An Analysis of Foreign Direct Investment Inflows in India

DEEPAK KUMAR ADHANA, Research Scholar, Institute of Mgt. Studies & Research, M.D. University, Rohtak, India. deepak.adhana1437@gmail.com

DR. NEELAM GULATI, Professor, DAV Institute of Management, Faridabad, India. neelamgulati2000@yahoo.com

ABSTRACT - Foreign direct investment (FDI) in India is a major monetary source for economic development in India. Foreign companies invest directly in fast growing private Indian businesses to take benefits of cheaper wages and changing business environment of India. Economic liberalisation started in India in wake of the 1991 economic crisis and since then FDI has steadily increased in India, which subsequently generated jobs.

Foreign direct investment (FDI) in India increased by about 3 per cent to $61.96 billion in 2017-18 on account of steps taken by the government to improve business climate and liberalised policy norms. FDI inflows stood at $60 billion in the previous fiscal. The figure includes equity inflows, reinvested earnings and other capital. During the four years of the Modi government, foreign inflow jumped to $222.75 billion from $152 billion in the previous four-year period.

For the first time in two decades, India has been getting more foreign investment than its neighbour China. In 2018, India saw more than $38 billion of inbound deals compared with China's $32 billion, buoyed by stable fundamentals, a bankruptcy code and fresh opportunities in sunrise sectors. India's foreign direct investment (FDI) was the highest ever with 235 deals amounting to $37.76 billion this calendar year

The present study has focused on the trends of FDI Flow in India during 2000-01 to 2017-18. The study also highlights country wise approvals of FDI inflows to India and the FDI inflows in different sector for the period April 2000 to March 2018. The paper presents statement on RBI's regional offices received FDI equity inflows. In the end paper includes suggestions for increased flow of FDI in India.

KEYWORDS— Foreign Direct investment (FDI), Globalisation, FDI Inflow, RBI, DIPP

I. INTRODUCTION

"FDI is defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate)…A foreign affiliate is an incorporated or unincorporated enterprise in which an investor, who is a resident in another economy, owns a stake that permits a lasting interest in the management of that enterprise (an equity stake of 10% for an incorporated enterprise, or its equivalent for an unincorporated enterprise)."

Foreign direct investment (FDI) is an investment made by a firm or individual in one country into business interests located in another country. Generally, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets, including establishing ownership or controlling interest in a foreign company. Foreign direct investments are distinguished from portfolio investments in which an investor merely purchases equities of foreign-based companies.

Broadly speaking, FDI is composed of three distinct modes of financing, namely, equity capital (which refers to purchase of an enterprise's share by a foreign investor in a foreign country), reinvested earnings/profits in the host country (share of earnings of a foreign direct investor which is neither given out as dividends by foreign affiliates nor remitted to the home country), and intra-company debt transactions (short or long-term borrowing and lending of finances between foreign direct investor and affiliate enterprises). Even though there have been attempts to reflect these three aspects of FDI in national and global databases, several concerns are yet to be addressed.

Apart from being a critical driver of economic growth, foreign direct investment (FDI) is a major source of non-

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debt financial resource for the economic development of India. Foreign companies invest in India to take advantage of relatively lower wages, special investment privileges such as tax exemptions, etc. For a country where foreign investments are being made, it also means achieving technical know-how and generating employment.

The Indian government's favourable policy regime and robust business environment have ensured that foreign capital keeps flowing into the country. The government has taken many initiatives in recent years such as relaxing FDI norms across sectors such as defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others.

Market size

According to Department of Industrial Policy and Promotion (DIPP), the total FDI investments in India April-June 2018 stood at US$ 12.75 billion, indicating that government's effort to improve ease of doing business and relaxation in FDI norms is yielding results. Data for April-June 2018 indicates that the services sector attracted the highest FDI equity inflow of US$ 2.43 billion, followed by trading – US$ 1.63 billion, telecommunications – US$ 1.59 billion and computer software and hardware – US$ 1.41 billion. Most recently, the total FDI equity inflows for the month of June 2018 touched US$ 2.89 billion.

During April-June 2018, India received the maximum FDI equity inflows from Singapore (US$ 6.52 billion), followed by Mauritius (US$ 1.49 billion), Japan (US$ 0.87 billion), Netherlands (US$ 0.84 billion), and United Kingdom (US$ 0.65 billion).

II. REVIEW OF LITERATURE

Bajpai and Sachs's (2009) attempted to identify the issues and problems associated with India's current FDI regime and more importantly the other associated factors responsible for India's unattractiveness as an investment location. They found that despite India offering a large domestic market, rule of law, low labor costs, and a well working democracy, her performance in attracting FDI flows has been far from satisfactory level.

