

IMPACT OF FDI ON VARIOUS SECTORS DURING 2014-15

RAHUL B. CHAUHAN

Assistant Professor, Department of Management, Shree H. N. Shukla
College of Management Studies, Rajkot, India

ABSTRACT

FDI is playing vital role in any developing country for growing in the future and the current situations. In India major impact in the FDI take place from the liberalization policy-1991. Before that change the flow of FDI in India is very slow and in the time period of 1980-81 to 1990-91 the average 130.72 US \$ million and after the 1991, that is post liberalization period form 1991-92 to 2014-15 the average FDI in US \$ is 12760.60. So, here we can see that the impact of FDI post LPG change more increased. In this paper we are going to find with object of finding impact of FDI in the year 2015 and performance of the FDI in the various sectors also the aim is to finding the sectors with having grater result in the FDI by using the secondary data like various report and the internet and conclusion for the same.

KEYWORDS: Foreign Direct Investment (FDI), Liberalization, Privatization and Globalization, Economy

EXECUTIVE SUMMERY

FDI is very important source for the development of any country. By the FDI countries generate not only income of capital but also generate employment, new technological updates, new technical knowhow etc. In India before 1991 average FDI inflow around US\$ 130 and after 1991 to 2014-15 it was US\$ 12,760. So here we can see that the flow of FDI in India post LPG policy and after LPG policy. In India recently many policies are changed by government like increased 74% from 49% and in private sectors 49% from 26%.

Many authors emphasize only on one topic that is by the adopting the new FDI flows and polices country generate many opportunities for the development form the backward class. And FDI also better for taking extra benefits from the other resources like skilled labour force, inter country sources etc. in India Year 2014-15 average flow of FDI was 15,759 Crore and in the month of January 2015 highest Flow of FDI recorded that is more than double of average (i.e. 27,880 cr.) and in the month of august lowest flow of FDI recorded that is below then Average (i. e. Rs. 7783 cr.)

If we are going to analyse performance of FDI in various sectors in the year 2014-15 than we can say that in the services sectors the flow of FDI was highest in and in the metallurgical business flow of FDI was very lowest that was 19,963 cr. and 2,897 cr. respectively. And if we compare FDI flow with the past year (2013-14) than we can say that in services sector no any changes were made but in all other sectors many ups and down were made. In telecommunication, computer hardware & software, automobile sectors and in trading sectors flow of FDI increased in compare to past year and in other sectors like construction, pharmaceutical, chemical, power and metallurgical sector flow of FDI were deaced in compare to past years.

We can conclude that as per the research paper the flow of FDI is increased day by day in the India and it shows the batter impact on the nation like development of other resources also and not only in the capital markets.

INTRODUCTION

For the any country the development is the main path for growth. FDI is the one of the best way to increase the opportunity for foreign investment in the country. By this way any country is making good growth in the country and getting good outcomes. In the India after the polices of 1991 the flow of the FDI increased in the form of very much more in various sectors like the services sectors, computer software & hardware, auto mobile, power, hotel and tourism, cement, consultancy services etc.

In India cabinet DIPP (Department of Industrial Policy and Promotion) has declared that in the railway infrastructure excluding operation 100% FDI, construction sector in which operations and administration of business, shopping mall and city, also having object to encourage defence production overseas firm into modern technological improvement, govt. Increased FDI 49% to 74% at present and in private insurance sector increased 49 per cent from 26 per cent. By this initiative step taken by government we can say that the government also taken very positive decision in the term of FDI.

In telecom, defence, PSU oil refineries, power exchange, and others government relaxed FDI norms in 2013. One UK-based company that is Tesco submit their application in collaboration with Tata Group for investing US\$ 110 million to start a new supermarkets chain in India. Also with the Tata Group two airlines come for launching new business named Malaysia-based Air Asia and Singapore Airlines^[1].

LITERATURE REVIEW

- BalasundaramManiam and AmitiavaChatterjee (1998)^[2] deliberate on the factors of US overseas investment in India, drawing the development of US FDI in India and shifting Indian Governments approaches towards a parts of liberalization plan.
- Mhambre (2003)^[3] examine that FDI is very good for the developing countries in the area of technology and technical knowhow.
- FDI in the different sectors of the economy like primary, manufacturing, services use various effects on economic development stated by Laura Alfaro (2003)^[4] Positive effect of FDI comes from the manufacturing sectors where as from the primary sectors inflows are negative impact on development.
- Against the many countries Peng Hu (2006)^[5] studied various elements that influence inflows of FDI in India like economic growth, domestic demand, currency stability, government policy and labour force availability. Study find a new result that in compare to other countries like china and Mexico, India have more high Quality labour force that is the reason behind attractiveness for more FDI inflows in India.
- In the long run GDP per capita income has positive impact on FDI inflows stated by Chew Ging Lee(2009)^[6]
- In one study on “Sectorial performance through inflows of Foreign Direct Investment (FDI)” by Kumar and Karthika (2013), they found that for the host country Foreign Direct Investment play major role. For the quickly economic development many countries use foreign investment and foreign technology. In the developing countries opportunities for employment, increasing production level, and inter country capital increment generated by FDI is the major step towards economic development of any country^[7].

