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A Study on Impact of Foreign Direct Investment and its Challenges Post Liberalization

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ABSTRACT
In the beginning of liberalization when India was facing the financial crises for meeting the external commitments, during the Prime minister Chandra Sekhar government, India had to pledge its gold before World Bank to repay the foreign debts as India had only $ 1 billion foreign exchange reserves, at the same time, the immediate external payment was more than $ 25 billion. Therefore, India was bound to opt for liberal economic policy for the inflow and outflow of foreign investment and depreciation of Indian rupees by 300% in comparison of dollar from rupees 8 to rupees 28 per dollar. By which the foreign investors started attracted and investing their funds in India, as the India had and has potential for the growth and diversification of business, since then the India has made remarkable progress in the field of foreign direct Investment but there are lot many challenges and issues needs to be resolved to promote and attract foreign direct investment. The following issues and challenges are listed in the papers: lack of transparent and specific sectoral FDI policy and a limited FDI regime Contributing factors include high tariff rates compared to international standards, a lack of state government decision making power, a limited number of export processing zones, the absence of exit barrier liberalization, stringent labor laws, financial sector reforms, fluctuating exchange rates, and unclear political leadership. In this post, the authors have made an effort to update the best and most plausible conclusions for the justification of foreign direct investment.

Keywords: *challenges and opportunities, financial reforms, foreign direct investment, liberalization*

I. INTRODUCTION

The corporation investing in the host country transfers assets including technology, management, and marketing when it makes an investment in another country. Foreign direct investment is the name given to this practice. Additionally, to the degree that it had shares in a foreign land enterprise, the investment business might have the power to influence decisions there. If enterprises in the host nation invested their gains as retained earnings, such an investment might potentially strengthen the influence of foreign investors. A body to promote foreign investment has been established by the Indian government, and it is quite effective. Foreign direct investment (FDI) can also take the form of equity debentures or bonds that foreign investors issue to Indian enterprises. These investments are analogous to domestic equity investments made by Indian shareholders and are made as direct foreign contributions to the equity capital of the companies. The government of India has formed a powerful foreign investment promotion board to provide single window approval channels for the entrance of FDI. This is positive for foreign investors as several limitations on the admission of foreign capital have lately been eliminated.

The Indian financial system was cut off from the global financial markets until 1991. Indian enterprises have limited access to outside capital markets, which limited their ability to obtain funding. Following economic liberalization, the Indian financial system became more open, giving Indian business owners access to the global market and overseas sources for both debt and equity. Global Depository Receipts (GDR) and American Depository Receipts (ADR) are the primary market instruments employed by the Indian firms. International financing can also take the form of foreign direct investment (FDI), a source where multinational corporations (MNCs) make direct equity contributions to grow their operations. beyond their domestic borders by the establishment of new companies as branches or subsidiaries, the expansion of existing branches or subsidiaries abroad, or the acquisition of a foreign firm. The integration of the Indian financial system with the international financial markets has also experienced significant transformation. As the popularity of international financial markets grows, similar initiatives were made to draw foreign investment to India.

The amount of FDI entering India has been rising since the start of the country's 1991 economic and financial reforms, but there is enormous room for growth in the years to come. Many initiatives are being taken on the policy and execution fronts in an effort to increase the inflow of FDI into the nation. With additional authority and freedom over issues connected to FDI policy and its promotion and facilitation as well as other economic problems, the FIPB has been moved to the department of economic affairs within the ministry of finance and company affairs.

