



MANAGEMENT TODAY

-for a better tomorrow

An International Journal of Management Studies

home page: www.mgmt2day.griet.ac.in

Vol.8, No.2, April-June 2018



A Study on the Sector wise Analysis of FDI Equity Inflows in India

Nithya Kala, K.¹ and Aruna P. Remesh²

¹Assistant Professor, PSGR Krishnammal College for Women, Coimbatore, Tamilnadu; ²Ph.D. Research Scholar (FT), PSGR Krishnammal College for Women, Coimbatore, Tamilnadu. aruna.premesh@gmail.com

ARTICLE INFO

Article history:

Received 08.02.2018

Accepted 25.06.2018

Keywords:

FDI; Inflows; Sectors.

ABSTRACT

FDI (Foreign Direct Investment) is a type of investment made by an investor who is a non-resident. FDI has played an import role in the growth and development of a nation like India. It acts as a major source of finance to our country. FDI in several sectors is a resource which helps in promoting domestic manufacturing and job creation. India's trade in services have increased overtime and services accounts for the largest share in India's foreign direct investment inflows and outflows. Investments in service activities e.g. education, research & development, information & communication technology etc. is essential for nation. This paper focuses on the sector wise analysis of FDI inflows into India.

Introduction

FDI is an important source of finance for all developing countries especially India. Need of FDI depends on the savings and investment rate in any country. Foreign Direct Investment acts as a bridge to fulfil the gap between investment and saving. In the process of economic development foreign capital helps to cover the domestic saving constraint and provide access to the superior technology that promotes efficiency and productivity of the existing production capacity and generate new production opportunity.

Definition

According to IMF, FDI (Foreign Direct Investment) can be defined as "investment that is made to acquire a lasting interest

in an enterprise operating in an economy other than that of investor, the investor's purpose being to have effective voice in the management of the enterprise".

Objectives of the Study

- To analyze the sector-wise FDI equity inflow into India, and
- To identify the sectors attracting highest FDI equity inflow.

Research Methodology

The study is descriptive in nature and also it is purely based on secondary data.

Sources of Data

Data collected from journals and websites have been used for conducting this research. Data for a period of seventeen years (2000-2017) have been taken in this study.

Tools Used for Analysis

Simple percentage analysis

Analysis and Discussion

Responsibility of Contents of this paper rests upon the authors and not upon GRIET publications

ISSN: 2348-3989 (Online)

ISSN: 2230-9764 (Print)

Doi: <http://dx.doi.org/10.11127/gmt.2018.06.03>

pp. 141-144

Copyright@GRIET Publications. All rights reserved.

Table-1.1: Statement on Sector-wise FDI Inflows from April 2000-June2017

S. No.	Sector	Amount of FDI Inflows		% of Total Inflows
		(In Rs. Crore)	(In Us\$ Million)	
1	Services Sector*	3,28,701.98	61,359.43	17.92
2	Computer Software & Hardware	1,45,269.36	25,985.07	7.59
3	Construction Development	1,16,254.00	24,543.84	7.17
4	Telecommunications	1,30,728.99	24,033.74	7.02
5	Automobile Industry	96,831.50	17,389.89	5.08
6	Drugs & Pharmaceuticals	77,631.05	14,987.84	4.38
7	Trading	89,512.52	14,979.45	4.37
8	Chemicals (Other Than Fertilizers)	73,332.72	13,972.40	4.08
9	Power	61,225.75	11,765.82	3.44
10	Hotel & Tourism	58,001.15	10,477.29	3.06
11	Metallurgical Industries	53,487.46	10,394.68	3.04
12	Construction (Infrastructure) Activities	63,205.06	10,256.48	3.00
13	Food Processing Industries	46,830.46	7,806.62	2.28
14	Petroleum & Natural Gas	33,891.98	6,861.66	2.00
15	Electrical Equipment	38,094.02	6,774.18	1.98
16	Information & Broadcasting(Including Print Media)	37,052.71	6,582.69	1.92
17	Non-Conventional Energy	33,838.36	5,851.29	1.71
18	Cement And Gypsum Products	29,056.91	5,241.95	1.53
19	Hospital & Diagnostic Centres	26,372.82	4,584.07	1.34
20	Industrial Machinery	25,294.55	4,555.67	1.33
21	Consultancy Services	20,268.41	3,757.16	1.10
22	Miscellaneous Mechanical & Engineering Industries	16,975.93	3,336.26	0.97
23	Sea Transport	17,090.89	2,978.96	0.87
24	Textiles(Including Dyed, Printed)	14,272.80	2,551.40	0.75
25	Fermentation Industries	13,815.36	2,515.35	0.73
26	Rubber Goods	13,629.19	2,364.35	0.69
27	Mining	12,509.03	2,288.34	0.67
28	Agriculture Services	10,233.58	1,987.76	0.58
29	Electronics	9,184.59	1,789.48	0.52
30	Prime Mover (Other than Electrical Generators)	10,120.10	1,786.70	0.52
31	Ports	6,760.38	1,637.30	0.48
32	Medical And Surgical Appliances	9,425.92	1,614.46	0.47
33	Education	8,263.97	1,465.44	0.43
34	Air Transport (Including Air Freight)	8,092.05	1,378.77	0.40
35	Paper And Pulp (Including Paper Products)	6,490.45	1,310.29	0.38
36	Soap, Cosmetics & Toilet Preparations	6,760.38	1,212.25	0.35
37	Retail Trading	6,646.36	1,042.08	0.30
38	Diamond, Gold Ornaments	5,435.73	961.02	0.28
39	Machine Tools	4,603.57	876.85	0.26
40	Railway Related Components	4,603.18	812.21	0.24
41	Ceramics	3,738.73	762.98	0.22
42	Vegetable Oils And Vanaspati	4,302.72	762.78	0.22
43	Printing Of Books (Including Litho Printing Industry)	3,720.41	658.81	0.19
44	Glass	3,145.82	578.81	0.17
45	Fertilizers	3,066.67	565.78	0.17
46	Agricultural Machinery	2,447.16	462.45	0.14
47	Earth-Moving Machinery	2,198.36	396.86	0.12
48	Commercial, Office & Household Equipment	1,913.66	369.34	0.11
49	Scientific Instruments	1,524.55	255.97	0.07
50	Sugar	1,245.53	208.68	0.06
51	Boilers And Steam Generating Plants	1,191.75	196.29	0.06

