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TRENDS AND PATTERNS OF FOREIGN DIRECT INVESTMENT INFLOWS TO INDIA: A DESCRIPTIVE STUDY

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ABSTRACT

Investment in India is being used as a tool for economic growth and advancement. From all accessible foreign sources, FDI is considered as the most secure form of foreign capital investment for the developing countries. The outlook as to FDI of developed as well as emergent market economies is shifting dramatically because these countries believe FDI to be the most appropriate form of foreign financing. Therefore, the study mainly focuses over the framework of FDI in India by referring to sectors of FDI and the various government initiatives taken in the present globalized era. The aim of research paper to identify the FDI inflows into India from various sectors and sources on the India. Data has been collected from various published sources. Descriptive analysis has been employed for analysis purpose. A constant growth pattern was observed specially after various policies framed by government to boost FDI. India is one of the favorable destinations for investment. Service sector is attracting maximum FDI inflows. It was found that in India, FDI inflows in the period 2000 to 2025 are consistent.

Keyword: FDI, Growth, Pattern, India, Economy

INTRODUCTION

For a country like India Foreign Direct Investment helped to attain growth and stability by making investment in different sectors. FDI has facilitated in improving the economic health of the nation. Foreign Direct Investment is really a way of investing in a business concern across the nation via other individuals and enterprises sited in other country by acquiring or taking control of a concern within the host countries or by growing activities of an ongoing business operations into that nation . It generally requires involvement in management and control, joint ventures and transferring technological skill and know-how. Investor country invest in that economies to exploit less expensive wages ,tax concessions and some other privileges offered by host country. Foreign Direct Investment considers as developmental tool for a country like India. Different countries provide different incentives to attract Foreign Direct Investment. Same way in 1991, after the liberalization of Trade policy in India, the GDP of the economy became favorable. Devajit (2012) Overseas Investment tends to improve the economic position of host nation by providing capital formation, generation of employment opportunities to unemployed, poverty cutback, increase income from revenue and tax, financial stability to government, business infrastructure, provide support to financial system of country and benefits of innovative technology etc. Abhay Pratap Singh et al. (2022) For developing nation like India objective behind Foreign Direct Investment to fulfill the deficiency of capital for host country for achieving the desired level of economic growth and provide opportunities for technological and managerial advancements, new customers, markets and global competition. FDI acts as a developmental tool for growth of economy. So foreign capital is link between saving and investment.

LITERATURE REVIEW

Naga Raj (2003) analyzed patterns, trends as well as issues relating to FDI during 1990s in India and make comparison with that of China. Further explains that India followed a conservative foreign policy up to 1991 and depend more on bilateral and multilateral agreements and foreign debts with long maturity periods. The study also raises a number of questions about the effects like the fresh investment of funds in the host country. The study founded on qualitative information about broad dimensions of investments across the industries, by the size of projects and regions, industry and firms production level, accounting records and audited statements. The study concludes with recommendation of a rational foreign investment policy, infrastructure development and industrial labour market reforms are essential. At that point FDI inflows will make certain higher production and growth in

