

Analysis of Foreign Direct Investment Inflows in India Subject: Indian Economy in Global Scenario

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Date of Submission: 15-10-2022

Date of Acceptance: 31-10-2022

ABSTRACT:

This research paper primarily focuses on the growth of FDI and its impact on the GDP of India. This study is conducted for the time period April 2000-

March 2022. Foreign Direct Investment takes place when a company buys a stake in another company situated in a foreign country which benefits both the parties. FDI's are higher in countries like India where there is a abundant skilled workforce and growth prospects. India being a country with lower wages, low production cost and ease in communication has made it a hub for foreign investors as they earn higher returns. Apart from these, the relaxation given by the government which allows 100% investment in most of the sectors has proved to be fruitful for the Indian Economy. The study even highlights the top investing countries, sectors as well as state wise inflows.

KEYWORDS-

Foreign Direct Investment, Sectors attracting highest FDI, Government Policies, FDI and GDP relation

I. INTRODUCTION:

India is a very attractive market for foreign investors due to its large market size, geography, and skilled low-wage labour. There have been a lot of investments recently from various countries dominantly from Singapore and the United States. Most of these investments are in the manufacturing sector. When a foreign corporate, foreign national or a non-resident invests in India with a source of funding then it is called as foreign investments. There are various ways of foreign investment possible in India, funds can be invested in shares,

properties, ownership / management or collaboration. Foreign investments can have different forms like foreign direct investment, foreign portfolio investment, and foreign institutional investments. In this paper we are predominantly going to discuss the foreign direct investment in detail. Economic growth of a country is majorly influenced by the FDI flows in the country and it is looked upon by both developing and developed countries for their various advantages like new capital inflow and technology, increased competitiveness, transfer of knowledge and skills, increase in overall productivity, managerial skills and creating more employment opportunities. As quoted by the Planning Commission, FDI is "usually preferred over other forms of external finance because they are non-debt creating, non-volatile and their returns depend on the performance of the projects financed by the investors. FDI also facilitates international trade and transfer of knowledge, skills and technology". The FDI policies in India are formulated by the government. FDI can flow in India through two routes namely automatic and government route. In the automatic route no permission from the government is required however if a company decides to go by the government route then prior approval of the government is needed since the policies are sector and state specific. In the past year the most growth in the FDI flows have been in the year 2006-7 i.e. 153%. The major cause behind this is introduction of automatic route in the year 2006. The table below illustrates the effect of introducing the

automatic route of FDI flows in India. It demonstrates the growth before and after 2016.

Sr.No.	Financial year [April-March]	Total FDI inflows [amount US\$ million]	% growth over the previous year
[A]	1991-2000 [from August '91 to March '00]	15,483	-
1	2000-01	4029	-
2	2001-02	6130	[+]52%
3	2002-03	5035	[-]18%
4	2003-04	4322	[-]14%
5	2004-05	6051	[+]40%
6	2005-06	8961	[+]28%
7	2006-07	22079	[+]153%
8	2007-08	29893	[+]35%
[B]	Sub.Total [1 to 8 above] [from April '00 to March '08]	88500	-
	Cumulative Total [A]+[B] [from August 91 to March '08]	101983	-

In addition to this, there are various types of FDI flows which a company can adopt mainly horizontal where the company invests in an Indian company which is in the same or similar industry. For example, the Spain-based company Zara may invest in or purchase the Indian company Fab India. Vertical type of FDI is where the investment is made within a typical supply chain in a company, which may or may not necessarily belong to the same industry for instance, a coffee company in India may wish to invest in a French grocery brand. Then we have conglomerate investment where investments are made in two completely different companies of entirely different industries. For example, the US based retailer Walmart may invest in TATA Motors and lastly platform FDI is the one in which a

business expands into a foreign country, but the products manufactured are exported to another, third country.

II. REVIEW OF LITERATURE:

Shikha Singh: The paper talks about how the poorer states need more FDI like Bihar, Orissa etc. but states like Maharashtra, Tamil Nadu are receiving the money due to their advanced policy and infrastructure. It also discusses how the FDI impacts the state's economy and overall growth of the country. It also gives in-depth knowledge about the trends and analysis of the state investments and industry growth due to FDI inflow. It gives recommendations on what should be

done to increase the FDI flow in the states and how the poorer states are impacted by the money.

Aidil Hasinah Abu Bakar, Punitha Sinnappan, Fara h Akmar Anor Salim, Poh Chuin Teo [July 2022]:

The study considers eight commonly used macro-economic variables including Balance of Payment (BOP), Consumer Price Index (CPI), Exchange Rate (ER), SENSEX, NIFTY, Foreign Exchange Reserve (FER), Gross Domestic Product (GDP) and Gross National Income (GNI) as the predictors of FDI inflows to India as the dependent variable for empirical testing and model building. The study also attempted to check whether there is any long run or short run relationship between the macroeconomic indicators and FDI inflows into the country using regression analysis, integration test, Granger causality and Vector error. It is important

to note that of all the 8 explanatory variables only 3 variables (BOP, GNI and NIFTY) have positive relationship with FDI while the rest have negative relationship with FDI.

