CHAPTER IV

TREND AND PATTERN OF FDI IN INDIA SINCE ECONOMIC REFORMS

4. 1 Introduction

FDI takes place when a resident in one economy obtains a lasting interest in an enterprise resident in another economy. Thus, the process stabilizes the distribution of capital across boundaries. Accordingly, nations formulate essential policies to optimize the benefits and evade the risk associated with this overseas flow of capital. The policy framework in India ultimately aims at the right and equitable distribution of FDI. In this chapter, the trend, pattern and composition of FDI inflows to India since the adoption of new economic policy in 1991 are evaluated. An attempt has also been made to predict the monthly inflow of FDI to India using the econometric tool of ARIMA.

4. 2 Trend of World FDI

This section of the chapter gives a description of the overall trend of world FDI inflows. World FDI inflows fell down by 23 per cent in 2017 and it was in sharp contrast to other macro-economic variables like GDP, trade etc. which had substantial improvement in 2017. Global FDI inflows witnessed such a sharp contraction mainly due to the decrease in the value of net cross-border Mergers and Acquisitions (M&As) to $694 billion from $887 billion in 2016 [World Investment Report (WIR), UNCTAD, 2018]. The value of announced green-field investment, which indicates the future trend of FDI, also fell down substantially by 14 per cent. FDI inflows to developed and transition economies dropped down sharply in 2017, while the inflows to developing economies stood more or less stable. Thus, developing economies could absorb 47 per cent of the total FDI in 2017, compared to the 36 per cent in 2016. The negative trend in the world FDI inflows occurred due to the play of many factors. One factor is the asset-light[1] form of overseas operations which becomes a reason for structural shift in FDI patterns. The significant fall in the rates of return over the past five years was another major cause. The global rate of return on inward FDI got reduced to 6.7 per cent in 2017. The following table (Table 4.1) presents the data on reducing rate of return on global FDI.

Table 4.1
Rates of Return on Inward FDI

Inward FDI Rates of Return, 2012-2017 (Per cent)							Per cent Decline (6-1)
Region	**1** **2012**	**2** **2013**	**3** **2014**	**4** **2015**	**5** **2016**	**6** **2017**	
World	8.1	7.8	7.9	6.8	7	6.7	**1.4**
Developed economies	6.7	6.3	6.6	5.7	6.2	5.7	**1**
Developing economies	10	9.8	9.5	8.5	8.1	8	**2**
Transition economies	14.4	13.9	14.6	10.2	11.1	11.8	**2.6**
Asia	10.5	10.8	10.6	9.9	9.5	9.1	**1.4**
East and South-East Asia	11.5	11.8	11.7	11	10.3	10.1	**1.4**
South Asia	7.2	6.7	6.1	5.5	6.4	5.7	**1.5**
West Asia	5.5	5.4	4.9	4.6	4.6	3.4	**2.1**

Source: World Investment Report, 2018.
Note: Per cent decline in rates of return is shown for the period 2012-2017.

Table 4.1 presents the diminishing rate of return on FDI in different categories of economies for the past five years from 2012 to 2017. Accordingly, the rate of return on global FDI diminished by 1.4 per cent within a span of five years (from 2012 to 2017). Such a reduction in the rate of return on FDI within the same period is visible for various groups of economies with variations. The reduction in the rate of return on

[1]Asset light model is a business model where a business owns relatively fewer capital assets compared to the value of its operations.

FDI has gone higher in transition economies. For them, the reduction is 2.6 per cent between 2012 and 2017. The reduction is least for developed economies (one per cent). In the following table (Table 4.2), the trend of world FDI inflows has been presented. It is composed of the trend of FDI inflows to developing economies, developed economies and transition economies.

Table 4.2
Trend of World FDI

Period	*Developing Economies*		*Transition Economies*		*Developed Economies*		*Whole World*	
	Five Year Average FDI Inflow (US $ Bn)	**Five Year % Change in the FDI Inflow**	**Five Year Average FDI Inflow (US $ Bn)**	**Five Year % Change in the FDI Inflow**	**Five Year Average FDI Inflow (US $ Bn)**	**Five Year % Change in the FDI Inflow**	**Five Year Average FDI Inflow (US $ Bn)**	**Five Year % Change in the FDI Inflow**
1983-87	17.26	-	NA	-	59.93	-	77.19	-
1988-92	37.67	118.21	NA	-	138.55	131.19	176.22	128.29
1993-97	125.67	233.59	4.82	-	206.88	49.32	337.37	91.45
1998-02	200.99	59.93	7.71	59.85	688.93	233.01	897.63	166.06
2003-07	342.78	70.54	44.71	480.24	710.42	3.12	1097.91	22.31
2008-12	596.51	74.02	77.51	73.36	761.69	7.22	1435.72	30.77
2013-17	683.74	14.62	57.43	-25.91	855.35	12.30	1596.51	11.20
Average Growth (%)	**-**	**95.15**	**-**	**146.89**	**-**	**72.69**	**-**	**75.01**

Source: Computed on data from the online datacenter of UNCTAD
Note: NA-Not Available

Table 4.2 shows the dramatic changes occurred in the volume of FDI inflows to developing economies, transition economies, developed economies and total world between 1983-87 and 2013-17. Here, five-year average FDI inflows (average of FDI inflows of five years) to each category of economy along with per cent growth in each five year have been shown.

The whole world average FDI inflows were US $ 77.19 billion in 1983-87 and it elevated to US $ 1596.51 billion by 2013-17. Thus, world FDI inflows (five year average) hiked by 20 times between 1983-87 and 2013-17. As per Table 4. 2, the total world FDI inflows have been subdivided in to three as FDI inflows to developing economies, transition economies and developed economies. Regarding developing economies, average FDI inflows during 1983-87 was US $17.26 billion and it got elevated to US $ 683.74 billion during 2013-17. An increase of over 38 times occurred. FDI inflows to transition economies got lifted up to US $57.43 billion in 2013-17 from US $ 4.82 billion in 1993-97. An increase of around 11 times occurred. In developed economies, FDI inflows enhanced from US $ 59.93 billion in 1983-87 to US $855.35 billion in 2013-17. Here, a hike of over 13 times occurred. The following table (Table 4.3) shows the composition of individual FDI inflows in the total world FDI inflows for all categories of economies between 1983-87 and 2013-17.

Table 4.3
Per cent Composition in the World FDI

Period	% of the Total World FDI Inflows (5 Years' Average)		
	Developing Economies	Transition Economies	Developed Economies
1983-87	22.37	NA	77.63
1988-92	21.38	NA	78.62
1993-97	37.25	1.43	61.32
1998-02	22.39	0.86	76.75
2003-07	31.22	4.07	64.71
2008-12	41.55	5.40	53.05
2013-17	42.83	3.60	53.58

Source: Computed on data from the online datacenter of UNCTAD Note: NA-Not Available

Table 4.3 shows FDI inflows to developing economies (per cent in world FDI inflows) were steadily increasing from 1983-87 to 2013-17. Simultaneously, the per cent of FDI to developed economies decreased continuously. An overall increase of 20.46 per cent took place in the volume of FDI inflows to developing countries between 1983-87 and 2013-17. Thus, in 2013-17, FDI inflows (five-year average) to developing economies constituted 42.83 per cent of the total world FDI and that can be perceived as a prominent change ensued due to the marked shift occurred in the hostile attitude of developing countries towards FDI and as a result, they began to widely liberalize their restrictive policy regime to welcome foreign investors. For attracting foreign investors, they started to formulate strategies stressing on competitiveness, privatization and outward orientation. However, the FDI inflows (five-year average) to developed economies reduced by 24.05 per cent between 1983-87 and 2013-17. Thus, it is going to happen within the near future that developing economies will get ahead of developed economies in fetching major share of FDI inflows.

In the case of transition economies, there occurred only a slight increase of 2.17 per cent in FDI inflows between 1993-97 and 2013-17. Transition economies are in the process of shifting from a planned economy to a free-market economy and it is expected that soon they will turn out to be major FDI hubs. The following section gives a brief account of the FDI scenario in developing economies.

4.2.1 Trend of FDI in Developing Economies

In 2017, FDI inflows to developing countries stood more or less stable. Thus developing countries received 47 per cent of the total world FDI inflows in 2017, against the 36 per cent they got in 2016. At the same time, the share of developed economies in the world FDI inflows diminished to 50 per cent. In 2017, half of the top

10 recipient countries of world FDI were developing economies including China, Brazil, India, Indonesia and Mexico. These facts prove that the strength of developing economies including India is increasing and they will soon turn out to be major industrial giants in the world. The table (Table 4.4) presents the data on mounting foreign investment in all categories of developing economies.

Table 4.4

FDI Inflows to Developing Economies of the World

Period	*Developing Economies: Africa*		*Developing Economies: America*		*Developing Economies: Asia*		*Developing Economies: Oceania*	
	Five Year Average FDI Inflow (US $ Bn)	Five Year % Change in the FDI Inflow	Five Year Average FDI Inflow (US $ Bn)	Five Year % Change in the FDI Inflow	Five Year Average FDI Inflow (US $ Bn)	Five Year % Change in the FDI Inflow	Five Year Average FDI Inflow (US $ Bn)	Five Year % Change in the FDI Inflow
1983-87	1.97	-	4.9	-	10.27	-	NA	NA
1988-92	3.58	81.54	10.63	116.84	23.21	126.12	NA	NA
1993-97	6.85	91.38	36.17	240.26	82.4	255	NA	NA
1998-02	13.25	93.32	73.72	103.83	113.79	38.09	NA	NA
2003-07	30.22	128.1	76.29	3.48	235.54	107	NA	NA
2008-12	52.01	72.09	156	104.48	386.07	63.91	2.42	NA
2013-17	50.96	-2.01	162.1	3.91	468.59	21.37	2.08	-14.37
Average Growth (%)	**-**	**77.4**	**-**	**95.46**	**-**	**101.91**	**-**	**-14.37**

Source: Computed on data from the online datacenter of UNCTAD

Note: NA-Not Available

Table 4.4 shows that FDI inflow is on the increase in all kinds of developing economies except Oceania. In Oceania, the available data is limited and it is difficult to reach a conclusion with it. In Africa, FDI inflows (five-year average) were US $ 1.97 billion in 1983-87 and it hiked to US $ 50.396 billion by 2013-17. An increase of around *25 times* occurred.

In America, FDI inflows were US $ 4.9 billion in 1983-87 and it reached US $ 162.1 billion by 2013-17. An increase of *32 times* occurred. In Asia, FDI inflows were US $ 10.27 billion in 1983-87 and reached US $ 468.59 billion by 2013-17. A raise of around *45 times* occurred.

However, growth rate of FDI inflows is the lowest in all categories of developing economies in the current five year period; i.e., in 2013-17. In Africa and Oceania, it is negative (minus 2.01 per cent and minus 14.37 per cent respectively). In America, it is 3.91 per cent, an all time low rate of growth after the lowest rate of 3.48 per cent in 2003-07. The rate of growth is comparatively better in Asia (21.37 per cent). However, it is the all time low rate in Asia since 1983-87. This low rate of growth in FDI inflows (to all categories of developing economies in 2013-17) can be attributed to a bunch of factors including the reduction in the rate of return on investment in almost all parts of the world. The average growth per cent (average of all the five-year periods) is highest (101.91 per cent) in Asia.

The following table (Table 4.5) presents the details of per cent composition of FDI inflows in total world FDI inflows for all kinds of developing economies. For this calculation also, the five year average FDI inflows have been considered.

Table 4.5
Per cent Composition in World FDI

Period	***Developing Economies: Per cent of the Total World FDI Inflows (5 Years' Average)***			
	Africa	***America***	***Asia***	***Oceania***
1983-87	2.55	6.35	13.30	NA
1988-92	2.03	6.03	13.17	NA
1993-97	2.03	10.72	24.42	NA
1998-02	1.48	8.21	12.68	NA
2003-07	2.75	6.95	21.45	NA
2008-12	3.62	10.87	26.89	0.17
2013-17	3.19	10.15	29.35	0.13

Source: Computed on data from the online datacenter of UNCTAD
Note: NA-Not Available

According to Table 4.5, FDI Inflows (5 Year's Average) to Africa in total world FDI can be seen increasing at a diminishing rate while that to both America and Asia are increasing at an increasing rate. In 2013-17, FDI Inflows (5 Year's Average) to America composed 10.15 per cent of the total world FDI inflows and that of Asia was 29.35 per cent. For Africa, it was lower (3.19 per cent). Thus, the total FDI Inflows (5 Year's Average) to all categories of developing economies in the total FDI inflows constituted 42.83 per cent in 2013-17.

The following table (Table 4.6) presents the details of volume of FDI Inflows (5 Year's Average) to developing economies in Asia from 1983-87 to 2013-17.

Table 4.6
FDI to Developing Economies in Asia

Period	*Developing Economies: Eastern Asia*		*Developing Economies: Southern Asia*		*Developing Economies: South-Eastern Asia*		*Developing Economies: Western Asia*	
	Five Year Average FDI Inflow (US $ Bn)	**Five Year % Change in the FDI Inflow**	**Five Year Average FDI Inflow (US $ Bn)**	**Five Year % Change in the FDI Inflow**	**Five Year Average FDI Inflow (US $ Bn)**	**Five Year % Change in the FDI Inflow**	**Five Year Average FDI Inflow (US $ Bn)**	**Five Year % Change in the FDI Inflow**
1983-87	4.63	-	0.10	-	3.15	-	2.38	-
1988-92	10.58	128.24	0.44	339.73	10.80	242.22	1.40	-41.07
1993-97	49.43	367.30	2.98	582.15	26.91	149.29	3.07	119.48
1998-02	81.47	64.81	5.87	96.86	22.41	-16.74	4.03	31.26
2003-07	120.44	47.83	19.32	229.04	50.77	126.60	45.01	1015.62
2008-12	199.73	65.84	42.14	118.08	80.38	58.31	63.82	41.81
2013-17	266.16	33.26	46.89	11.29	124.05	54.33	31.49	-50.67
Average Growth (%)	-	**117.88**	-	**229.52**	-	**102.33**	-	**186.07**

Source: Computed on data from the online datacenter of UNCTAD

Table 4.6 shows that developing economies in Eastern Asia attracted significant volume of FDI inflows in 2013-17. In the period, they received FDI worth US $ 266.16 billion, while Southern Asia received FDI worth US $ 46.98 billion. Between 1983-87 and 2013-17, FDI to Eastern Asia raised by more than 56 times. Southern Asia has also made substantive achievement in attracting FDI; from a mere US $ 0.1 billion in 1983-87, it hiked to US $ 46.89 billion in 2013-17. Eastern Asian countries like Japan, China, Hong Kong province of China, South Korea etc. are major receivers of FDI. In Southern Asia, India is the principal host country.