Singh J. (2010) analyzed Economic Reforms and Foreign Direct Investment in Indian Policy, Trends and Patterns in the context of increasing competition among nations and sub national entities to attract Foreign Direct Investment (FDI) and suggest that the FDI inflows, in general, show an increasing trend during the post-reform period.

Taufeeque (2011) studied the impact of FDI on Indian economy and a comparison with China & USA. The paper has also been ventured into carving out set of strategies to deal with the issues & problems in attracting FDI for promotion & growth of international trade. The double log model has been used to find elasticity between different factors in their paper. They also highlight the impact of FDI on employment. They discussed that FDI helps in boosting growth of GDP a country.

Agarwal G., and Khan M. A. (2011) analyzed the Impact of FDI on GDP through Comparative Study of China and India and they found that 1% increase in FDI would result in 0.07%increase in GDP of China and 0.02% increase in GDP of India. They found that China growth is more affected by FDI, than India's growth.

Anitha, R. (2012) found that FDI inflow into the country during the Post Liberalization period. Further, the trends of FDI inflow into the country was projected for a period of five years from 2010-11 to 2014-15 using Autoregressive Integrated Moving Average (ARIMA) forecasting technique.

Nayak, Ranjan Kumar (2013) has examined the growth patterns and changing nature of Indian inward Foreign Direct Investment, with an emphasis on the post liberalization period, since FDI, along with trade, has been an important mechanism which was brought about a greater integration of Indian economy with world economy.

Singh, Gurmeetand Paul, Justin (2014) revealed that Foreign Direct Investment (FDI) plays an important role in the growth process of a country. There are two types of FDI: Inward Foreign Direct Investment (IFD1) and Outward Foreign Direct Investment (OFDI).

III. RESEARCH GAP

The review of literature reveals that numerous studies have been conducted to assess relation between FDI and its growth. Moreover, several research articles have raised the significant issues with regard to FDI also. However, this research paper goes a step further to examine the relation of FDI inflows in relation to FIPB /Acquisitions Route, Equity Capital of Unincorporated Bodies, Re-Invested Earnings and other Capital. The present study would go to investigate the various routes of FDI inflows in India and its relationship with total FDI. It also seeks to discuss the directional relationship between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies. Further, in the research paper an attempt has been made to find out the difference between FDI inflows and FIIs.

IV. OBJECTIVES OF STUDY

The study has been geared to achieve the following objectives;

1. To study the trends of FDI inflow in India during 2000-01 to 2015-18 (up to March 2018)
2. To study the regional disparity in FDI inflows among Indian cities
3. To make suitable suggestions for attracting more FDI inflows to India

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V. HYPOTHESES OF THE STUDY

The Hypotheses investigated in the study are listed below:

$H1_0$: There is no significant difference between FDI and FIIs in India.

$H2_0$: There is no significant difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies.

VI. RESEARCH METHODOLOGY

Type of Research: Quantitative and Analytical Research

Data: Data of FDI Equity inflows from year 2000-01 to 2017-18 (up-to March 2018)

Data Collection Method: This study has been carried out with the help of secondary data only, all the data has been collected from the various sources such as websites & reports and compiled as said by the need of the study.

Sources of Data Collection: The study is based on the published data. The data was extracted from the various journals, magazines and websites particularly from the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry and Reserve Bank of India. Graphs and tables have also been used wherever required to depict statistical data of FDI during the study period.

TRENDS OF FDI FROM APRIL 2000-MARCH 2018:

The following tables show the trends and pattern of FDI in India during 2000-01 to 2017-18.

VII. CUMULATIVE FDI FLOWS INTO INDIA (2000-2018)

A. TOTAL FDI INFLOWS (from April, 2000 to March, 2018):

1.	CUMULATIVE AMOUNT OF FDI INFLOWS (Equity Inflows + Re-Invested Earnings + Other Capital)	-	US$ 546,452 Million
2.	CUMULATIVE AMOUNT OF FDI EQUITY INFLOWS (Excluding amount remitted through NRI Schemes)	Rs. 2,075,911 Crore	US$ 376,848 Million

Table 1

Table 1 shows the amount of FDI inflows from April, 2000 to March, 2018. It shows the cumulative amount of FDI Inflows both in terms of Crore and in US $ million.

Point 1 shows the sum of equity inflows, reinvested earnings and other capital. Cumulative amount of inflows are **546,452** in US $ million. Other than this, cumulative FDI equity inflows which excludes amount remitted through RBI's-NRI schemes are 2,075,911 in Crore and 376,848 in US $ million.

