment promotion
- Investment incentives
- Hassle costs (related to corruption and administrative efficiency)
- Social amenities

3. Market-seeking

- Market size and per capita income
- Market growth
- Access to regional and global markets
- Country-specific consumer preferences
- Structure of markets



BENEFITS OF FDI FOR HOST COUNTRIES

4. Resource/asset-seeking

- Raw materials
- Low-cost unskilled labor
- Skilled labor
- Technological, innovative, and other created assets (for example, brand names), including as embodied in individuals, firms, and clusters
- Physical infrastructure (ports, roads, power, telecommunications)

5. Efficiency seeking

- Cost of resources and assets listed above, adjusted for labor productivity
- Other input costs, such as transport and communication costs to/from and within host economy and other intermediate products
- Membership of a regional integration agreement conducive to the establishment of regional corporate networks



OBJECTIVES OF THE STUDY

- To know the historical growth of FDI inflow into India.
- To distinguish the flow of FDI pre and post reform period.
- To identify the flow of FDI from across the countries and states.
- To analyze the sector wise flow of FDI.
- To point out the findings and policy suggestions.



Historical Gross Inflow of FDI to India from 1948 to 2015

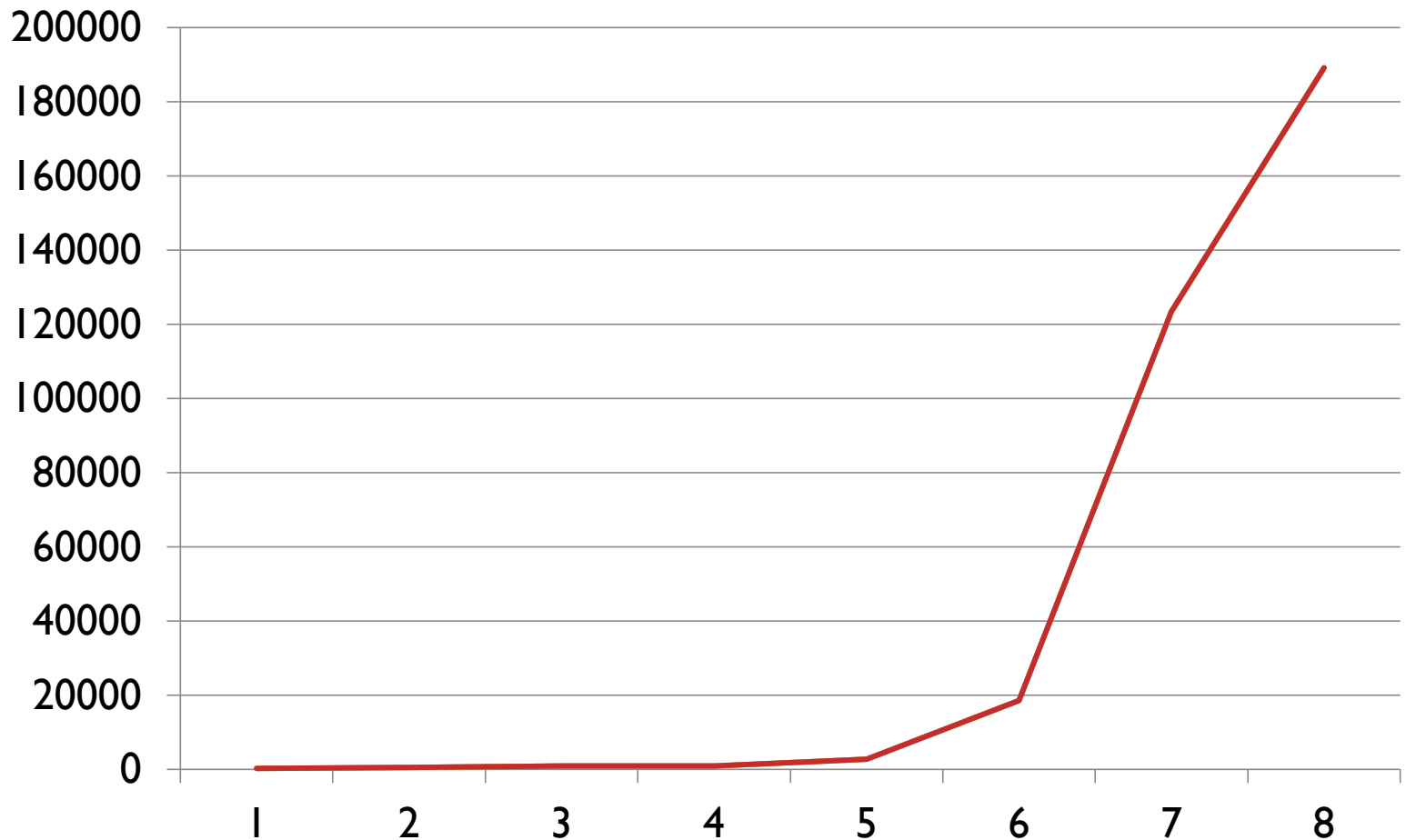
Sl. No.	Year (End of the March)	Inflow of FDI (INR in Crores)	Cumulative increase
1	1948	256	256
2	1964	565.5	821.5
3	1974	916	1737.5
4	1980	933.2	2670.7
5	1990	2705	5375.7
6	2000	18486	23861.7
7	2010	123378	147239.7
8	2015	189107	336346.7