52	Leather, Leather Goods And Pickers	970.74	178.40	0.05
53	Timber Products	921.02	159.82	0.04
54	Glue And Gelatine	818.21	128.39	0.03
55	Tea And Coffee (Processing & Warehousing Coffee & Rubber	520.45	111.87	0.03
56	Dye-Stuffs	510.44	88.40	0.02
57	Industrial Instruments	378.31	77.55	0.02
58	Photographic Raw Film And Paper	273.76	67.29	0.01
59	Coal Production	119.19	27.73	0.00
60	Mathematical, Surveying And Drawing Instruments	39.80	7.98	0.00
61	Defence Industries	25.49	5.12	0.00
62	Coir	22.05	4.07	0.00
63	Miscellaneous Industries	50,807.39	10,252.69	2.99
	Sub-Total	18,54,108.61	3,42,399.15	
64	RBI's NRI Scheme (2000-2002)	533.06	121.33	
	Grand Total	18,54,641.67	3,42,520.48	

Source: DIPP

Interpretation

The above table shows the total FDI inflow into India during 2000-2017. From the analysis it was found that the

service sector is at the top. Computer Software & Hardware, Construction Development and Telecommunication are the medium performing sectors..

Table-1.2: Sectors Attracting Highest FDI Equity Inflows

Amount in Rs. Crores (US Dollar in Millions)

Ranks	Sector	2015-16 (Apr-Mar)	2016-17 (Apr-Mar)	2017-18 (Apr-Mar)	Cum. Inflows (Apr 00-Jun 17)	% on Total Inflows
1	Service Sector**	45415 (6,889)	58214 (8,684)	12,134 (18,83)	328,702 (61,359)	18%
2	Computer software & Hardware	38,351 (5,904)	34,605 (3,652)	8480 (1,316)	145,269 (25,985)	8%
3	Construction Development: Townships, Housing, Built-Up Infrastructure	727 (113)	703 (105)	1616 (251)	116,256 (25,544)	7%
4	Telecommunications	8637 (1,324)	37,435 (5,564)	565 (88)	130,729 (24,034)	7%
5	Automobile Industry	16,437 (2527)	10,824 (1,609)	4613 (716)	96,831 (17,390)	5%
6	Drugs & Pharmaceuticals	4975 (754)	5,723 (857)	1,811 (281)	77,631 (14,988)	4%
7	Trading	25,244 (3845)	15,721 (2,338)	4,995 (769)	89,513 (14,979)	4%
8	Chemicals (Other than Trading)	9,664 (1,470)	9,397 (1,393)	4,381 (679)	73,333 (13,972)	4%
9	Power	5,662 (869)	7,473 (1,113)	1,139 (177)	61,226 (11,766)	3%
10	Hotel Tourism	8,761 (1,333)	6,140 (916)	2,152 (334)	58,001 (10,477)	3%

Source: DIPP

Interpretation

The above table shows the list of sectors attracting highest FDI equity inflows. From the table it was found that service sector is the top most FDI attracting sector from 2015 April to 2018 March. Hotel sector is the least FDI attracting sector from 2015 April to 2018 March.

Findings of the Study

- Among all the sectors, service sector is the top performing sector from April 2000-June2017
- The percentage of FDI inflow for service sector is 17.92%.
- The highest FDI inflow value for service sector is 3, 28,701.98 (In Rs. Crores).
- From 2015 April to 2018 March the top most FDI attracting sector is also Service sector.

Conclusion

FDI in India has contributed effectively to the overall growth of economy. This paper examines the sector-wise FDI inflows and the sectors attracting the highest FDI equity inflows in India for a period of ten years. Service sector is the top performing and the highest equity FDI attracting sector.

References

1. Sandeep Channa and Ruchi Sharma (2015). FDI inflows, a pre and post reform analysis in Indian scenario. *South Asian Academic research Journals*, ISSN: 2249-7137.
2. Seema Dua (2015). FDI in India, Opportunities and challenges. *Asian Journal of Multidimensional Research*, ISSN: 2278-4853.
3. Bhawna Arora (2015). FDI as drivers of growth in economic sectors. *South Asian Academic research Journals*, ISSN: 2249-7137.
4. Kiran Kumari and Rozy Jain (2015). FDI-A Comparative Study of India and China. *Asian Journal of Multidimensional Research*, ISSN: 2278-4853.
5. Aarthi Nayar (2015). 2014 and FDI in India. *Asian Journal of Multidimensional Research*, ISSN: 2278-4853.
6. www.dipp.nic.in