B. FDI INFLOWS DURING Q4 OF FINANCIAL YEAR 2017-18 (January to March 2018):

1.	TOTAL FDI INFLOWS INTO INDIA (Equity Inflows + Re-Invested Earnings + Other Capital) as per RBI's Monthly Bulletins	-	US$ 14,076 Million
2.	FDI EQUITY INFLOWS	Rs. 57,432	US$ 8,916 Million

Table: 2

The total FDI inflows include Equity Inflows + Re-Invested Earnings + Other Capital, as per RBI's Monthly Bulletins.

It shows the total amount of FDI Inflows both in terms of Crore and in US $ million during January to March 2018. Point 1 shows the sum of equity inflows, reinvested earnings and other capital. Total amount of inflows are 14,076 in US $ million. Point 2 shows the FDI equity inflows amounted 57,432 in Crore and 8,916 in US $ million.

FDI EQUITY INFLOWS (MONTH-WISE) DURING THE FY 2017-18:

FINANCIAL YEAR 2017-18 (APRIL-MARCH)		Amount of FDI Equity Inflows	
		(In Rs. Crore)	(In US$ mn)
1.	April, 2017	20,826	3,229

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2.	May, 2017	26,159	4,060
3.	June, 2017	20,101	3,119
4.	July, 2017	31,112	4,827
5.	August, 2017	51,198	8,004
6.	September, 2017	13,632	2,115
7.	October, 2017	17,454	2,682
8.	November, 2017	20,019	3,086
9.	December, 2017	30,956	4,819
10.	January, 2018	15,386	2,418
11.	February, 2018	20,478	3,181
12.	March, 2018	21,569	3,317
2017-18 (from April 2017 to March 2018)		288,889	44,857
2016-17 (from April 2016 to March 2017)		291,696	43,478
% age Growth over last year		(-)1%	(+)3%

Table: 3

The above Table 3 shows the amount of FDI inflows during Financial Year from April, 2017 to March, 2018 (up to March, 2018).

It shows the amount in Rs Crore and in US $ mn. The highest FDI inflows in the country is in the month of August 2017 i.e. 51,198 in Rs Crore and 8,004 in US $ mn. Followed by July, 2017 and December, 2017 with inflows 31,112 in Rs. Crore (4,827 in US$ mn) and 30,956 in Rs. Crore (4,819 in US$ mn) respectively. It can also be observed that there is 1% decline in FDI over last year in Rs. Crore. When data is taken in terms of US$ there is a growth of 3% in 2017-18 (up to March 2018) as compare with the data of 2016-17.

SHARE OF TOP INVESTING COUNTRIES FDI INFLOWS (FINANCIAL YEARS):

Amount in Rs. Crore (US$ in mn)

Rank	Country	2015-16 (April - March)	2016-17 (April – March)	2017-18 (April,17 – March, 18)	Cumulative Inflows (April '00 - March '18)	%age to total Inflows (in terms of US $)
1.	MAURITIUS	54,706 (8,355)	105,587 (15,728)	102,492 (15,941)	688,442 (127,578)	34%
2.	SINGAPORE	89,510 (13,692)	58,376 (8,711)	78,542 (12,180)	393,584 (66,771)	18%
3.	JAPAN	17,275 (2,614)	31,588 (4,709)	10,371 (1,610)	152,630 (27,286)	7%
4.	U.K.	5,938 (898)	9,953 (1,483)	5,473 (847)	131,018 (25,438)	7%
5.	NETHERLANDS	17,275 (2,643)	22,633 (3,367)	18,048 (2,800)	135,215 (23,482)	6%
6.	U.S.A.	27,695 (4,192)	15,957 (2,379)	13,505 (2,095)	124,037 (22,417)	6%

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7.	GERMANY	6,361 (986)	7,175 (1,069)	7,391 (1,146)	59,435 (10,845)	3%
8.	CYPRUS	3,317 (508)	4,050 (604)	2,680 (417)	49,411 (9,573)	3%
9	FRANCE	3,937 (598)	4,112 (614)	3,297 (511)	33,934 (6,237)	2%
10.	UAE	6,528 (985)	4,539 (675)	6,767 (1,050)	32,953 (5,754)	2%
	Total FDI INFLOWS FROM ALL COUNTRIES	262,322 (40,001)	291,696 (43,857)	288,889 (44,857)	2,075,911 (376,848)	

Table: 4

The above Table No.4 and below Figure 1 in graph depict the country having the highest FDI in India. The report shows that the MAURITIUS country has the highest foreign investor in India with 34%. After Mauritius, Singapore and Japan invest the highest FDI in India with 18% and 7% respectively. U.K. also gets 4th position with 7% FDI in India.

