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# Role of FDI: Status and Performance in Indian Economy

Tejasbhai Ramanbhai Rohit<sup>1</sup>, Dr. Vijay Rajput<sup>2</sup>

<sup>1</sup>Assistant Professor, Smt Devkiba Mohansinhji Chauhan College of Commerce and Science, Silvassa,

<sup>2</sup>Assistant Professor, Shri Atalbihari Vajpai Commerce College, Vankal

**Abstract:** Foreign Direct Investment is considered as one of the important tool for the economic development particularly in the interest of the developing and underdeveloped countries. It transfers financial resources, innovative technology and management techniques which increases the productivity in the country. In India, company can raise Foreign Direct Investment through automatic route or government route. FDI in various sectors of an economy will show the relative opportunity and attractiveness of the sector. Huge amount of FDI in specific sector will show the potential development and opportunity in the sector. This paper is an attempt to study the role of FDI in India and it exhibit the sector-wise & year-wise analysis of FDI's in India. The results show that the computer software and hardware sector has attracted huge amount of FDI in India followed service sector. Further it has been observed that year by year the FDI have shown the increasing trend in an economy.

**Keywords:** Foreign Direct Investment, Sectorial Analysis, Economic Growth,

## I. INTRODUCTION

Foreign Investment has contributed to the economic growth of various countries. Foreign Investment is required for enhancing production, distribution, trade and services, infrastructural support and technological capabilities of the country. Particularly developing countries which has limited resources and want to increase the industrialization and develop infrastructure facilities, such capital play very crucial role in these Endeavour. Hence Foreign direct investment in the country will result in economic growth of the country. In India, Foreign direct investment is a major monetary source for economic development. Foreign companies can invest directly in private Indian businesses to get the advantages of cheaper wages and changing business environment of India.

FDI is a one of the important source of external finance which means that countries with limited resources can receive finance beyond their national borders and from wealthier countries. Apart from being a significant driver of economic growth, foreign direct investment (FDI) is a major source of non-debt external monetary resource for the economic development of India. The Indian government's have taken many favorable steps and robust business environment have ensured that foreign investment keeps increasing into the country. The government has taken several initiatives in recent years such as relaxing FDI norms across sectors such as defence, telecom, power exchanges, PSU oil refineries, and stock exchanges, among others.

## II. RESEARCH METHODOLOGY

This study is based on secondary data. Data have been collected from various sources including RBI bulletins, Economic Survey Reports, NSE India and BSE India Websites and also from various publications of Ministry of Commerce. This study considers last 06 years data i.e from 2015-16 to 2020-21. Values have been averaged to get the most appropriate representation on an annual basis in case of stock market movements.