In South-east Asia, FDI inflows were US $ 3.15 billion in 1983-87 and it surged up to US $124.05 billion by 2013-17. An increase of 38.38 times occurred. By 2017, South-east Asian countries which include Indonesia, Singapore, Malaysia, Philippines etc. have become major host countries. However, Western Asia, which consists of 19 countries including Arab nations, has not converted as a major destination of FDI as it could fetch in FDI worth US $ 31.49 billion only in 2013-17. The following table (Table 4.7) shows the per cent of FDI in developing economies in Asia as a part of world FDI.

Table 4.7
Per cent of Total World FDI Inflows (5 Year's Average)

Period	*Developing Economies: Eastern Asia*	*Developing Economies: Southern Asia*	*Developing Economies: South-Eastern Asia*	*Developing Economies: Western Asia*
1983-87	6.00	0.13	4.08	3.08
1988-92	6.00	0.25	6.13	0.79
1993-97	14.65	0.88	7.98	0.91
1998-02	9.08	0.65	2.50	0.45
2003-07	10.97	1.76	4.62	4.10
2008-12	13.91	2.94	5.60	4.45
2013-17	16.67	2.94	7.77	1.97

Source: Computed from the Online Datacenter of UNCTAD

Table 4.7 shows FDI inflows to various regions in Asia as per cent of the total world FDI from 1983-87 to 2013-17. 16.67 per cent of total world FDI inflows came to Eastern Asia in 2013-17. To South-East Asia, 7.77 per cent of the total world FDI arrived. Factors like trade and investment liberalization, rapidly growing local market, extent of economic development, low inflation and stringent Intellectual Property Rights (IPR) make the developing nations from Eastern and South-East Asia more captivating to foreign investment.

In 2013-17, Southern Asia could receive only 2.94 per cent of world FDI inflows which was 0.13 per cent in 1983-87; and only a moderate increase took place. The picture is similar in Western Asia. They could attract only 1.97 per cent of total FDI inflows in 2013-17, which reflected the increasing geo-political risks in the western part of Asia.

The following section of the chapter discusses about the trend of FDI inflows to India, being a prominent developing economy in Southern Asia.

4.3 Trend of FDI Inflows in India since 1990

In India, the government's measures of liberalization since July 1991 have resulted in considerable increase in FDI inflows to the country which made the growth strategy of the country gradually more dependent on foreign capital. However, though increased considerably, FDI inflows have fluctuated over the years and are not so high when considered as a proportion to GDP. The following table (Table 4.8) shows the yearly FDI inflows to India from 1990 to 2017.

Table 4.8
FDI Inflows to India Since 1990

India							
Year	**FDI Inflows(US $ Bn)**	**Growth Rate (%)**	**FDI Inflows as % of World FDI Inflows**	**FDI Inflows as %of FDI Inflows to Developing Economies**	**FDI Inflows as %of FDI Inflows to Developing South Asian Economies**	**FDI to GDP**	**FDI to GFCF**
1990	0.24	-6.11	0.12	0.69	-	0.07	0.29
1991	0.075	-68.35	0.05	0.19	16.78	0.03	0.11
1992	0.25	236.00	0.15	0.47	33.40	0.09	0.36
1993	0.53	111.11	0.24	0.70	39.28	0.19	0.83
1994	0.97	83.08	0.38	0.95	49.95	0.30	1.27
1995	2.15	120.84	0.63	1.83	76.38	0.60	2.32
1996	2.53	17.39	0.65	1.72	74.70	0.64	2.60
1997	3.62	43.33	0.75	1.95	66.85	0.87	3.44
1998	2.63	-27.25	0.38	1.50	67.06	0.62	2.47
1999	2.17	-17.66	0.20	1.00	66.72	0.47	1.84
2000	3.59	65.50	0.26	1.55	73.73	0.77	3.15
2001	5.48	52.67	0.71	2.54	81.18	1.13	4.21
2002	5.63	2.78	0.95	3.39	53.26	1.09	4.31
2003	4.32	-23.24	0.78	2.22	51.59	0.71	2.71
2004	5.78	33.71	0.83	2.21	53.18	0.81	2.65
2005	7.62	31.91	0.80	2.30	53.74	0.93	2.84
2006	*20.33*	*166.71*	*1.45*	*5.04*	*71.10*	*2.16*	*6.44*
2007	25.35	24.71	1.34	4.85	73.28	2.08	5.82
2008	*47.10*	*85.81*	*3.17*	*8.15*	*83.22*	*3.93*	*11.32*
2009	35.63	-24.35	3.02	7.73	83.89	2.66	7.82
2010	27.42	-23.06	2.00	4.36	78.53	1.64	4.92
2011	36.19	32.00	2.31	5.45	81.64	1.99	5.79
2012	24.20	-33.14	1.54	3.71	74.76	1.32	3.96
2013	28.20	16.55	1.98	4.35	79.22	1.52	4.85
2014	34.58	22.63	2.58	5.05	83.45	1.70	5.64
2015	44.06	27.42	2.29	5.92	86.10	2.09	7.29
2016	44.48	0.95	2.38	6.64	82.07	1.94	6.88
2017	39.92	-10.26	2.79	5.95	76.69	1.51	5.26
Average	**16.25**	-	**1.24**	**3.30**	**68.68**	**1.21**	**3.98**
Standard Deviation	**16.69**	-	-	-	-	-	-
Standard Deviation/Mean	**102.71**	-	-	-	-	-	-
AAGR	-	**33.63**	-	-	-	-	-
CAGR	**20.04**	-	-	-	-	-	-

Source: Computed from the Online Datacenters of both UNCTAD and World Bank

In 1990, FDI flows to India went lower by 6.11 per cent (Table 4.8). World FDI inflows grew by 4 per cent in the year. The growth in the number of cross-border mergers and acquisitions was the principal reason behind the growth in the global FDI in the year. Cross-border mergers and acquisitions grew abundant because of the technological and competitive forces. In 1990, FDI to India consisted of a meager 0.12 per cent of the total world FDI and 0.69 per cent of total developing economy's FDI. India's ratios of FDI to GDP and FDI to GFCF were quite lower (0.07 per cent and 0.29 per cent respectively). These indicate the very lower quantity of FDI inflows received by India in the beginning of 90s.

In India, during the period, the affairs of the economy were not cheerful. The trade deficit of the country elevated from Rs. 12, 400 crore in 1989-1990 to Rs. 16, 900 crore in 1990-91. The Current Account Deficit (CAD) enlarged from Rs. 11,350 crore in 1989-90 to Rs. 17,350 crore in 1990-91. The CAD to GDP ratio elevated from 2.3 per cent in 1989-90 to 3.1 per cent in 1990-91. Moreover, the fiscal deficit to GDP ratio was more than seven per cent during the two years 1989-90 and 1990-91. The foreign exchange reserves, which supposed to cover import costs for two years (1989-1991),were just sufficient to cover close to two and half months of imports. The average rate of inflation was 7.5 per cent in 1989-90, which went up to ten per cent in 1990-91. In 1991-92, it crossed 13 per cent. The GDP growth rate which was 6.5 per cent in 1989-90, came down to 5.5 per cent in 1990-91. The Balance of Payment crisis also affected the performance of industrial sector. The average industrial growth rate was eight per cent in the second half of 1980s. In 1989-90, it was 8.6 per cent and in 1990-91 it was 8.2 per cent.

India's foreign exchange reserves stood at Rs. 5,277 crore on 31 December 1989, which declined to Rs. 2,152 crore by the end of December 1990. Between May and

July 1991, these reserves ranged between Rs. 2,500 crore to 3,300 crore. All these paved the way for low FDI in India in the years 1990 and 1991.

After a fall of two consecutive years, FDI to India recorded an unprecedented growth of 236 per cent in 1992. By 1992, India had taken several conclusive decisions in its external sector regulations like, movement to partial convertibility of the rupee (current account), adoption of export-import policy involving a phased-in reduction of both tariffs and quotas etc.

In 1993 also, FDI to India grew high by 111.11 per cent. During the year, the world FDI inflows grew at a lower rate of 35.1 per cent. In 1993 also, India adopted certain decisive policy actions as a part of its external sector reforms. It includes, allowing of full ownership to foreign investors, which were previously restricted for them, adoption of the national treatment principle, opening up of financial sector partially for FDI, made Rupee fully convertible (Current Account) etc.

In 1994, FDI to India grew by 83.08 per cent. In the same year, world FDI inflows grew by 15.81 per cent. In India, FDI approvals rose dramatically from $165 million in 1990-1991 to $4 billion in 1993-1994, although actual inflows were still under $1 billion a year. In 1994, the country opened both its telecom and mining industry towards FDI.

In 1995, FDI inflow to the country reached another summit. The growth rate in the year was 120.84 per cent while that of the world FDI was 33.96 per cent. FDI inflows to South Asia doubled in the year mainly due to the exceptional hike in the inflows to India. It was in this year, the country opened up its cable television network sector towards FDI. All these reform measures in the country had improved the confidence of foreign investors. As a result, the country's annual FDI inflows got elevated from $ 155 million in 1991, to $ 947 million in 1994. It shows an increase by more than 5 times within three years. The reforms also could shape the sectoral distribution of the country's inward FDI. 33 per cent of the inward FDI approvals in India went to the infrastructure sector (including oil, power, transport, hotels and tourism) of the country between 1991 and 1995. 27 per cent of the foreign investment was in the infrastructure sector which constituted of, electronics, chemicals and machinery (WIR, 1995).

In 1996, FDI inflows to India grew by 17.39 per cent, while the whole world FDI enhanced by 13.85 per cent. Flows to South Asia enhanced to $ 3.5 billion, which reflected, principally a raise in the inflows to India. It was the first time, in India, FDI exceeded FPI, in the country's recent time. By 1996, India had become an attractive destination for investment to the newly industrializing economies in Asia. By the year, investment from the Republic of Korea had outstripped that from US and UK.

In 1997, India's FDI inflows grew by 43.33 per cent and the world FDI grew by 23.83 per cent. In 1997, FDI inflows to South Asia hiked to a record level of $ 4.4 billion against the $ 3.3 billion worth inflows in 1996.

After an increase for six consecutive years (1992-97), FDI inflows to India fell by 27.25 per cent in 1998. Nevertheless, global FDI rose by 43.44 per cent during the year. India couldn't sustain the high inflows in FDI it had in its recent past. The Asian crisis played a role in the reduction in FDI inflows during that year. Measures to encourage private investment and foreign participation in the domestic economy were strengthened in 1998 in India. By 1998, the Indian software industry got uplifted due to the investment made by foreign firms. Texas Instruments (TI) in 1986 established its first wholly owned export-oriented subsidiary in the country. In 1989, Hewlett-Packard (HP) set up a 100 per cent owned subsidiary in Bangalore. In 1990-1991 India did away with the quantitative restrictions on imports of intermediate and capital goods for software exports, which gave further boost to the industry. The TI and HP investments rendered help to the Indian software industry at a crucial stage of its development. Thus, the export competitiveness of Indian software industry got well established.

In 1999, FDI flows to India went lower by 17.66 per cent. Simultaneously, the world FDI grew by 55.83 per cent. FDI flows to South Asia reduced by 13 per cent in 1999, mainly due to a decline in the inflows to India. This reduction in the inflows to South Asia was $ 1.7 billion lower than the peak level of 1997($ 4.9 billion). In 2000, FDI inflows to India grew by 65.5 per cent. In the year, the growth in world FDI was 26.22 per cent. However, inflows to South Asia fell by one per cent.

In 2001, FDI to India grew by 52.66 per cent. The world FDI flows went lower by 43.12 per cent. FDI inflows to South Asia saw an increase of 32 per cent in 2001 and it became $ 4 billion. Among this, FDI worth $ 3.4 billion went to India, the region's highest recipient. India could achieve that much FDI in the year due to its continued liberalization measures. On the other hand, inflow to the other countries in the region, diminished significantly, after the September 11 event (Terrorist Attack in US).

In 2002, FDI flows to India elevated by 2.77 per cent. Global FDI fell down by -23.66 per cent in the year, amidst weak performance of the global economy. Lower corporate profitability, falling stock market valuations etc. were the major reasons. Slowdown in the pace of corporate restructuring in some industries and the winding down of privatization in some countries also played behind the reduction of global FDI. In South Asia, in 2002, FDI inflows became $4.6 billion, from the $ 4 billion of the previous year. FDI flows to India rose in the year, mainly due to the country's market potential, improved economic performance, growing competence of IT industries, and the impetus of its liberalization efforts.

In 2003 FDI to India went lower by 23.24 per cent and there occurred a decrease of 6.64 per cent in the world FDI. South Asia received $ 6.1 billion FDI, which was $4.5 billion in 2002.

In 2004, global FDI grew only by two per cent, while India had 33.71 per cent of growth. South Asia also had a significant growth rate in its inflows (31 per cent). A rise in the quantity of FDI flow to India was the result of its improved economic performance and open investment climate. Cross-border M&As to India rose in 2004 as the telecommunications, business process outsourcing and pharmaceutical industries saw an increase in large deals.

FDI flows to India grew by 31.91 per cent in 2005, while world FDI increased by 29 per cent. FDI to South Asia increased by 34 per cent. Most economies in South Asia got enough volume of FDI in 2005. Improved economic and policy conditions helped for the upswing of FDI inflows to India. In 2005, India's GDP growth rate exceeded 8 per cent and the country's stock market grew by 36 per cent.

In 2006, there happened a record hike in the FDI inflow to India; a hike of 166.7 per cent. It is the highest since the peak of (236 per cent) in 1992. In 2006, global FDI grew by 38 per cent. FDI inflows to developed countries grew by 45 per cent and that to developing countries grew by 21 per cent. However, FDI to transition economies got a record growth of 68 per cent. FDI inflows to South Asia elevated by 126 per cent, mainly due to an exorbitant increase in the FDI inflows to India in 2006. FDI to India outpoured that much in 2006, because of the subsistence of the country's rapidly growing economy. Such an economic state could boost up the investor confidence in the country. Similarly, the sustained growth in income has also made the country a favourable destination for market seeking FDI. Due to this record hike in FDI inflows in 2006, there occurred a quantum leap in the volume of other variables like; FDI to

India as part of World FDI (1.45 per cent), FDI to India as part of Developing Economy's FDI (5.04 per cent), FDI to India as part of developing South Asian Economy's FDI (71.1 per cent), FDI Inflows to India's GDP (2.16 per cent) and FDI Inflows to India's GFCF (6.44 per cent).

