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IMPACT OF GLOBALIZATION ON FOREIGN DIRECT INVESTMENT IN INDIA DURING 1991-2013

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ABSTRACT

Foreign Direct Investment (FDI) is an investment involving a long term relationship and reflecting a lasting interest and control of a resident entity in one economy in an enterprise resident in an economy other than that of the foreign direct investor. Individual as well as business entities may undertake Foreign Direct Investment. The government has been making all efforts to invest and facilitate Foreign Direct Investment and investment from non-residents to complement and supplements domestic investment. The important objectives of the present study is to analyse the trend pattern and growth performance of FDI inflows in India from 1991 to 2013, to analyse the country wise and sector wise inflow of Foreign Direct Investment in India for the same period, and to examine the Impact of FDI in Indian economy. The total Foreign Portfolio Investment during 1991-2013, 2876.92 percentages in the forms of Foreign Direct Investment and 962.73 per cent in the form of FDI. FDI inflow in India was found more stable than the Foreign Portfolio Investment during 1991-2013. Share of 24.96 per cent to the total FDI inflow during 1991-2013. Through the FDI contribution the since sector has grown rapidly followed by industrial sector.

KEYWORDS: *Foreign Direct Investment, Globalisation and Portfolio Investment.*

INTRODUCTION

Foreign Direct Investment (FDI) is an investment involving a long term relationship and reflecting a lasting interest and control of a resident entity in one economy in an enterprise resident in an economy other than that of the foreign direct investor. Individual as well as business entities may undertake Foreign Direct Investment. The government has been making all efforts to invest and facilitate Foreign Direct Investment and investment from non-residents to complement and supplements domestic investment. Its purpose is to control assets abroad by exterior's manageable influence on the foreign affiliates. The long term nature of Foreign Direct Investment motives investors to take an active part in the decision making process and of necessitates basic changes in a targeted firm structure and strategy. Globalisation offers and unprecedented opportunity for developing countries to achieve faster economic growth through trade and investment.

Tom Antony and Arun Lawrence (2013), in their article "Foreign Investment and Dynamics of Indian Stock Market", examines the foreign investment has become an integral part of almost every economy as no economy can afford to lose it due to its immense importance in the economic development. The analysis clearly states that there exist states

That there exists a direct relationship between Foreign Institutional Investors (FII) and the stock market is significantly affected by FII inflow.

Pravakar Sahoo (2013) in his article "FDI Reforms in India: Steps in the right direction", the establishment and strengthening of the FDI institutions such a Foreign Investment Promo Board (FIPB), Secretarial of Industrial Assistance (SIA) and Foreign Investment Implementation Authority (FIIA) to facilitate FDI moving beyond approval to implementation has certainly helped. However, the next level of reforms and policies need to address these issues and set up appropriate institution.

OBJECTIVES OF THE STUDY

Following are the important objectives of the present study:

1. To analyse the trend pattern and growth performance of FDI inflows in India from 1991 to 2013.
2. To analyse the country wise and sector wise inflow of Foreign Direct Investment in India for the same period.
3. To examine the Impact of FDI in Indian economy.

METHODOLOGY OF THE STUDY

The present study entirely depends upon the secondary data published by the Reserve Bank of India (RBI), United National Council for Trade and Development (UNCTAD), Secretariat of Industrial Assistance (SID) and Central Statistical

Organisation. The period of the study commences from 1991-2013. This study is done with the help of secondary data only. Secondary data were collected from the monthly bulletin of the Reserve Bank of Indian Economy.

TREND PATTERN ON FDI IN INDIA

The share of FDI in total Foreign Private Investment inflow percentage change in the annual inflow of Foreign Direct Investment (FDI) on the basis of following grouping Inflows of FDI, Country wise inflow and Sector – wise inflow. The share of FDI in Total Foreign Private Investment Inflow during 1990-91 to 2012-2013.

Foreign Direct Investment and Foreign Portfolio Investment are the components of Foreign Private Investment. The trends in the inflow of FDI and FPI in India are given in the below table.