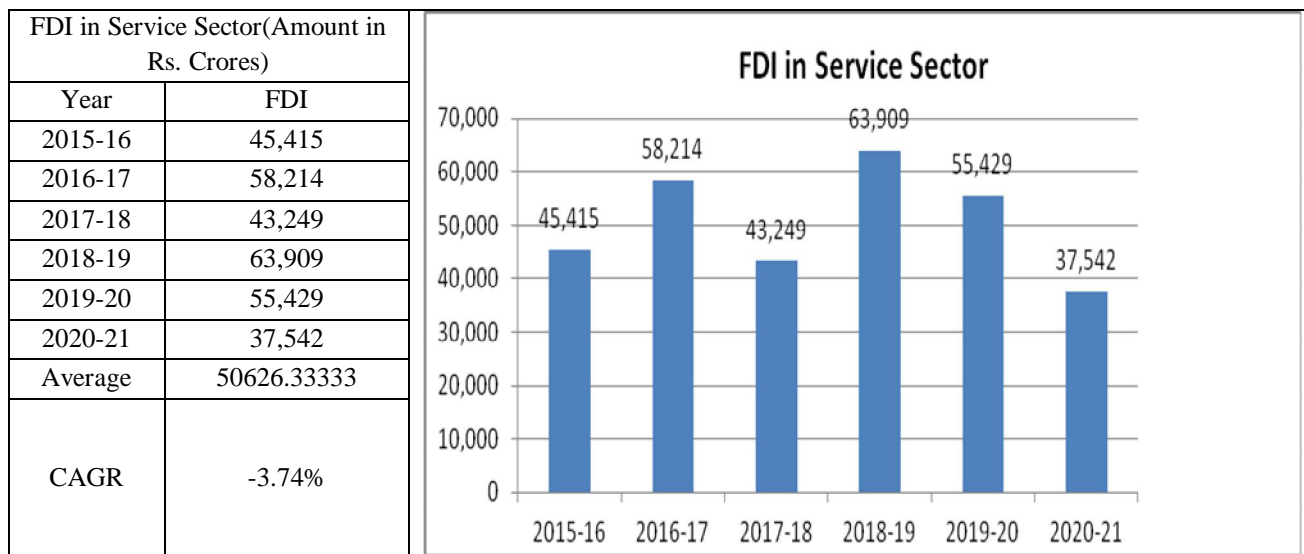
### A. Objectives

- 1) To Study the trends of FDI Flow in India during 2015-16 to 2020-21.
- 2) To analyze the FDI inflow in different sector of an economy.
- 3) To know the trend and pattern of FDI in different sector of an economy.

### B. Analysis and Interpretation

To achieve the objectives of this study we make an analysis on the basis of collected data. The results on the basis of secondary data are following as under:

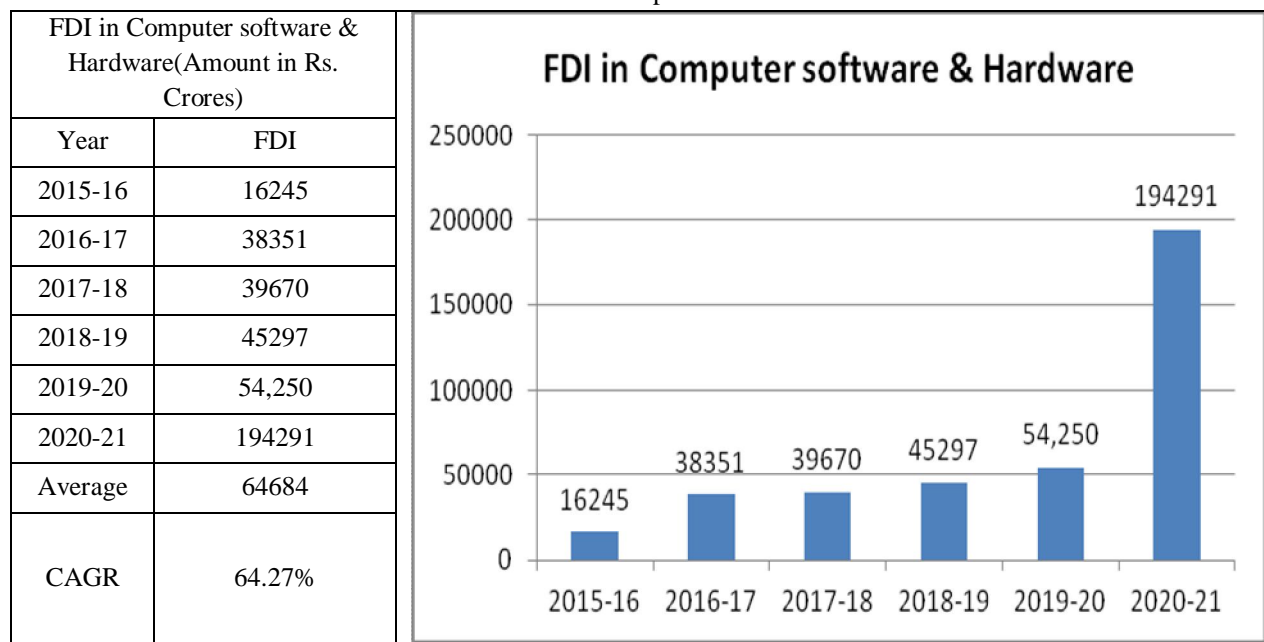
Table No. 1. FDI in Service Sector



Source: Department for Promotion of Industry and Internal Trade

Table 1 shows the FDI in service sector during the period of 2015-16 to 2020-21. During the study period (2018-19 to 2020-21) a negative and fluctuating trend has been observed for FDI in service sector. Further there is negative growth rate of -3.74% is observed during the study period. Service sector has shown lowest investment in 2020-21 in comparison with whole study period.

