

To Study the Foreign Direct Investment in India

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Abstract: *One of the world's fastest-growing emerging economies, the Indian economy draws a significant amount of foreign direct investments each year. However, reports over the last few years have indicated sporadic inflows of foreign direct investment into India, as well as a tendency toward declining GDP. This necessitates researching many aspects of such investments. The purpose of this article is to examine the patterns of foreign direct investment (FDI) inflows into India as well as the distribution of these investments inside the nation by sector. The secondary data used in this study was gathered from numerous trustworthy sources. CAGR (Compound Annual Growth Rate) and percentages, two straightforward statistical methods, have been used.*

Keywords: Foreign Direct Investments, Trend Forecast, Growth, Decline

I. INTRODUCTION

An ownership position in a foreign firm or project is known as a foreign direct investment (FDI) and is made by a foreign investor, business, or government. Typically, the phrase refers to a corporate decision to buy a sizable portion of a foreign company or to buy it altogether to expand operations to a new area. The phrase is often not used to refer to a stock purchase in a single overseas firm. FDI is a crucial component of global economic integration since it forges strong, long-lasting ties between nations' economies.

If an investment creates a long-lasting interest, it is regarded as FDI. When an investor gains at least 10% of the voting power in a company, an enduring interest is developed. The aspect of control is essential to foreign direct investment. Control signifies the desire to actively direct and shape a foreign company's operations. This is the main distinction between passive foreign portfolio investments and FDI.

1.1 METHODS OF FOREIGN DIRECT INVESTMENT:

- Obtaining voting shares in a foreign corporation
- Mergers and Acquisition
- Partnerships with international enterprises
- Establishing a local company's overseas subsidiary

1.2 ADVANTAGES OF FOREIGN DIRECT INVESTMENT:

Both the investor and the foreign host country stand to gain from foreign direct investment. These incentives stimulate FDI and permit it between the two parties.

Here are a few advantages for companies:

market augmentation
tax advantages
decreased labor costs
Favored trade practices
Subsidies

The following are a few advantages for the host nation:

economic dynamism
growth of human capital
expansion of employment
access to knowledge, abilities, and technology in management

1.3 DISADVANTAGES OF FOREIGN DIRECT INVESTMENT:

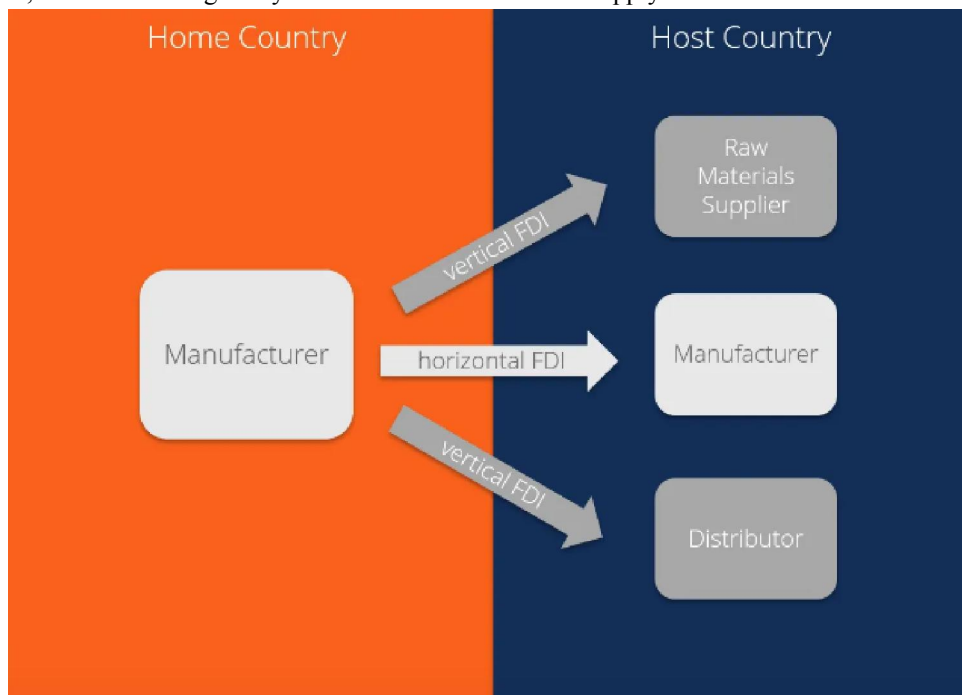
- FDI still has two key drawbacks despite its many positives, including:
- eviction of neighborhood businesses
- Profit reinvestment
- Large companies like Walmart entering the market might push out regional enterprises. Walmart is frequently blamed for displacing small local companies with its reduced prices.