- In the study of R. Anitha (2012) they emphasize on the highly skilled labours, good economic policy, lavish and diversified natural resources, big market size these all are the empowered India to attract FDI. FDI plays also important role for generating new employment opportunities, establishing new infrastructure, increasing productivity, developing new technology etc. after long term for the development of country and not playing only for the capital generation. According to the World Investment Report- 2010 India begins as a 5th largest beneficiary of FDI across the global and 2nd largest among all other developing countries.

OBJECTIVES

Every research has objectives without objective no research possible. Here we have mentioned objectives of our research.

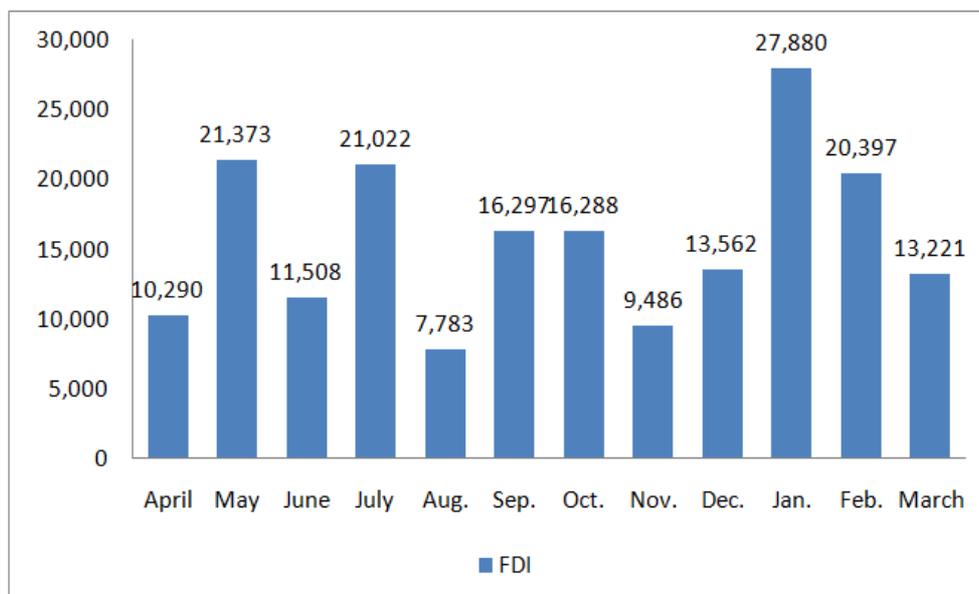
- To find out impact of FDI in the year 2014-'15.
- To find out the performance of FDI in the various sectors.
- To find out which sectors having grater performance.
- Over all comparison with the year 2013-'14.

RESEARCH METHODOLOGY

We have done research based on the secondary data analysis from the various fact sheets available on the net and various research papers and the sources of RBI reports and analyse the fact and figure from the various sources.

IMPACT ON FDI: YEAR 2014-'15

Chart 1: Month Wise FDI in the Year 2014-'15



(Sources: Report of RBI, Mumbai year 2014-'15, Rs. In Crore)

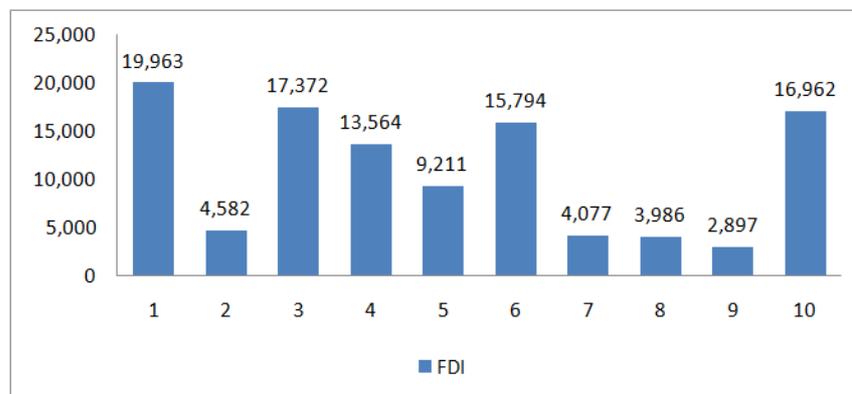
As per the above data we can say that in the month of April FDI (foreign direct investment) is around Rs. 10,290 Crore And in the month of May its double in compare to April that is around Rs. 21,373cr., and again in the month of June

its decreased by 50% that is Rs. 11,508cr.and increased in the month of July and again decreased august. So we can say volatility of FDI is very high. But in the month of September and October almost similar and again decreased in the month of November, and at the end of year record is not good in compare to the April-2014. But we can see that in the month of January it almost three times in compare to April-2014 and then again it decreased in February and March and we can say that its same in starting and end of the years.