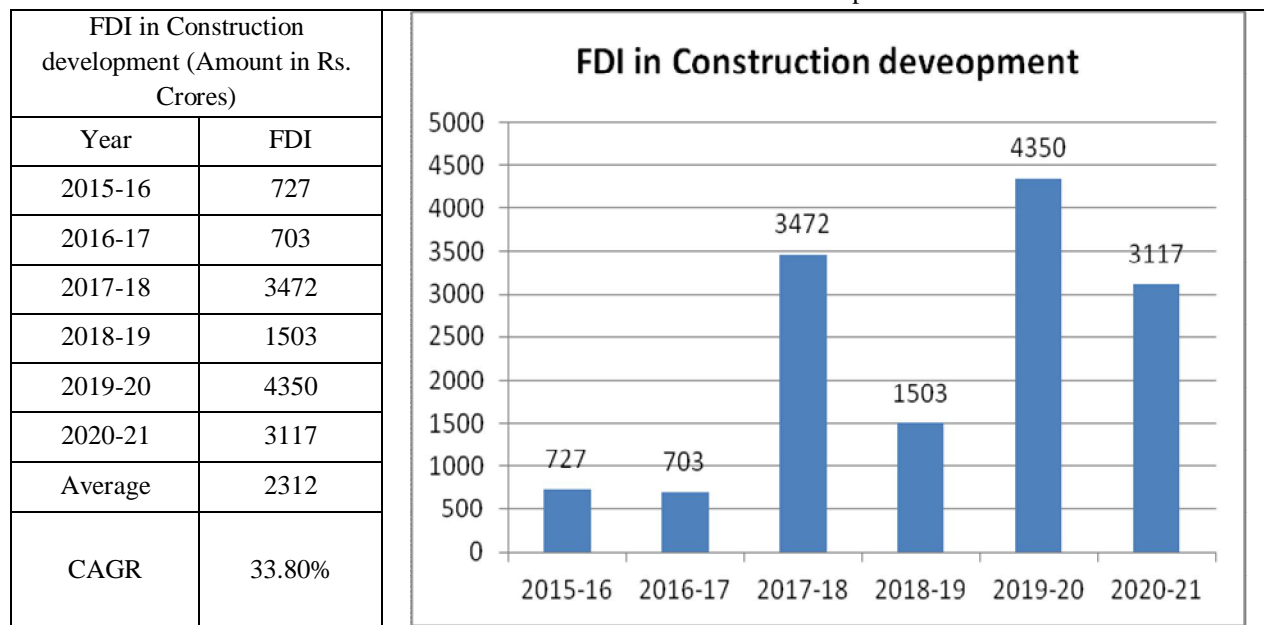
Table No. 2. FDI in Computer Software & Hardware



Source: Department for Promotion of Industry and Internal Trade

Table no.2 shows the FDI in Computer software & Hardware during the period of 2015-16 to 2020-21. During the study period a sharp positive trend has been observed for FDI in Computer software & Hardware. Further there is positive growth rate of 64.27% is observed during the study period. In the year 2020-21, the sector has attracted highest FDI in comparison to all other sector. This sector have shown very good performance with respect to FDI attraction.

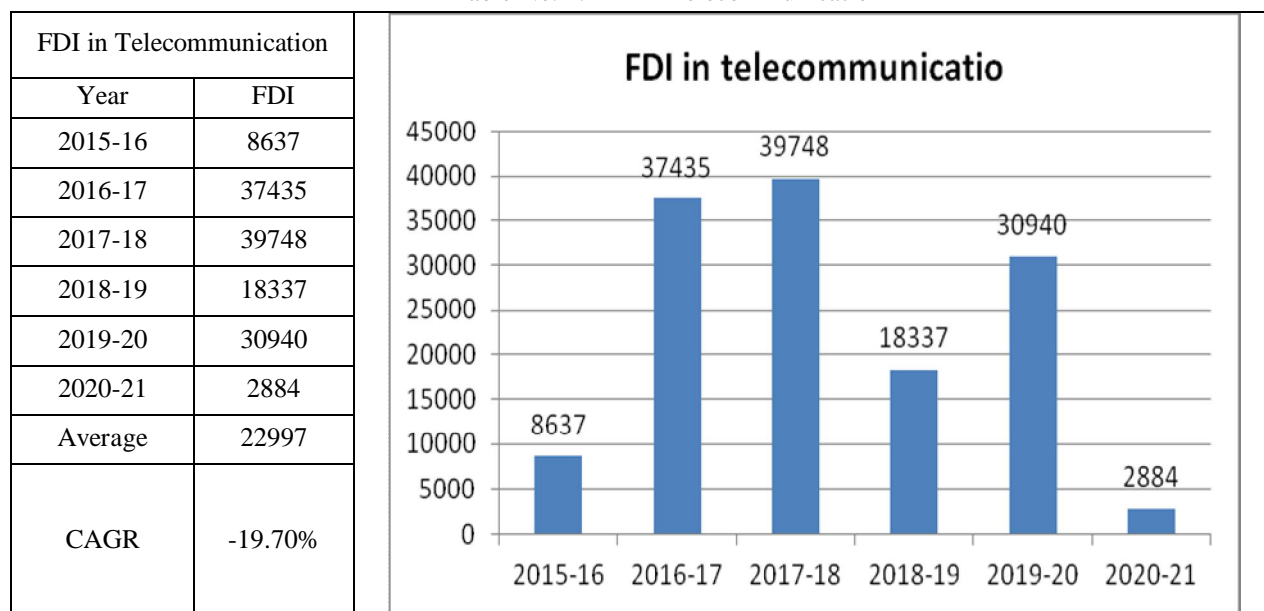
Table No. 3. FDI in Construction Development