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export. **Balasubramanyam and Sapsford (2007)** compared the flow FDI into China and India. India's FDI has been observed to be one- tenth of foreign capital inflows to China. Further it was indicated that India doesn't need any expended FDI due to the nature of Indian industrial, service sectors and human resource endowment and also the nation is now in the effective place to delist the bundle of FDI successfully furthermore depend upon resources apart from global investment to meet demand of capital. **Singh (2009)** discussed that FDI policy has always had a positive impact towards budding nation globally. Consequently drawing more foreign capital by way of supportive policy has just become the top priority of new markets. Study emphasized on patterns relating to foreign direct investment within Indian economy subsequent to the reformation of economic policy. **Devajit (2012)** assessed the considerable influence of direct investments made by foreign concerns into India. Also found that foreign funds are an integral component of investment in India and required for its sustained economic growth by creating jobs, extension of pre existing industries, short as well as long term programs related to health related care, education, innovation and managerial skill. **Ramaabaanu and Saranya (2014)** explored an analysis of advantages, limitations, challenges and determinants belonging to FDI into India. Author concluded with point that the foreign investment acted as a strategic component for sustained development and growth of Indian economy. The benefits of FDI have created employment opportunities, productivity and technology etc. FDI also helpful in raising retail sector. **Goyal and Jain (2014)** in the study tried to analyze FDI inflow in different sectors and regional offices. In order to achieve the above objective author has data from Government publications. There is high degree variation in FDI equity inflows in study period from 2000-13. India has secured maximum inflows from Mauritius and followed by Singapore. Findings showed that the service business is highest receipt ant of foreign investment (28%). All these states did not get such high contribution of FDI. Further the study suggested government should take steps for promotion of FDI in other states also**. Aggarwal et. al.(2012)** in this study Foreign Direct Investment in India tries to find out need and also sector wise and year wise FDI in India. This is a descriptive study. It is based upon published source. Results of study depicts that Mauritius is invested at the top then followed by Singapore, Japan, USA etc. Moreover, analyzed a notable raise in foreign investment throughout the study period 2000-2011. Foreign Direct Investment has also increase output, productivity and in some sectors and small scale industries to develop. **Raghavendra and Shakunthala (2014)** explored that Foreign Direct Investment in SAARC countries has been growing gradually. FDI are major source of finance for these countries. The Foreign Direct Investment in these economies has boosted competitiveness and speed up the economic growth. Author studied various economic determinants such as population size, per capita income, access to national and international market access, physical infrastructure, skilled labor, raw material, market growth and technology. The study analyze that not only FDI specific policies are so useful but also there is need of broader economic policies like free trade, other business environmental consequences for instance bylaws and corporate taxes which become helpful for enhancing opportunities in SAARC countries. **Rao and Sailaja (2015)** in the study tried to find out sector wise analysis of FDI inflow of data from April 2000 to August 2014 and also found segments have majority of sharing. Moreover the research paper explored problems and issues regarding why India could not attract more of Foreign Direct Investment than that of the other countries. Due to liberalization policy of government market of India become investor friendly. Service and construction two main leading sectors have attracted more FDI than other sectors. According to UN report India is in top three global investment destinations. **Teli (2014)** analyzed the foreign direct investment inflows in India. Secondary data was been used from time period 1991 to 2012. Results of correlation analysis signified that as hypothecated, correlation between FDI inflows and the other associated economic variables are strongly positive. Opening up FDI in multi-brand retail sector has combined implications on retail in Indian economy. Statistical tool percentage and Least Square method has been used to analyze the data. Results concluded that Mauritius and Singapore had 48% cumulative inflow of foreign direct investment and sector wise it was observed that service sector was at top and followed by manufacturing sector.

Research Methodology

Basically this is descriptive study. Data has been accumulated from the published sources over a period of 2000-2025 to meet the objective of the study. This time series data is obtained mostly from many databases, SIA

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newsletter, fact sheet on foreign direct investment, DIPP, annual reports, research reports, Indian governments press notes, database of FDI and so on. Percentage is employed as a statistical means to evaluate the figures for said period.

FOCUS OF THE STUDY

To examine trends and growth patterns of Foreign Direct Investment inflows to India from 2000-2025.

ANALYSIS AND INTERPRETATION

An analysis has been made from gathered statistics to realize the objective of study. Initially, an effort has been made to check the rates of growth of inflows of FDI to India. The results of the same have been shown in Table 1.