Srikant Misra [Nov, 2011]: The paper focuses on the study of implications of FDI on the Indian economy. India's economy is mostly dependent on its large internal market with external trade accounting for just 20% of the country's GDP. During the liberalisation of 1991, India was highly dependent and protective of its internal market and isolated from the world economy. Since the liberalisation, India's international trade has increased with some of its major trading partners like EU, United States and United Arab Emirates. Few positive implications include capital availability which is usually missing in the target country, creation of new workplaces, better access to new technologies, improved business environment in the host country, etc.

Meghani Pratik Rajeshbhai [March, 2015]: These research papers aim to find out the scenario and scope of FDI in India. It also discusses the scene of different sectors and FDI relation. FDI is considered as the most attractive type of capital which is expected to bring latest technology, foreign culture, enhanced production capabilities, marketing networks and competition. This paper also studies the trends and assesses the foreign direct investment in different sectors of the Indian economy.

Dr Deepak Kumar Adhana & Dr Neelam Gulati [April 2019]: The research paper focuses on analysing the present trend of FDI flows in India during 2000-01 to 2017-18. It also examines the relation of FDI inflows with respect to the FIPB/acquisition route, equity capital of unincorporated bodies and reinvested earnings. Sector-wise and country-wide foreign direct investments are also analysed in this paper.

Bhavya Malhotra: The research paper aims to examine the impact of FDI on the Indian Economy, particularly after two complete decades of the economic reforms - LPG reforms. It also analyses the challenges to position India favourably in global competition for FDI. It takes into account the recent policy initiatives approved by the Ministry Of Home Affairs. It discusses some of the major hindrances in the flow of FDI including resource constraints, equity and political challenges etc.

Dr.P.Sai Rani and Sourav Kumar Ghosh [2020]: Th

e Indian economy is one of the world's fastest growing, attracting a significant amount of foreign direct investment each year. However, there have been reports in recent years indicating inconsistency in foreign direct investment inflows into India, as well as a decreasing trend in India's GDP. This necessitates investigating various aspects of such investments. The purpose of this paper was to investigate the trends of FDI inflows into India, as well as to determine the country-wise FDI inflows and sector-wise distribution of such investments in the country. Simple statistical tools such as CAGR (Compound Annual Growth Rate) and percentages have been used for this purpose. The study reveals varying trends in FDI inflows in India in recent years, which are in line with the global economy, but are generally on the rise. The study also reveals that Mauritius has been the top investing nation in India, with the service sector attracting the most FDI from various countries.

Dr. Shikha Singh: One of the world's top emerging markets is the Indian economy. It was regarded as one of the "fragile five" five years ago, but not anymore. With a huge increase in FDI, it has become one of the top international destinations since 2014. With the introduction of the New Economic Policy in 1991, the process of luring foreign investment began, and during the 2000s, India unexpectedly reached new heights in terms of FDI levels. The study's primary focus is a sectorial examination of the FDI inflow to India from 2000 to 2018. The research also tries to examine several dimensions of beneficial FDI spill over in the nation.

Qaiser Abbas, Salman Akbar, Ali Shan Nasir, Hafiz Aman Ullah, Muhammad Akram Naseem [August 2011]: In their 2011 paper, Qaiser Abbas and his co-author attempted to demonstrate the effect of FDI on the GDP of SAARC nations, which also includes India. They looked at statistics on foreign direct investment and GDP for SAARC nations between 2001 and 2010. They used FDI change as an independent variable and GDP growth as a dependent variable to evaluate the relationship between the two, and they used multiple breakdown models to do so. According to authors, infrastructure development, asset expansion, and investments all contribute to a nation's progress. Since they have discovered through their research that an increasing trend of FDI also enhances the GDP of the country, foreign direct investment in an economy demonstrates that it is a favourable trend of investment which ultimately leads in raising the GDP and

growth of the country. The South Asian trading experience demonstrates the existing relationship between FDI and GDP by demonstrating how the expansion of FDI results in a significant increase in domestic investment. The impact of FDI on the increase of gross domestic product is estimated as being negative before 1980, slightly encouraging in the early 1980s, and highly positive during the late 1980s and early 1990s. To make the market more welcoming to investors, India has steadily liberalised its foreign direct investment policy. The Indian economy has a amazing potential, and FDI has been helpful. FDI inflows supplement domestic capital as well as existing enterprises' technology and skills. It aids in the formation of new businesses. All of them serve as a foundation for the Indian economy's growth.