This department will continue to handle the promotion and facilitation of investment by NRI and foreign corporate bodies in light of the revised carrying on business (COB) license application form, liberal promotion based on merit, and proper monitoring scheme that the concern ministry has geared up. The availability of timely and trustworthy information regarding the policies and procedures governing FDI in India has repeatedly been made available to the foreign investing community, and this is the fundamental necessity of this community in making investment decisions. various elements, including interest rates, speculative activity, profitability, production costs, and government to draw FDI into a country, policies pertaining to economic conditions, political stability, resources, investor preferences, cross-border M&A, portfolio investment, FII, security of life and property, and market sentiments must be taken into consideration. The focus is on the fact that portfolio equity flows to developing countries have increased significantly over the past two decades, despite the fact that these flows represent a very small portion of overall international portfolio investment flows and that developing country markets like India are highly sensitive and volatile to investment. To determine the precise impact of FDI on the overall development of India on a sector-by-sector basis, the researcher will review existing literature and facts and figures of relevant ministries, departments, and institutions in order to come to the correct conclusion. In fact, the foreign investing community has been properly attracted, and positive results are flowing in the investment market.

II. REVIEW OF LITERATURE

India is a popular location for foreign direct investments (FDI) because it has the third-largest PPP economy in the world. Along with other key sectors like jewellery, chemicals, clothing, and auto components, India excels in the domains of telecommunication and information technology. Even while global capital increased, FDI limitations created a considerable barrier. However, India has positioned itself as one of the leaders of the rapidly expanding Asia Pacific Region as a result of various beneficial economic initiatives designed to de-regulate the economy and encourage international investment. In India, there is a sizable pool of highly qualified technical and management individuals. With 300 million members, the middle class represents a sizable and expanding consumer market. The majority of sectors' cap on FDI will be lifted as a result of several approvals for the FDI policy. Some industries that require the relaxation of FDI regulations include mining, oil and gas, commodities exchanges, real estate development, industrial parks, civil aviation, and real estate development. However, the objective of encouraging more foreign investment in politically sensitive sectors like insurance and retail has not been accomplished. The Secretariat for Industrial Assistance of the government reports that FDI inflows into India reached a record $19.5 billion in the fiscal year 2006–07 (April–March). This amount was more than double that of the previous fiscal year's US$7.8 billion. FDI reported for 2007–2008 was $24 billion, and it is predicted to exceed $35 billion for 2008–2009. India's ability to maintain its current rate of economic growth and realize its potential as an economic super power would be greatly influenced by the government's ability to develop incentives for FDI flow across a wide range of Indian industries.

The share of developing nations has grown dramatically over the past ten years, despite the fact that developed countries have received the majority of FDI flows. While Africa only receives a modest amount of FDI, Latin America and Asia come out on top in this situation. The largest recipients of FDI in Latin America are Argentina, Brazil, Chile, and Mexico (Ramirez, 2000). When it comes to the rise in FDI inflows, India is hardly an exception. The Secretariat for Industrial Assistance of the government reports that FDI inflows into India hit a record US$19.5 billion in the fiscal year 2006/07 (April-March). This was more than twice as much as the US$7.8 billion amount from the prior fiscal year. There were $8.2 billion in FDI inflows between April and September 2007. FDI and economic growth have been the subject of numerous studies over the years. All of these investigations reach different findings. While some see a real correlation between FDI and economic growth, others discover none at all. The early research concentrate on cross-sectional investigations at the industry level and country case studies. They discover that the productivity of an MNE and average value contributed per worker are positively correlated. Later research abandoned the use of country case studies and turned its emphasis to firm level panel data. Most of these studies frequently find no link between FDI and economic growth. They also find that the spill over effects of MNEs are negative in underdeveloped countries and only positive in developed ones. Because earlier research was thought to be insufficient, more recent investigations have used a different methodology. The focus should instead be on vertical (inter-industry) externalities, they claim, since spill over actually involves interactions across several industries. This pertains to the links established between regional vendors and foreign corporations (Alfaro et al., 2006).