TABLE 1: FDI INFLOWS TO INDIA

Financial Year (April-March)	**Total FDI Inflow (Amount US$ in Millions)**	**Growth percentage over Previous Year**
2000-01	4029	---
2001-02	6130	(+52%)
2002-03	5035	(-18%)
2003-04	4322	(-14%)
2004-05	6051	(+40%)
2005-06	8961	(+48%)
2006-07	22,826	(+)155%
2007-08	34,843	(+) 53 %
2008-09	41,873	(+) 20 %
2009-10	37,745	(-) 10 %
2010-11	34,847	(-) 08 %
2011-12	46,556	(+) 34 %
2012-13	34,298	(-) 26%
2013-14	36,046	(+) 5%
2014-15	45,148	(+) 25%
2015-16	55,559	(+) 23%
2016-17	60,220	(+) 8%
2017-18	60,974	(+) 1%
2018-19	62,001	(+)2%
2019-20	74,391	(+)20%
2020-21	81,973	(+) 10%
2021-22	84,835	(+) 3%
2022-23	71,355	(-) 16%
2023-24	71,279	(-) 0.10%
2024-25	81,043	(+) 14%

Source: RBI's Bulletin for May, 2025

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The table depicts total FDI inflows to India from year 2000 to 2025. FDI inflows have increased to twenty times in these twenty five years (ibef India). According to DPIIT, India`s cumulative FDI inflows stood at US$ 1.07 trillion over this time of 25 years. Primarily it was the result of relaxing the FDI regulations and ease of doing business by government. Earlier this period foreign investment trends were very low in India. FDI inflows during the year 2000-2001 were been encouraging. The FDI inflows raised from 6130 US $ million in the year 2001-02 to 46553 US $ Million in 2011-12. The significant increase in total FDI inflows to India reflected the impact of liberalization of the economy. Also it has noticed a sudden drop in the percentage of foreign direct investment inflows compared to the previous year during 2001-02 to 2003-04 was due to the earthquakes in Gujrat and the terrorists' attack on the World Trade Center and Indian Parliament in 2001. These were also decline in the global economy following the 2008 US Crisis and 2012-13 Euro Crisis. As a result, investor confidence fell everywhere. India has experienced both sharp and steady increases in the FDI inflows over the years. For instance, there was an increase of over 100% in FDI inflows from 2006-07 due to changes made in the FDI policy in 2006 which streamlined the FDI procedure, raised capital limits to 100% on civil aviation investment and lifted numerous restrictions.

As noted earlier, in 2007-08, the Indian government hosted events like Destination India, and the DIPP (Department of Industrial Policy Promotion) revamped its website to answer investment queries in a more intuitive way. India's FDI inflows experienced a recovery in 2014, because of the new governmental policies, programs such as Make in India, Start up India, Skill India, creation of intelligent smart cities and a business-friendly environment for investors and also promoted simplicity in conducting the business within the nation. The subsequent alterations in the government's policy related to FDI in 2017 succeeded in removing multiple layers of administration. India has experienced inconsistent FDI inflows between 2018 and 2025. There was a decrease in net FDI because of higher repatriation and investments abroad by Indian firms in year 2022-23. Again there was marginal decline of one percent in year 2023-24 geopolitical tensions. In year 2024-25 FDI inflows were showing an increasing trend of 18% due to investor friendly policy of government under which 100% FDI was allowed from automatic route.

Table 2: Sectors Attracting Largest FDI Equity Inflows (Amount in US$ million)

S No	Sectors	FDI Inflow	Percentages of total FDI Inflows
1.	**Services Sector**	118,843	16%
2.	**Computer Software & Hardware**	110,698	15%
3.	**Trading**	47572	7%
4.	**Telecommunications**	40,072	5%
5.	**Automobile Industry**	37,854	5%
6.	**Constructions (Infrastructure) Activities**	36,163	5%
7.	**Construction Development**	27,139	4%
8.	**Drugs & Pharmaceuticals**	23,419	3%
9.	**Chemicals (Other Than Fertilizers)**	23,207	3%
10.	**Non- Conventional Energy**	21,900	3%