1.4 TYPES OF FOREIGN DIRECT INVESTMENT:

FDI often falls into one of two categories: horizontal FDI or vertical FDI.

Horizontal: A company grows into another nation with its domestic activities. In this instance, the company carries out the same operations, but in a different nation. McDonald's opening restaurants in Japan, for instance, would be regarded as horizontal FDI.

Vertical: It involves a company going up the supply chain to develop internationally. In other words, even while a company engages in other operations overseas, such activities are still associated with the primary business. Using the same illustration, McDonald's might buy a sizable farm in Canada to supply beef to its eateries.



II. REVIEW OF LITERATURE

On foreign direct investment, there are a lot of published articles available. There has been a review of pertinent literature. In their study Multinational Companies and Foreign Direct Investment in China and India, Bajpai and Dasgupta (2004) examined the FDI patterns over time by MNCs into these two developing countries and sought to determine the likelihood of attracting higher FDI inflows for India by formulating appropriate policies. In their study on FDI and its relationship with exports in India, status, and prospects in the north-east region, Goswamia and Saikiab (2012) have examined FDI trends in India and established the relationship between FDI and exports between 1991 and 2011. Patil and Kadam (2014) attempted to determine the importance of FDI in our nation by observing its inflows as well as its impact on its economic development over the years 2000–2010 in their research work titled Effects of FDI on Indian economy: A Critical Appraisal. In their 2012 paper An Overview of Foreign Direct Investment in India, Azhar and Marimuthu concentrated on the necessity, sources, and determinants of FDI as well as an evaluation of the phenomenon year-by-year and sector-by-sector. Anitha (2012) explains the significance of FDI for developing and impoverished countries in her article Foreign Direct Investment and Economic Growth in India

III. RESEARCH METHODOLOGY

Research methodology is a way to systematically solve research problems. It may be understood as a science of studying how research is done systematically. In fact, research is an art of scientific investigation. Various steps are adopted by a researcher in studying his problem along with the logic behind them. “The procedures by which researchers go about their work of describing, explaining and predicting phenomena are called methodology.”

3.1 RESEARCH DESIGN

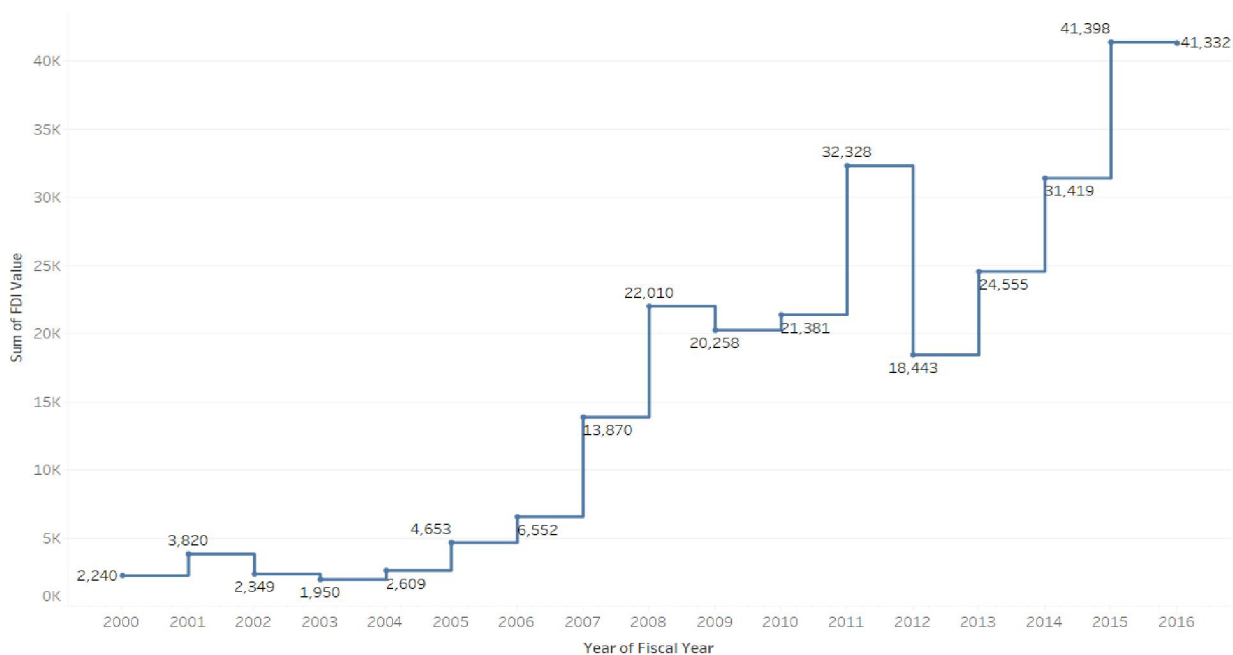
A research design typically includes how data is to be collected, what instruments are to be employed, how the instruments are to be used, and the intended means for analyzing data collected. A descriptive research design will be adopted for the research. A descriptive research design is adopted because it aims to study the demographic characteristics of customers who avail themselves of plastic cards. The descriptive research design is typically concerned with determining the frequency with which something occurs or how two variables (preference and satisfaction level) vary together.

