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TREND AND GROWTH OF FOREIGN DIRECT INVESTMENT IN BRICS COUNTRIES

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ABSTRACT

Foreign Direct Investment is one of the emerging sources of the development of the nation in the global level countries. The BRICS have received both praise and criticism from numerous quarters. The BRICS group is rapidly consolidating and becoming a force to reflect within global governance. The new member of this BRICS (South Africa) has the gradual performance during the study period. There is strong evidence which relatives enhance in Foreign Direct Investment to economic growth Inflows as well as Gross Domestic Product in various countries of the world especially among BRICS countries. The pattern of GDP growth is held to indicate the success or failure of economic policy and to determine whether an economy is 'in recession'. The statistical tools are like mean, standard deviation, Co efficient of Variance and Compound Annual Growth Rate and Trend analysis helps to find the present situation in the Foreign Direct Investment in BRICS countries. These fast developing economies are having larger market potentials which attract more FDI inflows among BRICS nations.

KEY WORDS: FDI, BRICS, CAGR and Trend analysis.

INTRODUCTION

Foreign Direct Investment in BRICS countries has been changing the economic policy and development from the beginning of its formation. The new economic reform popularly known as Liberalization, Privatization, and Globalization expected at making economy as the fastest growing and globally competitive. In today's world the relative strength of the West is declining, the emerging economies are rising and the world's economic map is visibly changing. Goldman Sachs estimates that by 2050 the combined size of the BRIC economies will exceed that of the G7 countries. PricewaterhouseCoopers is even more optimistic: the company says that the combined GDP of the "New G7" group of countries, consisting of the BRICs, Mexico, Indonesia and Turkey might catch up with the G7 economies by 2019.

International business is to be involved in business transactions in different parts and regions of the world by means of exporting, franchising,

importing and foreign direct investment (FDI). Foreign Direct Investment is one of the emerging source of the development of the nation in the global level countries. This research studies the stock of the mounting trend of inward and outward FDI from emerging economies, with special focus on a group of five countries, which are becoming increasingly economically and politically influential in 'BRICS' countries. (Brazil, Russia, India, China, and South Africa).¹ BRICS is the acronym for an association of five major emerging national economies: Brazil, Russia, India, China and South Africa. The grouping was originally known as "BRIC" before the inclusion of South Africa in 2010. The BRICS members are all developing or newly industrialized countries, but they are distinguished by their large, fast-growing economies and significant influence on regional and global affairs. These five countries are members in G-20 countries too. The BRICS have received both praise and criticism from numerous quarters. The BRICS group is rapidly

consolidating and becoming a force to reflect within global governance.²

REVIEW OF LITERATURE

Borensztein E, De Gregorio J and et., al., (1998)³ in their research paper, “*How Does Foreign Direct Investment Affect Economic Growth?*” tested that the effect of FDI on economic growth in cross-country regression framework, utilizing data on FDI flows from industrial countries to 69 developing countries over the last two decades 1970-79 and 1980-89 and were estimated using the Seemingly Unrelated Regressions Technique (SUR). The results suggested that FDI contributes to economic growth only when a sufficient absorptive capability of the advanced technologies is available in the host economy and the beneficial effects on growth of FDI come through higher efficiency rather than simply from higher capital accumulation.

Berna Taner, Semra and et., al., (2002)⁴ in their paper, “*The Relationship between International Trade and National Competitiveness*”, suggested that the performance of the world’s trade activity can provide an indication of the (EU) international competitiveness. The result indicates that different competitiveness rankings will be inspected and will show the relationship between international trade and national competitiveness. Although international trade performance does not necessarily mean the assessment of trade balance, trade balance has traditionally been used as a key measure for international competitiveness.

NIU Haibin (2012)⁵ in his paper, “*BRICS in Global Governance: A Progressive Force*”, suggested that expanding economic size and increasingly active diplomacy, BRICS countries are gradually gaining greater influence over the international decision-making process. Managing the influence of these emerging powers and reforming global institution will become a decisive issue for a future effective global governance system. The study concluded that an incremental approach with the mid-set of co-operative stakeholders might serve BRICS better to transform the current world order peacefully and constructively.