Table - 1 Foreign Private Investment During 1991-92 to 2012-2013 (Rs. in cores)

Year	Foreign Direct Investment		Foreign Portfolio Investment		Foreign Private Investment	
	Amount (1)	Percentage	Amount (2)	Percentage	Amount (1+2)	Percentage
1991-92	316	-	10	-	326	0.017
1992-93	965	205.38	748	73.8	1713	0.091
1993-94	1838	90.47	11188	1395.72	13026	0.69
1994-95	4126	124.48	12007	7.32	16133	0.86
1995-96	7172	73.83	9192	-23.45	16364	0.87
1996-97	10015	39.64	11758	27.92	21773	1.164
1997-98	13220	32.00	6794	-42.22	20014	1.06
1998-99	10358	-21.65	-257	103.78	10101	0.53
1999-00	9338	-9.85	13112	-500.95	22450	1.19
2000-01	18406	97.11	12609	-3.84	31015	1.66
2001-02	29235	58.83	9639	-23.55	38874	2.07
2002-03	24367	-16.65	4738	-50.85	29105	1.55
2003-04	19860	-18.50	52279	1003.40	72139	3.85
2004-05	27188	36.90	41254	-19.94	69042	3.68
2005-06	39674	45.92	55307	32.14	94981	5.04
2006-07	103367	160.54	31713	-42.66	135080	7.21
2007-08	138276	33.77	109741	246.046	248017	13.24
2008-09	161481	16.78	-63618	157.97	97863	5.22
2009-10	207167	28.29	-17919	128.16	189248	10.11
2010-11	97320	-53.02	139400	-877.94	236720	12.64
2011-12	165146	69.69	85126	-38.93	250272	13.37
2012-13	113610	-31.29	146559	72.16	260169	13.88
Total	1202445	962.73	669280	-2876.92	1871725	100

Source: Hand book of statistics on Indian Economy 2012-2013.

The above table reveals that the relative share of annual FDI inflow in the sign private investment inflow in India. Annual FDI inflow has increased Rs.316 in cores in 1990-91 to Rs.113610 in cores in 2012-13. But FDI's shares in the Private Investment inflow have come down from 205.38 percent in 1991-92 to -31.29 per cent in 2012-13. During this period, a total of Rs.1202445 in cores was involved in India in the form of Foreign Private Investment of which 962.73 per cent is in the form of direct investment

and -2876.92 per cent is in the form of Portfolio Investment.

The above table also reveals that the share of Foreign Direct Investment (FDI) is well below the share of Portfolio Investment during the period from 1993-94 to 1996-97. However, Foreign Direct Investment (FDI) has dominant share thereafter during 1997-98, 1998-99, 2001-02, 2002-03, 2006-07, 2007-08, 2009-10, 2010-11, 2011-12 and 2012-13. The volume of Portfolio Investment has increased from Rs.10 in 1990-91 to Rs.669280 in cores in 2012-13.

COUNTRY-WISE INFLOWS OF FDI IN INDIA

Many countries to invest much capital in India like, Mauritius, Singapore, UK, Japan, US, Netherland, Cyprus, Germany, France, UAE and

other countries. The second objective of the paper is to know the country wise FDI inflows in India. Country wise FDI inflows in India during the period 1991-2013 are presented in the following table.

Table - 2 Country-wise FDI Inflow in India during 1991-2013 (Rs in cores)

YEAR	MAURITIUS	SINGAPORE	UK	JAPAN	USA	NETHERLAND	CYPRUS	GERMANY	FRANCE	UAE	OTHERS	TOTAL
1991	NA	NA	48	6	28	2	7	6	0	NA	96	193
1992	NA	12	87	72	115	15	61	27	54	8	75	514
1993	4	22	242	81	453	161	40	31	107	6	78	1199
1994	90	17	497	276	373	149	140	29	93	34	166	1864
1995	1638	243	224	227	677	124	237	141	26	52	711	4300
1996	2277	222	181	301	948	496	473	96	238	159	1015	6406
1997	3664	135	332	591	2578	524	569	112	94	1228	1168	10995
1998	2902	407	221	781	1371	372	627	159	65	439	1507	8851
1999	1891	181	396	636	1811	359	198	262	117	166	933	6950
2000	3569	502	281	986	1799	547	371	342	187	76	3694	12354
2001	7504	161	1284	997	1654	1032	599	595	178	20	2954	16978
2002	7284	226	1399	980	1357	748	663	530	252	181	4276	18196
2003	2586	168	863	434	1904	1162	363	164	429	113	3431	11617
2004	4616	286	659	534	2979	2278	727	529	314	123	4222	17267
2005	9408	1417	958	744	2070	528	368	129	386	294	2987	19289
2006	2222	285	7824	523	3320	2246	1397	388	315	294	31572	50386
2007	31944	5831	1968	2775	3638	2789	1416	52	904	281	27627	79693
2008	33864	3138	2524	2857	3820	3398	1513	623	823	285	28726	81571
2009	31422	6285	2869	2914	4136	3812	1679	849	1020	296	30275	85557
2010	35314	7513	3428	3252	4333	4327	1761	1002	1215	308	33321	95774
2011	31855	7730	12235	7063	5353	5501	4171	908	3349	1569	97320	177054
2012	46710	24712	36428	14089	5347	6698	7722	7452	3110	1728	165146	319142
2013	48786	10831	5736	11559	2923	9054	2490	3473	3483	969	113610	212914
Total	309550	70312	80849	52600	52844	46305	27524	18334	16705	8621	554739	1239064
Percent age	24.96	5.68	6.53	4.26	4.28	3.74	2.23	1.47	1.39	0.69	44.77	100

