



A Study of Major FDI Sectors of India and its Impact

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Abstract- Every country needs economic growth, which is dependent on the country's FDI (Foreign Direct Investments) as well as its monitoring policy and tools, financial services, and financial instruments. The standard of living would inevitably rise in a nation that was economically prospering. For this reason, foreign direct investments are very significant in India. India currently accepts large FDI investments into the country. FDI has been an important pillar in India's economic development. FDI has handled India's economy on several occasions. In the paper presented, we will see how much foreign direct investment has been made in India and which areas they have affected. In this paper, we have used second data.

Keywords : FDI, Economic Growth, Foreign Policy, WIR etc.

Introduction- Foreign direct investments (FDI) is a crucial component of economic growth in addition to being a considerable non-debt good investment option for the economic growth of India. To benefit from India's special investment advantages, including tax breaks and relatively low salaries, foreign companies invest there. This helps India expand its technological knowledge, create jobs, decrease poverty & so many other benefits. Reason of these investments into India in large numbers as a result of Indian government's friendly environment policy, rising global competitiveness, thriving business climate, and economic impact.

The government has recently relaxed FDI regulations for number of industries, like communications, oil refineries, PSUs & defense etc. In 2020–21, India received amounts of FDI never before seen. Compared to last year, a total of US \$ 81,973 million FDI was received this year, which is 10 percent more than last year. Based on the World Investment Report 2022, India rose one spot from ninth place in 2019 to eighth place among the top FDI recipients globally in 2020. In FY22, communications, information and technology, as well as the automotive industries saw the most FDI. Multinational corporations (MNCs) have looked into strategic partnerships with top local business coalitions thanks to significant agreements in the health & technology sectors, resulting in a rise in “cross-border M&A of 83% to US\$ 27 billion”.

Monetary size

Table:1

FDI Growth in India	
Financial Year	US\$ in Billion
2014-15	45.148
2015-16	55.559
2016-17	60.220
2017-18	60.974
2018-19	62.001
2019-20	74.390
2020-21	81.722

Source: RBI bulletin

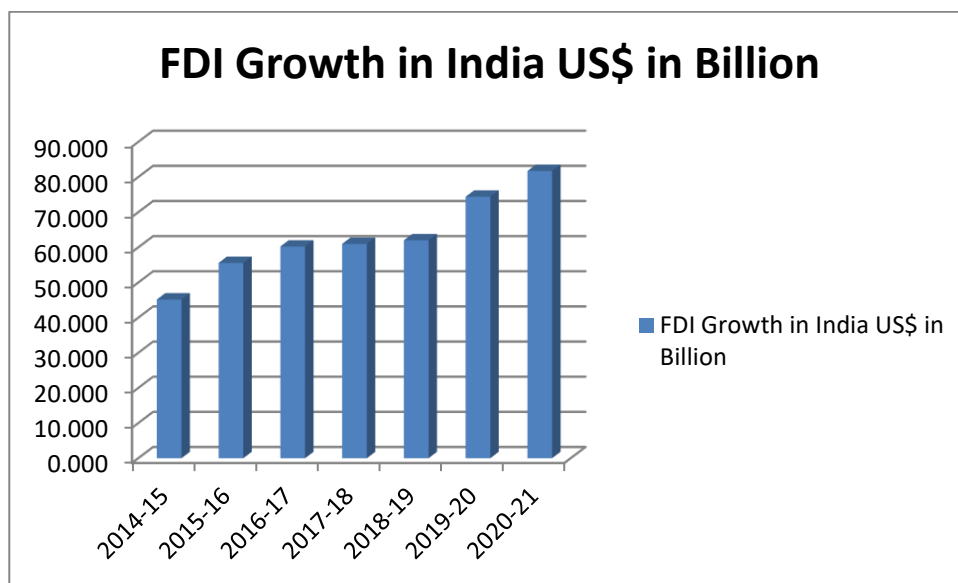


Chart:1

India's FDI inflows have increased by about 20 times between 2000 and 2022. According to “Department for Promotion of Industry & Internal Trade (DPIIT)”, India attracts total FDI approx. US\$ 871.01 billion among financial year 2000-21 to 2021-22. It is mainly due to a result of government's initiatives to simplify business processes and lower FDI regulations. A total of approx. US \$ 22.028 billion FDI came among January to March 2022 & FDI equity flow had also being US \$ 15.59 billion during this period. “Indian Computer Software and Hardware Industry achieved the highest foreign direct investment (FDI) in 2021-22 Financial Year, which was around \$ 14.46 billion, followed by the automobile industry at number one which received \$ 6.99 billion direct investment” and then trading The industry found \$ 4.53 billion foreign direct investment and was at number 4, which received \$ 3.37 billion foreign direct investment. Singapore was the second-largest source of FDI, trailing only the US, Mauritius & Netherlands. The Karnataka province of India earned the highest foreign direct investment (FDI) of US \$ 22.07 billion during this period. The second number was Maharashtra province, which earned a foreign direct investment of US \$ 15.43 billion, followed by the third number from Delhi province which

received a foreign direct investment of US \$ 8.18 billion, followed by Gujarat and Haryana, after which Gujarat and Haryana reserved 2.70 billion US dollars and 2.79 billion US dollar FDI. India received 811 industrial investment proposals in 2022 (up till August 2022), totaling 352,697 crores (US\$ 42.78 billion) in value.