Raja Mannar [May 2018]: In recent years, the Indian financial market has experienced unprecedented volatility. Since 2002, the Indian market has progressed from a highly volatile state to a growth phenomenon, rising from a SENSEX point of 5500 in December 2003 to 13,787 in December 2006, and crossing the 20,000 mark in 2007 and again in 2013. The stock market fell precipitously to less than 8,000 points in 2008 due to a variety of factors. It is due not only to the domestic market, but also to international investors. There are numerous other factors that contribute to the stock market's positive growth. Following the economic fundamentals, FII investment is regarded as one of the most significant pushes. There is no doubt that since 1993, the liberalisation of FII flows into the Indian capital market has had a significant impact on the Indian stock market. The purpose of this paper is to investigate

FDI investment behaviour and its relationship to GDP, SENSEX, and NIFTY movement. Furthermore, an attempt is made to develop an understanding of the dynamics of FDI trading behaviour and its impact on the Indian stock market. The study spans the fiscal years 2000-2001 to 2016-17 on GDP, the BSE Sensex and Nifty, and FII activity. It demonstrates a significant positive correlation between FDI activity and the effects on the Indian

capital market. The analysis also concludes that FDI net inflows adequately explain the movements in the Indian capital market.

OBJECTIVES:

1. **To discuss the relation between FDI inflows and GDP of India:** This research paper tries to establish a relationship between the FDI inflows and growth in Gross domestic product of India with the help of secondary data collected and statistical representation.
2. **To assess the sector-wise FDI in India:** This objective tries to assess the FDI inflows to different sectors of the Indian economy and identify the sector with the highest FDI.
3. **To identify the top investing countries:** The aim is to identify the countries from which the Indian economy gets the most inflow of FDI.
4. **To monitor the states with highest allocation of FDI:** The fundamental here is to analyze the distribution of FDI inflows among the states by the Government of India.
5. **To identify the government policies which affect the FDI flows:** The last objective is to find different government policies which affect the regulation of FDI in India and the possible reasons why India ranks 7th among the top 20 host economies of FDI inflows.

III. RESEARCH METHODOLOGY:

Type of Research: Quantitative and Analytical Research

Data: The data collected is analyzed for a period of 22 years in this research paper from 2000-2022

Data Collection Method: This study has been carried out with the help of secondary data from various websites and compiled as per the objectives outlined before.

Sources of Data Collection: The data is extracted from various journals, magazines and websites particularly from Department of Industrial Policy and Promotion (DIPP), Ministry of Industry and Commerce. Graphs and tables have been used for analytical explanation.

CUMULATIVE FDI FLOWS INTO INDIA (2000-2022):

A. TOTAL FDI INFLOW (April 2000 – March 2022)

Sr.No	Items	Amount of FDI Inflow	
		INR (Crores)	USD (Million)
1	CUMULATIVE MOUNT OF FDI INFLOW		8,47,400
	(Equity inflow + 'Re-invested earnings' + 'Other capital')		
2	CUMULATIVE MOUNT OF FDI EQUITY INFLOW	36,12,201	5,88,528
	(excluding, amount re-issued through RBI's NRIS schemes)		

(Source: FDI Statistics, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, 2022)

B. FDI INFLOW DURING FOURTH QUARTER OF FINANCIAL YEAR 2021-22 (JANUARY, 2022 TO MARCH, 2022)

Sr.No	Items	Amount of FDI Inflow	
		INR (Crores)	USD (Million)
1	TOTAL FDI INFLOW INTO INDIA		22,037
	(Equity inflow + 'Re-invested earnings' + 'Other capital')		
2	FDI EQUITY INFLOW	1,17,211	15,599

(Source: As per RBI's Monthly bulletins)

C. SHARE OF TOP INVESTING COUNTRIES IN FDI EQUITY INFLOW (Financial year)

Rank	Country	Amt. in Rupees Crores/Amt. in USD Million	19-20	20-21	21-22	Cumulative inflow	% of total inflow (in terms of USD)
1	MAURITIUS	Rupees Crores	57,785	41,661	69,945	9,07,547	
		USD Million	8,241	5,639	9,392	1,57,742	27%
2	SINGAPORE	Rupees Crores	1,03,615	1,29,227	1,18,235	8,57,024	
		USD Million	14,671	17,419	15,878	1,30,967	22%
3	U.S.A.	Rupees Crores	29,850	1,02,499	78,527	3,57,248	
		USD Million	4,223	13,823	10,549	54,151	9%
4	NETHERLANDS	Rupees Crores	46,071	20,830	34,442	2,63,594	
		USD Million	6,500	2,789	4,620	41,261	7%
5	JAPAN	Rupees Crores	22,774	14,441	11,187	2,21,733	
		USD Million	3,226	1,950	1,494	36,942	6%

6	U.K.	Rupees Crores	10,041	15,225	12,211	1,77,848	
		USD Million	1,422	2,043	1,647	31,902	5%
7	CAYMAN ISLANDS	Rupees Crores	26,397	20,779	28,383	99,010	
		USD Million	3,702	2,799	3,818	14,153	2%
8	Germany	Rupees Crores	3,467	4,910	5,421	79,276	
		USD Million	488	667	728	13,591	2%
9	UAE	Rupees Crores	2,393	31,242	7,699	80,643	
		USD Million	339	4,203	1,032	12,225	2%
10	CYPRUS	Rupees Crores	6,449	2,839	1,735	62,567	