Source: www.indiastat.com

The above table reveals top ten country wise FDI inflows in India during the period from 1991-2013. Mauritius emerged as a top investing

country in India with a share of 24.96 per cent to the total FDI inflow during 1991-2013. It was found that Mauritius was considered a tax heaven

by the US multinational. The second place emerged as a country in India is UK with a share of 6.53 percent the total FDI inflow during the study period. The other places emerged as a country in India is Singapore, USA, Japan, and France respectively with a share of 5.68, 4.28, 4.26, 2.23 per cent.

SECTOR-WISE FDI INFLOWS FOM 1991-2013:

Sector wise FDI inflows in India during the period 1991-2013 are presented in the following table.

Table - 3 Sector-wise FDI Inflows from 1991-2013 (Rs. in cores)

Sl. No	Sector	Amount of FDI Inflows	Percentage of Total FDI Inflows
1	Service Sector	171816.71	19.37
2	Construction Development	100654.51	11.48
3	Tale Communication	57662.77	6.60
4	Computer Software and Hardware	52663.65	6.09
5	Drugs and Pharmaceuticals	48828.30	5.38
6	Chemical	4088.05	4.62
7	Automobile Industry	37896.11	4.20
8	Power	36101.06	4.08
9	Metallurgical Industries	34414.96	3.88
10	Hotel and Tourism	33030.71	3.44
11	Petroleum and Natural Gas	24796.41	2.81
12	Trading	18083.01	2.01
13	Electrical Equipment's	14549.74	1.65
Sl. No	Sector	Amount of FDI Inflow	Percentages of Total FDI Inflow
14	Information and Broadcasting	14471.11	1.61
15	Cement and Gypsum Products	11779.04	1.37
16	Non-conventional Energy	12504.46	1.31
17	Miscellaneous Mechanical and Engineering Industries	10475.68	1.20
18	Industrial Machinery	10921.72	1.19
19	Construction Activities	9719.81	1.09
20	Consultancy Services	9617.45	1.09
21	Food Processing Industries	8626.12	0.94
22	Ports	6717.38	0.85
23	Hospital and Diagnostic Centre's	7419.18	0.83
24	Agriculture Services	7610.06	0.82
25	Textiles	5674.45	0.64
26	Electronics	5464.80	0.62
27	Sea Transport	5490.97	0.62
28	Fermentation Industries	5095.29	0.59
29	Rubber Goods	5471.60	0.56
30	Mining	4329.62	0.52
31	Paper and pulp	4043.64	0.45
32	Prime Mover	3870.00	0.42
33	Education	3312.80	0.35
34	Machine Tools	2965.88	0.32
35	Medical and Surgical Appliances	2892.50	0.31
36	Soaps, Cosmetics and Toilet preparations	2917.68	0.31
37	Ceramics	2194.54	0.26
38	Air Transport	2020.08	0.23
39	Glass	1942.21	0.20
40	Vegetables Oil and Vanaspati	1891.47	0.20
41	Diamond, Gold Ornaments	1758.74	0.20
42	Fertilizers	1425.53	0.16
43	Printings of Books	1257.51	0.14
44	Railway Related Components	1190.66	0.14
45	Agriculture Machinery	1221.91	0.14
46	Commercial, office and Household Equipment's	1181.76	0.13
47	Earth Moving Machinery	769.05	0.09
48	Leather, Leather Goods and pickers	527.88	0.06
49	Tea and coffee	456.01	0.05