STATEMENT OF THE PROBLEM

Foreign Direct Investment would be accepted by a nation at the time when it is opened up

for others for their investment, business and trade. However the FDI flows towards BRICS countries especially FDI inflows, outflows and Gross Domestic Product among BRICS countries are relatively less researched at global level and also proves whether precise impact on FDI flows among these five countries. India is one of the fastest growing economies in the world and the fifth largest economy based on Purchasing Power Parity (PPP). There is strong evidence which relatives enhance in Foreign Direct Investment to economic growth Inflows as well as Gross Domestic Product in various countries of the world especially among BRICS countries. This development highlights and analyses the current trends in BRICS countries in attaining sustainable growth in the future. The paper concludes by suggesting policy recommendations for India in its search for sustainable development. In this study, an attempt is made to identify these issues with the help of statistical tools that are appropriate to find FDI flows among BRICS countries. With this background the current research works intends to find solution for the following research questions:

1. Does the flow of FDI shows a positive trend over the period 2008-2012.?
2. Does FDI pose a positive impact on BRICS countries’ annual economic growth?

OBJECTIVES OF THE STUDY

The objectives of the study are:

1. To examine the trend and growth of FDI in BRICS countries.
2. To give suitable suggestions and conclusion.

METHODOLOGY AND TOOLS OF THE STUDY

The present study is based on secondary data and the data used for the analysis have been collected from World Bank data, bulletins, reports and journals. The statistical tools used in this study are: Descriptive statistics like mean, standard deviation, Co efficient of Variance and Compound Annual Growth Rate and Trend analysis.

1. TOTAL FDI GDP ANNUAL GROWTH RATE OF BRICS COUNTRIES

Table 1 shows the overall FDI GDP Annual Growth Rate (%) of BRICS countries from the period of 2008-2009 to 2012-2013.

Table 1 Total GDP Annual Growth Rate of FDI in BRICS Countries from the period of 2008-2009 to 2012-2013

(In Percent)					
YEAR	BRAZIL	RUSSIA	INDIA	CHINA	SOUTH AFRICA
2008-2009	0.71	0.72	0.59	0.98	0.56
2009-2010	0.65	0.64	0.93	0.96	0.35
2010-2011	0.88	0.65	1.01	1.02	0.50
2011-2012	0.44	0.63	0.82	0.97	0.56
2012-2013	0.01	0.54	0.68	0.88	0.39
2015-2016	-0.17	0.66	0.84	0.85	1.09
Mean	0.41	0.51	0.81	0.96	0.48
Std. Deviation	0.40	0.29	0.17	0.05	0.08
Co efficient of Variance	97.56	56.86	20.99	5.21	16.67
CAGR	-0.55	-0.06	0.03	-0.02	-0.08