The inflows from U.S.A are routed through Mauritius due to tax advantage. The tax advantage emanates from the double tax avoidance agreement that India has with that country USA. This agreement means that any foreign investor has the option of paying tax either in India or in Mauritius. The tax rates in Mauritius are amongst the lowest in the world. While investors get higher returns on their money in India, those from Mauritius "get even higher returns on their capital as we have a double taxation avoidance treaty (DTAT) with the island nation.

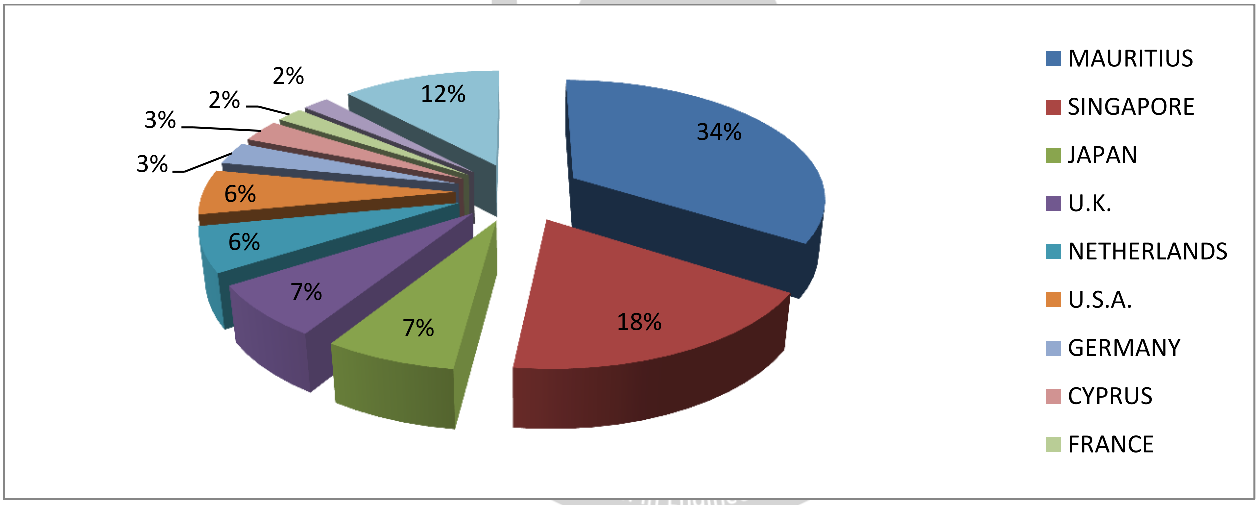

Figure 1: Percentage of Total Inflows from Different Countries in India

Source: Author's Presentation from DIPP data

VII. SECTOR ATTRACTING HIGHEST FDI EQUITY INFLOWS:

Ranks	*Sector*	*2015-16 (April - March)*	*2016-17 (April- March)*	*2017-18 (April,17 –* March, *18)*	*Cumulative Inflows (April '00 -* March *'18)*	*% age to total Inflows (In terms of US$)*
1.	SERVICES SECTOR	45,415 (6,889)	58,214 (8,684)	43,249 (6,709)	359,817 (66,185)	18%
2.	COMPUTER SOFTWARE & HARDWARE	38,351 (5,904)	24,605 (3,652)	39,670 (6,153)	176,459 (30,823)	8 %
3.	TELECOMMUNICATIONS (radio paging, cellular mobile, basic telephone services)	8,637 (1,324)	37,435 (5,564)	39,748 (6,212)	169,912 (30,158)	8 %

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4.	CONSTRUCTION DEVELOPMENT	727 (113)	703 (105)	3,472 (540)	118,111 (24,833)	7 %
5.	AUTOMOBILE INDUSTRY	16,437 (2,527)	10,824 (1,609)	13,461 (2,090)	105,679 (18,763)	5 %

Table: 5

The above Table No.5 and Figure 2 below depict the sector having the highest FDI equity inflow in India. The report shows that Service sector has the highest FDI Equity inflow 18%, followed by Computer Software and Hardware, Telecommunication, Construction development and Automobile Industry sector having 8%, 8%, 7%, and 5% respectively. Other sectors like Trading Industries carries 5% , Drugs & Pharmaceuticals, Chemicals and Power carries 4% FDI inflow each, whereas the least is of Construction Activities attracting 3% FDI. The service sector includes both financial and non-financial services. 100% investment has been allowed to the following service sectors- private sector banking, NBFC'S, petroleum, housing and Real estate, Hotel and tourism, road and highways, ports and harbors, advertising, films, mass raped transportation, power, drug and pharmaceuticals, pollutions control and management and special economic zones.