	USD Million	879	386	233	11,367	2%
TOTAL FDI EQUITY INFLOW FROM ALL COUNTRIES*	Rupees Crores	3,53,558	4,42,569	4,37,188	36,12,201	
	USD Million	49,977	59,636	58,773	5,88,528	-

(Source: FDI Statistics, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, 2022)

The table shows that Mauritius is the country with the highest FDI investment of 27% in India followed by Singapore and USA at 22% and 9% respectively. The Netherlands is at the 4th position with an FDI investment of 7%. The inflows from the USA are routed through Mauritius due to the tax

advantage. The double tax avoidance agreement states that foreign countries either have to pay taxes in India or in Mauritius and they prefer the latter due to their low taxation. These are the major countries whose funds are benefiting India.

D. SECTORS ATTRACTING HIGHEST FDI EQUITY INFLOW (April 2000–March 2022)

Sr.No	Sector	Amount of FDI inflow		%age of Total inflow
		(In INR crore)	(In USD million)	
1	SERVICES SECTOR (Fin., Banking, Insurance, Non Fin/Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other)	5,62,437.5075	94,194.6218	16.0084
2	COMPUTER SOFTWARE & HARDWARE	5,78,059.6447	85,517.2578	14.5337
3	TELECOMMUNICATIONS	2,27,053.0637	38,331.2023	6.5144
4	TRADING	2,29,131.9222	34,740.7602	5.9042
5	AUTOMOBILE INDUSTRY	2,07,480.3173	32,841.6784	5.5815
6	CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	1,90,800.6072	27,968.9367	4.7533
7	CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and construction-development projects	1,28,012.6049	26,209.4130	4.4543
8	CHEMICALS (OTHER THAN FERTILIZER INR)	1,12,056.7734	19,452.3355	3.3059
9	DRUGS & PHARMACEUTICALS	1,09,382.0691	19,405.3450	3.2979
10	METALLURGICAL INDUSTRIES	1,01,380.6254	17,014.6036	2.8916
11	HOTEL & TOURISM	99,946.8789	16,387.0088	2.785
12	POWER	89,371.8255	15,887.2231	2.7

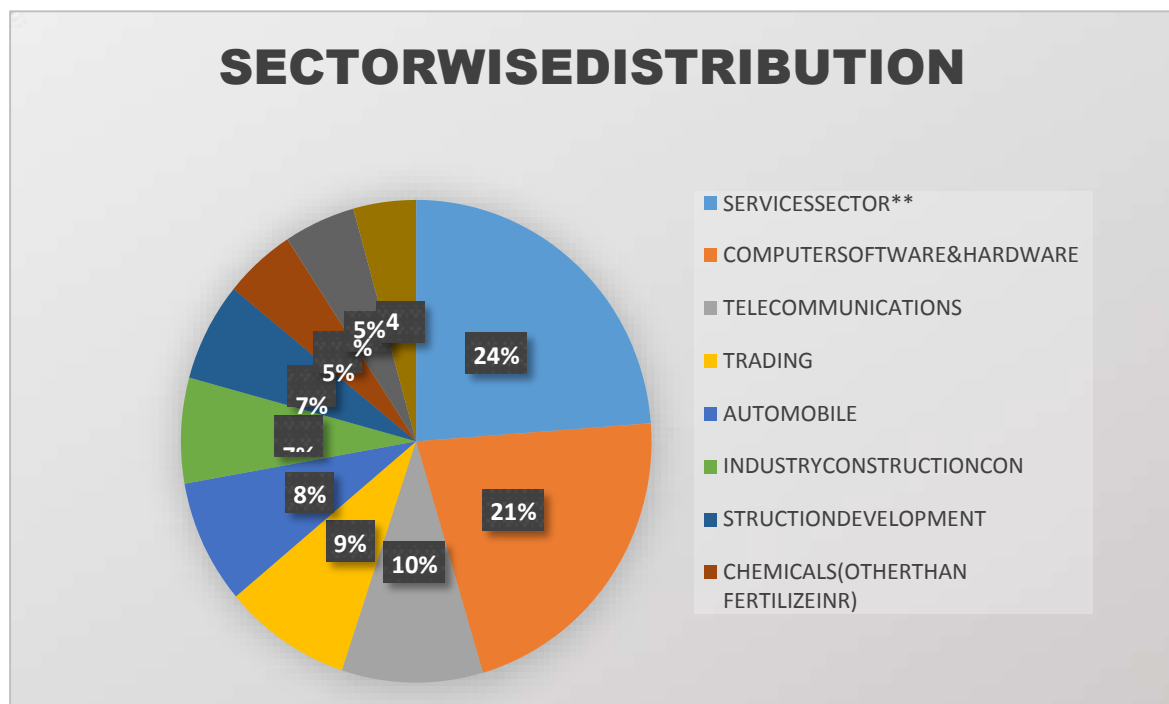
13	NON-CONVENTIONAL ENERGY	74,996.8386	11,623.6508	1.9754
14	FOODPROCESSING INDUSTRIES	70,035.8369	11,083.8751	1.8837
15	ELECTRICAL EQUIPMENTS	66,240.2865	10,699.6705	1.8184
16	INFORMATION & BROADCASTING (INCLUDING PRINT MEDIA)	58,825.4097	9,674.3044	1.6442
17	PETROLEUM & NATURAL GAS	42,105.6796	7,983.7545	1.3568
18	HOSPITAL & DIAGNOSTIC CENTRES	50,041.5527	7,925.5901	1.347
19	CONSULTANCY SERVICES	50,247.1247	7,923.6553	1.3466
20	EDUCATION	53,837.2837	7,723.8713	1.3127
21	INDUSTRIAL MACHINERY	36,836.6723	6,193.4872	1.0526
22	CEMENT AND GYPSUM PRODUCTS	30,875.2305	5,489.5597	0.933
23	SEA TRANSPORT	30,580.2774	4,929.8918	0.8378
24	MISCELLANEOUS MECHANICAL & ENGINEERING INDUSTRIES	22,571.2300	4,112.0654	0.6988
25	TEXTILES (INCLUDING DYED, PRINTED)	24,399.9156	3,993.9561	0.6788
26	RETAIL TRADING	27,910.9616	3,962.2095	0.6734
27	FERMENTATION INDUSTRIES	24,275.7630	3,943.7425	0.6702
28	ELECTRONICS	22,141.8984	3,583.4242	0.609
29	AIR TRANSPORT (INCLUDING AIRFREIGHT)	23,585.3208	3,540.8403	0.6018
30	RUBBER GOODS	20,517.1750	3,354.7463	0.5701
31	MINING	19,477.5716	3,244.4234	0.5514
32	AGRICULTURE SERVICES	14,315.1997	2,547.4436	0.4329
33	PRIME MOVER (OTHER THAN ELECTRICAL GENERATOR)	15,398.8996	2,532.5404	0.4304
34	MEDICAL AND SURGICAL APPLIANCES	15,104.9345	2,406.4559	0.409
35	SOAPS, COSMETICS & TOILET PREPARATIONS	14,251.1499	2,246.5038	0.3818