The diversified Indian economy includes textile, agriculture, handicrafts, manufacturing, and a wide range of services. Although two-thirds of the Indian workforce still relies on agriculture for their primary source of income, the service sector is expanding and is becoming a more significant part of India's economy. With the advent of the digital age and the abundance of young, educated people who are fluent in English, India is quickly becoming a key "back office" location for international corporations looking to outsource their customer support and technical help. India is a significant exporter of highly skilled software workers and software engineering, as well as the financial sector. For the majority of its independent existence, India choose a socialist-inspired strategy with stringent government control over private sector participation, international trade, and foreign direct investment. However, India has steadily opened up its markets through economic reforms since the early 1990s by lowering governmental restrictions on foreign investment. Political controversy

has slowed the privatization of publicly owned businesses and the opening of particular industries to domestic and foreign investors.

The question that begs for clarification is whether strong growth and FDI inflows will be able to correct the structural imbalance in the Indian economy and improve the lot of the country's poorest residents, who currently endure appalling socio-economic conditions. The post-reform period has seen a decrease in the employment elasticity of the agricultural and industrial sectors, making it extremely difficult for policymakers to create new employment possibilities. The most capital-intensive sectors have seen FDI; as a result, it was not possible to establish the necessary employment prospects, particularly for manual and semi-skilled labor. Highly skilled workers benefitted significantly. Because of this, high growth is referred to as urban centric and has widened the economic gap between urban and rural areas. This gap must be filled immediately. Since India's independence, the democratic Indian polity's policymaking process has advanced. As a result, it is anticipated that the mounting issues would receive a mature response, and policy will be articulated in a way to use FDI to boost economic growth, much like China has done, while accepting increasing amounts of investment to industrialize the rural part of the Indian economy.

India's recently liberalised FDI policy permits up to a 100% FDI stake in ventures. Industrial policy reforms have substantially reduced industrial licensing requirements, removed restrictions on expansion and facilitated easy access to foreign technology and FDI. The upward moving growth curve of the real-estate sector owes some credit to a booming economy and liberalized FDI regime. A number of changes were approved on the FDI policy to remove the cap in most of the sectors. In industries as diverse as civil aviation, real estate development, industrial parks, commodities exchanges, oil and gas, credit-information services, mining, and so on, restrictions will be loosened. There is no denying that the topic of foreign direct investment in India has generated controversy on a global scale. There is little doubt that foreign equity capital and foreign direct investment have a significant impact on India's 8% growth rate. The following are the key points of the most recent trend data on FDI in India:

- Increase in total FDI: 46.8%
- Rise in foreign equity: 36%
- Reinvested foreign earnings and other capital: $3.2 billion
- Total FDI earnings (inward) in Apr-Jan 2005-06: $5.7 billion
- Total FDI earnings (outward) increase: 2000-01: $757 million 2004-05: $2.4 billion

The Associated Chambers of Commerce and Industry of India (ASSOCHAM) forecasts that India's GDP would double by 2010, rising to an astounding USD 1100 billion from its current USD 550 billion. Why do you believe that? According to estimates, the average Indian will become richer by 2010, when per capita income will increase from USD 600 to USD 1200. The degree of development affects how FDI affects economic growth in a nation. According to the investment development path (IDP), a nation goes through five stages that have an impact on the amount of investment. A nation is thought to be almost unable to draw in foreign direct investment at the initial stage. Insufficient per capita income, underdeveloped economic systems and political policies, inadequate infrastructure and communication, and most importantly, a labor force with insufficient human capital are the causes of this situation. The limited direct investments made are primarily in primary industries like agriculture and industry, both of which require a lot of labor. Inward direct investment begins to increase in the second stage. The majority of the investments are still in raw materials and basic commodities. At this point, the host government is starting to alter its policies to encourage FDI. The domestic companies are shifting their production toward consumer goods with a knowledge-intensive and semi-skilled market. The third stage is characterized by increasing domestic income, which raises consumer demand for high-quality products and is in part fuelled by growing business competitiveness. The growth of inward direct investment declines as incomes rise, while the growth of outward direct investment into nations with lower levels of IDP increases. The rivalry between the domestic and when domestic companies gain competitive advantages, the number of international companies also rises.