In 2007, FDI to India grew by 24.7 per cent, while that of the world was 34.9 per cent. Global FDI reached at its record height in 2007. The previous record height of global FDI was in 2000, and in 2007, it exceeded that too. High economic growth in many parts of the world was the principal reason behind such a record height of the global FDI in 2007. In the late 2007, the financial and credit risks began to affect many economies. However, the profits of parent firms went on increasing. Such firms provided funds to their subordinates, and it reduced the risk of decreased availability of loans from financial institutions due to *sub-prime credit crisis.* In foreign affiliates, higher profits, amounting to over $1,100 billion in 2007, contributed to higher reinvested earnings, which accounted for about 30 per cent of total FDI flows in 2007. Soaring growth in the cross-border M&A activity was another feature of FDI in 2007, globally. High corporate profits encouraged Trans-National Corporations (TNCs) to go for further mergers and acquisitions. Another reason behind mergers was the pressure of competition for corporates. It forced them to strengthen their competitiveness by acquiring foreign firms. Moreover, debt financing for M&As was almost favourable. In 2007, FDI inflows to South Asia, hiked by 19 per cent, due to an increase in the FDI to both India and Pakistan. Better growth of economy, progressive investment environment and further opening up of the telecommunications, retail and other industries made a 24.7 per cent increase in FDI inflows to India in 2007. Extensive FDI occurred in automobiles, telecommunications, real estate and other service industries. Some large scale investments by TNCs like

Vodafone, Oracle, Holcim and Matsushita did happen in India, which caused a boost in the country's FDI in 2007. Moreover, Government of India (GoI) enabled single brand retail window in 2006 through which foreign investors could hold 51 per cent equity ownership. It also elevated FDI to India in 2007.

In 2008, FDI to India grew by 85.8 per cent. It was the year of great recession for the whole global economy. Thus along with other dominant macro-economic variables, FDI too began to collapse in the year, globally. From 2003-2007, global FDI grew undisturbed. But global FDI inflows fell by 14 per cent in 2008 to $1,697 billion, from a record height of $1,979 billion in 2007. Cross-border M&As are the main path for FDI in developed economies. But, in 2008, lowering corporate profits and shrinking stock prices brought down the value and scope of cross-border M&As. Falling demand for goods and services made the companies to curtail their investment plans both through cross-border M&As and green-field investment. As a consequence of the crisis, FDI began to originally fall in developed economies (29 per cent). In the beginning, FDI flows to developing countries and to the transition economies of South-East Europe (SEE) and the Commonwealth of Independent States (CIS) continued to increase, by 17 per cent and 26 per cent respectively. However, in late 2008 and early 2009, the latter two groups of countries also started to feel the impact of the crisis on their inflows. In 2008, in India, matters had not gone worse as the country had high rate of growth in its economy. That's why the country experienced a rise in its FDI inflows over that of the previous year. In 2008, South Asia had 49 per cent growth in its FDI inflows. It was higher than that of other regions in the continent.

In 2009, FDI inflows to India went lower by 24.34 per cent as the country started to experience the effect of global economic recession from 2009 onwards. The world

FDI flows decreased by 20.6 per cent. In 2009, FDI to developing countries decreased by 20 per cent and that to transition economies fell by 47 per cent. The fall in FDI to developed economies was not that much, but 16.7 per cent. A global decline occurred in foreign investment because of the weak economic performance in many parts of the world. Reduced financial capabilities of the TNCs were another reason. Following the 2008 decline, FDI flows to developed countries further contracted by 44 per cent in 2009. Falling profits resulted in lower reinvested earnings and intra-company loans, weighed on FDI flows to developed countries. A fall in leveraged buyout transactions did dampen cross–border M&As. Developing and transition economies which showed immunity towards the global turmoil in 2008 were not spared in 2009 but did better than developed countries.

In 2010 too, FDI to India decreased by 23 per cent. However, the world FDI increased slightly in 2010 and the pattern of growth of FDI across the globe was uneven. A decline occurred in the FDI inflows to developed and transition economies, while that to developing countries recovered powerfully. In India, FDI came down in 2010 mainly because of the macro-economic concerns such as high current account deficit and inflation. Delays occurred in the approval of large FDI projects also resulted in the reduction in FDI inflows to India in 2010.

In contrast to this, inflows to Bangladesh increased by nearly 30 per cent to $913 million; the country is becoming a major low-cost production location in South Asia.

In 2011, growth rate of India's FDI inflows was 31.99 per cent. Global FDI enhanced by 16 per cent during the year. It reflected the higher profits of TNCs and high economic growth in developing countries. The rise in FDI was widespread and the rise experienced in the entire economic groups-developed, developing and transition. But the reasons were differing. In developing and transition economies, there happened a rise of 12 per cent in their FDI inflows principally due to the elevation in green-field investments. In the year, FDI to developed countries rose by 21 per cent, due to an increase in the cross border M&As. In 2011, FDI inflows to South Asia got elevated by 23 per cent, due to the surging of FDI flows to India, which is the major recipient in the region. FDI outflows from South Asia also got elevated. Outflows from India, the dominant source of FDI from the region, increased from $13.2 billion in 2010 to $14.8 billion in 2011.

In 2012, Indian FDI again diminished by 33.14 per cent; a significant pitfall. In the year, global FDI flows also fell down by 18 per cent. The sharp decline in the FDI was in contrary to the positive growth made by other significant macro-economic variables like world GDP, trade and growth of employment. This huge fall in the FDI inflows didn't affect developing countries, but affected the developed world. In 2012, FDI inflows to South Asia fell down by 24 per cent due to the decline in cross-border M&As and green-field investments. FDI outflows from the region also shrank by 29 per cent due to the contraction in the value of M&As by Indian companies. However, India lasted as the dominant recipient of FDI in South Asia in 2012. But, the country's economy underwent for the slowest growth in a decade in 2012. In India, highest rate of inflation experienced, which increased the risks for both domestic and foreign investors. It affected investor's confidence and FDI inflows to India declined significantly.

In 2013, India had a growth of 16.54 per cent in its FDI, while global FDI flows grew only by 9 per cent. There transpired some uncertainty in the international investments in the year. FDI inflows to all major economic groups increased during the year. BRICS could fetch one fifth of the global FDI flows. FDI inflows to South Asia rose by 10 per cent. Simultaneously, outflows from the region collapsed by nearly three fourths in 2013. WIR (2013) approved that enhanced connectivity of South Asia with other parts of Asia has helped to improve the FDI flows to the region. However, macroeconomic uncertainties persisted in India. In India, in 2013, the value of green-field projects by TNCs declined both in manufacturing and services. M&As from USA and UK to India increased principally, while that from Japan decreased in 2013.

In 2014, India got a growth of 22.63 per cent in its FDI inflows, when global FDI flows experienced a reduction of 16 per cent. Global FDI reduced by a large quantum for the reason that the world economy had fragility, investors had policy uncertainty and geo-political risks were high. New investments during this period were offset by some large divestments. The decline in FDI was not in consistent with the growth in GDP, trade, GFCF, and employment. WIR (2015) evaluated India's growth (in FDI) of more than 22 per cent among the global economic turbulences in 2014, as significant. FDI from different parts of the world boosted the automotive industry in India. During this period, India's manufacturing sector gained strength. In 2014, FDI outflows from South Asia, originated mainly from India. It rose fivefold and reached $ 10 billion. These factors of India's FDI indicated the country's improved economic performance during the year. WIR (2015) mentioned that the 'Make in India' initiative started in India in 2014, also has helped to boost the quantity of FDI to India.

In 2015, FDI flows to India grew at a comparatively higher rate of 27.41 per cent. Not only Indian FDI, but also the global FDI grew notably. The global FDI grew by 38 per cent, and this rate is the highest since the global economic and financial crisis of 2008 and 2009. A surge in cross-border mergers and acquisitions (M&As) to $ 721 billion, from $ 432 billion in 2014 was the prominent reason behind this upraise in FDI flows globally. This rise in global FDI in 2015 was not in consistent with the direction of other macroeconomic variables. Global macroeconomic environment experienced, slowing growth and lowering commodity prices in 2015. However, it is to be noted that, the productive impact for the surged FDI was less, since many of the M&As were corporate reconfigurations, including tax inversions. Such reconfigurations can make high movements in the country's balance of payments records, but little change in the actual MNE operations. This trend of cross-border M&As was evident in US and Europe, in 2015. There aroused a concern on MNCs curtailing their productive investments. In 2015, capital expenditure by 5000 large MNEs diminished further (11 per cent) after having recorded a decline of 5 per cent in 2014. These trends of declining capital expenditure, to some extent are an expression of the weak global macro-economic environment. The volume of world trade in goods and services, couldn't keep pace with the global GDP. It grew only by 2.6 per cent against the 7.2 per cent average growth recorded between 2000 and 2007 (before the crisis).

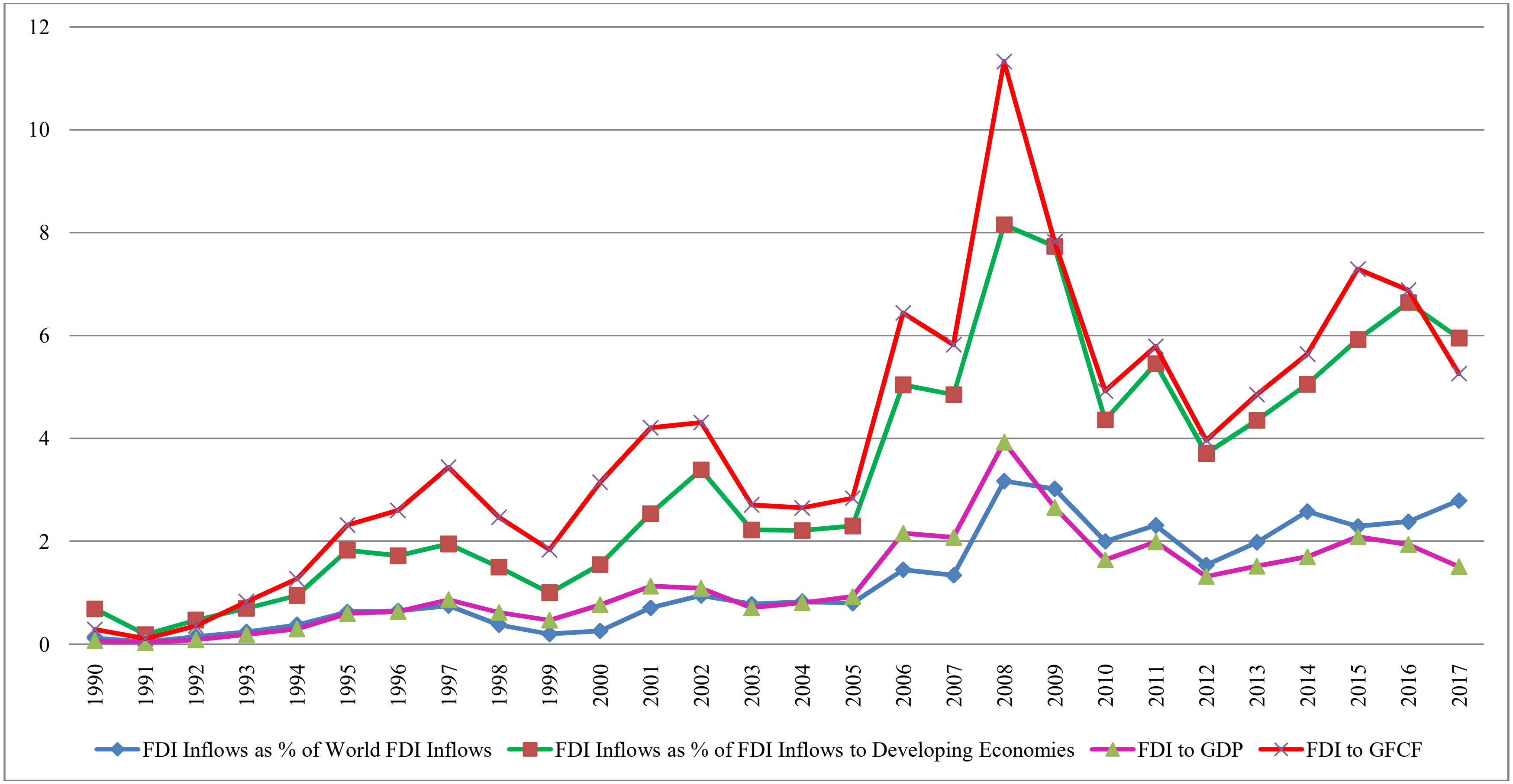
In 2016, FDI flows to India recorded a mild rate of growth of around one per cent, while global FDI flows registered a fall of two per cent. Intra-company loans fell down at the global level. But equity investments surged up due to an 18 per cent increase in the value of cross border M&As at the global level. That was because of the progressive activities took place in developed economies. In 2016, flows to developed economies got elevated by five per cent over that of the previous year. Thus, their share in global FDI flows grew to 59 per cent, and it is regarded as highest after the peak level in 2007. On the contrary, developing countries became the losers. Inflows to this region descended by 14 per cent, which is a sizeable rate. Weak commodity prices and slowing growth of economy in this economic group were the major reasons behind this fall. In developing Asia too, the decline was of huge impact. Decline in this region was 15 per cent. Here, every region experienced decline alike in 2016, except South Asia. Stable flows to India and rising flows to Pakistan were the causes for the steady status of this region. In India, foreign MNEs are relying on cross border M&As to enter the rapidly expanding Indian market. Similarly, new liberalization efforts continuing bring improvement to the investment climate in India. For example, India brought in a new e-form called the 'Simplified Proforma for Incorporating Company Electronically (SPICe)' to speed up and restructure the method of corporate establishment. Moreover, India raised the foreign ownership ceiling in Indian stock exchanges, depositories, banking and insurance companies and commodity derivative exchanges. In June 2016, the country also introduced another comprehensive FDI liberalization strategy, raising sectoral caps in different industries, bringing more activities under the automatic route. But, tax related concerns caused hindrance to some foreign investors.

All major economies in Asia (Such as China, Vietnam, Singapore and Hong Kong) registered decrease in FDI inflows in 2016. In west Asia, weak oil prices and political uncertainties were the major barriers hindered FDI inflows.

