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A Study on Foreign Investment Inflows into India

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ABSTRACT - This study examines the economic impact of India's current approach to intellectual property rights, as it affects pharmaceutical products and Foreign Investment. We begin by reviewing the economic effects of Foreign Investment generally on the growth and development of developing nations. As the effective application of new technologies has become increasingly important to most nations' economic growth and development, the significance of intellectual property (IP) rights has also increased. Most technological innovations come from the world's most advanced countries; and the transfers of those technologies to developing nations, mostly through the foreign investments of multinational companies, are critical to efforts to modernize their economies. A larger Foreign Investment Inflows require for the development of multi various activities in different sectors like agriculture, health, education, energy, national highways, industries, infrastructure and employment generation. The present study brings about an economic analysis of the Foreign Investment inflows into India.

Keywords – Foreign Investment, economy, IP.

I. INTRODUCTION

As the effective application of new technologies has become increasingly important to most nations' economic growth and development, the significance of intellectual property (IP) rights has also increased. Most technological innovations come from the world's most advanced countries; and the transfers of those technologies to developing nations, mostly through the foreign direct investments (FDI) of multinational companies, are critical to efforts to modernize their economies. The economic returns on these transfers depend on the foreign investor's ability to claim the profits from its innovations. As a result, a willingness to respect and enforce the IP rights of those foreign direct investors has become a prerequisite for modernization in most developing countries.

This study examines the economic impact of India's current approach to intellectual property rights, as it affects pharmaceutical products and FDI. We begin by reviewing the economic effects of FDI generally on the growth and development of developing nations. In countries as disparate as Mexico, Indonesia, China and Russia – as well as India -- FDI has been shown to have strong, positive effects on a country's growth, productivity and incomes. These positive effects reflect not only the direct benefits from applying the technologies and business methods brought in through FDI, but also spillover effects from domestic workers learning new skills and domestic companies adopting the new technologies and business methods. Next, we turn to the impact of IP rights

A larger Foreign Direct Investment Inflows require for the development of multi various activities in different sectors like agriculture, health, education, energy, national highways, industries, infrastructure and employment generation. The FDI inflows play a peculiar role in the development of the economy. In a globalised economy the FDI inflows is must for the development of the economy. The present study brings about an economic analysis of the Foreign Direct Investment inflows into India.

Liberalisation of foreign policy of India since 1991 has played a vital role in the reform perspective of Indian Economy and has increased the volume of investment, level of production, improvement of technology, higher level of employment generation and thereby increase access in the Global market. The policy now allows 100 per cent foreign ownership in a number of industries and obtaining permission has greatly been simplified. Industries are eligible for automatic approval upto some extend of foreign equity viz. 55, 74 and 100 per cent the potential foreign investors can invest within these limit in India and register with the Reserve Bank of India. For higher level than the automatically permitted listed industries can directly apply to the Foreign Investment Promotion Board of India (FIPB) which may be immediately considered for their investment in India. In 1993, foreign institutional investors had been allowed to purchase the shares of listed Indian companies in the stock markets. These types of activities have created a highly competitive environment in Indian industries since 1991.

Objectives of the study

The following are the objectives of the present study.

- To analyse the trends of FDI inflow into India from 2008-09 to 2017-18

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- To analyse the sectors attracting highest FDI inflows into India.

Methodology

The present study completely relies upon the secondary data published by the Reserve Bank of India (RBI), United Nations Conference for Trade and Development (UNCTAD), Secretariat for Industrial Assistance (SIA), Centre for Monitoring Indian Economy (CMIE), Central Statistical Organisation (CSO) and Economic Survey of Government of India. The secondary data relating to various dimensions of FDI such as inflow of FDI into India, FDI openness of Select Asian countries, the sectors attracting highest FDI inflows into India etc. have all been collected for economic analysis.

Such statistical tools like, percentage, simple growth rates, mean average, frequency tables, have been used in the study. For data illustration suitable diagrams and trend lines have also been used. The collected data have been classified, tabulated and analysed.

Limitations

There are certain limitations in the present study namely, Lack of continuous time series data in the RBI Bulletin and other sources of publication, so some tables have been framed only with available data.

Period of the study

The present study covers the period of 10 years from 2008-09 to 2017-18. In addition to it, monthly FDI inflows and revised FDI inflows have also been analysed for the year 2010-2011.

II. REVIEW OF LITERATURE

Nagarajan (2005) says in his paper the government needs to clarify the confusion surrounding the promoter holding in private banks. It is ironical that when the government is thinking of 74 per cent FDI in private banks the Reserve Bank of India has issued draft norms restricting promoter holding to 10 per cent. RBI recently proposed that no single entity or a group could hold more than 10 per cent of the paid-up capital in a private Indian bank. It has also capped the holding of one private bank, including foreign ones present in India, in another private bank at 5 per cent, besides asking promoters to reduce their holding to 10 per cent in three years. If banks were to follow the first draft guidelines, a number of private banks would have to realign their shareholding pattern. The United Forum of Bank Union has threatened to go on strike to protest centre's map for banking sector reform. The forum in its recent Bangalore meeting, expressed its concern that allowing 74 per cent FDI would result would result in foreign capital taking over country's private banks and controlling their huge resources.