36	PRINTING OF BOOKS (INCLUDING LITHOGRAPHY AND PRINTING INDUSTRY)	14,597.6659	2,185.3131	0.3714
37	PORTS	6,730.9064	1,637.3011	0.2783
38	PAPER AND PULP (INCLUDING PAPER AND PAPER PRODUCTS)	9,229.1549	1,631.4588	0.2773
39	GLASS	8,471.2521	1,312.5527	0.2231
40	RAILWAY RELATED COMPONENTS	7,513.8514	1,228.5012	0.2088
41	DIAMOND, GOLD ORNAMENTS	7,115.1789	1,213.0506	0.2062
42	MACHINE TOOLS	5,704.2815	1,032.9128	0.1755
43	VEGETABLE OILS AND VANASPATHI	6,185.5309	1,029.6380	0.175
44	AGRICULTURAL MACHINERY	6,338.2622	985.7979	0.1675
45	CERAMICS	4,636.1113	893.1013	0.1518
46	FERTILIZERS	4,089.9723	712.1774	0.121
47	EARTH- MOVING MACHINERY	3,432.0736	566.7964	0.0963
48	COMMERCIAL, OFFICE & HOUSEHOLD EQUIPMENTS	2,529.4138	453.3666	0.077
49	SCIENTIFIC INSTRUMENTS	1,864.3672	303.8255	0.0516
50	BOILER AND STEAM GENERATING PLANTS	1,630.8107	264.2710	0.0449
51	SUGAR	1,469.1227	239.3857	0.0407
52	LEATHER, LEATHER GOODS AND PICKERS	1,282.5366	222.3627	0.0378
53	TIMBER PRODUCTS	1,311.6863	214.3000	0.0364
54	TEA AND COFFEE (PROCESSING & WAREHOUSING COFFEE & RUBBER)	877.3846	163.5014	0.0278
55	GLUE AND GELATIN	988.5138	153.5018	0.0261
56	DYE-STUFFS	612.9049	102.4552	0.0174
57	INDUSTRIAL INSTRUMENTS	459.1387	89.1650	0.0152
58	PHOTOGRAPHIC FILM	273.7613	67.2860	0.0114

	ANDPAPER			
59	COALPRODUCTION	119.1891	27.7332	0.0047
60	DEFENCEINDUSTRI ES	78.9968	12.5115	0.0021
61	MATHEMATICAL,SU RVEYING AND DRAWINGINSTRUM ENTS	39.7999	7.9769	0.0014
62	COIR	22.0496	4.0742	0.0007
63	MISCELLANEOUS INDUSTRIES	70,377.9341	12,982.1005	2.2063
	Sub-Total	36,11,667.9037	5,88,406.4666	
	RBI's- NRISchemes(2000- 2002)	533.06	121.33	