In 2017, the inward FDI to India went lower by 10.26 per cent, showing the failure to attract FDI due to multidimensional aspects. However, the case was not isolated. The same happened for the whole world FDI. World FDI couldn't repeat its outstanding rate of growth it had in 2015, in the following years. The global FDI flows itself declined sharply by 23 per cent in 2017 to \$ 1.43 trillion from \$ 1.87 trillion of 2016. This decline in the global FDI in 2017 can be viewed incompatible with the growth of other macroeconomic variables such as GDP and trade, for the reason that they had worthwhile improvement in 2017. The notable reason behind this decline of world FDI was the contraction occurred in the value of cross border Mergers and Acquisitions (M&As). The decline in FDI was further affected by the shrinking in the number of announced green-field projects. The global trend in 2017 was that FDI flows to developed and transition economies fell sharply while developing regions retained their position in attracting FDI. The decline of FDI in 2017 is a sizeable one and part of a long-term negative cycle. The negative cycle present all over the globe is resultant of a series of factors. One reason is the asset-light model of overseas operations. It is capable of changing the entire pattern of FDI. Another reason is the globally reducing rate of return on FDI.

However India was one among the top five FDI destinations in 2017 along with China, Hong Kong, Singapore, and Indonesia. These five countries together absorbed around four-fifths of the total FDI flowed to Asia. It is noteworthy that, in 2017, FDI inflows to South Asia contracted by four per cent to $ 52 billion, on account of a fall in the inflows to India. However, cross-border M&A sales in India hiked from $8 billion to $23 billion. It occurred in extractive and technology related industries. Petrol Complex Pte Ltd (Singapore), owned by Rosneftegaz (Russian Federation), acquired a 49 per cent stake of Essar Oil Ltd, the second largest privately owned Indian oil company, for $13 billion. An investor group including eBay (United States), Microsoft Corporation (United States) and Tencent Holdings (China) acquired a stake in Flipkart. In South Asia, India is the principal source of FDI outflows. Thus, in 2017, outflows from India, more than doubled. India’s state owned ONGC has been actively investing in foreign assets in recent years. The following figure (figure 4.1) shows the FDI scenario in India.

Figure 4.1
FDI Scenario in India from 1990 to 2017



Source: Computed from the Online Datacenters of both UNCTAD and World Bank

Figure 4.1 shows FDI to India as a part of word FDI, India's FDI as a per cent of developing economy's FDI, FDI to GDP and FDI to GFCF ratios. FDI flows to India witnessed quantum jumps in the years 1992, 1993, 1994, 1995, 2000, 2001, 2006 and in 2008. In 2006 FDI inflows to India reached above one per cent of the world FDI inflows for the first time. In the same year, FDI inflows to India reached above two per cent of the country's GDP, above six per cent of the country's GFCF and above five per cent of FDI inflows to developing economies. In 2008, FDI inflows to India reached above three per cent of the world FDI for the first time. In the same year, the FDI to GDP ratio of the country neared four per cent and FDI to GFCF ratio abounded 11 per cent. In 2008, FDI inflows to the country constituted more than eight per cent of the total FDI inflows to developing countries. In 2015, FDI inflows to India exceeded 85 per cent of the FDI inflows to developing economies in South Asia. Thus, on the grounds of these reasons, all the above said years can be presumed as the milestones in the FDI scenario in India. Table 4.8 also shows the statistical characteristics of 'FDI flows to India'. During a span of 28 years from 1990 to 2017, FDI to India grew at an Annual Average Growth Rate (AAGR) of 33.63 per cent and Compound Annual Growth Rate (CAGR) of 20.04 per cent. Both measures indicate the advent of additional flows of FDI to India at an increasing rate in future. In the following section, the monthly inflow of FDI to India has been predicted using ARIMA.

4.4 Monthly Inflow of FDI to India

In this section, ARIMA has been used to predict the monthly inflow of FDI equity to India. ARIMA stands for Autoregressive Integrated Moving Average models. Univariate (single vector) ARIMA is a forecasting technique that projects the future values of a series based entirely on its own inertia. Its main application is in the area of short term forecasting requiring at least 40 historical data points. Sometimes called Box-Jenkins (after the original authors), ARIMA is usually superior to exponential smoothing techniques when the data is reasonably long and the correlation between past observations is stable.

Here, the researcher has performed automatic ARIMA forecasting with 166 observations. Monthly data of FDI equity inflows ranging from April 2005 to January 2019 has been used as historical data for performing ARIMA. The data has been collected from the various quarterly fact sheets on FDI published by DIPP (from 2005 to 2019).

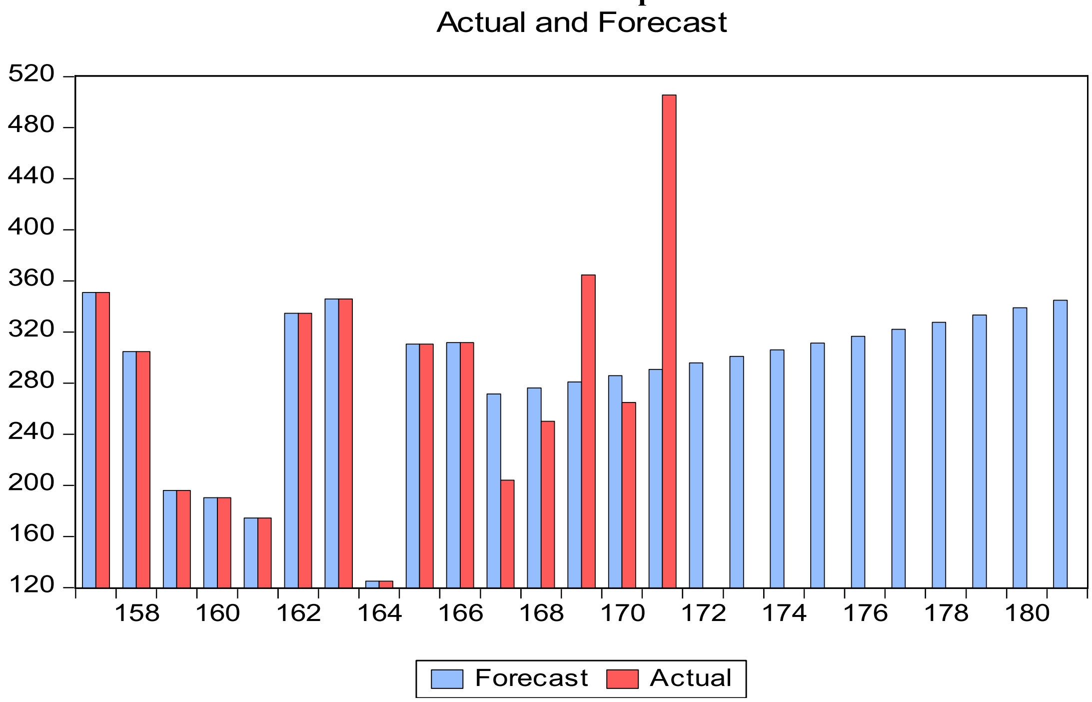
Table 4.9
Automatic ARIMA

Automatic ARIMA Forecasting
Selected dependent variable: DLOG(FDI)
Sample: 1 166
Forecast length: 15
Number of estimated ARMA models: 25
Number of non-converged estimations: 0
Selected ARMA model: (0,1)
AIC value: 1.38577096373

Table 4.9 shows the details of ARIMA. According to the table, the dependent variable chosen is DLOG (FDI), which means the first differenced natural logarithm value of FDI. Similarly the ‘forecast length: 15’ shows that FDI equity inflows for 15 months have been predicted (from February 2019 to April 2020). Here, the number of estimated ARIMA models is 25: that means, 25 ARIMA models have been analyzed and from that, the model with the lowest Akaike Information Criteria (AIC) value (1.38577096373) has been selected. Thus, here the selected model is ARMA: (0, 1).

That means, this model has the lowest AIC value. Below, the forecast graph (Figure 4.2) has been shown.

Figure 4.2
Forecast Graph



Source: Author's Compilation

In Figure 4.2, the X-axis shows the number allotted for respective months and Y-axis shows the volume of FDI equity inflows in billion rupees. The figure depicts the actual and forecasted values from month 157 (April-2018) onwards. The actual values have been marked in red while the forecasted figures appear in blue in the graph. Since the researcher has not gone for predicting the FDI inflows from April-2018 onwards, the actual and forecasted values appear equal from April 2018 and up to the month-166 in figure 4.2. Month-166 is January 2019. Thereafter, variations can be seen in the graph in the actual and forecasted values. The following table (Table 4.10) clarifies the forecast of FDI equity inflows using ARIMA.

Table 4.10
Predicted Inflows of FDI

Year	Number Allotted to Months (No. of Observations)	Month	FDI Equity Inflows (Rs Billion)	
			Actual	Predicted
2019	167	February	204.04	271.57
	168	March	250.19	276.25
	169	April	364.63	281.01
	170	May	264.81	285.85
	171	June	505.67	290.78
	172	July	NA	295.79
	173	August	NA	300.88
	174	September	NA	306.07
	175	October	NA	311.34
	176	November	NA	316.71
	177	December	NA	322.16
2020	178	January	NA	327.71
	179	February	NA	333.36
	180	March	NA	339.10
	181	April	NA	344.95

Source: Author's Compilation
Note: NA-Not Available

According to Table 4.10, FDI equity inflows to India from February 2019 (Month-167) and up to April 2020 (Month-181) have been predicted using automatic ARIMA. Even if DIPP has published monthly data on FDI inflows up to June 2019 (Month-171) in their quarterly FDI fact sheets, in this context, data up to January 2019 (Month-166) alone has been considered (as historic data or sample for ARIMA) to have prediction. This is for facilitating the comparison of actual data (from month 167 onwards and up to month 171) with the predicted one. A comparison of the actual and predicted data from month 167 to month 171 makes it clear that FDI equity inflows have more or less accurately forecasted with the help of the automatic ARIMA forecasting technique. This forecast of the volume of FDI equity inflows to India with ARIMA has significant implication, that it can be crucial in multifarious aspects related to the framing of a number of policies for the entire Indian economy.

Here, the discussion associated with the trend of FDI inflows in India comes to an end and the researcher accords with the hypothesis that the *'Inflow of FDI in India is being rightly directed during the post reform period'*.

4.5 Pattern of FDI Inflows to India

Pattern of the distribution of FDI to a particular economy means the source, destination, nature and direction of FDI inflows. Here, the researcher has examined the pattern of FDI inflows to India in the post liberalization period, principally from the year 2000. The following section gives a brief account of the component wise FDI inflows to India.

4.5.1 Component-wise FDI Inflows to India

Principally, there are three components in the FDI inflows to India as equity, reinvested earnings and other capital. Equity is the foreign direct investor's purchase of shares of an enterprise in a country other than its own. According to RBI, the foreign investment compliant instruments are equity shares, share warrants, debentures and preference shares. Equity shares are those issued in accordance with the provisions of the Companies Act, 2013 and will include partly paid equity shares issued on or after July 8, 2014. Share warrants issued on or after July 8, 2014 will be considered. Debentures should be fully, mandatorily and compulsorily convertible. Preference shares should also be fully, mandatorily and compulsorily convertible.

The second component, reinvested earnings are the direct investors' share of earnings from direct investments that are not distributed to owners.

Finally, other capital includes the debt transactions between parent and subsidiaries or branches of FDI enterprises. The following table (4.11) gives a brief account of the component-wise FDI inflows to India from 2000-01 to 2017-18.

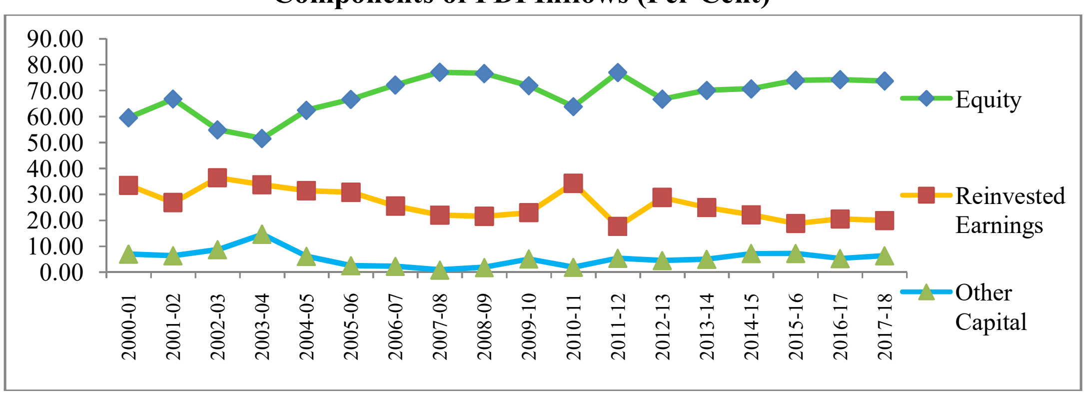
Table 4.11
Components of FDI Inflows to India (US $ Million)

SL NO	Financial Year	Equity (a) FIPB Route/RBI's Automatic Route/Acquisition Route	Growth %	Equity Capital of Unincorporated Bodies	Growth %	Reinvested Earnings (b)	Growth %	Other Capital (c)	Growth %	Total FDI Inflows (a +b +c)	Per cent in Total FDI Inflows: Equity	Reinvested Earnings	Other Capital
1	2000-01	2339	0	61	0	1,350	0	279	0	4,029	59.57	33.51	6.92
2	2001-02	3904	66.9	191	213.1	1,645	21.85	390	39.78	6,130	66.80	26.84	6.36
3	2002-03	2574	-34.1	190	-0.52	1,833	11.43	438	12.31	5,035	54.90	36.41	8.70
4	2003-04	2197	-14.6	32	-83.2	1,460	-20.35	633	44.52	4,322	51.57	33.78	14.65
5	2004-05	3250	47.93	528	1550	1,904	30.41	369	-41.71	6,051	62.44	31.47	6.10
6	2005-06	5540	70.46	435	-17.6	2,760	44.96	226	-38.75	8,961	66.68	30.80	2.52
7	2006-07	15585	181.3	896	106	5,828	111.16	517	128.76	22,826	72.20	25.53	2.26
8	2007-08	24573	57.67	2291	155.7	7,679	31.76	300	-41.97	34,843	77.10	22.04	0.86
9	2008-09	31364	27.64	702	-69.4	9,030	17.59	777	159	41,873	76.58	21.57	1.86
10	2009-10	25606	-18.4	1540	119.4	8,668	-4.01	1,931	148.52	37,745	71.92	22.96	5.12
11	2010-11	21376	-16.5	874	-43.2	11,939	37.74	658	-65.92	34,847	63.85	34.26	1.89
12	2011-12	34833	62.95	1022	16.93	8,206	-31.27	2,495	279.18	46,556	77.01	17.63	5.36
13	2012-13	21825	-37.3	1059	3.62	9,880	20.4	1,534	-38.52	34,298	66.72	28.81	4.47
14	2013-14	24299	11.34	975	-7.93	8,978	-9.13	1,794	16.95	36,046	70.12	24.91	4.98
15	2014-15	30933	27.3	978	0.308	9,988	11.25	3,249	81.1	45,148	70.68	22.12	7.20
16	2015-16	40001	29.31	1111	13.6	10,413	4.26	4,034	24.16	55,559	74.00	18.74	7.26
17	2016-17	43478	8.69	1223	10.08	12,343	18.53	3,176	-21.27	60,220	74.23	20.50	5.27
18	2017-18	44857	3.17	816	-33.3	12,370	0.22	3,920	23.43	61,963	73.71	19.96	6.33
Total (US $ Mn)		**378534**	-	**14924**	-	**126,274**	-	**26,720**	-	**546,452**	**72**	**23.1**	**4.9**
CAGR (%)		**18.98**	-	**16.48**	-	**13.92**	-	**16.82**	-	**17.44**	-	-	-
AAGR (%)		-	**26.32**	-	**107.42**	-	**16.49**	-	**39.42**	-	-	-	-

Source: Quarterly Fact Sheet of DIPP on FDI, March 2018.