Investments/developments

Government has successfully been a popular destination due to a number of factors that have increased FDI. In spite of the epidemic, India's economy, which ranked 68 on the Global Competitive Index, did pretty well. India was additionally recognised as the Forty Eight most innovative country out of the topmost 50 countries. As a result, India has received more FDI. Several of the most growing investments are listed here:

For the production of defense, India received foreign direct investments worth Rs. 494 crore (US\$ 61.91 million) during May 2022.

During April & June 2022, foreign direct investments of \$3,427 million were made in India's computer hardware and software industry.

During May 2022, for a 25% stake in "Future Generali India Insurance, the Italian financial services giant Generali payed Future Enterprises Rs. 1,252.96 crore (US\$ 161.92 million)".

"Tiger Global and Sequoia Capital India" jointly conducted a funding round in May 2022 that netted US\$ 15 million for the SaaS firm Topyne.

In May 2022 itself, "Jane Works Health received a FDI of 135 crores (US \$ 17.44 million), by Summerset Indus Capital Partners, Morgan Stanley, etc., it had its funding branch through Grand Vista, Evolves and Wipro GE".

In May 2022 itself "Zepto Limited, the grocery delivery platform owned by Kiranakart Technologies Pvt, raised US\$ 200 million in Series D investment round through Y Combinator's Continuity Fund, valuing the business at US\$ 900 million".

In May 2022, "Koin Basket, a startup investing in crypto-currencies, raised \$2 million in a preseed funding round".

The firm that runs "insurtech platform Turtlemint Insurance Services Pvt. Ltd.", Invictus Insurance Broking Services Pvt. Ltd., raised US\$120 million in a Series E investment round that was headed by Amansa Capital, Jungle Ventures, and Nexus Venture Partners.

Info Edge Ventures & Tiger Global led a Series B investment deal in May 2022 that included US\$ 28 million for the B2B global technology platform Genie mode.

In May 2022, West Bridge Capital led a \$30 million Series B financing round for the Jaipur-based online furniture and home products store Woodenstreet.com.

In Janury 2022, Google disclosed an investment of \$1 billion in Indian telecom compny Bharti Airtel. This investment consists of an equity investment of US\$ 700 million for a 1.28% stake in the company and an unspecified future investment of US\$ 300 million in areas like smartphone access, networks, and the cloud.

In 2021, “India find Research & Development (R&D) sector investments, total approx. Rs. 343.64 million (US\$ 4.35 million), which was an increase of approx. 515.56 percent in compression to previous year”.

The “Canada's Pension Fund Investment Board has infused Rs 1,200 crore (\$160.49 million) as an anchor investor in the initial public offerings of FSN E-Commerce Ventures (Nykaa), One97 Communications (Paytm), PB Fintech and Zomato”.

FDI into India's renewable energy sector for the first half of FY2021-22 was \$1.03 billion.

Government Actions

FDI has recently become more popular in India thanks to favourable government policies. Numerous laws and programmes that India has developed have helped to increase FDI. These initiatives have encouraged FDI in India, especially in developing sectors like real estate, R&D, and defence manufacturing. Important government initiatives include:

In the defence sector, the Indian government “increased FDI by increasing it to 74% through the automatic route and 100% through the government route”.

The “government has amended the Foreign Exchange Management Act (FEMA) to allow up to 20% FDI through the automatic route in the LIC insurance business”.

The administration is considering loosening restrictions on some FDI from countries bordering India.

Due to “implementation of initiatives such PM Gati Shakti, single window clearance, and GIS-mapped land banks, FDI inflows are predicted to rise in 2022”.

At least three alternative versions of the Space Activities Bill are anticipated to be introduced by the Indian government in 2022. The law also tries to define FDI in the Indian space industry in a precise manner.

In September 2021, the governments of India and the UK decided to increase investment between their countries with an aim to enhance trade cooperation and strengthen ties.

To develop the Indian telecom industry, the central government decided to increase FDI from 49% to 100% in September 2021.

In August 2021, the Government of India amended the rules to allow an increase in FDI quota to 74% in the insurance sector as well.

Conclusion

India lately rose to prominence as a major worldwide hub for FDI. One of the top three foreign countries for FDI, India, attracted about 80% of participants from all over the world. Additionally, India significantly streamlined its labour laws and drastically reduced business taxes. The country has also reduced its FDI restrictions, which over the previous 16 years have decreased from 0.42 to 0.21. India has remained a popular market for international investment due to its potential in the short and long terms. The low-skill manufacturing sector in India is one of the FDI industries with the biggest potential. The efficiency of India's government has also increased. Its advances in the efficiency of the public sector may largely be attributed to the state's finances, which have remained largely constant despite COVID's

challenges, and the favourable perception of government support and subsidies among Indian industry stakeholders. Keeping all these variables in mind, it is expected that India will be able to attract US\$ 120-160 billion in FDI by 2025.

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