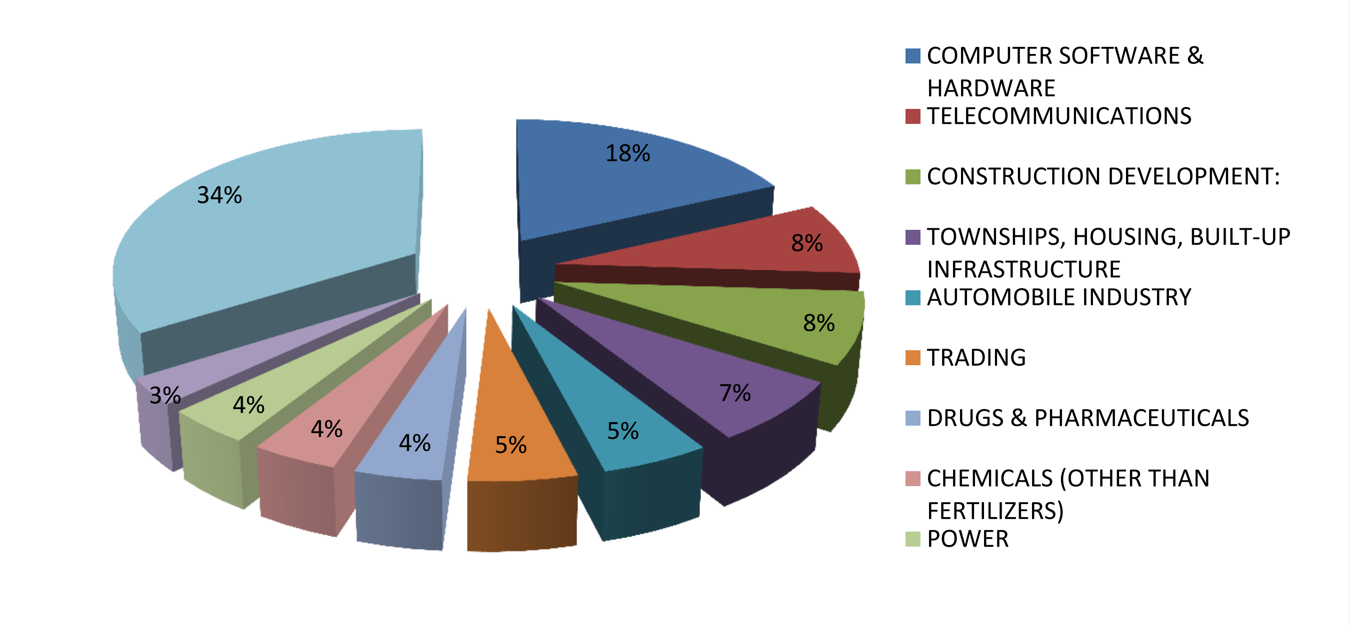

Figure 2: Percentage of Sectors Attracting Highest FDI Equity Inflows
Source: Author's Presentation from DIPP data

VIII. STATEMENT OF RBI'S REGIONAL OFFICES RECEIVED FDI EQUITY INFLOWS (From April 2000 to March 2018):

Amount in Rs. crore (US$ in mn)

S.No.	Region	State Covered	2015-16	2016-17	2017-18	Cumulative Inflows (April'00-Mar. 2018)	% of total Inflow
1	MUMBAI	MAHARASHTRA, DADRA & NAGAR HAVELI, DAMAN & DIU	62,731 (9,511)	131,980 (19,654)	86,244 (13,423)	633,977 (115,706)	31%
2	NEW DELHI	DELHI, PART OF UP AND HARYANA	83,288 (12,743)	39,482 (5,884)	49,366 (7,656)	421,159 (75,693)	20%
3	BANGALORE	KARNATAKA	26,791 (4,121)	14,300 (2,132)	55,334 (8,575)	178,547 (30,949)	8%
4	CHENNAI	TAMIL NADU, PONDICHERRY	29,781 (4,528)	14,830 (2,218)	22,354 (3,475)	155,732 (27,235)	7%
5	AHMEDABAD	GUJARAT	14,667 (2,244)	22,610 (3,367)	13,457 (2,091)	104,531 (18,743)	5%