Table 4.11 shows that there are three ways to receive FDI equity capital; FIPB route, RBI's automatic route and acquisition route. However, the FIPB route has been cancelled in 2017 and instead, FDI is received by the concerned ministerial departments. The total FDI inflows received through all the routes (FIPB Route/RBI's Automatic Route/Acquisition Route) amounted to US $ 378534 million. FDI inflows through these routes grew at a CAGR of 18.98 per cent and AAGR of 26.32 per cent between 2000-01 and 2017-18. A total of US $ 14924 million of FDI inflows has been received as the capital of unincorporated bodies[2] between 2000-01 and 2017-18. This component of FDI inflows grew at a CAGR of 16.48 per cent and AAGR of 107.42 per cent during the period. The second component of FDI inflows, i.e. reinvested earnings amounted to a total of US $ 126,274 million and it grew at a CAGR of 13.92 per cent and AAGR of 16.49 per cent between 2000-01 and 2017-18. The final component, other capital accounted for US $ 26720 million and it grew at a CAGR of 16.82 per cent. The total FDI inflow, which is the sum of equity, reinvested earnings and other capital grew at a CAGR of 17.44 per cent between the period. The following figure (Figure 4.3) depicts the component-wise FDI inflows to India.

Figure 4.3
Components of FDI Inflows (Per Cent)



Source: Quarterly Fact Sheet of DIPP on FDI, Various Issues

[2]Unincorporated bodies are those enterprises like project office, branch office, liaison office etc. established by foreign investors, which are not incorporated in India unlike the subsidiaries and associates of foreign firms.

Figure 4.3 shows that FDI comes to India substantially in the form of equity and the volume of equity component is slightly increasing whereas that of reinvested earning is decreasing mildly. Meanwhile, the volume of 'other capital' component remained more or less stable between 2000-01 and 2017-18, with a segregated hike in 2003-04. Thus, in total FDI inflows from 2000-01 to 2017-18, equity component contained 72 per cent, reinvested earnings encompassed 23.1 per cent and other capital included 4.9 per cent.

4.5.2 Route-wise FDI Inflows to India

The routes of FDI inflows to India include government approval route, automatic route, route of inflows through acquisition of existing shares and RBI's various NRI schemes.

To carry out investment activities under government route, prior approval from the government of India is needed. Proposal for conducting investment through government route are examined by concerned administrative ministries or departments.

To proceed investment activities through automatic route, no prior approval from the government is required. However, the investors are necessitated to notify the concerned RBI regional office within 30 days of receipt of inward remittances and file the required documents with that office within 30 days of issue of shares to foreign investors.

Acquisition of existing shares route is also another important way to carry out foreign investment in India**.** The following table (Table 4.12) shows FDI came to India through all the routes during 2000 to 2018.

Table 4.12
Route-wise FDI Inflows to India

Calendar Year	Route-wise FDI Inflows to India (Rs Billion)									
	1		2		3		4			
	Government Approval Route (FIPB/SIA)	Growth Rate (%)	Automatic Route	Growth Rate (%)	Inflows Through Acquisition of Existing Shares Route	Growth Rate (%)	RBI's Various NRI Schemes	Growth Rate (%)	Cumulative Total (1 to 4)	Growth Rate (%)
2000	63.43 (60.75)	-	16.98 (16.26)	-	20.52 (19.65)	-	3.49 (3.34)	-	104.41	-
2001	96.39 (59.98)	51.96	32.41 (20.17)	90.93	29.62 (18.43)	44.35	2.29 (1.42)	-34.27	160.71	53.92
2002	69.58 (43.13)	-27.81	39.03 (24.19)	20.42	52.62 (32.61)	77.65	0.11 (0.07)	-95.16	161.34	0.39
2003	42.96 (44.92)	-38.26	23.4 (24.47)	-40.05	29.28 (30.61)	-44.35	-	-	95.64	-40.72
2004	48.52 (32.83)	12.94	54.22 (36.68)	131.71	45.08 (30.50)	53.93	-	-	147.81	54.55
2005	49.67 (25.77)	2.38	68.74 (35.67)	26.78	74.29 (38.55)	64.81	-	-	192.71	30.37
2006	69.68 (13.84)	40.29	321.76(63.90)	368.06	112.13 (22.27)	50.93	-	-	503.57	161.32
2007	107.87 (16.47)	54.8	361 (55.12)	12.2	186.08 (28.41)	65.94	-	-	654.95	30.06
2008	135.59 (8.50)	25.69	1004.68 (62.98)	178.3	455.03 (28.52)	144.54	-	-	1595.3	143.58
2009	229.72 (17.54)	69.42	919.85 (70.23)	-8.44	160.23 (12.23)	-64.79	-	-	1309.8	-17.9
2010	115.97 (12.08)	-49.52	655.52 (68.27)	-28.74	188.66 (19.65)	17.74	-	-	960.15	-26.69
2011	134.78 (8.43)	16.23	878.22 (54.91)	33.97	586.35 (36.66)	210.79	-	-	1599.35	66.57
2012	159.56 (13.12)	18.38	845.29 (69.52)	-3.75	211.07 (17.36)	-64	-	-	1215.92	-23.97
2013	78.66	-50.7	744.18	-11.96	471.99 (36.45)	123.62	-	-	1294.83	6.49

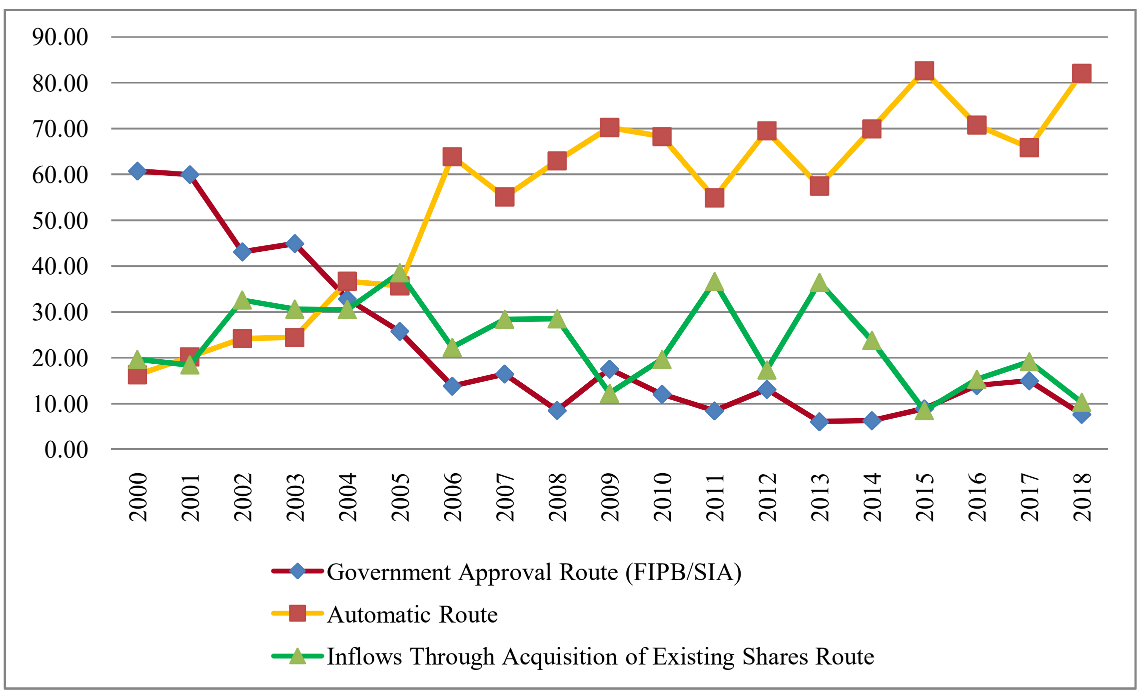
	(6.07)		(57.47)							
2014	109.98 (6.27)	39.82	1226.01(69.93)	64.75	417.14 (23.79)	-11.62	-	-	1753.13	35.4
2015	218.33 (8.91)	98.52	2025.56 (82.63)	65.22	207.48 (8.46)	-50.26	-	-	2451.36	39.83
2016	434.9 (13.96)	99.2	2205.21 (70.76)	8.87	476.34 (15.28)	129.58	-	-	3116.44	27.13
2017	424.54 (15.01)	-2.38	1862.02 (65.85)	-15.56	541.12 (19.14)	13.6	-	-	2827.68	-9.27
2018	223 (7.67)	-47.47	2384.63 (82.03)	28.07	299.32 (10.30)	-44.68	-	-	2906.95	2.8
Total	**2813.11 (12.20)**	-	**15668.7 (67.97)**	-	**4564.34 (19.80)**	-	**5.89 (0.03)**		**23052.1**	
AAGR	-	**17.42**	-	**51.15**	-	**39.88**	-	**-64.71**	-	**29.66**
CAGR	**7.23**	-	**31.61**	-	**16.06**	-	-	-	**20.3**	-

Source: FDI Newsletter (Erstwhile SIA Newsletter), April 2019

Note: Figures in the parentheses show per cent to total.

Table 4.12 shows that the total FDI came to India through government route amounted to Rs 2813.11 billion between 2000 and 2018. It turns out to be barely 12.2 per cent of the total FDI inflows. During the period, FDI inflows through government route grew at a very lower CAGR of 7.23 per cent and lower AAGR of 17.42 per cent. At the same time, FDI came through automatic route amounted to Rs 15668.7 billion and it turned out to be a major portion of the total FDI inflows (67.97 per cent). FDI inflows through the acquisition of existing shares route contained 19.8 per cent and inflows through RBI's various NRI schemes consisted 0.03 per cent of the total FDI. FDI through automatic route grew at high CAGR and AAGR of 31.65 per cent and 51.15 per cent respectively between 2000 and 2018. FDI through acquisition of existing shares route grew at moderate CAGR and AAGR of 16.06 per cent and 39.88 per cent during the period. The following figure (Figure 4.4) shows the route-wise FDI inflows came to India from 2000 to 2018.

Figure 4.4
Route-wise FDI Flows to India



Source: FDI Newsletter (Erstwhile SIA Newsletter) Various Issues, DIPP. Figures in per cent

Figure 4.4 shows that FDI flows to India has been surging up through the automatic route since 2000 and inbound of FDI through government approval route is diminishing substantially. In 2000, 60.75 per cent of FDI had come to India through government approval route and it got dismounted to 7.67 per cent in 2018, which stresses the losing significance of the government route in the advent of FDI to India.

Right now, only a few sectors are opened to foreign investment under government route. They are public sector banking, broadcasting content services, core investment company, digital media, food products retail trading, mining of titanium bearing ores, multi-brand retail trading, sector of print media and satellite establishment and operation. FDI to all other sectors are either fully or partially allowed under automatic route and the FDI regime in India is approaching full-fledged liberalization. FDI inflows through automatic route reduced considerably by 2018 because of the phased liberalization policy measures undertaken by the government. At the same time, FDI inflows through the automatic route heightened from 16.26 per cent in 2000 to 82.03 per cent in 2018 at a CAGR of 31.61 per cent. Inflows through acquisition of existing shares also show a tendency to decline over time. The following section describes the source countries of FDI inflows to India.

4.5.3 Source Countries of FDI to India

India receives high and low volume of FDI from 163 countries across the world which includes many countries from the African continent too. The following table (Table 4.13) presents the details of top ten countries which fetched FDI to India from April 2000 to December 2017.

Table 4.13

Top Ten Countries Brought FDI to India

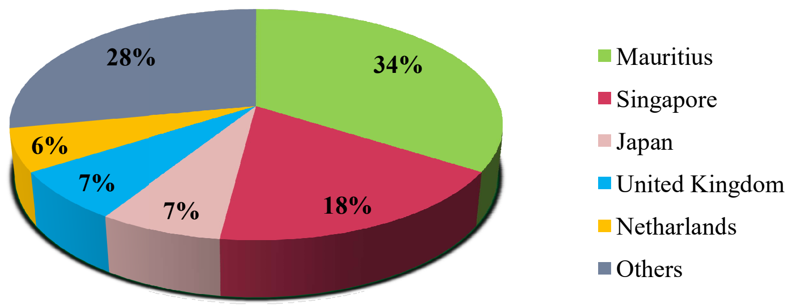
Rank	Country	From April 2000 to Oct 2008	Rank	Country	From April 2000 to Oct 2011	Rank	Country	From April 2000 to Oct 2014	Rank	Country	From April 2000 to Dec 2017
1	Mauritius	44	1	Mauritius	41	1	Mauritius	36	1	Mauritius	34
2	Singapore	8	2	Singapore	10	2	Singapore	12	2	Singapore	17
3	USA	8	3	USA	7	3	UK	9	3	Japan	7
4	UK	7	4	UK	6	4	Japan	7	4	UK	7
5	Netherlands	5	5	Japan	5	5	Netherlands	6	5	Netherlands	6
6	Japan	3	6	Netherlands	4	6	USA	6	6	USA	6
7	Germany	3	7	Cyprus	4	7	Cyprus	3	7	Germany	3
8	Cyprus	2	8	Germany	3	8	Germany	3	8	Cyprus	3
9	France	1	9	France	2	9	France	2	9	France	2
10	UAE	1	10	UAE	1	10	Switzerland	1	10	UAE	1
	Total	**82**			**83**			**85**			**86**

Source: DIPP's Quarterly Factsheet on FDI, Various Issues Note: From April 2000 to Dec 2017

Table 4.13 shows that Mauritius brought the highest share of FDI to India from April 2000 to December 2017. It accounted for 34 per cent. The highest volume of FDI from such a small island can be attributed to the double taxation treaty that India has signed with Mauritius and also to the fact that most US investment into India is being routed through Mauritius.