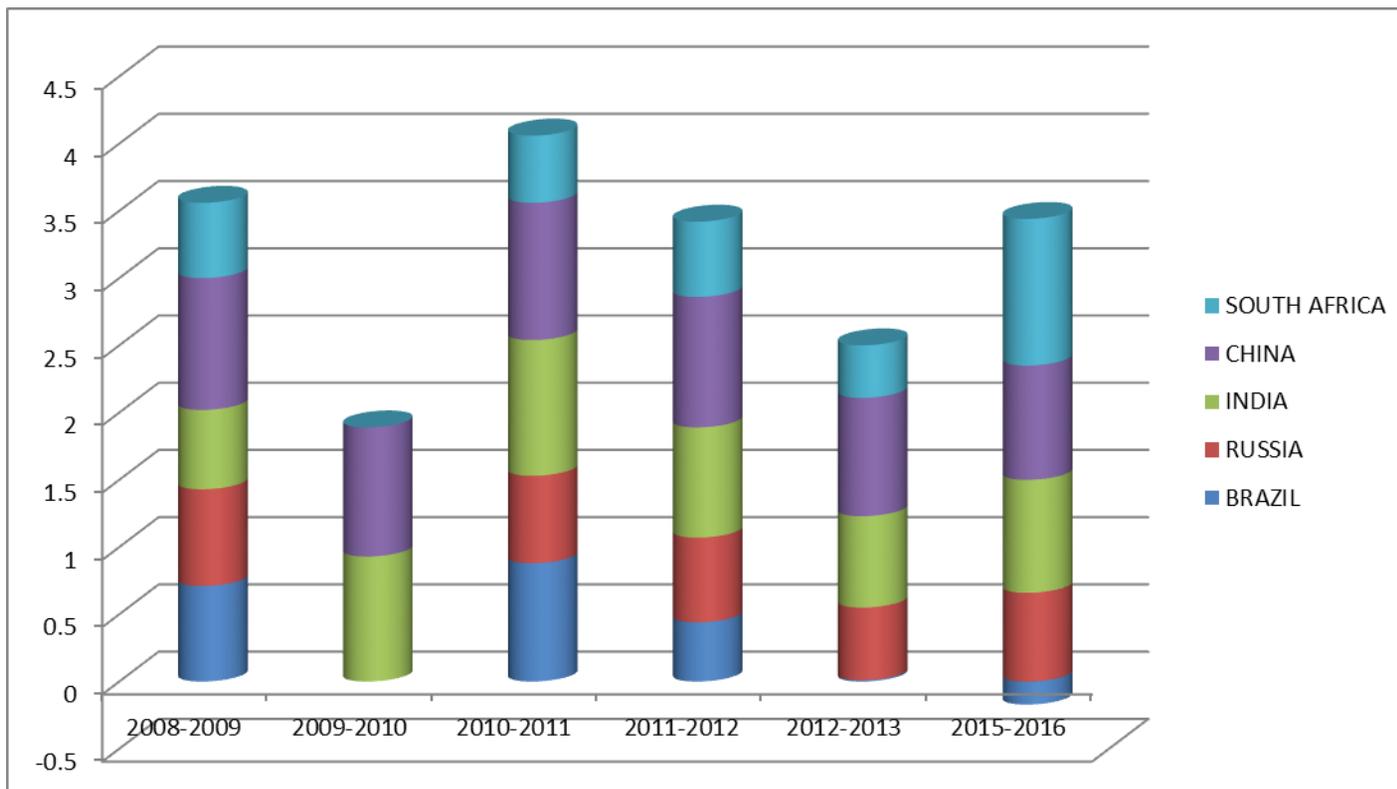
Sources: Compiled and calculated from the data published in World Bank Data

Table 1 reveals the country wise GDP contribution growth of Foreign Direct Investment in BRICS Countries during the period from 2008-2009 to 2012-2013. The pattern of GDP growth is held to indicate the success or failure of economic policy and to determine whether an economy is 'in recession'. The various country wise GDP contribution growth of Foreign Direct Investment shows the fluctuating trend during the study period. Table observed that the highest GDP contribution in Brazil is 0.88 percent in the year 2010-2011 followed by 0.71 percent in the year 2008-2009, this indicates the economic policy and trade in good in the study period. The lowest GDP of below 0.01 percent in the year 2012-2013 indicates the economic policy and trade not good in the study period in Brazil. The highest GDP contribution in Russia is 0.72 percent in the year 2008-2009 followed by 0.65 percent in the year 2010-2011, this indicates the economic policy and trade in good in the study period. The lowest GDP of below 0.54 percent in the year 2012-2013 indicates the economic policy and trade not good in the study period in Russia. The highest GDP contribution in India is 1.01 percent in the year 2010-2011 followed by 0.93 percent in the year 2009-2010, this indicates the economic policy and trade in good in the study period. The lowest GDP of 0.59 percent in the year 2008-2009 indicates the economic policy and trade not good in the study period in India.

Table elucidate the highest GDP contribution in China is 1.02 Percent in the year 2010-2011 followed by 0.98 percent in the year 2008-2009, this indicates the economic policy and trade in good in the study period. The lowest GDP of 0.88 percent in the year 2012-2013 indicates the economic policy and trade not good in the study period in India. The highest GDP contribution in South Africa is 0.56 Percent in the year 2008-2009 and 2011-2012 followed by 0.50 percent in the year 2010-2011, this indicates the economic policy and trade in good in the study period. The lowest GDP of 0.35 percent in the year 2009-2010 indicates that not strong in trade and in recession in the study period.

The average contribution of BRICS country wise highest is 0.96 Percent in China and followed by 0.81 Percent in India and Russia, South Africa and Brazil is 0.51 Percent, 0.48 Percent and 0.41 Percent respectively. The highest Compound Annual Growth Rate is 0.03 Percent in India and China, Russia, South Africa and Brazil has the negative Growth Rates are 0.02 Percent, 0.06 Percent, 0.08 Percent and 0.55 Percent respectively. The GDP are expected to attain the following figures for the BRICS countries in the year 2015- 2016. The negative trend shows in Brazil is 0.17 Percent and the positive trend in Russia, India, China and South Africa is 0.66 Percent, 0.84 Percent, 0.85 Percent and 1.09 Percent respectively.