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6	HYDERABAD	ANDHRA PRADESH	10,315 (1,556)	14,767 (2,195)	8,037 (1,246)	82,360 (15,012)	4%
7	KOLKATA	WEST BENGAL, SIKKIM, ANDAMAN & NICOBAR ISLANDS	6,220 (955)	332 (50)	1,409 (218)	22,588 (4,203)	1%
8	KOCHI	KERALA, LAKSHADWEEP	589 (90)	3,050 (454)	1,339 (208)	11,128 (1,963)	1%
9	JAIPUR	RAJASTHAN	332 (50)	1,111 (165)	752 (117)	8,989 (1,597)	0.4%
10.	CHANDIGARH	CHANDIGARH, PUNJAB, HARYANA, HIMACHAL PRADESH	177 (27)	39 (6)	697 (108)	7,273 (1,472)	0.4%

Table: 6

This table shows the statement on RBI's regional offices (with state covered) received FDI Equity Inflows during April 2000 to March 2018. India has received FDI Equity Flows of US$ 376,848.

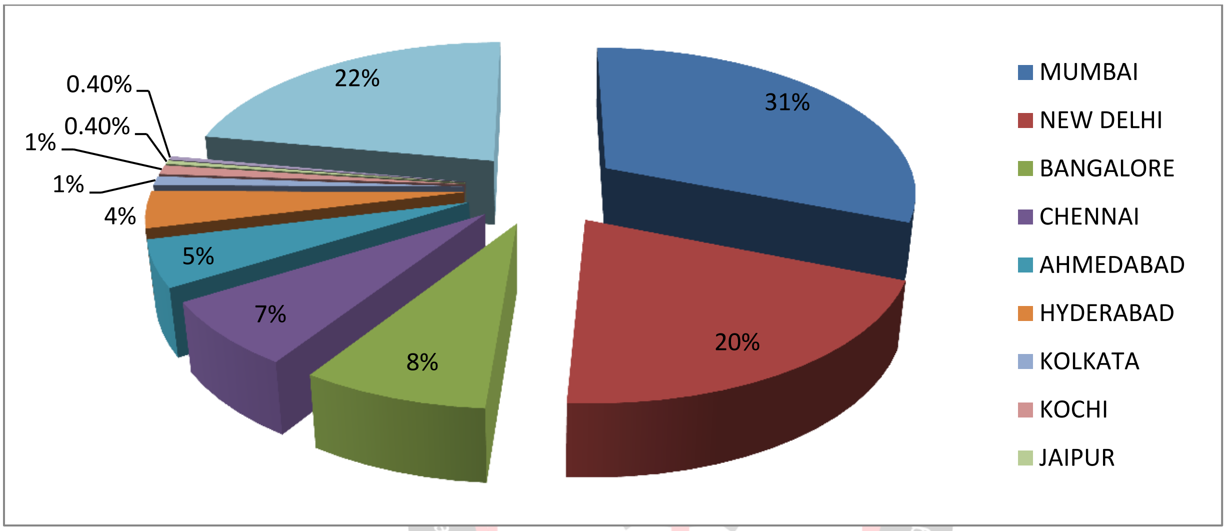

Figure 3: Top 10 FDI Equity Inflows Region in India
Source: Author's Presentation from DIPP data

The above table and graph represents region-wise FDI equity inflows from 2000-18 both in terms of ` Crore and US $ million. Table shows that Mumbai has registered largest FDI inflow (115,706 US$ in Millions) amounting to 31% of total inflow received in last 18 years. New Delhi is the second preferred region for FDI inflow (75,693 US$ in Millions) with 20% of total inflows received in last 18 years. This is due to good quality infrastructure and better quality of life provided in these cities. The above table also depicts the regional disparity in terms of receiving FDI. Mumbai and Delhi amounts for more than 51% of total FDI received in India in last 18 years.

IX. FINANCIAL YEAR-WISE FDI INFLOWS DATA & HYPOTHESIS TESTING:

Amount in US$ million

S. No.	Financial Year (April-March)	FOREIGN DIRECT INVESTMENT (FDI)						Investment by FII's Foreign Institutional Investors Fund (net)
		Equity		Re-invested earnings +	Other capital +	FDI FLOWS INTO INDIA		
		FIPB Route/ RBI's Automatic Route/ Acquisition Route	Equity capital of unincorporated bodies #			Total FDI Flows	%age growth over previous year (in US$ terms)	
FINANCIAL YEARS 2000-01 TO 2017-18 (up to March 2018)								
1.	**2000-01**	2,339	61	1,350	279	**4,029**	-	**1,847**