So we can say that in past year 2014-'15 in the month of January FDI flow is very high and in the month of august FDI floe is very low in compare to all months.

PERFORMANCE OF FDI IN VARIOUS SECTORS: YEAR 2014-'15

Chart 2: Sectors Wise FDI in the Year 2014-'15



(Sources: Report of RBI, Mumbai year 2014-'15, Rs. In Crore)

[(1)Services sectors, (2) construction expansion, (3) telecommunication, (4)computer hardware and software, (5)tablets & medicines, (6) automobile business, (7) chemical, (8) power, (9)metallurgical business, (10)- trading]

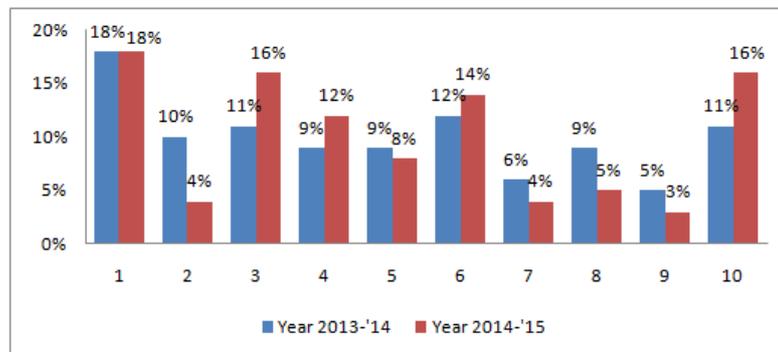
From the above chart we can analyses that in the last year that is 2014-'15 services sectors has high investment that is Rs. 19,963 and in the Metallurgical industry it is very low that is Rs. 2,897 so here researcher can say that in the India services sectors is very active in the FDI flow. In Metallurgical industry there was investment flow is very low because of the low demand in the construction sectors and construction sector is also low during this stipulated period of time and there is a mutual relation between construction and Metallurgical industry that is why the performance of both the sectors are very low as compare to other. Now researcher also find that in the services sector, telecommunication, IT sector, automobile industry and trading industry there was boom period during this year and these all the sectors are considered as a "bramhastra" for an economy.

In this study researcher can also find out that the pharmaceutical industry play an very crucial role but during the year 2014-'15 this industry can perform moderately and the investment is Rs. 9,211 Cr.

Due to recession in the Indian economy there were also an a major sectors which will play negatively as compare to previous year and the sectors are construction and development, chemical, power and Metallurgical industry. There was one also reason for low performance of these sectors and it is there is high competition ratio in these sectors so in these sectors FDI flow is low as compare to others sectors.

COMPARISON WITH YEAR 2013-'14

Chart 3: Sectors Wise Comparison of FDI for the Year 2013-'14 and 2014-'15



(Sources: Report of RBI, Mumbai year 2015)

[(1) services sectors, (2) construction expansion, (3) telecommunication, (4) computer hardware and software, (5) tablets & medicines, (6) automobile business, (7) chemical, (8) power, (9) metallurgical business, (10) trading]

Researcher can find out that in services sector as compare to previous year 2013-'14 there was no any change in investment and major change in construction sector and it is approximately 60% decreased.

There are also major five sectors in investment flow that are decreased in the current year in compare to previous year that are construction sectors, pharmaceutical sector, chemical, power and Metallurgical industry due to recession period and also increased performance in compare to previous year in current year like telecommunication, IT sectors, automobile sectors and trading sectors.

In previous year services sectors has greater performance and current year also but many sectors has less performance in previous year and good in current year.

CONCLUSIONS

As per the research researcher can say that in the year 2014-'15 in the month of April FDI (foreign direct investment) is around Rs. 10,290 And in the month of May its double in compare to April that is around Rs. 21,373, and again in the month of June its decreased by 50% that is Rs. 11,508 and increased in the month of July and again decreased august. So we can say volatility of FDI is very high. But in the month of September and October almost similar and again decreased in the month of November, and at the end of year record is not good in compare to the April-2014.

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