Exhibit-1
The overall GDP Annual Growth Rate (%) of FDI in BRICS countries from the period of 2008-2009 to 2012-2013



Sources: Compiled and calculated from the data published in World Bank Data.

2. FDI TOTAL INFLOWS OF BRICS COUNTRIES

Table 2 shows the overall FDI Inflows of BRICS countries from the period of 2008-2009 to 2012-2013

Table .2 Total Inflows of FDI in BRICS Countries from the period of 2008-2009 to 2012-2013

YEAR	BRAZIL	RUSSIA	INDIA	CHINA	SOUTH AFRICA
2008-2009	4.65	4.87	4.67	5.03	0.99
2009-2010	4.41	4.56	4.55	4.98	3.06
2010-2011	4.69	4.64	4.32	5.06	0.89
2011-2012	4.82	4.74	4.56	5.09	0.97
2012-2013	4.81	4.71	4.41	5.08	3.64
2015-2016	5.12	4.62	4.19	5.18	5.1
Mean	4.68	4.7	4.5	5.05	1.55
Std. Deviation	0.17	0.12	0.14	0.05	1.88
Co efficient of Variance	3.63	2.55	3.11	0.99	121.29
CAGR	0.01	-0.01	-0.01	0.00	0.54

Sources: Compiled and calculated from the data published in World Bank Data.

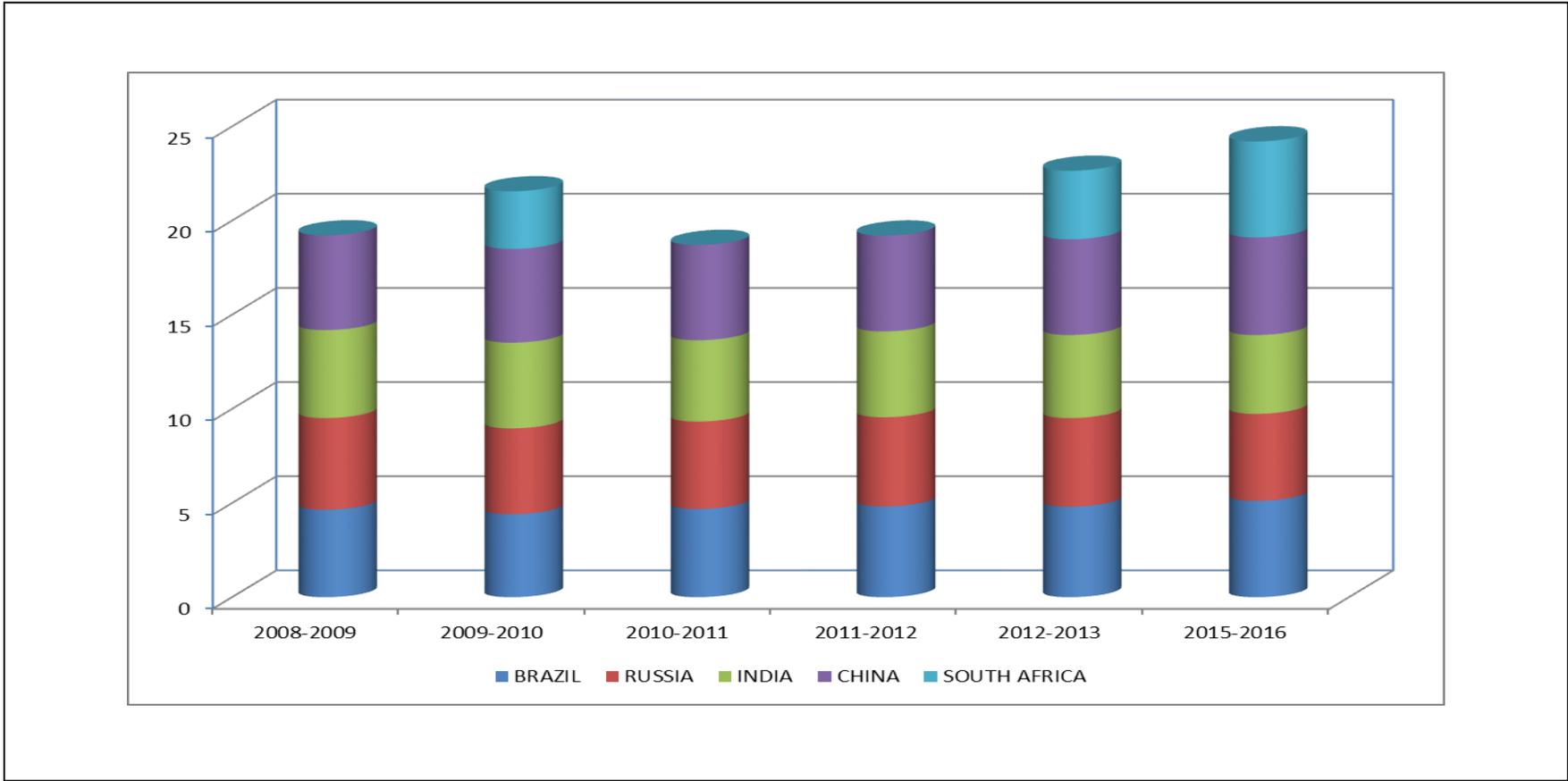
Table 2 reveals the country wise Total Inflows of Foreign Direct Investment in BRICS Countries during the period from 2008-2009 to 2012-13. The country wise Inflows of Foreign Direct Investment shows the fluctuating trend during the study period. Table observed the maximum Inflows in Brazil is 4.82 in the year 2011-2012 followed by 4.81 in the year 2012-2013, this indicates that generate more business and employment opportunities and economically promote Brazil's Investments. The lowest Inflows of Foreign Direct Investment is 4.41 in the year 2009-2010 indicates that economic position is not much better and less employment offers in Brazil.