	GRANDTOTAL	36,12,200.9637	5,88,527.7966	
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(Source: FDI Statistics, Department of Industrial Policy and Promotion, Ministry of CommerceandIndustry, Government of India,2022)



FDI helps in sustained economic growth of the country through creating employment opportunities. The conclusion which can be interpreted from the above table is that services sector attracts the highest number of FDI inflows in India. This is an indication of sustained economic growth through creating jobs for people. Computer hardware and

software is the second leading sector attracting highest FDI. This shows that the IT hub in India is expanding. Telecommunications, trading, automobile industry, construction, chemicals, drugs and pharmaceuticals were the other sectors to which attention was shown by FDI investors.

E. STATES/UTs ATTRACTING HIGHEST FDI EQUITY INFLOW

Sr.No.	StateName	Amount of Foreign Direct Investment inflow		%age withinflow (In terms of USD)
		Amount (In INR Crore)	Amount (In USD Million)	
1	MAHARASHTRA	2,88,905.4868	39,164.67	27.5245
2	KARNATAKA	2,51,428.5313	34,031.41	23.9169
3	GUJARAT	2,01,966.1993	27,187.09	19.1068
4	DELHI	1,29,974.3905	17,658.89	12.4105
5	TAMILNADU	46,839.78	6,332.69	4.4505
6	HARYANA	38,736.93	5,222.42	3.6703
7	TELANGANA	25,447.17	3,442.24	2.4192
8	JHARKHAND	19,248.22	2,650.53	1.8628
9	RAJASTHAN	8,639.54	1,168.49	0.8212
10	WESTBENGAL	7,679.73	1,033.90	0.7266
11	UTTARPRADESH	6,480.57	881.6338	0.6196

12	PUNJAB	6,366.09	868.2391	0.6102
13	KERALA	4,587.81	617.4461	0.4339
14	ANDHRAPRADESH	3,796.32	516.7685	0.3632
15	MADHYAPRADESH	3,646.45	490.8522	0.345
16	BIHAR	1,249.53	167.0941	0.1174
17	HIMACHALPRADESH	1,197.30	160.8217	0.113
18	Dadra and Nagar Haveli and Daman and Diu	1,102.07	150.0393	0.1054
19	ODISHA	949.9984	128.1306	0.09
20	UTTARAKHAND	919.1377	123.9908	0.0871
21	GOA	861.7832	118.386	0.0832
22	CHANDIGARH	486.3829	64.9885	0.0457
23	PUDUCHERRY	432.3334	58.8547	0.0414
24	ASSAM	137.0375	18.5256	0.013
25	ARUNACHALPRADESH	40.9465	5.5549	0.0039
26	MEGHALAYA	8.1684	1.0965	0.0008
27	CHHATTISGARH	7.5354	1.0107	0.0007
28	TRIPURA	4.2041	0.5622	0.0004
29	JAMMU AND KASHMIR	2.6749	0.355	0.0002
30	LADAKH	1.199	0.1626	0.0001
31	NAGALAND	0.105	0.0139	0
32	State Not Indicated	172.0638	23.28	0.0164
	Gross-Total	10,51,315.6901	1,42,290.15	

(Source: FDI Statistics, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, 2022)

As we observe from the table in the recent years that is from 2019 to 2022, the state of Maharashtra has had the highest number of FDI inflows and this could be because of various reasons - one it has the metropolitan city Mumbai, Maharashtra has a splendid presence of industrial clusters as well. Next to Maharashtra is Karnataka

a lot of IT sectors are attracted to Karnataka due to the high education rate and English speaking population. The state of Haryana has excellent economic and social infrastructure. The FDI inflows in a state is mainly dependant on the investment policies, the identification of infrastructure and development.