50	Scientific Instruments	492.59	0.05
51	Timber Products	397.82	0.04
52	Photographic Raw film and paper	269.26	0.03
53	Industrial Instruments	307.45	0.03
54	Boilers and Stream Generating Plants	305.75	0.03
55	Sugar	242.32	0.03
56	Retail Trading	196.00	0.02
57	Coal production	103.11	0.01
58	Dye-stuffs	87.32	0.01
59	Glue and Gelatine	70.56	0.01
60	Mathematical, Surveying and Drawing	39.80	0.00
61	Defence Industries	19.89	0.00
62	Coir	10.29	0.00
63	Miscellaneous Industries	35,426.40	4.12
	Total	888,082.94	100

Source: Fact sheet on Foreign Direct Investment on 1991 to 2013.

Table 3 reveals the sector-wise FDI inflows during the period 1991 to 2013. The main dominated sector attracting Foreign Direct Investment is service sector. The share of the percentage is 19.37 with the total FDI during the period at 1991 -2013. It tells as the FDI very much

attracted to the construction development. The second place attracted is construction development. Service sector and drugs and pharmaceuticals have witness more than 5% increment of FDI during 1991-2013.

Table - 4 Impact of FDI in Indian Economy

Year	FDI	GDP	GDS	Exports	Imports	Foreign Exchange
1991-92	316	654729	141089	44042	47851	14570
1992-93	965	752591	159682	53688	63375	20140
1993-94	1838	865805	189933	69751	73101	47287
1994-95	4126	1015764	247462	82674	89971	66005
1995-96	7172	1191813	261002	106353	122678	58446
1996-97	10015	1378617	313068	118817	138920	80368
1997-98	13220	1527158	363506	130101	154176	10207
1998-99	10358	1751199	389747	139753	158332	125412
1999-00	9338	1952035	484256	159561	215236	152924
2000-01	18406	2102314	499033	203571	230873	184482
2001-02	29235	2278952	534885	209017	245191	249118
2002-03	24367	2454561	647970	255137	297206	341476
2003-04	19860	2754561	821026	293367	359108	466215
2004-05	27188	3149412	1000424	375340	501065	593121
2005-06	39674	3580344	1227348	456418	660409	647327
2006-07	103367	414581	1441423	571779	840506	836599
2007-08	138276	3898958	1474563	638146	990406	1001237
2008-09	161481	4162509	1628431	775917	1026050	1129956
2009-10	207167	4493743	1832414	829771	1114866	1156473
2010-11	97320	7266966	2182338	871657	1174612	1361013
2011-12	161481	8353495	2651934	914825	1239464	1506130
2012-13	113610	9461013	2765290	976777	1273213	1588420
Total	1198780	69192349	21256824	8276362	11036617	11636926

Source: Hand Book of Indian Economy 2012-2013.

Table 4 shows the impact of FDI on macro-economic variable such a GDP, GDS, EXPORTS, IMPORTS and Foreign Exchange from the year 1991-92 to 2012-13. FDI inflow has been increased from Rs.316 cores in 1991-92 to 2012 - 13. FDI inflow has been increased from Rs.316 cores in 1991-92 to Rs.113610 cores in 2012-13.

The highest amount of GDP was received in the year 2012-13 Rs. 9461013 cores.

FINDINGS OF THE STUDY

The total Foreign Portfolio Investment during 1991-2013, 2876.92 percentages in the forms of Foreign Direct Investment and 962.73 per cent in the form of FDI. FDI inflow in India was

found more stable than the Foreign Portfolio Investment during 1991-2013. Share of 24.96 per cent to the total FDI inflow during 1991-2013. The main dominated sector attracting FDI is service sector. The share of the percentage as 19.37 with the total FDI during the period at 1991-2013. Liberal entry policy of FDI can do a long way in encouraging Foreign Investment in infrastructure.

CONCLUSION

India is one of the country in which the flow of FDI is high and also the growth of FDI is positive which is in 2.6% our period of time that is after globalization the growth of FDI is not much fluctuating. Through the FDI contribution the service sector has grown rapidly followed by industrial sector. The high amount of investment in the country comes from Mauritius and USA on the

whole during the study period (1991-2013) it can be conclude FDI has impact on the GDP, GDS, EXP, IMP, Foreign Exchange are positive and leads to the development of Indian Economy.

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