IV. DATA ANALYSIS AND INTERPRETATION

1. Overall Trends:

This graph shows the general trends across all industries. Here, the fiscal year is on the x axis and the sum of FDI value is on the y axis.

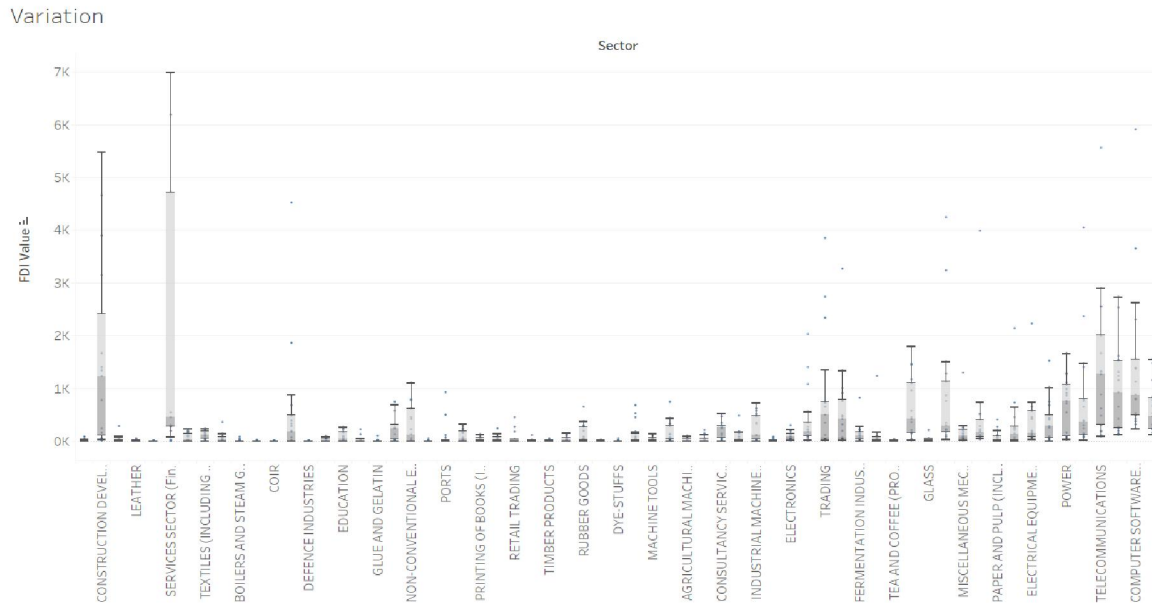
Overall Trends



The graph above displays the amount of FDI from the years 2000 to 2016, showing that although in 2000 there were 2240 billion dollars (about \$6,900 per person in the US) worth of FDI, in 2016 there was 41,398 billion dollars (about \$130,000 per person in the US) worth of FDI.

2. Variation:

The variance across all industries is seen in this graph. The FDI value is on the y axis in this graph, while the various sectors are on the x axis.