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Gross Inflow of FDI to India from 1948 to 2015

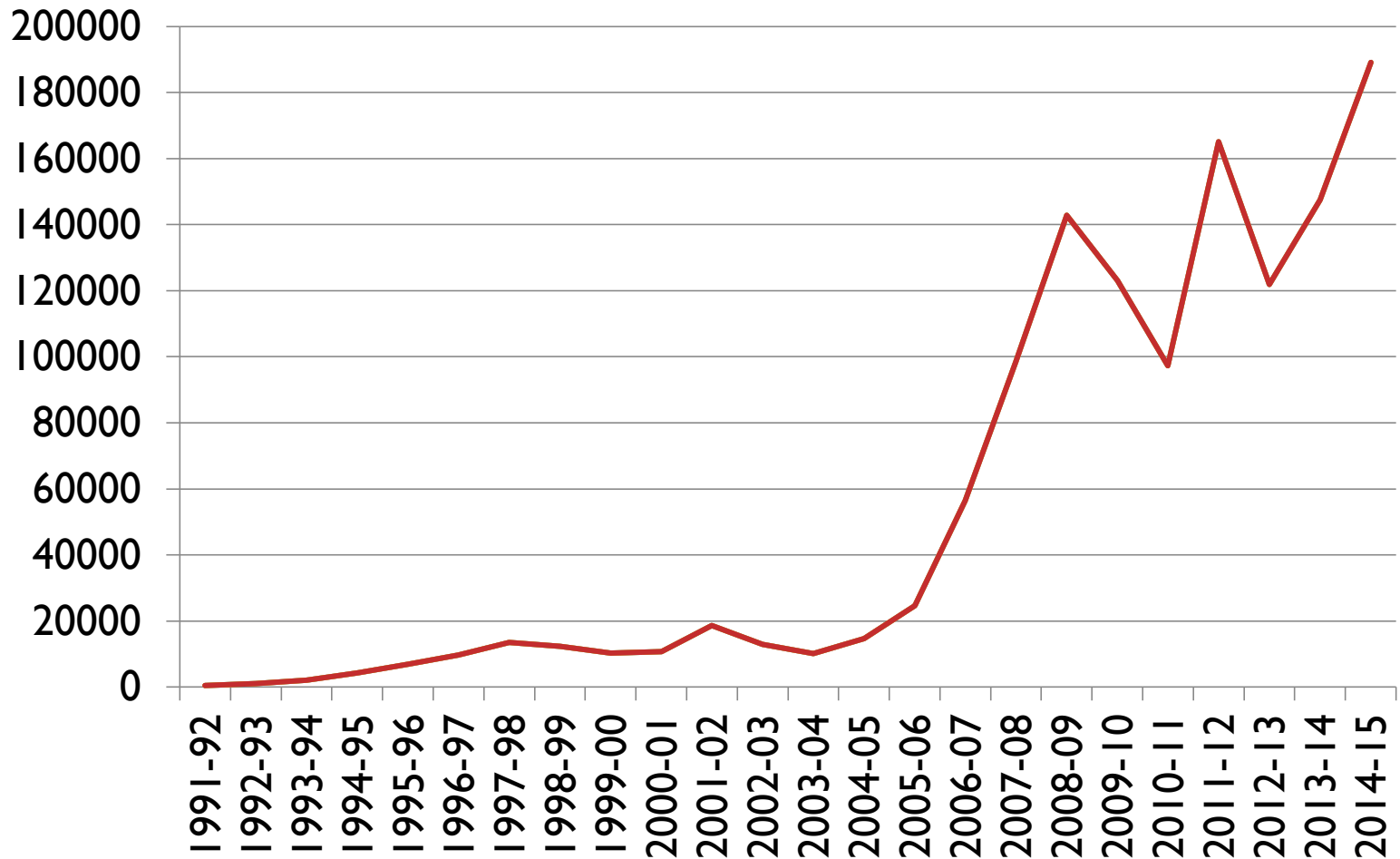




Sl, No.	Years	FDI inflows Post Reform Period (Rs)
1	1991-92	409
2	1992-93	1094
3	1993-94	2018
4	1994-95	4312
5	1995-96	6916
6	1996-97	9654
7	1997-98	13548
8	1998-99	12343
9	1999-00	10311
10	2000-01	10,733
11	2001-02	18,654
12	2002-03	12,871
13	2003-04	10,064
14	2004-05	14,653
15	2005-06	24,584
16	2006-07	56,390
17	2007-08	98,642
18	2008-09	142,829
19	2009-10	123,120
20	2010-11	97,320
21	2011-12	165,146
22	2012-13	121,907
23	2013-14	147,518
24	2014-15	189,107