The expanded market and increasing innovation will promote technology-intensive production and enable economies of scale. The nation has attained level four when the stock of outbound direct investment exceeds the stock of inbound direct investment. Only industries where native firms have a competitive edge, can they compete with foreign companies. Instead, they make investments in other markets where labor is less expensive. The production that requires a lot of capital also grows in the local market. The fifth stage is distinguished by a constant rise in both outbound and inbound direct investment. The advanced industrialized countries are at this point. Here, the significance of MNEs is obvious. Natural resource availability domestically is less important than the capacity to take advantage of international markets (Dunning and Narula, 1996).

The Indian government acknowledges the crucial contribution that foreign direct investment (FDI) makes to economic growth, not only as a source of new capital but also as a major exporter of technology and best practices from around the world. The Indian government has established a liberal and open FDI policy. In the majority of industries and activities, automatic route FDI is permitted up to 100%. India's FDI policy is regarded as one of the most lenient among rising economies.

The majority of sectors, including the services sector, are covered under the automatic route of the FDI Policy, which allows FDI up to 100% from foreign/NRI investors without prior permission. The government or the RBI do not need to give any prior clearance for FDI in industries or activities covered by the automatic route. For practically all countries worldwide, foreign direct investment (FDI) has become a crucial component of national development policies. It

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has become an essential tool for kicking off economic growth for nations because to its widespread acceptance around the world and positive results in boosting domestic capital, productivity, and employment.

This is primarily attributable to India's lax FDI regulations. India now ranks among the top 100 nations in the world for ease of doing business (EoDB).FDI inflows to India reached $45.15 billion in 2014–15 and have been steadily rising ever since.

The country has received $ 919 billion in FDI over the past 23 years (April 2000 to March 2023); however, the $ 595.25 billion in FDI received over the past 9 years (April 2014 to March 2023) represents over 65% of the total FDI influx over the past 23 years.

FDI inflow to India was only $ 45.15 billion in FY 2014–15; this figure rose to $ 60.22 billion in FY 2016–17; and finally, to the largest annual FDI inflow ever reported during the FY 2021–22, which was $ 83.57 billion.

Total FDI inflows in the country in the FY20 22-23 is $ 70.97 Bn and total FDI equity inflows stands at $ 46.03 Bn.

Mauritius (26%), Singapore (23%), USA (9%), Netherland (7%) and Japan (6%) emerge as top 5 countries for FDI equity inflows into India in FY 2022-23.

Top 5 sectors receiving highest FDI Equity Inflow during FY 2022-23 are Services Sector (Fin., Banking, Insurance, Non Fin/ Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other(16%), Computer Software & Hardware (15%), Trading (6%), Telecommunications (6%) and Automobile Industry (5%).

Top 5 States receiving highest FDI Equity Inflow during FY 2022-23 are Maharashtra (29%), Karnataka (24%), Gujarat (17%), Delhi (13%), and Tamil Nadu (5%).

Present FDI policy 100% in Auto components, automobile Broadcasting , capital goods, construction houses for poor, hospital, chemical, coal, 74 % in defence 49% in broadcasting content and 26% in digital media But no permission for foreign investor to invest in lotteries, gambling, chit fund, nidhi company, trading whole sale business, real-estate, cigar ,cigarette and atomic energy.

III. OBJECTIVES OF THE STUDY

1. To study, compare and evaluate flow of FDI.
2. To study the issues in attracting FDI.
3. Finding the measures for improving the pattern of FDI with impact.

IV. RESEARCH METHODOLOGY

Researcher has used the descriptive judgmental and analytical approach to find the effectiveness and future perspectives of FDI and interaction with local communities and review of descriptive studies. Various sources such as, descriptive secondary data, from books, websites, research papers, magazine, e-books, journals and Government gazette.

V. SCOPE OF THE STUDY

The present study confines to the facts and details on FDI, its future perspective and challenges. Study also covers the measures for improvement of inflow. It also covers various strategies for policy makers.