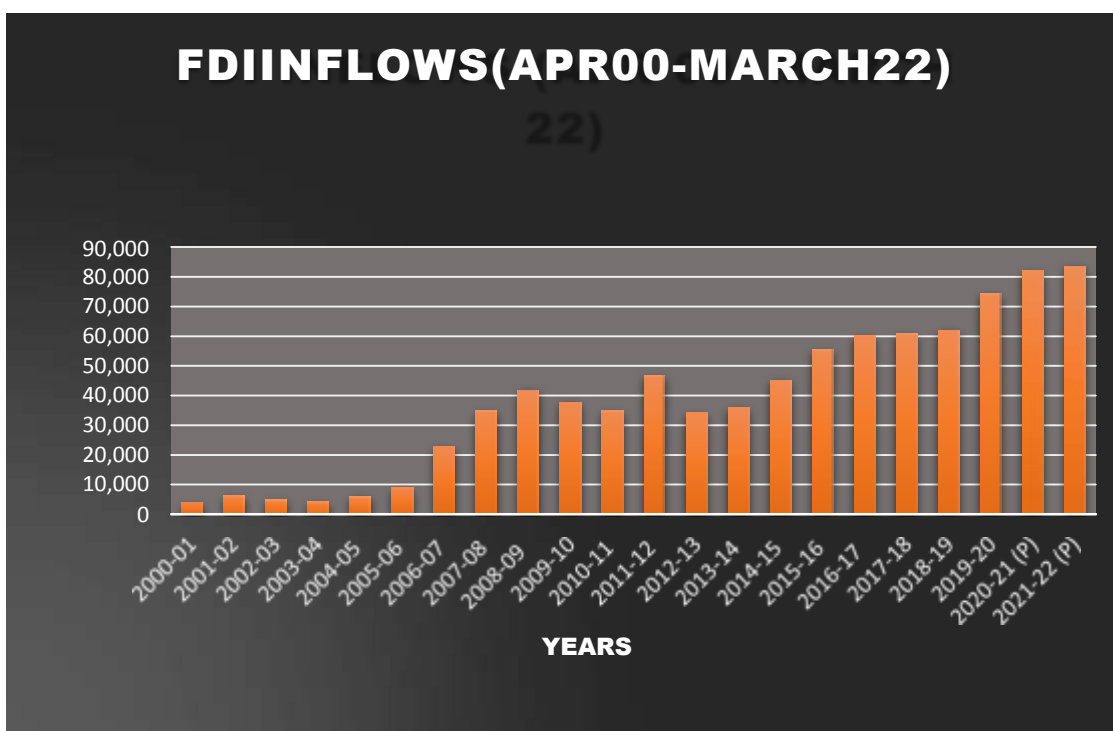
F. FINANCIAL YEAR-WISE FDI INFLOW DATA

Sr.No	Financial Year (April March)	FOREIGN DIRECT INVESTMENT (FDI)				FDI INFLOW INTO INDIA	
		Equity		Re- invested ear nings +	Other capital +	Total FDI inflow	% age grow th over prev ious year (in USD terms)
		FIPB Route/RBI' s Automatic Route/Acq uisition Route	Equity capita l of unincorpo rated bodies #				

1	2000-01	2,339	61	1,350	279	4,029	-
2	2001-02	3,904	191	1,645	390	6,130	(+)52%
3	2002-03	2,574	190	1,833	438	5,035	(-)18%
4	2003-04	2,197	32	1,460	633	4,322	(-)14%
5	2004-05	3,250	528	1,904	369	6,051	(+)40%
6	2005-06	5,540	435	2,760	226	8,961	(+)48%
7	2006-07	15,585	896	5,828	517	22,826	(+) 155%
8	2007-08	24,573	2,291	7,679	300	34,843	(+)53%
9	2008-09	31,364	702	9,030	777	41,873	(+)20%
10	2009-10	25,606	1,540	8,668	1,931	37,745	(-)10%
11	2010-11	21,376	874	11,939	658	34,847	(-)08%
12	2011-12	34,833	1,022	8,206	2,495	46,556	(+)34%
13	2012-13	21,825	1,059	9,880	1,534	34,298	(-)26%

14	2013-14	24,299	975	8,978	1,794	36,046	(+) 5%
15	2014-15	30,933	978	9,988	3,249	45,148	(+) 25%
16	2015-16	40,001	1,111	10,413	4,034	55,559	(+) 23%
17	2016-17	43,478	1,223	12,343	3,176	60,220	(+) 8%
18	2017-18	44,857	664	12,542	2,911	60,974	(+) 1%
19	2018-19	44,366	689	13,672	3,274	62,001	(+) 2%
20	2019-20	49,977	1,757	14,175	8,482	74,391	(+) 20%
21	2020-21(P)	59,636	1,452	16,935	3,950	81,973	(+) 10%
22	2021-22 (P)	58,773	1,052	18,647	5,100	83,572	(+) 2%
CUMULATIVE TOTAL		5,91,286	19,722	1,89,875	46,517	8,47,400	-

(Source: FDI Statistics, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, 2022)



The FDI in India was growing every year since 2001. India entered into a golden phase in 2002 which lasted till 2007. These were the years with very high growth rate and hence the foreign investments increased. There was a decline in FDI by 26% in 2012 because of poor and slowest growth rate and risk of inflation. The FDI started increasing again once the Modi

government came to power because at that time a number of programmes were relaunched by the government for the economic development of the country. During the pandemic, India was one of the most stabilised countries with low death rates and high recovery rates and hence it did not affect the FDI. Moreover, after China it was one of the countries with the cheapest labour and many multinationals were planning to set up

their industries in India leading to increase in the FDI inflows.

ANALYSIS

The main aim of this study was to determine the impact of FDI on GDP in India. It

also examines the trend of Foreign Direct Investment in flows with respect to the GDP growth. The analysis shows the correlation between these factors which helps in economic growth of the country. We have collected secondary data for the period beginning from 2002 to 2020.