Post Reform FDI inflow in India



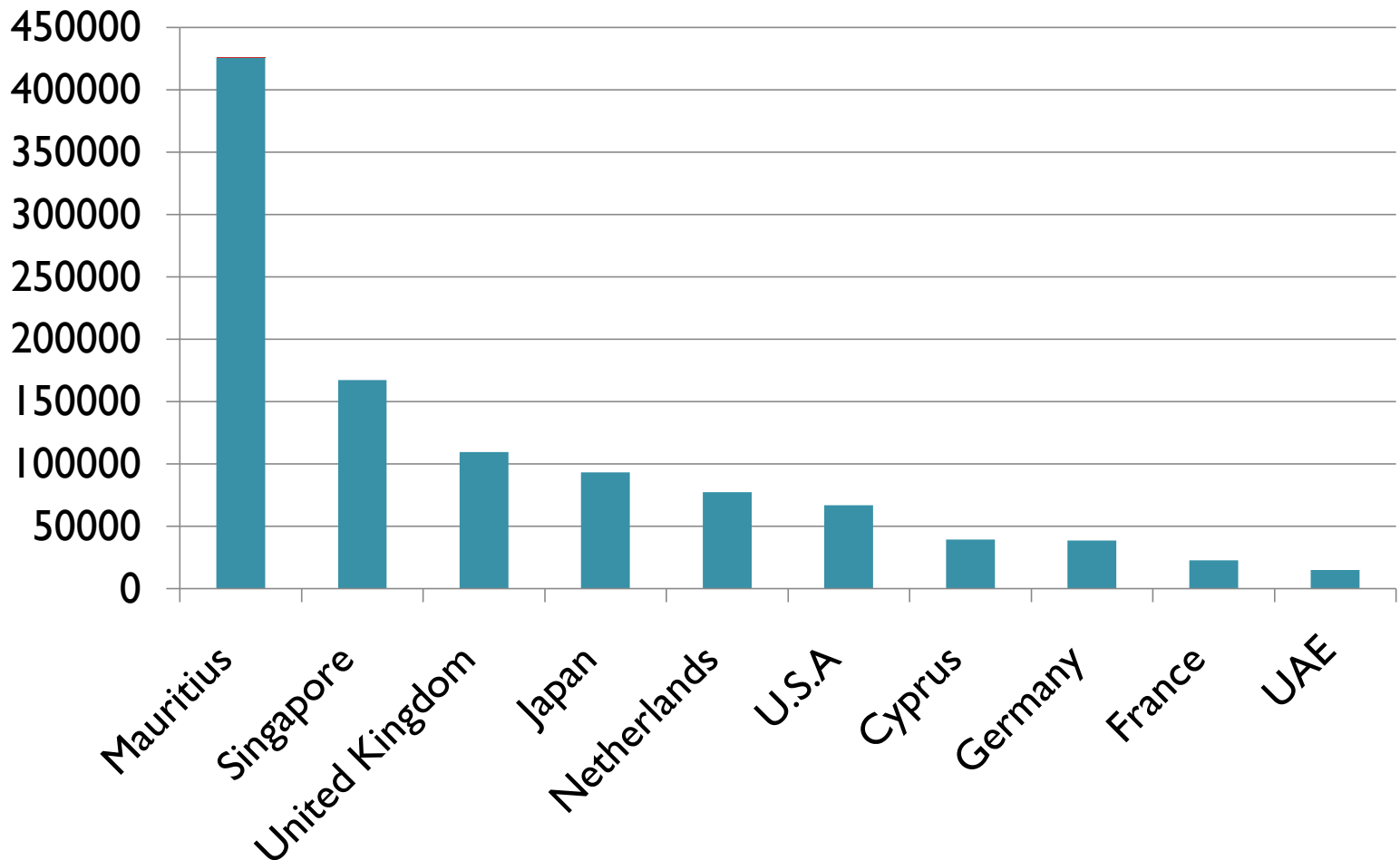


Top Ten Country-wise FDI Equity Inflows to India from April, 2000 to March, 2015

S.No	Name of the Country	Amount of FDI Inflows (Rs. in crore)	%age with total FDI Inflows (+)
1	Mauritius	425657	35.23
2	Singapore	167157	12.95
3	United Kingdom	109654	8.94
4	Japan	93396	7.38
5	Netherlands	77258	5.90
6	U.S.A	66880	5.53
7	Cyprus	39363	3.24
8	Germany	38509	3.08
9	France	22588	1.82
10	UAE	15120	1.23



Inflow of FDI from Top 10 Countries in the World





S. No.	State-wise Inflows of FDI	Cumulative FDI (2000 to 2015)	%age to total Inflows
1	MAHARASHTRA, DADRA & NAGAR HAVELI, DAMAN & DIU	353,022	29
2	DELHI, PART OF UP AND HARYANA	249,023	20
3	TAMIL NADU, PONDICHERY	88,766	7
4	KARNATAKA	82,121	7
5	GUJARAT	53,797	4
6	ANDHRA PRADESH	49,240	4
7	WEST BENGAL, SIKKIM, ANDAMAN & NICOBAR ISLANDS	14,627	1
8	CHANDIGARH, PUNJAB, HARYANA, HIMACHAL PRADESH	6,360	0.5
9	RAJASTHAN	6,795	0.5
10.	MADHYA PRADESH, CHATTISGARH	6,096	0.5
11	KERALA, LAKSHADWEEP	6,150	0.5
12	GOA	3,867	0.3
13	UTTAR PRADESH, UTTRANCHAL	2,444	0.2
14	ORISSA	1,961	0.2
15	ASSAM, ARUNACHAL PRADESH, MANIPUR, MEGHALAYA, MIZORAM, NAGALAND, TRIPURA	381	0
16	BIHAR, JHARKHAND	267	0
17	JAMMU & KASHMIR	26	0
18	REGIONS NOT INDICATED#	308,060	24.9
19	TOTAL	1,233,005	100