Kaur Mandeep *et al.* (2004) said in their paper that FDI has always been a subject of intense debate. About a decade back FDI was not easily welcomed by developing countries. Developed countries have been experiencing inflow but in recent times there is sudden increase in the level of the FDI inflow. The case and consequences of FDI inflow indicates that large part of economic growth of developed countries is attributed to the level of FDI inflows. In a most liberalized economic environment, the flow of foreign direct investment appears to follow a law of gravitation. i.e. free flow of capital from capital surplus country to capital deficient country. Given the intense competition among the countries for attracting FDI inflows in the recent period, the ability of South Asian countries as a group to expand their share in developing world is indeed commendable. However, much of the increase in the inflows to the region has been accounted for my India. This is because of the policy reforms in 1991, though India has experienced a declining trend in 1998 and 1999. Nepal has received modest magnitudes of FDI inflows in 1990s. In 1999, FDI inflows to Nepal jumped to US$ 132 million from US$ 12 million in 1998. With a view of changing pattern of investment in the world. Economic restricting programme of the governments of India Nepal reflect the efforts to attract FDI for the countries.

III. DATA ANALYSIS

Foreign Investment in India

The following table presents the Foreign Investment inflows into India both Foreign Direct Investment and Foreign portfolio Investment for the years 2008-09 to 2017-18.

Table No.1 Foreign investments in India

S. No.	Year	Direct Investment	Portfolio Investment	Total Foreign Investment	AIIP
1.	2008-09	27188	41854	69042	-4.29
2.	2009-10	39674	55307	94981	37.57
3.	2010-11	103367	31713	135080	42.22
4.	2011-12	140180	109741	249921	85.02
5.	2012-13	161536	63618	225154	-9.91
6.	2013-14	157800	154000	311800	38.48
7.	2014-15	132400	139400	271800	-12.82
8.	2015-16	155000	85600	240600	-11.48
9.	2016-17	157980	126420	284400	18.20
10.	2017-18	161354	131282	293636	3.25

Source: RBI Bulletin (for the relevant years except percentage) http://www.rbi.org.in.

AIIP : Annual Incremental Increase in Percentage

The following are the deduction from the table 4.1, total Foreign Investments in India

The total Foreign Investment inflows into India in absolute term has increased from Rs. 69042 crore to Rs. 293636 crore for the years 2008-09 to 2017-18. It represents an increase of 4.25 times. The annual incremental increase in percentage shows the mixing trends of increasing and decreasing over the study period. In some years the annual average growth rate shows the negative trends. The declining and negative growth rate may be caused by the

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money value, climatical condition, political stability and other foreign policies of the host countries and the home country. However the Foreign Investment plays a peculiar role in the development of Indian Economy.

Foreign Direct Investment

The following table presents the Foreign Direct investment inflows into India for the years 2008-09 to 2017-18

Table No. 2 Foreign Direct Investments

S. No.	Year	Direct Investment	AIIP
1.	2008-09	27,188	36.89
2.	2009-10	39,674	45.92
3.	2010-11	103,367	160.54
4.	2011-12	140,180	35.61
5.	2012-13	161,536	15.23
6.	2013-14	157800	-6.03
7.	2014-15	132400	-16.09
8.	2015-16	155000	17.07
9.	2016-17	157980	1.923
10.	2017-18	161354	2.136

Source: RBI Bulletin (for the relevant years except percentage)

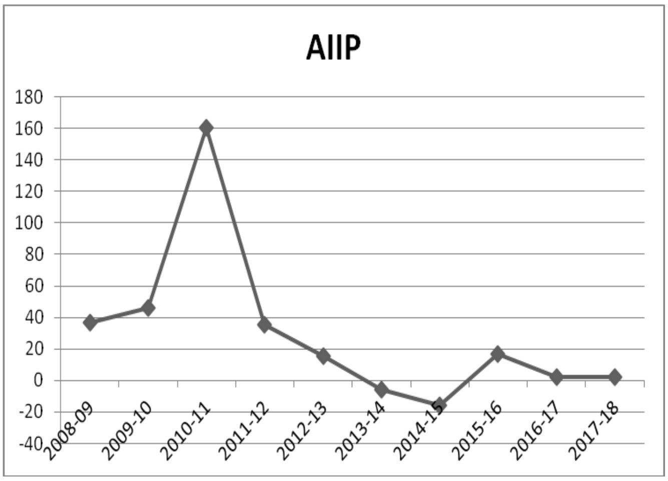
http://www.rbi.org.in.