Year	Foreign Direct Investment	Gross Domestic Product
2002	5.208967	514.9379489
2003	3.681985	607.6992854
2004	5.429251	709.1485148
2005	7.269407	820.3815955
2006	20.02912	940.2598888

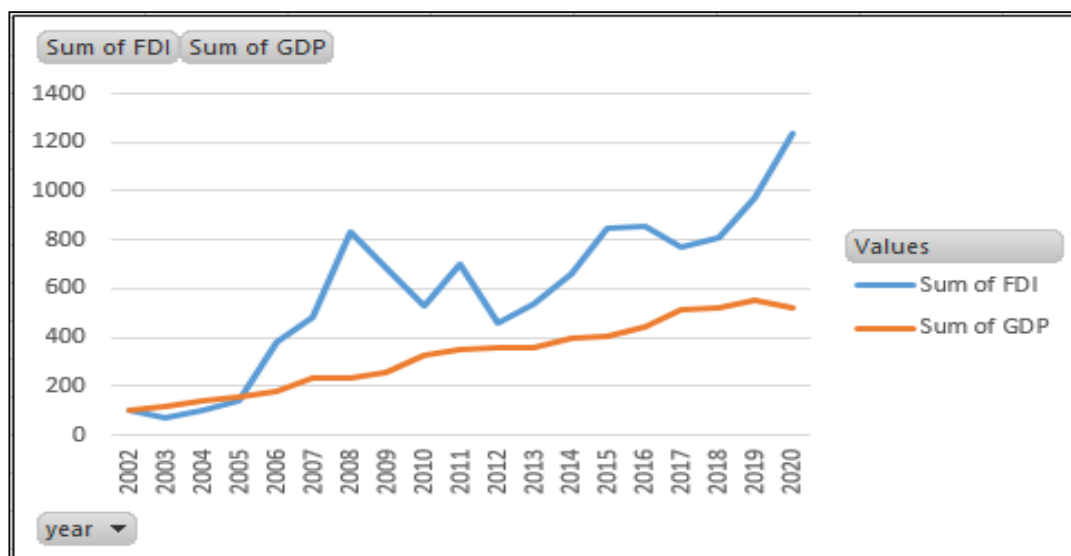
2007	25.22774	1216.735442
2008	43.40628	1198.895582
2009	35.58137	1341.886603
2010	27.39689	1675.615336
2011	36.49865	1823.049928
2012	23.99569	1827.637859
2013	28.15303	1856.722121
2014	34.57664	2039.127446
2015	44.00949	2103.587814
2016	44.45857	2294.797981
2017	39.96609	2651.472946
2018	42.11745	2702.929719
2019	50.61065	2831.552223
2020	64.36236	2667.687952

Statistical Conclusion:

The following table shows the correlation analysis between FDI and GDP of India.

	Foreign Direct Investment	Gross Domestic Product
Foreign Direct Investment	1	
Gross Domestic Product	0.859191476	1

The given graph shows the increase in the value of GDP figures of India with simultaneous increase in the FDI inflows.



INTERPRETATION:

The application of CORRELATION COEFFICIENT allows for the examination of the relationship that exists between two variables. In this case, we are looking at two different variables, namely Gross Domestic Product (GDP) as the dependent variable and Foreign Direct Investment (FDI) as the independent variable. The correlation coefficient is a statistical measure that determines the degree to which the movements of two variables are related. The range of correlation coefficient values is from -1 to 1. Negative correlation values show that if one variable grows in value, the other variable falls in value, while positive correlation value indicates that if one variable increases in value, the other variable likewise increases in value. There exists an imperfect positive correlation of 0.86 between the two variables which is a good indicator for the economic growth of the country. The correlation figure which is close to 1 shows that FDI inflows over the years have brought about a positive change in the GDP figures.

IV. CONCLUSION:

Through this paper we can successfully conclude that FDI and GDP are intimately related. The following factors make FDI inflows easier in India, the government has taken certain initiatives like opening almost all sectors to 100% FDI flow in India except very minor sectors under the automatic route, they have introduced investment friendly policies which are applicable across the sectors/industries and SME sector. Applications for FDI proposals are assessed and authorised through the Government approval route on the Foreign

Investment Facilitation Portal (FIFP), the Government of India's new online single point interface for investors to facilitate Foreign Direct Investment. As a result of these policies India is economically advancing and heading towards becoming a developed nation at a faster pace. Mauritius is the leading investor in India, currently the service sector is the most benefited and the state of Maharashtra is receiving most investments. The future of India is bright if it continues to regulate the policies with time to make the country more investment friendly. The influx of capital in the form of foreign direct investment (FDI) has unquestionably had an effect, not only on the economy but also on the capital markets. In terms of technological advancement, the numerous chances presented by direct investment from abroad have been extremely beneficial. In addition to this, India has also received global management abilities, which were urgently needed to improve the managerial skills for Indian industry. These skills were acquired through a variety of different means.

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