The maximum Inflows in Russia is 4.87 in the year 2008-2009 followed by 4.74 in the year 2011-2012; this indicates that better economic position in Russia and the lowest FDI inflows in Russia are 4.56 in the year 2009-2010 this indicates that less employment and technological growth in Russia during the study period. The maximum Inflows in India is 4.67 in the year 2008-2009 followed by 4.55 in the year 2009-2010 and the lowest inflows in India is 4.32 in the period 2010-2011. The maximum Inflows in China is 5.09 in the year 2011-2012 and the lowest inflows in India is

4.98 in the period 2009-2010. The maximum Inflows in South Africa is 3.64 in the year 2012-2013 this indicates that generate more business and employment opportunities and economically promote South Africa's Investments. and the lowest inflows in South Africa is below 1.00 in the period like 2008-2009, 2009-2010 and 2010-2011 this indicates that less employment and technological growth in South Africa during the study period.

The average contribution of BRICS country wise highest is 5.05 percent in China and followed by 4.7 in Russia and Brazil, India and South Africa is 4.7, 4.68, 4.5 and 1.55 respectively. The highest Compound Annual Growth Rate is 0.54 in South Africa and Brazil and China has below 0.01 and Russia, South Africa has the negative Growth Rates are 0.01 and 0.01 respectively. The Inflows are expected to attain the following figures for the BRICS countries in the year 2015- 2016. The positive trend shows in Brazil is 5.12, Russia 4.62 , India 4.19 , China 5.18 and South Africa 5.1 respectively. The comparison with in the year 2012-2013, there is no increasing trend in Russia's FDI inflows. The other countries have the increasing trend in the year 2015-2016.

Exhibit-2
The Total Inflows of FDI in BRICS countries from the period of 2008-2009 to 2012-2013



Sources: Compiled and calculated from the data published in World Bank Data.

SUGGESTIONS

The following suggestions are given based on the findings of the study.

- ❖ The performance of GDP annual growth rate is found to be negative in Brazil, Russia, China and South Africa. Consequently, these countries must concentrate to move on economic policies and restructuring FDI policies to their better investment nature. This will help to improve positive GDP growth in future.
- ❖ The total inflows showed the negative growth in the countries like Russia and India. So, these two countries desire to grow to allow domestic and host countries investment into many sectors. This will support to their capital investment.

CONCLUSION

Foreign Direct investment is an important key for every nation to promote their capital investment. The country wise over all investment patterns in Brazil, Russia, India and China are satisfactory during the study period. The new member of this BRICS (South Africa) has the gradual performance during the study period. These fast developing economies are having larger market potentials which attract more FDI inflows among BRICS nations. The economic stability of BRICS countries are expected to move upward trend in the future.

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