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2.	**2001-02**	3,904	191	1,645	390	**6,130**	**(+) 52 %**	**1,505**
3.	**2002-03**	2,574	190	1,833	438	**5,035**	**(-) 18 %**	**377**
4.	**2003-04**	2,197	32	1,460	633	**4,322**	**(-) 14 %**	**10,918**
5.	**2004-05**	3,250	528	1,904	369	**6,051**	**(+) 40 %**	**8,686**
6.	**2005-06**	5,540	435	2,760	226	**8,961**	**(+) 48 %**	**9,926**
7.	**2006-07**	15,585	896	5,828	517	**22,826**	**(+) 155 %**	**3,225**
8.	**2007-08**	24,573	2,291	7,679	300	34,843	**(+) 53 %**	**20,328**
9.	**2008-09**	31,364	702	9,030	777	41,873	**(+) 20 %**	**(-) 15,017**
10.	**2009-10**	25,606	1,540	8,668	1,931	**37,745**	**(-) 10 %**	**29,048**
11.	**2010-11**	21,376	874	11,939	658	**34,847**	**(-) 08 %**	**29,422**
12.	**2011-12**	34,833	1,022	8,206	2,495	**46,556**	**(+) 34 %**	**16,812**
13.	**2012-13**	21,825	1,059	9,880	1,534	**34,298**	(-) 26%	**27,582**
14	**2013-14**	24,299	975	8,978	1,794	**36,046**	**(+) 5%**	**5,009**
15.	**2014-15**	30,933	978	9,988	3,249	**45,148**	**(+) 25%**	**40,923**
16.	**2015-16**	40,001	1,111	10,413	4,034	**55,559**	**(+) 23%**	**(-) 4,016**
17.	**2016-17**	43,478	1,223	12,343	3,176	**60,220**	**(+) 8%**	**7,735**
18.	2017-18(April 2017-March 2018)	**44,857**	**816**	**12,370**	**3,920**	**61,963**	**(+) 3%**	**22,165**
CUMULATIVE TOTAL (from April, 2000 to March, 2018)		**378,534**	**14,924**	**126,274**	**26,720**	**546,452**	**-**	**216,475**

Table: 7

ANALYSIS AND INTERPRETATIONS:

Hypotheses 1: The null and alternative hypotheses can be stated as below:

H1_0 : There is no significant difference between FDI and FIIs in India.

H1_1: There is significant difference between FDI and FIIs in India.

Analyse the Data:

Group Statistics

	TYPE	N	Mean	Std. Deviation	Std. Error Mean
X	1.00	18	30358.4444	20272.93732	4778.37715
	2.00	18	12026.3889	14068.31545	3315.93375

1 = FDI, 2 = FII

Independent Samples Test

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper

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X	Equal variances assumed	3.960	.055	3.152	34	.003	18332.05556	5816.21052	6512.09366	30152.01745
	Equal variances not assumed			3.152	30.291	.004	18332.05556	5816.21052	6458.55056	30205.56055

Statistical Conclusion:

This hypothesis examines the difference between FDI and FIIs in India, the mean of FDI is 23136.5714 and for the FIIs the mean is 11763.2857 when undertakes the eighteen years data used. The standard deviation for the FDI is 20272.93732 and for the FIIs had 12026.3889 and the mean difference was 5816.21052 shows in the table H. Levene's Test for Equality of Variances indicates that FDI and FIIs are significantly differ therefore unequal variance result are used. Table H indicates that the t-statistics is 3.152 along with the p-value is 0.004 which is less than 0.05 at 5% level of significance, which leads to the conclusion that the difference is statistically significant. Therefore the null hypothesis is rejected and alternative hypothesis is accepted. Hence it is concluded that there is significant difference between FDI and FIIs in India.

In other way, table represents the mean, standard deviation and standard error of the mean for FDI and FII. The results of t test as represented in table assuming both the equal and unequal variances indicate that the null hypothesis is rejected. This is because the p values both for equal and unequal variances are equal to 0.003/2 = .0015 and 0.004/2 = .002 respectively. Since the p values in both the cases are less than 0.05, assuming the level of significance, the hypothesis of equality of the mean of FDI and FII is rejected in favour of alternative hypothesis. Therefore, it can be concluded that FDi is higher than FII.

Hypotheses 2: The null and alternative hypotheses can be stated as below:

$H2_0$: There is no significant difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies.

$H2_1$: There is significant difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies.