Source: Department for Promotion of Industry and Internal Trade

Table no.3 shows the FDI in Construction development during the period of 2015-16 to 2020-21. During the study period a fluctuating trend has been observed for FDI in Construction development. Further there is a positive growth rate of 33.80% is observed during the study period. This sector have shown average performance with respect to attract FDI.

Table No. 4. FDI in Telecommunication

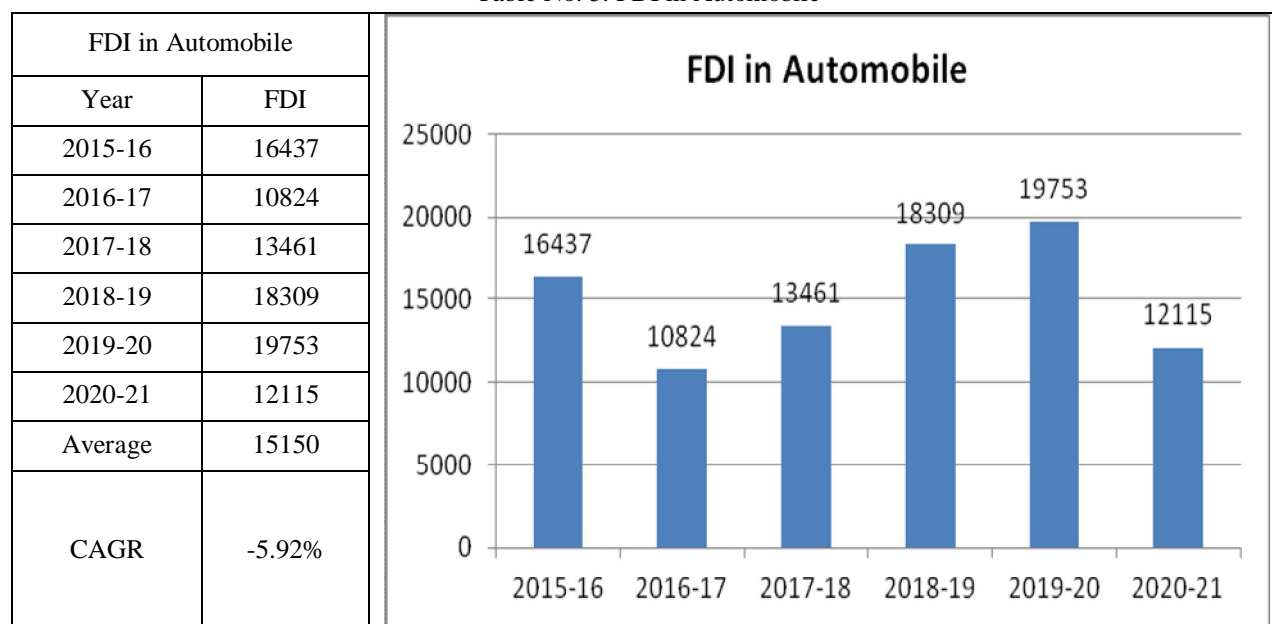


Source: Department for Promotion of Industry and Internal Trade

Table no.4 shows the FDI in Telecommunication sector during the period of 2015-16 to 2020-21. During the study period a negative trend has been observed for FDI in Telecommunication. Further there is a negative growth rate of -19.70% is observed during the study period. This sector has shown poor performance with respect to attract FDI.