Followed by Mauritius, Singapore ranked second and it brought 17 per cent of FDI to India. The volume of FDI to India brought by developed and relatively large countries like Japan, UK, Netherlands, USA, Germany etc. fall behind the volume of FDI brought by small countries like Mauritius and Singapore. However, when taking a closer look at the per cent of FDI inflows brought by each country in the top 10 category from April 2000 onwards, immense variation is visible. From April 2000 to October 2008, the share of Mauritius was 44 per cent and it got cut down to 41 per cent by October 2011. Again, the country's share got lessened to 36 per cent by 2014 and to 34 per cent by December 2017. It insinuates the reducing significance of Mauritius route in the inflow of FDI to India. Simultaneously, it is worth noting that the share of Singapore has reached 17 per cent by 2017 December, which was a meager eight per cent in October 2008. It gives a hint that, within a short span of time, Singapore will become the most important route for FDI inflows to India by surpassing Mauritius. By 2017, the share of FDI inflows from USA shrank to six per cent and that of Japan increased to 7 per cent. UK and Netherlands are also emerging as two important source countries of FDI flows to India. By December 2017, countries Viz. Germany, Cyprus, France and UAE also aroused as prominent source countries and nine per cent of FDI inflows have come to India from these source countries. The following figure (figure 4.5) shows the volume of FDI came to India from various source countries from April 2000 to March 2018.

Figure 4.5
FDI Equity to India from Source Countries



Source: FDI Annual Issue of DIPP, 2017. Note: From April 2000 to March 2018

Figure 4.5 shows that Mauritius has brought 34 per cent of FDI by March 2018. Besides, the top five countries including Mauritius, Singapore, Japan, United Kingdom and Netherlands have brought in a total share of 72 per cent of FDI to India from April 2000 to March 2018. All the remaining source countries could bring only 28 per cent of FDI to India during the period.

4.5.4 Sectors Attracting FDI to India

At present, India has been attracting FDI to 63 various sectors. The following table (Table 4.14) shows the volume of FDI brought in by top ten sectors to India periodically from April 2000 to December 2017.

Table 4.14
Top Ten Sectors Brought FDI to India

Rank	Sector	From April 2000 to Oct 2008	Rank	Sector	From April 2000 to Oct 2011	Ran k	Sector	From April 2000 to Oct 2014	Rank	Sector	From April 2000 to Dec 2017
1	Services Sector	22	1	Services Sector	20	1	Services Sector	18	1	Services Sector	17
2	Computer Software and Hardware	12	2	Telecommunicati ons	8	2	Construction Development: Townships, Housing, Built-Up Infrastructure	10	2	Telecommunications	8
3	Telecommunicati ons	8	3	Computer software and Hardware	7	3	Telecommunications	7	3	Computer software and Hardware	8
4	Construction Activities	6	4	Housing and Real Estate	7	4	Computer software and Hardware	6	4	Construction Development: Townships, Housing, Built-Up Infrastructure	7
5	Housing and Real Estate	6	5	Construction Activities	6	5	Drugs and Pharmaceuticals	5	5	Automobile Industry	5
6	Automobile Industry	4	6	Power	5	6	Automobile Industry	5	6	Trading	4
7	Power	4	7	Automobile Industry	4	7	Chemicals (Other Than Fertlizers)	4	7	Drugs and Pharmaceuticals	4
8	Metallurgical Industries	3	8	Metallurgical Industries	4	8	Power	4	8	Chemicals (Other Than Fertilizers)	4
9	Petroleum and Natural Gas	3	9	Drugs and Pharmaceuticals	3	9	Metallurgical Industries	4	9	Power	4
10	Chemicals (Other Than Fertilizers)	2	10	Petroleum and Natural Gas	2	10	Hotel and Tourism	3	10	Construction Activities (Infrastructure)	3
	Total	**70**			**66**			**66**			**61**

Source: DIPP's Quarterly Factsheet on FDI, Various Issues Note: From April 2000 to Dec 2017

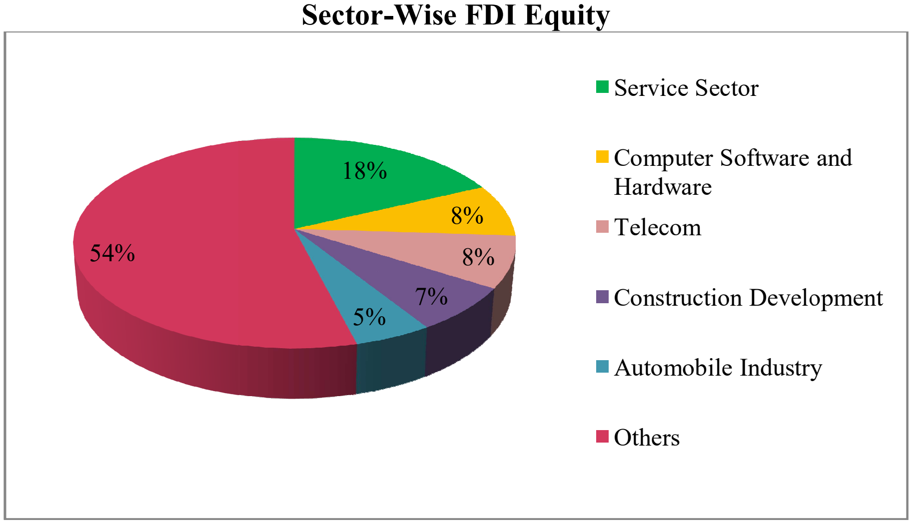
Table 4.14 principally shows that there has happened a significant change in the structural composition of FDI inflows to India since 2000. This can be ascribed to reasons including liberalization of policy regime and the timely changes occurred in sectoral policies. FDI policy concerned to each sector has undergone for significant shift since the outset of liberalization. A number of sectors, which were inaccessible to foreigners before were left open to them to suit the necessity of time and also, the ceiling limit of many others were raised. The trend shown in the table is not random, but it shows the concrete dominance of certain sectors which have emerged as strategic after 2000.

It may be observed that service sector has attracted more volume of FDI inflows (17 per cent) by December 2017. However, from April 2000 to October 2008, it had attracted 22 per cent of FDI inflows and it got shortened to 20 per cent by October 2011 and to 18 per cent by October 2014. Thus, it appears that the share of FDI inflows to service sector, though the foremost contributor to the GDP of India, is getting lessened over time. Since the onset of liberalization, the country experienced a high jump in the inflows of FDI in service sector because of the tremendous growth potential it possesses. Importance for FDI in service sector has been surged due to a number of reasons. Pattern of economic development all over the world, policy changes, technological advancement and the strategies of both services and industrial transnational companies contributed to the growth of service sector. However, the major reasons for the growth of FDI in service sector can be summarized as follows:

During the decades of 1970s and 1980s, total demand for services has grown, because of the rise in real income in the developed countries. Technological advancement resulted in a hike in the demand for intermediate services. During the period, many services also underwent for profound qualitative changes. Similarly, the technological, information and knowledge component of most services had also increased. New uses have emerged for accounting as a tool for management information and control; Changes also have occurred in financial services. Transportation and tourism sectors have exploded with opportunities. All over the world, service sector attracts major share of FDI. Thus in India too, service sector became the major recipient of FDI inflows.

By 2017, both telecom sector and computer sector attracted other major shares of FDI (eight per cent each). It can be attributed to the revolutionary and multifarious changes happened in both the sectors of telecom and computer since 2000. Construction and automobile industries also have come in the first fifth positions in terms of attracting FDI flows. The other five sectors including trading, drugs and pharmaceuticals, chemicals, power and infrastructure sectors together brought out 19 per cent of FDI. The following figure (Figure 4.6) shows the sector-wise FDI equity distribution in India from April 2000 to March 2018.

Figure 4.6
Sector-Wise FDI Equity



Source: FDI Annual Issue of DIPP, 2017.
Note: Cumulative from April, 2000 to March, 2018

Figure 4.6 shows that the top five sectors together received 46 per cent of FDI inflows while other sectors received the remaining 54 per cent. The following section addresses the attributes of FDI received by the top ten sectors between January 2000 and December 2017.

4.5.4.1 FDI Synopsis on Top Ten Sectors

From April 2000 to December 2017, the top ten sectors received FDI inflows in India are service, telecommunications, computer software and hardware, construction, automobile, trading, drugs and pharmaceuticals, chemicals, power and infrastructure. A description of each sector with respect to FDI inflows have been given below.

4.5.4.1.1 Service Sector

Largest share of FDI has come to service sector (17.39 per cent) by December 2017. The sector contributes highest share to India's GDP and to India's exports. It also provides highest number of employment opportunities in India. Thus, the service sector is playing a central role in the growth of Indian economy. The following table (Table 4.15) shows the various subsectors of service to which FDI has come during January 2000 to December 2017.

Table 4.15
FDI Equity to Service Sector

Subsectors	Per cent Share in Total FDI
Financial	5.93
Non-financial services/Business services	4.99
Insurance	2.58
Banking Services	1.39
Outsourcing	0.51
Courier	0.26
Research and Development	0.25
Commodity Exchange	0.12
Technical testing and analysis	0.08
Other Services	1.28
Total	**17.39**

Source: FDI Annual Issue of DIPP, 2017. Note: From Jan 2000 to Dec 2017

Table 4.15 shows that among service sector, major share of FDI has come to financial service segment. The reason for the surge in FDI inflows in to financial service segment can be ascribed to the more liberalized FDI policy regime. In sectors like insurance and pension, up to 49 per cent of FDI is permitted under automatic route. In public sector banking, up to 20 per cent FDI is permitted under government route. However, in private sector banking, FDI up to 49 per cent is permitted under automatic route. Thus, to conclude, the doors of investment in the service sector in India is widely opened to foreign investors from the comprehension that the sector is the key driver of India's economic growth. The following table (Table 4.16) presents the details of the top ten FDI equity received by the service sector.

Table 4.16
Top Ten FDI Equity to Service Sector

Sl No	Indian Company	Country	Foreign Collaborator	RBI Regional Office	Item of Manufacture	FDI Inflows (Rs Bn)
1	Keyman Financial Services Private Limited	Mauritius	B.K. Media Mauritius Pvt. Ltd	New Delhi	Financial leasing	75 (16.67)
2	Cairn (I) Ltd	United Kingdom	Cairan UK Holding	Not Available	Business Services Not Elsewhere Classified	66.63 (14.81)
3	Triguna Hospitality Ventures (India) Pvt	Singapore	APHV India Invest co. Pvt Ltd	New Delhi	Activities of holding companies	56.70 (12.60)
4	Triguna Hospitality Ventures (India) Pvt	Singapore	AAPC Singapore Pte Ltd	New Delhi	Activities of holding companies	50.41 (11.20)
5	Empower Research Knowledge Services Pvt	Singapore	Headstrong Consulting (Singapore) Pte Ltd	Hyderabad	Market research and public opinion polling	45.28 (10.06)
6	India Debt Management Ltd	Mauritius	Mauritius Debt Management Ltd	Mumbai	Commercial Loan Company's Activities	38 (8.44)
7	Reckitt Benckiser Investments India Pvt	Singapore	Reckitt Benckiser (Singapore) Pte Ltd	New Delhi	Other Financial Services	32.75 (7.28)
8	ABB LTD	Switzerland	ABB ASEA Brown Boveri Ltd	Region not indicated	Automation Technologies	30.63 (6.81)
9	Reliance Life Insurance Company Ltd	Japan	Nippon Life Insurance Company	Region not indicated	Life Insurance, Health Insurance & Annuity Business	27.62 (6.14)
10	Indusind Bank Ltd	U.S.A	Various	Mumbai	Monetary intermediation of commercial banks, saving banks, postal savings bank and discount houses	27.33 (6.07)
			Total			**450 (100)**

Source: FDI Annual Issue of DIPP, 2017
Note: From Jan 2000 to Dec 2017. Note: Figures in the parentheses show per cent to total.

Table 4.16 shows that Mauritius based B.K Media private limited has carried out biggest investment in the service sector in India. All the top ten companies together have made an investment of Rs. 450 billion in the sector during January 2000 to December 2017.

4.5.4.1.2 Telecommunication Sector

Telecom sector attracted second biggest FDI (8.16 per cent) after service sector. India's telecom market is the world's second largest. Indian telecom industry has substantial growth over the decade of 2009-2018 principally because of the affordable tariffs, wider availability, roll out of Mobile Number Portability (MNP), expanding 3G and 4G coverage, evolving consumption patterns of subscribers and a conducive regulatory environment. The good deal of FDI flowed to the sector after 2000 also can be ascribed as a reason for the magnificent growth of the sector. The following table (Table 4.17) gives an account of the volume of FDI flowed to the sector.

Table 4.17
FDI Equity to Telecom Sector

Sub Sectors	FDI Equity (Rs Bn)	Per cent
Telecommunications	314.31	1.70
Radio Paging	0.273	0.00
Cellular Mobiles/Basic Telephone Services	411.66	2.22
Other (Telecom)	968.14	4.24
Total	**1,694.38**	**8.16**

Source: FDI Annual Issue of DIPP, 2017. Note: From Jan 2000 to Dec 2017

Table 4.17 shows that from January 2000 to December 2017, a total of 8.16 per cent of FDI has flowed to various sub sectors of telecom. The FDI policy framework in India regarding the telecom industry has been more permissive in recent years. Up to 49 per cent of FDI in the sector is allowed under automatic route, and beyond it, FDI can be committed through government route. Further measures of liberalization in FDI policy can be expected soon in the telecom sector as the sector has turned out to be a substantial contributor to India's GDP. The following table (Table 4.18) shows the biggest FDI deals happened in telecom sector.