Source: DIPP, Federal ministry of commerce and industry, Government of India

Table 2 reveals trend of sector wise FDI inflows to India from period 2000 to 2025. The data indicates that the service sector and computer software and hardware are attracting the highest contribution (16% and 15%) of total equity FDI inflows. Thereafter the investors tends to invest in Trading (7%), Telecommunication (5%), automobile industry (5%) and Construction (5%) as these sectors are seem to more rewarding as compared to many others. Sectors like Construction Development, Drugs and Pharmaceuticals, Chemicals Non-Conventional Energy have also been attracting consistent inflows and showing greater interest in renewable energy. The table reveals that India's

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FDI inflows are mainly focused in the services, IT and infrastructure sectors, which is reflecting the country's economic soundness, investor-supportive policy and creating new market opportunities.

As far as countries a wise FDI inflow is concerned, India is one of the favorable destinations of FDI for rest of countries after introduction of reforms in Indian economy. Countries wise FDI inflows have been shown in the below Table:

TABLE 3: COUNTRY WISE FDI EQUITY INFLOWS (APRIL 2000 TO MARCH 2025)

Sr. No.	**Country Name**	**Amount of Foreign Direct Investment Equity Inflows (In US$ million)**	**% age out of total FDI Equity Inflows**
1.	**Mauritius**	180,190.51	24.72
2.	**Singapore**	174,885.78	23.99
3.	**U.S.A**	70,650.48	9.69
4.	**Netherlands**	53,302.34	7.31
5.	**Japan**	44,395.88	6.09
6.	**United Kingdom**	35,886.71	4.92
7.	**UAE**	22,847.63	3.13
8.	**Cayman Islands**	15,637.46	2.15
9.	**Germany**	15,112.09	2.07
10.	**Cyprus**	14,653.13	2.01

Source: DIPP, Federal ministry of commerce and industry, Government of India

Table explains the FDI equity inflows as from the top ten countries. As Indian economy has been getting highest FDI from Mauritius with US$ 180,190.51 million (24.72%) is at number one, after that Singapore with US$ 174,885.78 million (23.99%) at second rank, Netherlands with US$ 70,650.48 million (9.69%) at third position, Japan with (7.13%) at fourth position and then U.S.A with 28210.85(6.34%) at fifth rank. These countries have normally invested in area of information technology, service and manufacturing. The United Kingdom(4.92%) and United Arab Emirates(3.13%) are making significant contribution whereas countries like Cayman Islands, Cyprus, and Germany each have invested around 2% of total FDI which is minimal as compare to other ones . A double taxations avoidance agreement with Mauritius raises the level of investment from there to India.

The table indicates the overall position of India's FDI inflows which are highly concentrated in a few major countries(Mauritius and Singapore) which together account for almost half of the total overall inflows. This trend emphasizes India's emerging global investment collaboration and its position as a main hub for foreign capital.

SUGGESTIONS

FDI offers not just financial benefits but also technical advantages too. It would enhance the exports, knowledge, talent, expertise, employability and management. Foreign exchange balance would also increase. Resultantly, Indian government has allowed the FDI in various sectors except a few for the overall growth of economy. But, GOI should have to take cautious steps. A reasonable and balanced approach need to be taken in this regard.

CONCLUSION

It was necessary to liberalize Foreign Direct Investment policy progressively in India and make the market of economy conducive to investment. India was amongst the main ten recipient of FDI in 2019, according to a United Nations (UN) report. With the extension of ongoing manufacturing units and formation of innovative industrial units, Indian economy can retain persistent economic growth and development. FDI mostly in service sectors, computer along with telecommunication business has drawn a lot of attention of investor's interest as compared to other growing sectors. Every sign positively shows the way to economic growth of the India. "Make in India" is another initiative that has made India as investment destination for whole world. It draws huge volume of funds through big corporate houses and FIIs that will make the India a focal point for manufactured goods. Foreign trade policy of government is emphasizing for better relationships with other countries that could increase the overall speed of foreign investment.

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