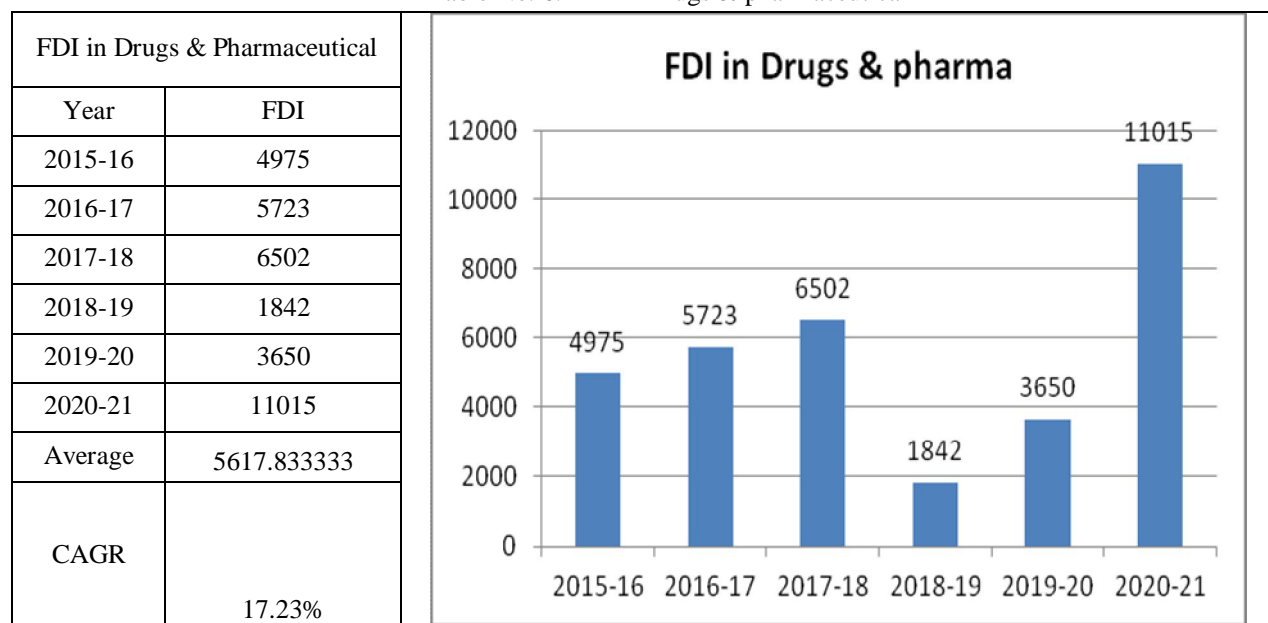
Table No. 5. FDI in Automobile



Source: Department for Promotion of Industry and Internal Trade

Table no.5 shows the FDI in Automobile sector during the period of 2015-16 to 2020-21. During the study period a fluctuating trend has been observed for FDI in Automobile sector. Further there is a negative growth rate of -5.92% is observed during the study period. This sector has shown average performance with respect to attract FDI.