Table 4.18
Top Ten FDI Equity to Telecom Sector

Sl No	Indian Company	Country	Foreign Collaborator	RBI Regional Office	Item of Manufacture	FDI Inflows (Rs Bn)
1	Tata Teleservices Ltd	Japan	NTT Docomo Inc	Mumbai	Activities of maintaining and operating paging, cellular and other telecommunication networks	97.97 (16.78)
2	Vodafone India Ltd	Mauritius	Euro Pacific Securities Limited	Mumbai	Activities of other wireless telecommunications activities	93.30 (15.98)
3	Vodafone India	Mauritius	Prime Metals Ltd	Region Not Indicated	Telephone Communications	89.00 (15.25)
4	Idea Cellular Ltd	Mauritius	TMI Mauritius Ltd	Ahmedabad	Telephone Communication Services	72.94 (12.50)
5	Bharti Airtel Ltd	Singapor e	Three Pillars Singapore Pte Ltd	New Delhi	Telephone Communication Services	67.96 (11.64)
6	Vodafone India Ltd	Mauritius	Prime Metals Limited	Mumbai	Activities of other wireless telecommunications activities	51.14 (8.76)
7	Vodafone India Ltd	Mauritius	Mobilevest	Mumbai	Activities of other wireless telecommunications activities	39.20 (6.72)
8	Vodafone India Ltd	Mauritius	Vodafone Telecommunications(India)Li mited	Mumbai	Activities of other wireless telecommunications activities	38.01 (6.51)
9	Vodafone India Ltd	Mauritius	Transcrystal Limited	Mumbai	wireless telecommunications activities	34.18 (5.86)
10	Bhaik Infotel P. Ltd.	Mauritius	Vodafone Mauritius Ltd	New Delhi	Telephone Communication Services	32.68 (5.60)
				Total		**583.69 (100)**

Source: FDI Annual Issue of DIPP, 2017.
Note: From Jan 2000 to Dec 2017. Figures in the parentheses show per cent to total.

Table 4.18 describes the top ten FDI deals occurred in the sector from January 2000 to December 2017. It makes clear that India based telecom corporates like Idea, Airtel etc. have received huge amount of FDI routed through Mauritius. The top ten FDI deals together amounted to Rs. 583.69 billion between January 2000 and December 2017. Mauritius based companies conducted more investment in the Indian telecom sector.

4.5.4.1.3 Computer Software and Hardware

Indian Information Technology and Information Technology enabled Service (IT & ITeS) companies have set up over 1,000 global delivery centers in about 80 countries across the world. India is the leading off-shoring destination for IT companies in the world. The IT and BPM industry is the largest contributor to the total exports of the country. Moreover, India is evolving as the center for 'digital skills'. India is transforming into a digital economy with over 450 million plus internet subscribers; only second to China. Indian IT industry has more than 17,000 firms, of which over 1,000 are large firms with over 50 delivery locations in India. The country's cost competitiveness in providing IT services, which is approximately three to four times more cost-effective than US, continues to be its unique selling proposition in the global sourcing market. Thus, in short, Indian IT industry offers fruitful business opportunities to the foreign investors. Computer software has 7.90 per cent share of FDI in total FDI equity to IT sector. Computer hardware has 0.13 per cent and others have 0.06 per cent.

Computer software and hardware industry in India has attracted 8.09 per cent of FDI from Jan 2000 to Dec 2017. The door to make foreign investment in the IT and BPM (Business Process Management) has been fully opened as 100 per cent FDI is permitted in the sector under automatic route. The following table (Table 4.19) shows the top ten biggest FDI deals occurred in the sector from January 2000 to December 2017.

Table 4.19

Top Ten FDI Equity to IT Sector

Sl No	Indian Company	Country	Foreign Collaborator	RBI Regional Office	Item of Manufacture	FDI Inflows (RsBn)
1	Accenture Solutions Private Limited	Mauritius	Accenture Services Mauritius Ltd	Mumbai	Writing , Modifying, Testing of Computer Program To Meet The Needs Of A Particular Client Excluding Web-Page	53.61 (15.23)
2	One 97 Communications Limited	Cayman Islands	SVF India Holdings (Cayman) Ltd	New Delhi	Other Information Service Activities	51.70 (14.69)
3	I Fliex Solutions Ltd	Mauritius	Oracle Global(Mauritius) Ltd	Region Not Indicated	Software Development	48.06 (13.65)
4	Jasper Infotech Pvt Ltd	Singapore	Starfish I Pte Ltd.	New Delhi	Other Information Technology And Computer Service Activities	36.13 (10.27)
5	Flipkart Internet Pvt Ltd	Singapore	Flipkart Marketplace Private Limited	Bangalore	Other Information Technology And Computer Service Activities	32.66 (9.28)
6	Optum Global Solutions (India) Private Ltd	Netherland s	Optum Global Solutions International BV	Hyderabad	Other Data Processing, Hosting And Related Activities	29.29 (8.32)
7	Cisco Systems India Private Limited	Netherland s	Cisco Systems Management BV	Bangalore	Other Information Technology And Computer Service Activities	27.43 (7.79)
8	ANI Technologies Pvt Ltd	Hong Kong	Copper Technology Pvt Ltd	Bangalore	Other Information Technology And Computer Service Activities	25.80 (7.33)
9	I Flex Solutions Ltd	Mauritius	Oracle Global Mauritius Ltd	Region Not Indicated	IT to Financial Service Industry	25.79 (7.33)
10	Tata Consultancy Services Ltd	NRI	Group of Non Resident	Mumbai	Internet Services/Information	21.49 (6.11)
				Total		**351.96 (100)**

Source: FDI Annual Issue of DIPP, 2017.

Note: From Jan 2000 to Dec 2017. Figures in the parentheses show per cent to total.

Table 4.19 shows that Mauritius based 'Accenture Services Ltd' has made the biggest investment in the Indian software industry. The top ten companies together have made an investment worth Rs. 351.96 billion in the software industry in India.

4.5.4.1.4 Construction Development

Construction industry is exuberant in India due to the hiked demand from real estate and infrastructure projects. India's construction industry is expected to expand at an AAGR of 6.6 per cent between 2019 and 2028. Besides, the share of urban population will be reached 50 per cent of the total by 2050. The current urban infrastructure is inadequate to meet the demand of prevailing urban population. Thus, there arises a need for renovation of urban areas in existing cities and the buildup of new, inclusive smart cities to meet the demands of increasing population and migration from rural to urban areas. In future, cities of India will demand smart real estate and urban infrastructure. Hence, in order to cater to those needs, at present it is required that the urban local bodies (ULBs) should enter into partnership agreements with foreign players, either through joint ventures, private sector partners or through other models.

6.69 per cent of FDI has come to India's construction sector from January 2000 to December 2017. In fact, India has a very open policy mindset to attract FDI in the construction sector. FDI Policy of India allows 100 per cent foreign investment in the construction sector (Townships, Housing, Built-Up Infrastructure and Construction Development Projects) under automatic route. This sort of benevolent policy outlook has played the central role in augmenting FDI inflows to the sector. The following table (Table 4.20) shows the top ten FDI deals occurred in the sector from January 2000 to December 2017.

Table 4.20
Top Ten FDI Equity to Construction Sector

Rank	Indian Company	Country	Foreign Collaborator	RBI Regional Office	Item of Manufacture	FDI Inflows (Rs Bn)
1	DLF Assets Ltd	Singapore	DAL Singapore Investments Pvt Ltd	New Delhi	Construction	17.95 (14.17)
2	W.S. Electric Ltd	The Bermudas	Schroder Credit Renaissance Fund Ltd	Chennai	Construction and Maintenance	17.81 (14.06)
3	Essar Technology Park BKC P. Ltd.	Mauritius	Essar Business Parks Ltd.	Mumbai	Developing and Subdividing Real Estate Into Lots	17.80 (14.05)
4	DLF Assets Ltd.	Mauritius	De Shaw Composite Investment	New Delhi	Construction	16.21 (12.80)
5	Housing Development & Infrastructure Ltd	Mauritius	Various Investors	Mumbai	Purchase, Sale Letting And Operating of Real Estate Residential and Non-Residential Buildings	11.10 (8.76)
6	Emaar MGF Land P. LTD.	Netherlands	Horizon India B.V.	New Delhi	Construction of Residential Buildings	11.10 (8.76)
7	Mackstar Marketing Pvt. Ltd.	Mauritius	D E Shaw Composite Investments Mauritius	Mumbai	Real Estate Activities	9.53 (7.52)
8	Manyata Promoters Pvt Ltd	Mauritius	BRE / Mauritius Investments	Region Not Indicated	Construction & Maintenance of Building	8.60 (6.79)
9	Emaar MGF Land Pvt Ltd	Mauritius	Emaar Holdings II	New Delhi	Construction of Residential Buildings Including Additions and Alterations in the Existing Ones.	8.30 (6.55)
10	DLF Assets P. Ltd.	Mauritius	New Opportunities I Ltd. Plc	New Delhi	Construction	8.28 (6.54)
			Total			**126.68 (100)**

Source: FDI Annual Issue of DIPP, 2017.
Note: From Jan 2000 to Dec 2017. Figures in the parentheses show per cent to total.

According to Table 4.20, in the construction sector, Singapore based DAL Singapore Investments Pvt Ltd has made the biggest investment of Rs 17.95 billion. It can also be noted that majority of the investments have been reported at the RBI's regional office in New Delhi, as Delhi is the major hub of real estate relative to other regions.

4.5.4.1.5 Automobile Industry

The Indian automobile industry occupied the fourth position in the world with sales increasing 9.5 per cent year-on-year to 4.02 million units (excluding two wheelers) in 2017. The country was the seventh largest manufacturer of commercial vehicles in 2018. The country's automobile sector is dominated by two wheeler segment due to the growth of middle class and young generation. The companies, both MNCs and domestic, are increasingly interested in exploring the vast rural markets in the country. Moreover, India is a prominent auto exporter also. A total of 5.05 per cent of FDI inflows have come from January 2000 to December 2016 to the various segments in the automobile sector. Cent per cent FDI is allowed both in the automobile sector and auto component sector under automatic route. The following table (Table 4.21) gives an account of the top ten FDI deals occurred in the automobile segment in India since January 2000 and up to December 2017.

Table 4.21
Top Ten FDI Equity to Automobile Sector

Rank	Indian Company	Country	Foreign Collaborator	RBI Regional Office	Item of Manufacture	FDI Inflows (Rs Bn)
1	Suzuki Motor Gujarat Private Limited	Japan	Suzuki Motor Corporation	Ahmedabad	Manufacture of Passenger Cars	31.00 (16.51)
2	Ford India Limited	U.S.A	Ford Motor Company	Chennai	Manufacture of Motor Cars & Other Motor Vehicles	26.67 (14.21)
3	Suzuki Motor Gujarat Private Limited	Japan	Suzuki Motor Corporation	Ahmedabad	Manufacture of Passenger Cars	26.00 (13.85)
4	Daimler India Commercial Vehicles Private Ltd	Germany	Daimler AG	Chennai	Manufacture of Goods Vehicles, Manufacture of Special Purpose Heavy Motor	20.76 (11.06)
5	Daimler India Commercial Vehicles Pvt Lt	Germany	Daimler AG	Chennai	Manufacture of Commercial Vehicles Such as Vans, Lorries	14.86 (7.92)
6	Renault Nissan Automotive India Pvt Ltd	Japan	Nissan Motors Company	Chennai	Manufacture of Transport Equipment & Parts	14.77 (7.87)
7	Ford India Limited	U.S.A	Ford International Services Ltd	Chennai	Manufacture of Motor Cars & Other Motor Vehicles	14.43 (7.69)
8	General Motors India Pvt Ltd	China	SAIC General Motors Investment Ltd	Ahmedabad	Manufacture of Passenger Cars	14.23 (7.58)
9	Honda Siel Cars India Ltd	Japan	Asian Honda Motor Co Ltd	New Delhi	Manufacture of Motor Cars	13.00 (6.93)
10	Honda Siel Cars India Ltd	Japan	Honda Motor Co Ltd	New Delhi	Manufacture of Motor Cars	12.00 (6.39)
				Total		**187.72 (100)**

Source: FDI Annual Issue of DIPP, 2017.
Note: From Jan 2000 to Dec 2017. Figures in the parentheses show per cent to total.

Table 4.21 shows that Japan based Suzuki Motor Corporation has committed the highest amount of investment to the automobile sector in India. The list also signifies that majority of the highest investments have gone to Chennai between January 2000 to December 2017. These substantial flows of foreign investment have played a substantive role in transforming Chennai a major automobile hub in India. It is noteworthy that Tamil Nadu accounts for 21 per cent of the total auto exports from India.

4.5.4.1.6 Trading

India has a vast trading segment too. The following table (Table 4.22) presents the volume of FDI came to each sector of trading in India from January 2000 to December 2017.

Table 4.22
FDI Equity to Trading Sector

Sub Sectors	Per cent in Total FDI
Trading (For Exports)	0.07
Trading (Wholesale Cash & Carry)	3.99
E-Commerce	0.01
Trading(Misc)	0.41
Total	**4.48**

Source: FDI Annual Issue of DIPP, 2017. Note: From Jan 2000 to Dec 2017

Table 4.22 shows that 4.48 per cent of FDI has come to the trading sector of India from January 2000 to December 2017. In all these sectors of trading, government has adopted liberal policy mindset to attract foreign investment. In cash and carry whole sale trading, duty free shops and E-commerce activities, cent per cent FDI is allowed under automatic route. The following table (Table 4.23) shows the ten biggest FDI deals in the trading sector.

Table 4.23
Top Ten FDI Equities to Trading Sector

Rank	Indian Company	Country	Foreign Collaborator	RBI Regional Office	Item of Manufacture	FDI Inflows (Rs Bn)
1	Amazon Seller Services Pvt. Ltd.	Singapore	Amazon Corporate Holdings Private Limited	Bangalore	Wholesale of other Electronic Equipments and Parts	29 (15.86)
2	Flipkart India Private Limited	Singapore	Flipkart Private Limited	Bangalore	Wholesale Trade in Household Equipment, Appliances	24.24 (13.25)
3	Amazon Seller Services Pvt. Ltd.	Singapore	Amazon Corporate Holdings Private Limited	Bangalore	Wholesale of other Electronic Equipments and Parts	20.10 (10.99)
4	Amazon Seller Services Pvt. Ltd.	Singapore	Amazon Asia Pacific Resources Private Limited	Bangalore	Wholesale of other Electronic Equipments and Parts	19.80 (10.83)
5	Amazon Seller Services Pvt. Ltd.	Singapore	Amazon Asia Pacific Resources Private Limited	Bangalore	Wholesale of other Electronic Equipments and Parts	16.96 (9.27)
6	Amazon Seller Services Pvt. Ltd.	Singapore	Amazon Corporate Holdings Private Limited	Bangalore	Wholesale of other Electronic Equipments and Parts	16.80 (9.19)
7	Insitel Services Pvt Ltd	Singapore	SSA Fund (Singapore) Pte. Limited	New Delhi	Wholesale of Telephone, Mobile Phone and Communications Equipment and Parts	14.75 (8.06)
8	Insitel Services Pvt Ltd	Singapore	SSA Fund (Singapore) Pte. Ltd.	New Delhi	Wholesale of Telephone, Mobile Phone and Communications Equipment and Parts	14.15 (7.74)
9	Insitel Services Pvt Ltd	Singapore	SSA Fund (Singapore) Pte Ltd	New Delhi	Wholesale of Telephone, Mobile Phone and Communications Equipment and Parts	13.60 (7.44)
10	Amazon Seller Services Pvt. Ltd.	Singapore	Amazon Asia Pacific Resources Pvt Ltd	Bangalore	Wholesale of other Electronic Equipments and Parts	13.50 (7.38)
				Total		**182.89 (100)**

Source: FDI Annual Issue of DIPP, 2017.
Note: From Jan 2000 to Dec 2017. Figures in the parentheses show per cent to total.