AIIP : Annual Incremental Increase in Percentage

The following are the inferences of the table 4.2, Foreign Direct Investment

The Foreign Direct Investment inflows into India in absolute term has increased from Rs. 27,188 crore to Rs. 161354 crore for the years 2008-09 to 2017-18. It represents an increase of 5.93 times. The trends of Foreign Investment inflows into India shows the increasing trends over the year except a few years. The highest annual growth rate viz. 160.54 per cent was recorded in the year 2006-07 and the lowest annual growth rate viz. 15.23 per cent recorded in the year 2008-09. In some of the years under the study periods shows the negative growth rate.

Fig.1 Foreign Direct Investment



Share of Top Investment Countries

The following table presents the share of top investing countries cumulative FDI inflows in to India for the years 1991 to 2010

Table 3 Share of Top Investing countries FDI Inflows

(Rs. in crore)

Rank	Country	1991 – 2010	Percentage
1	Mauritius	243,322	49.36
2	U.S.A.	48,909	9.92
3	Singapore	48,854	9.91
4	U.K	35,809	7.26
5	Cyprus	25,043	5.08
6	Netherlands	24,604	4.99
7	U.A.E	23,646	4.80
8	Japan	20,445	4.15
9	Germany	15,185	3.07
10	France	7,175	1.46
	Total	492992	100

Source: RBI Bulletin (for the relevant years)

http://www.rbi.org.in.

The following are the findings of the table 3, the share of the top investing countries cumulative inflows into India for the years 1990-91 to 2009-10

The highest investment viz. Rs.2,43,322 crore was invested by Mauritius in India which covers 49.36 per cent of the total investment of top 10 investing countries in India. The lowest investment viz. Rs.7,175 crore was invested by France in India which covers 1.46 per cent of the total investment of the top ten investing countries in India for the year 1990-91 to 2009-10. United States of America and Singapore have invested Rs.48,909 crore and Rs.48,854 crore respectively. UK, Cyprus and Netherland have invested Rs.35,809 crore, Rs.25043 crore and Rs.24,604 crore respectively. U.A.E., Japan and Germany have invested Rs.23,646 crores, Rs.20,445 crore and Rs.15,185 crores respectively. It is interesting to note that Mauritius Investment in India viz. Rs.2,43,322 is more or less equal to the investment viz. Rs.2,49,670 crore of other nine top level investing countries in India. The difference between the Investment of Mauritius and other nine countries of top ten investing countries in India is only Rs.6348 crore; Hence Mauritius has occupied a vital role in Foreign Investment in India.

Sectors Attracting Highest FDI

The following table presents the sectors attracting highest FDI inflows into India for the years 1991-92 to 2009-2010.

Table 4 Sectors Attracting Highest FDI inflow

(Rs. in crore)

Rank	Sector	1991 – 2010	Percentage
1	Services Sector	127,138	29.79
2	Electrical Equipments	59,344	13.91
3	Telecommunications	47,877	11.22
4	Housing and Real Estate	45,748	10.72
5	Construction Activities	45,656	10.70

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6	Power	27,727	06.50
7	Metallurgical Industry	22,138	05.19
8	Automobile Industry	21,664	05.07
9	Chemical	16,236	03.80
10	Petroleum and Natural Gas	13,223	03.10
	Total	426751	100

Source: RBI Bulletin (for the relevant years)

http://www.rbi.org.in.

The following are the inferences of table 4 the sectors attracting highest FDI inflows into India

The highest investment viz. 1,27,138 crore was invested in the service sector which covers 29.79 per cent of the ten sectors attracting highest FDI inflow into India. The lowest investment viz. Rs.13,223 crore was invested in petroleum and natural Gas sector which covers 3.10 per cent of the top ten sectors attracting investment in India. Rs.59,344 crore was the investment in Electrical Equipments, Rs.47,877 crore was invested in table communication sector. Rs.45,748 crore was invested in Housing and Real Estate (Real Estate only for the NRI Investment), Rs.45,656 crore was invested in construction activities, Rs.27,727 crore was invested in power sector, Rs.22,138 crore was invested in Metallurgical Industry, Rs.21,664 crore was invested in Automobile Industry and Rs.16,236 crore was invested in chemical industry. It is noteworthy to note that the highest attracting sector investment is in service sector, this in because of the liberalization foreign policy of India in 1991 reform measures.

IV. CONCLUSION

In a globalised economy, the world market is reduced as a village market. There is a wider transactions of goods and services between the countries in the world. Each and every country in the world has necessarily to depend other countries in the world for the development of their economy. FDI inflows and outflows create higher level of employment generation in the world, because of the MNCs there is no questions of unemployment in the world in general, the Developing countries in particular but there is only a question of unemployability. The impact of FDI inflows into India in recent years is highly significant.

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