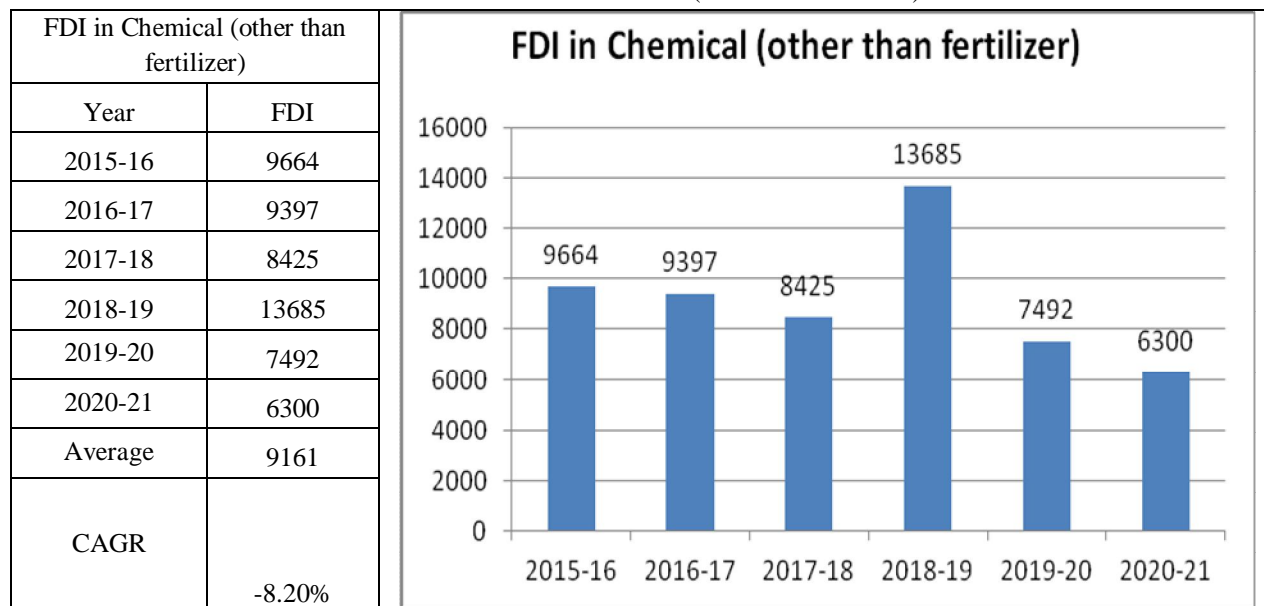
Table No. 6. FDI in Drugs & pharmaceutical



Source: Department for Promotion of Industry and Internal Trade

Table no.6 shows the FDI in Drugs & Pharmaceutical sector during the period of 2015-16 to 2020-21. During the study period a positive trend has been observed for FDI in Drugs & Pharmaceutical sector. Further there is a positive growth rate of 17.23% is observed during the study period. This sector have shown good performance with respect to attract FDI.

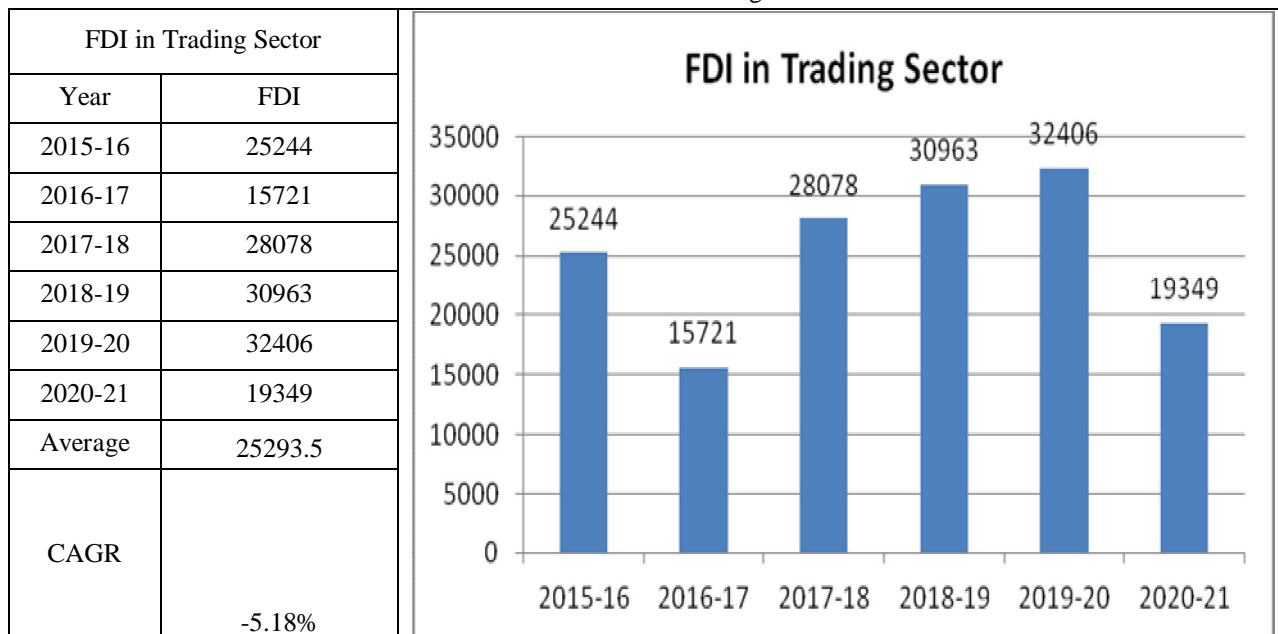
Table No. 7. FDI in Chemical (other than Fertilizer)