VI. MAJOR ISSUES AND CHALLENGES TO LARGER FDI INFLOWS IN INDIA

In addition to India's low performance in terms of competitiveness, infrastructure quality, and labor productivity and skills, there are a number of additional reasons that make India less appealing as a location for direct investment than she could be. Given that India's domestic market is enormous and expanding quickly, there is every reason to believe that substantial amounts of FDI will flow to India with continued reforms that enhance institutions and economic policies, thereby fostering a climate that is favorable for private investment and economic growth. Below, we outline a few of the key factors:

Restrictive FDI Regime

India's FDI policy is still fairly onerous. India is ranked 57 in the GCR 1999 for cross-border initiatives as a result. With the exception of a few sectors, foreign ownership of between 51 and 100 percent of the equity still requires a drawn-out permission process from the government. According to our assessment, there doesn't appear to be any basis for maintaining this rule. The government should automatically approve 100% foreign ownership instead of this requirement, with the exception of a small number of industries that would still need permission. India would aim to negotiate reciprocal investment rights, for instance, in the banking industry. The government must also loosen limitations on FDI outflows by non-financial Indian corporations in order to enable these businesses to get into joint ventures and FDI agreements abroad.

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It is necessary to further relax FDI regulations in industry and streamline FDI processes in infrastructure. Government has made a few small, but insufficient modifications.

Lack of Transparent and Unambiguous Sectoral Policies for FDI

More open sectoral policies, a sharp decrease in time-consuming red tape, and less unauthorized delays by government employees are all necessary for the expeditious conversion of approved FDI into actual investment.

High Tariff Rates by International Standards

India's tariffs are still some of the highest in the world, which keeps it from being a desirable export market for labor-intensive industry. India is ranked 59th out of 59 nations in the 1999 GCR for average tariff rate and 52nd out of 59 for tariffs and quotas. It needs to be much more open, which would include, among other things, significantly lowering tariff rates to levels similar to those in East Asia (between zero and 20 percent). Most crucially, import tariff rates should be duty-free, as they have been for decades in the prosperous exporting nations of East Asia, on capital goods utilized for export and on inputs used in export production.

Lack of Decision-Making Authority with the State Governments

The central level has seen the most of the reform activity thus far. India's state governments still need to be sufficiently decentralized so they can inject the reforms with a lot more vitality. The federal government retains authority or at the very least veto power over state actions in the majority of critical infrastructure sectors. Greater state autonomy will encourage more rivalry between the states. It is necessary to consider the state governments of India as potential forces for quick and beneficial change. Examples of regional governments leading the way in driving reforms and inspiring additional moves from the federal government include Brazil, China, and Russia. It is Sao Paulo and MinaisGerais in Brazil, these regional leaders are leading reform; It is the coastal provinces and the provinces that are most remote in China, leading the way is Beijing, while in Russia, reformers in Nizhny Novgorod and the Russian Far East have greatly accelerated central changes.

Limited Scale of Export Processing Zones with Full Efficiency

A change in policy is required in light of India's export processing zones' extremely small contributions to FDI attraction and overall export development. The lack of dynamism in India's export processing zones can be attributed to a number of factors, including their relatively small size, the government's general ambivalence toward attracting FDI, the ambiguous and shifting incentive packages associated with the zones, and the power of the central government in the regulation of the zones, as opposed to local and provincial governments in China, which bear the majority of the responsibility. Ironically, despite India having created her first EPZ in 1965 as opposed to China, who started their efforts in 1980, the Indian EPZs never really seemed to take off in terms of luring investment or boosting exports.

No Liberalization in Exit Barriers

While the current reforms have helped lower entry barriers, there hasn't yet been any liberalization of departure restrictions. This, in our opinion, is a significant barrier to significant FDI flows to India. In order for businesses to enter and quit the market freely, an exit policy needs to be developed. While it would be inappropriate to disregard the necessity and possible value of some safeguards, it is also critical to understand that, if improperly constructed and/or enforced, safeguards could become hurdles that could negatively impact the firm's health. The enterprises cannot pursue restructuring because of the current regulatory structure.