Analyse the Data:

Group Statistics

	TYPE	N	Mean	Std. Deviation	Std. Error Mean
FDI	1.00	18	21029.6667	14942.09939	3521.88660
	2.00	18	829.1111	559.43447	131.85997

1 = FDI through FIPB, 2 = Equity Capital of Incorporated Bodies

Shows the Analysis of Output

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
FDI	Equal variances assumed	43.342	.000	5.732	34	.000	20200.55556	3524.35416	13038.20615	27362.90496
	Equal variances not assumed			5.732	17.048	.000	20200.55556	3524.35416	12766.40147	27634.70964

Statistical Conclusion:

This hypothesis examines the difference between FDI through FIPB/Acquisition Route and Equity Capital of Incorporated Bodies in India, the mean of FDI through FIPB/Acquisition Route is 21029.6667 and for the Equity Capital of Incorporated Bodies the mean is 829.1111 when undertakes the eighteen years data used. The standard deviation for the FDI through FIPB/Acquisition Route is 14942.09939 and for the Equity Capital of Incorporated Bodies had 559.43447 and the mean difference was 20200.55556 shows in the table. Levene's Test for Equality of Variances indicates that FDI through FIPB/Acquisition Route and Equity Capital of Incorporated Bodies in India are significantly differ therefore unequal variance result are used. Table indicates that the t-statistics is 5.732 along with the p-value is 0.000 which is less than 0.05 at 5% level

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of significance, which leads to the conclusion that the difference is statistically significant. Therefore the null hypothesis is rejected and alternative hypothesis is accepted. Hence it is concluded that there is significant difference between FDI through FIPB/Acquisition Route and Equity Capital of Incorporated Bodies in India.

In other way, table represents the mean, standard deviation and standard error of the mean for FDI through FIPB/Acquisition Route and Equity Capital of Incorporated Bodies in India. The results of t test as represented in table assuming both the equal and unequal variances indicate that the null hypothesis is rejected. This is because the p values both for equal and unequal variances are equal to 0.000/2 = .000 and 0.000/2 = .000 respectively. Since the p values in both the cases are less than 0.05, assuming the level of significance, the hypothesis of equality of the mean of FDI through FIPB/Acquisition Route and Equity Capital of Incorporated Bodies in India is rejected in favour of alternative hypothesis. Therefore, it can be concluded that FDI through FIPB/Acquisition Route is higher than Equity Capital of Incorporated Bodies in India

X. SUGGESTIONS FOR INCREASED FDI IN INDIA:

Followings are the essential suggestions that will help India in increasing FDI:

A. Flexible labour laws needed

B. Re look at sector-wise caps

C. Geographical disparities of FDI should be removed

D. Promote Greenfield projects

E. Develop debt market

F. Strengthen research and development in the country

CONCLUSION:

FDI in India has a significant role in the economic growth and development of India. FDI in India to various sectors can attain sustained economic growth and development through creation of jobs, expansion of existing manufacturing industries. The inflow of FDI in service sectors and construction and development sector, from April, 2000 to March, 2018 attained substantial sustained economic growth and development through creation of jobs in India.

The study shows that Mauritius has the highest foreign investor in India with 34%. After Mauritius, Singapore and Japan invest the highest FDI in India with 18% and 7% respectively. U.K. also gets 4th position with 7% FDI in India. The Service sector has the highest FDI Equity inflow 18%, followed by Computer Software and Hardware, Telecommunication, Construction development and Automobile Industry sector having 8%, 8%, 7%, and 5% respectively. Mumbai has registered largest FDI inflow (633,977 Crore) amounting to 31% of total inflow received in last 18 years. New Delhi is the second preferred region for FDI inflow (421,159 Crore) with 20% of total inflows received in last 18 years.

On the basis of data analysis, it is clear that the FII and FDI are influencing the economic development to a greater extent. But after the analysis, the result shows that there is a significant difference between the FDI and FIIs in India. Analysis indicates that the t-statistics is 3.152 along with the p-value is 0.004 which is less than 0.05 at 5% level of significance, which leads to the conclusion that the difference is statistically significant. The study also shows the difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies statistically significant and shows the t- value is 5.732 with the p-value 0.000 which is less than 0.05. So it is concluded that the difference is significant and leads to conclusion that other sources of Investment rather than Mergers and Acquisitions are least effective and still efforts are require for attracting foreign Investors.

India has become the most attractive emerging market for global partners (GP) investment for the coming 12 months, as per a recent market attractiveness survey conducted by Emerging Market Private Equity Association (EMPEA). Annual FDI inflows in the country are expected to rise to US$ 75 billion over the next five years, as per a report by UBS. The World Bank has stated that private investments in India is expected to grow by 8.8 per cent in FY 2018-19 to overtake private consumption growth of 7.4 per cent, and thereby drive the growth in India's gross domestic product (GDP) in FY 2018-19.

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