Source: Department for Promotion of Industry and Internal Trade

Table no.7 shows the FDI in Chemical sector during the period of 2015-16 to 2020-21. During the study period a negative trend has been observed for FDI in Chemical sector. Further there is a negative growth rate of -8.20% is observed during the study period. This sector has shown average performance with respect to attract FDI.

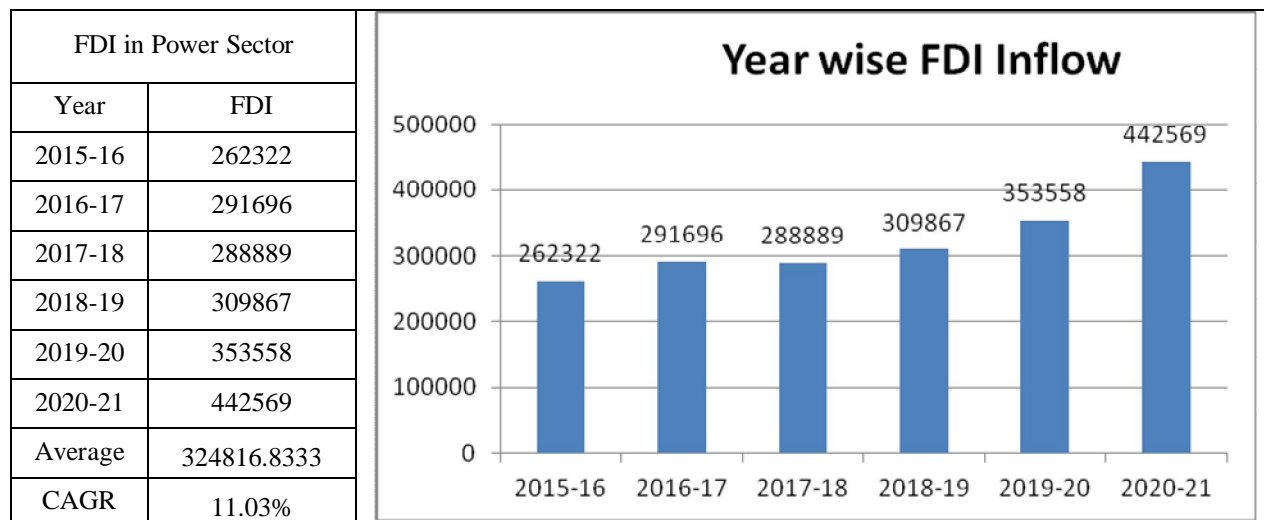
Table No. 8. FDI in Trading Sector



Source: Department for Promotion of Industry and Internal Trade

Table no.8 shows the FDI in Trading sector during the period of 2015-16 to 2020-21. During the study period a fluctuating trend has been observed for FDI in Trading sector. Further there is a negative growth rate of -5.18% is observed during the study period. This sector has shown average performance with respect to attract FDI.

Table 9. FDI in Power Sector



Source: Department for Promotion of Industry and Internal Trade

Table no.9 shows the FDI in economy during the period of 2015-16 to 2020-21. During the study period a positive trend has been observed for FDI in overall economy. Further there is a positive growth rate of 11.03% is observed during the study period.

### III. CONCLUSION

Foreign Investment is one of the strategic tool for enhancing production, distribution, trade and services, infrastructural support and technological capabilities of the country. This study shows the different level of FDI in different sector of an economy. Service sector, Computer software & hardware and telecommunication sector are the predominance sector which has attracted huge amount of foreign direct investment during the study period. In the year 2020-21, the Computer software & hardware sector has attracted highest FDI in comparison to all other sector of an economy. Further telecommunication, automobile, chemical and trading sector have shown negative trend with respect to foreign direct investment in India. Balanced development of all the sector of an economy is essential for overall development and growth of the country. Country should see the level of FDI in all the sector and make efforts and plan to increase the level of FDI in all the sector to achieve balance growth of all the sectors as well as development of an overall economy.

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45.98



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