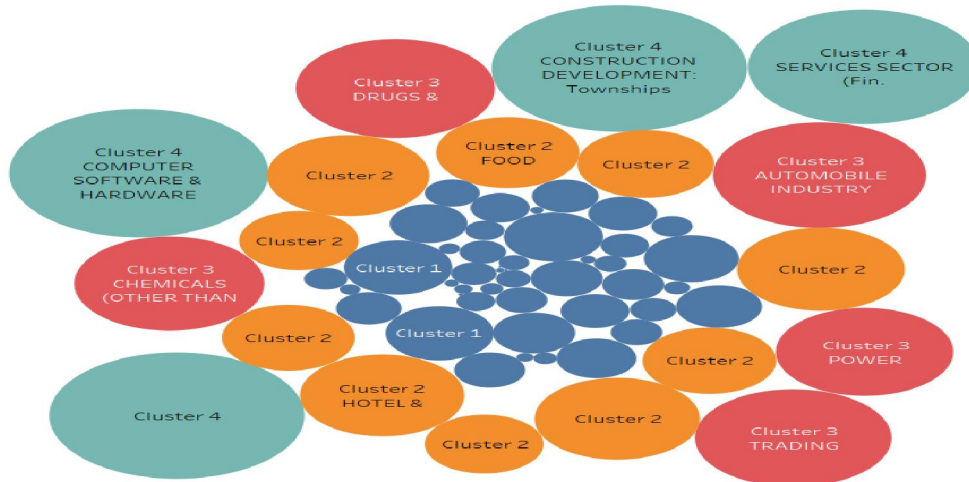


Using a box and whisker plot, the graph illustrates how the FDI values of the various industries vary from one another. Here, FDI value varies in the service sector.

3.. Clusters:

The clusters in this graph show are diverse. After grouping the sectors, they are plotted in clusters. Sectors that belong to the same industry are grouped together into one cluster.

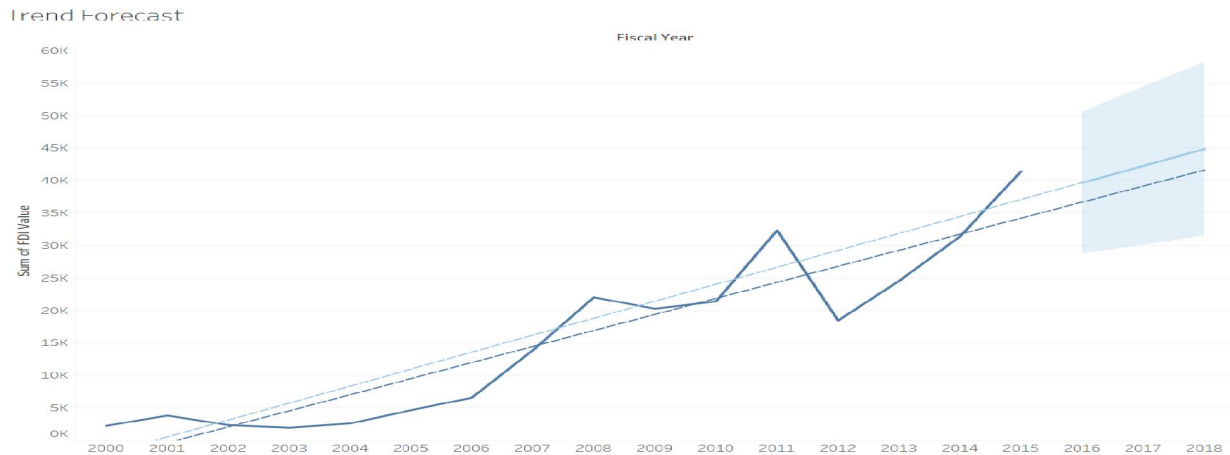
Clusters



There are four to five clusters here, each of which has a variety of industries. It carries out this via cluster plot.

5. Trend Forecast:

This is a crucial element in the case study since it provides an outlook on FDI in India. This provides a projection for the next two to three years for each sector. Here, the fiscal year is on the x axis and the sum of FDI value is on the y axis.



The real data from 2000 to 2016 is shown here in dark blue. The expected FDI value from 2016 to 2018 is shown in light blue. The total value of the foreign direct investment is predicted to reach \$44.843 billion in 2018. The insights of FDI data allow one to see the total of all data analysis.

V. CONCLUSION

Trends are merely relative statistics that could be different from the original figures. While foreign direct investment continues to flow into the economy, it only displays the relationship as a percentage increase over the previous year. Such fluctuations in the trends of foreign direct investment inflows may be caused by a variety of reasons, including economic, institutional, and political ones. These variables include, among others, the nation's economic development, the size of the market, the location of the resource, the return on investment, inflation, governmental regulations, political stability, tax laws, and the rate of foreign exchange.

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