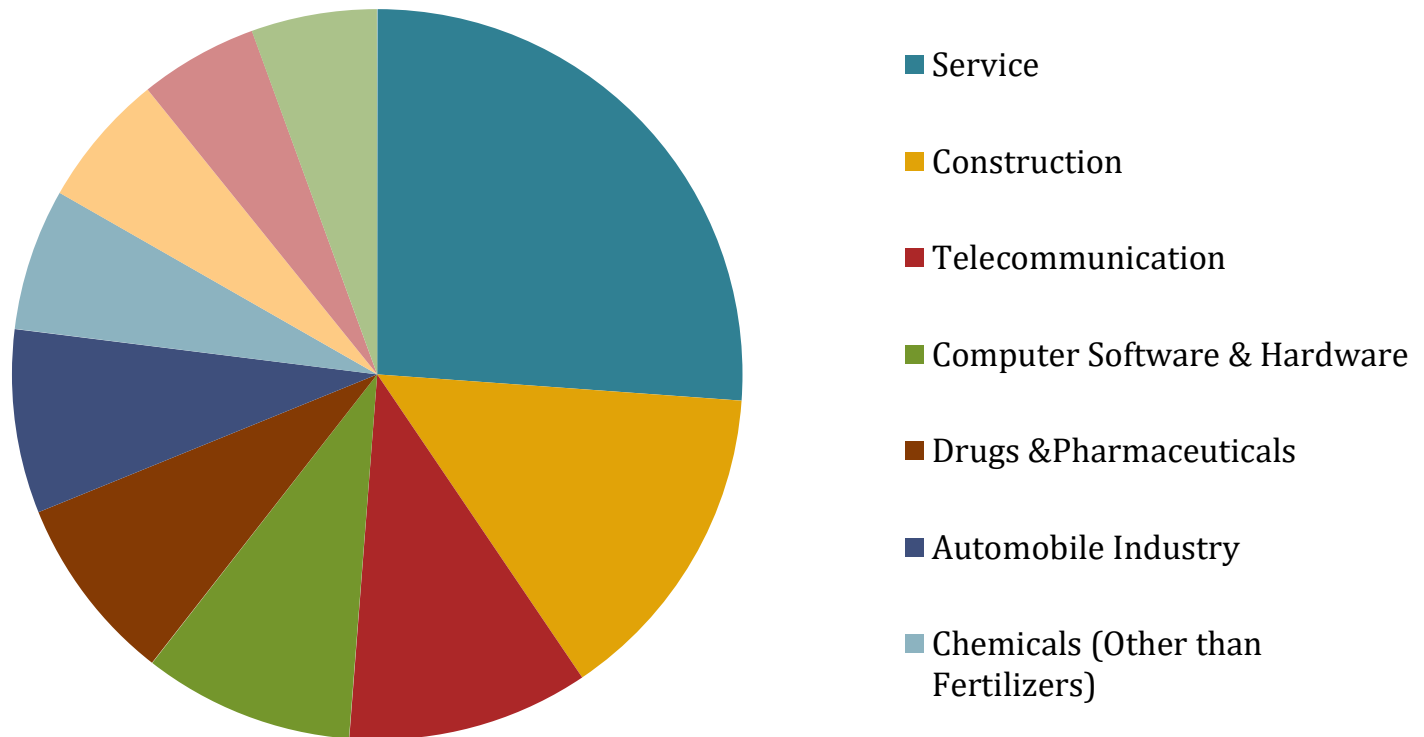
Sector-wise FDI Equity Inflow from April, 2000 to March, 2015

Sl. No	Sectors	FDI Inflow (Rs. In Crores)	Percentages of Total FDI Inflow
1	Service	205532.00	17.19
2	Construction	113140.00	9.68
3	Telecommunication	84092.00	6.86
4	Computer Software & Hardware	73235.00	6.04
5	Drugs & Pharmaceuticals	65282.00	5.28
6	Automobile Industry	63991.00	4.98
7	Chemicals (Other than Fertilizers)	49310.00	4.16
8	Power	46640.00	3.85
9	Metallurgical Industry	41147.00	3.44
10	Trading	43799.00	3.24



Sector-wise inflow of FDI (Rs. in Crores)

FDI Inflow (Rs. In Crores)



Source of Data

http://dipp.nic.in/English/Publications/FDI_Statistics/2015/india_FDI_March2015.pdf



FINDINGS

- India is one of the most important countries in the world to attract FDI.
- The FDI inflow to India was not new one, because it was prevailed way back during the colonial period.
- Since introduction of New Economic Policy 1991, FDI inflow got greater scope. This is because of open market conditions.
- Service sector, construction, telecommunication etc tertiary sector attracting more FDI then agricultural and small scale industries. Because we need more fund for primary sector but they are deprived from the investment.
- Sectors which are deprived from the FDI are those where large market potential is present but these are ignored by the policy makers & poor infrastructure as well as due to high concentration on priority sectors also contributed to the cause.



FINDINGS

- State- wise FDI inflows show that Maharashtra, New Delhi, Karnataka, Gujarat and Tamil Nadu received major investment from investors because of the infrastructural facilities and favorable business environment provided by these states.
- It is observed that major investment in the above sectors came from Mauritius and investments in these sectors in India are primarily concentrated in Mumbai and New Delhi.



CONCLUSIONS

- A large number of changes were introduced in the country after LPG era after 1991. India brought about a structural breakthrough in the volume of the FDI inflows into the economy maintained a fluctuating and unsteady trend during reform period. It might be interest to note that more than 50 per cent of the total FDI inflows received in India come from Mauritius, Singapore and the USA. The main reason for higher levels of investment from Mauritius was that the fact that India entered into a double taxation avoidance agreement (DTAA) with Mauritius were protected from taxation in India. Among the different sectors, the service sector had received the larger proportion followed by computer software and hardware sector and then telecommunication sector



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