Table 4.23 shows that Singapore based Amazon Corporate Holdings Private Limited has made the biggest investment in the trading sector in India. The top ten trading companies together have made an investment of Rs 182.89 billion. It may also be observed that, most of the biggest foreign investments in trading have gone to Bangalore as the region is the center of whole sale trading of various items in India.

4.5.4.1.7 Drugs and Pharmaceuticals

By volume, India is the third largest pharmaceutical industry in the globe. India could contribute to the global pharmaceutical scenario by ensuring high quality, affordable and accessible medicines around the world. Moreover, India is a captivating destination for generic R&D and manufacturing of pharmaceuticals due to its strong capabilities across the value chain. There are over 10,500 manufacturing units and 3,000 pharma companies in India. Over 60,000 generic brands exist across 60 therapeutic categories. Thus, having a vast and progressing pharmaceutical sector, India offers more and more lucrative business opportunities to foreign investors.

From January 2000 to December 2017, a total of 4.24 per cent of FDI has flowed to the pharmaceutical sector in India. The FDI policy framework in the pharma sector also has been very open-minded as there is provision for 100 per cent foreign investment in the sector under automatic route in green-field projects; whereas in brown-field projects, FDI is allowed up to 74 per cent under automatic route. The following table (Table 4.24) shows the top ten FDI deals occurred in the pharma sector.

Table 4.24
Top Ten FDI Equity to Pharma Sector

Rank	Indian Company	Country	Foreign Collaborator	RBI Regional Office	Item of Manufacture	FDI Inflows (Rs Bn)
1	Abbott Healthcare Pvt Ltd	United Kingdom	Abbott Asia Holdings Ltd	Mumbai	Manufacture of Allopathic Pharmaceuticals	107.64 (23.71)
2	Ranbaxy Laboratories Ltd.	Japan	Daiichi Sankyo Co. Ltd.	Region Not Indicated	Manufacture of Chemicals Used in Pharmaceuticals	68.19 (15.02)
3	Ranbaxy Laboratories Ltd.	Japan	Daiichi Sankyo Co. Ltd.	Region Not Indicated	Manufacture of Chemicals Used in Pharmaceuticals	60.37 (13.30)
4	Glaxosmithkline Consumer Healthcare Ltd	Singapore	Glaxosmithkline Pvt Ltd	Region Not Indicated	Manufacture of Healthcare Products	48.05 (10.58)
5	Ranbaxy Laboratories Ltd.	Japan	Daiichi Sankyo Co. Ltd.	Region Not Indicated	Manufacture of Chemicals Used in Pharmaceuticals	35.39 (7.79)
6	Ranbaxy Laboratories Ltd.	Japan	Daiichi Sankyo Co. Ltd.	Region Not Indicated	Manufacture of Chemicals Used in Pharmaceuticals	34.09 (7.51)
7	Claris Injectables Limited	Singapore	Baxter Pharmaceutical (Asia) Pte Limited	Region Not Indicated	Manufacture of Allopathic Pharmaceuticals	26.87 (5.92)
8	Abbott Healthcare Pvt Ltd	United Kingdom	Abbot Asia Holdings Ltd	Mumbai	Manufacture of Allopathic Pharmaceuticals	26.54 (5.84)
9	Mylan Laboratories Ltd	Netherlands	Mylan Group B.V	Hyderabad	Manufacture of Medicinal Substances	24.77 (5.45)
10	Abbott Healthcare Pvt Ltd	United Kingdom	Abbott Asia Holdings Limited	Mumbai	Manufacture of Allopathic Pharmaceuticals	22.18 (4.88)
			Total			**454.08 (100)**

Source: FDI Annual Issue of DIPP, 2017.
Note: From Jan 2000 to Dec 2017. Figures in the parentheses show per cent to total.

Table 4.24 shows that the UK based Abbott Asia Holding Ltd has committed the highest amount of investment to the Indian pharma sector. The top 10 foreign pharma companies have invested Rs 454.08 billion in the Indian pharma sector from January 2000 to December 2017.

4.5.4.1.8 Chemicals (other than Fertilizers)

The Chemical industry in India caters to the needs of many industries, including textiles, paper, paints, soap and detergents, pharmaceuticals, agrochemicals etc. India's chemical industry occupies the sixth rank in the world and fourth rank in Asia in terms of size. Thus, raising volume of foreign investment will transform the industry more prolific as it will be renovated with added technological advantages. From January 2000 to December 2017, 3.93 per cent of FDI has come to the chemical sector. In fact, the FDI policy in the chemical sector in India has also been very liberal as there is provision for 100 per cent FDI under automatic route. The following table (Table 4.25) shows the top ten FDI deals occurred in the chemical sector.

Table 4.25
Top Ten FDI Equity to Chemical Sector

Rank	Indian Company	Country	Foreign Collaborator	RBI Regional Office	Item of Manufacture	FDI Inflows (Rs Bn)
1	Reliance Industries Ltd	United Kingdom	BP Exploration (Alpha) Limited	Region Not Indicated	Manufacture of Other Plastics in Primary Forms	147.68 (43.48)
2	Reliance Industries Ltd	United Kingdom	BP Exploration (Alpha) Limited	Region Not Indicated	Manufacture of Basic Organic Chemicals	88.01 (25.91)
3	UPL Limited	Singapore	Not Available	Ahmedabad	Manufacture of Insecticides, Rodenticides, Fungicides, Herbicides	32.70 (9.63)
4	Essar Oil Limited	Mauritius	Oil Bidco Mauritius Limited	Region Not Indicated	Production of Liquid and Gaseous Fuels, Illuminating Oils, Lubricating Oils or Greases or other Products from Crude Petroleum or Bituminous Minerals	22.80 (6.71)
5	Signode India Limited	United Kingdom	Strapex Holdings Ltd	Hyderabad	Manufacture of other Plastic Products	12.40 (3.65)
6	Micro Inks Ltd	Germany	MHM Holding GMBH	Region Not Indicated	Manufacture of Printing Inks, Resins, Enamels Adhesives	8.48 (2.50)
7	Shell India Markets Private Ltd	Netherlands	Shell Gas B.V	Chennai	Production of Liquid and Gaseous Fuels, Illuminating Oils, Lubricating Oils or Greases or other Products	8.47 (2.49)
8	Shell India Markets Private Ltd	Netherlands	Shell Gas B.V	Chennai	Production of Liquid and Gaseous Fuels, Illuminating Oils, Lubricating Oils or Greases or other Products	6.73 (1.98)
9	Sintex Industris Ltd	Mauritius	Not Available	Ahmedabad	Manufacture of other Plastics Products	6.37 (1.88)
10	Godrej Industries Ltd	NRI	Various FIIs	Mumbai	Manufacture of Chemical Elements & Compounds Doped for Use in Electronics (Includes Chemical Element)	6.03 (1.78)
				Total		**339.67 (100)**

Source: FDI Annual Issue of DIPP, 2017. Note: From Jan 2000 to Dec 2017. Figures in the parentheses show per cent to total.

Table 4.25 shows that top ten FDI deals fetched in investment worth Rs 339.67 billion to the chemical sector. More FDI to the chemical sector has come from United Kingdom.

4.5.4.1.9 Power Sector

Power, which is a most conclusive element of infrastructure, plays a critical role in the growth and welfare of nations. India has a most distinct power sector. India's sources of generating power range from conventional sources such as coal, lignite, natural gas, oil, hydro and nuclear power to viable non-conventional sources such as wind, solar, and agricultural and domestic waste. The country is facing crucial demand for electricity now a days and it is about to rise considerably in the coming years. Thus in order to stimulate the power sector to meet the rising demand, the country perceives FDI as one of the viable route. From January 2000 to December 2017, 3.53 per cent of total FDI has come to the power sector. The FDI policy in the sector has been very liberal; at present, in thermal power and renewable energy sectors, cent per cent FDI is allowed under automatic route. In the coal and Lignite sector also, 100 per cent FDI is allowed under automatic route. The following table (Table 4.26) shows the top ten FDI deals occurred in the power sector of India.

Table 4.26
Top Ten FDI Equity to Power Sector

Rank	Indian Company	Country	Foreign Collaborator	RBI Regional Office	Item of Manufacture	FDI Inflows (Rs Bn)
1	Dabhol Power Company Ltd	Mauritius	Not Available	Mumbai	Not Available	21.6 (14.73)
2	GMR Energy	Mauritius	Power And Energy International	Mumbai	Electric Power Generation by Non-coal Based Thermal (Diesel, Gas)	19.99 (13.64)
3	M/S Meenakshi Energy Pvt Ltd	Netherlands	Engie Global Developments B.V.	Hyderabad	Electric Power Generation by Coal Based Thermal Power Plants	18.25 (12.45)
4	Reliance Utilities Ltd	Not Available	Royal Bank of Scotland Plc	Region Not Indicated	Generation and Supply of Power	13.2 (9.00)
5	Essar Wind Power Pvt Ltd	Mauritius	Essar Power Holdings Ltd.	Mumbai	Electricity Generation, Transmission & Distribution	12.99 (8.86)
6	Pipavav Energy Pvt Ltd	Mauritius	Videocon Mauritius Energy Ltd.	Mumbai	Electric Power Generation by Coal Based Thermal Power Plants	12.71 (8.67)
7	Essar Power Ltd	Mauritius	Essar Power Hazira Holdings Ltd	Region Not Indicated	Electric Power Generation by Non-coal Based Thermal (Diesel, Gas)	12.62 (8.61)
8	Luminous Power Technologies Ltd	Singapore	Schender Electric South East Asia Ltd	Region Not Indicated	Manufacturing of Power Backup Systems	12.17 (8.30)
9	Adani Power Ltd.	UAE	Various NRIs	Ahmedabad	Generation & Transmission of Electric Energy	11.82 (8.06)
10	Moserbaer Projects Pvt Ltd	Mauritius	Capital Partners (Mauritius)V-C Ltd	New Delhi	Generation and Transmission of Electric Energy Produced in Hydroelectric Power Plants	11.25 (7.67)
			Total			**146.59 (100)**

Source: FDI Annual Issue of DIPP, 2017. Note: From Jan 2000 to Dec 2017. Figures in the parentheses show per cent to total

Table 4.26 shows that Mumbai based Dabhol Power Company Ltd has received the highest investment in the power sector of India. The highest ten foreign investment together brought in Rs 146.59 billion to the power sector of India between January 2000 and December 2017.

4.5.4.1.10 Construction (Infrastructure) Sector

The construction (Infrastructure) sector has been categorized in to three as roads and highways, warehouses and other sectors. Among these, FDI came to the warehouse sector is comparatively low. The following table (Table 4.27) gives an account of the top ten FDI deals came to the construction sector from January 2000 to December 2017.

Table 4.27
Top Ten FDI Equity to Infrastructure Sector

Rank	Indian Company	Country	Foreign Collaborator	RBI Regional Office	Item of Manufacture	FDI Inflows (Rs Bn)
1	Serene Senior Living	U.S.A	Signature India LLC	Chennai	Other Specialized construction activities	150 (49.30)
2	DLF Cyber City Developers Limited	Singapore	RECO Diamond Private Limited	Region Not Indicated	Construction of buildings carried out on Own account Basis or on a fee or Contract Basis	56.7 (18.64)
3	DLF Cyber City Developers Limited	Singapore	RECO Diamond Private Limited	Region Not Indicated	Construction of buildings carried out on own account basis or on a fee or contract basis	24.32 (7.99)
4	Larsen & Toubro Ltd	Mauritius	Various Investors	Mumbai	Construction and maintenance of roads, railways, bridges, tunnels, pipelines, ropeways, ports, harbor	16.9 (5.55)
5	DLF Midtown Private Limited	Singapore	RECO MOTI Pvt Ltd	New Delhi	Construction of buildings carried out on own account basis or on a fee or contract basis	13.44 (4.42)
6	VAI Metals Technologies Pvt Ltd	Germany	Siemens VAI Metals Technologies GMBH	Mumbai	Other specialized construction activities	10.28 (3.38)
7	PRL Developers Pvt Ltd	Mauritius	Foglight Investment Ltd	Mumbai	Construction of buildings carried out on own account basis or on a fee or contract basis	10 (3.29)
8	DLF Cyber City Developers Limited	Singapore	RECO Diamond Private Limited	Region Not Indicated	Construction of buildings carried out on own account basis or on a fee or contract basis	8.04 (2.64)
9	GMR Infrastructure Ltd.	Mauritius	Dunearn Investments	Bangalore	Construction and maintenance of motorways, streets, roads, other vehicular and pedestrian ways, highways	7.89 (2.59)
10	Instakart Services Private Limited	Singapore	Klick2shop Logistics Services International	Bangalore	Warehousing non-refrigerated	6.66 (2.19)
				Total		**304.24 (100)**

Source: FDI Annual Issue of DIPP, 2017. Note: From Jan 2000 to Dec 2017

Table 4.27 shows that US based Signature India LLC has brought the highest investment to the infrastructure sector of India. The highest ten foreign investment together brought in Rs 304.24 billion to the infrastructure sector of India between January 2000 and December 2017.

The evaluations reveal that, '*The inflow of FDI is not judiciously distributed across sectors and regions'*. India needs more FDI in its thrust sectors such as agricultural value addition, infrastructure development, warehousing and storage etc.

4.6 Conclusion

This chapter examined two principal aspects; the *trend* and *pattern* of FDI inflows to India. The trend in inflow of FDI to India shows that it is being rightly directed during the post reform period. The pattern of FDI inflows to India demonstrates that the inflow of FDI is not rightly distributed across sectors and regions. A small number of sectors including service and telecom attract the majority of FDI. Route wise, automatic route has become the dominant route for receiving FDI. Mauritius brings the substantial share of FDI to India and component-wise, equity form of FDI is the prime constituent.