Stringent Labour Laws

Without the authorization of the state government, large companies in India are not permitted to retrench, layoff, or close a plant. Although the law was passed with the intention of preventing unfair layoffs and retrenchments, it has instead turned out to be a provision for job security in large, privately held businesses. This is very much in line with the job security offered to those working in the public sector. Most crucially, the ongoing difficulty in removing undesirable personnel from Indian workplaces with 100 or more employees prevents businesses from expanding their workforce. In the GCR 1999, India is placed 55 and 56 in terms of labor laws and hiring and firing procedures. India continues to be an unattractive base for such production in part due to the persistent barriers to flexible management of the labor force. Competitive and flexible enterprises that can vary their employment in response to changes in market demand and changes in technology are required for labor-intensive manufacturing exports.

Financial Sector Reforms

For significant FDI to enter into India, the financial sector needs to be reformatted. However, just a few minimal measures have been done, and they are in no way going to significantly alter the current system. Over twenty years ago, India's banking and insurance industries were nationalized. Several nations, like Mexico, France, and Chile, used such measures in the 1970s and the early 1980s, but by this point, they have nearly entirely reversed this strategy. However, India still relies on a state-owned, state-run banking system, and this has had a very negative impact on the country's ability

to raise capital for investment and the amount of international banks that are presentand least number of international insurance businesses are present in the nation.

High Rates of Corporate Taxes

East Asian countries typically have corporate tax rates between 15 and 30 percent, however India has a rate of 48 percent for foreign enterprises. Undoubtedly, India's high corporate tax rate significantly deters foreign corporations from investing there. India is placed 48th in the GCR 1999 for tax evasion.

Fluctuating Exchange Rates

The frequent fluctuations in the exchange rates of different currencies present a challenge for potential foreign investors. Although the fluctuations were only temporary, they had a significant impact on the entry of FDI to India and other Asian nations. The past trends had not been satisfying, but there was optimism for improvement in the future.

Indecisive Government and Political Instability

In the past two decades, there have been far too many irregularities on the part of the government, which are still having an impact on the direct inflow of FDI into India. Examples include mismanagement and corporate repression, which harm the nation's reputation and discourage potential investors, who are highly concerned with security and consistent returns on their investments.

VII. ANALYSIS

According to information currently available, total equity contributions from FDI up to 2010 were 6,03,119 crore or 1,37,960 dollars in terms of rupees. The Department of Investment Promotion Policy (DIPP) has formed the Foreign Investment Promotion Board (FIPB) as part of the active liberal government policy that was Corley's focus on investment promotion. The following are the details of FDI inflow by company as shown in table 2: In rupees, 1,19,177 million US dollars is equivalent to 53,309 crores. In terms of rupees, the amount of FDI inflow for the 2010–11 fiscal year was 40,816 crores, or 8,887 million dollars. The monthly information are as stated in table 3 for inflow. Up till August 2010, the amount spent on US million dollars in the months of April, May, June, July, and August was 2,179, 2,213, 1,380, 1,785, and 1,330, respectively. In terms of rupees, they were 9697, 10,135, 6,419, 8,359, and 6,196 during the course of the year. It was 13,760 million dollars in August 2009 and 66,857 crore rupees in August of the previous year. As a result of recessionary trends that were prevalent and their effects on the global investment market, there was a 35% decline in US dollars and a 39% decline in rupees. The first eight months of 2010 saw a total FDI influx, broken down by month. 19,937US million $ and in terms of rupees it was 97,555 crore rupees mean there while 31% decline in terms of US $ and 35% in terms of Rupees.

The country-wise inflow of FDI of 3 years that is 2008-09, 2009-10 and 2010-11 with cumulative figure are as table 3 & 4: Mauritius 50,899; 49,633; 3,461 and 22,4367 crore rupees respectively, Singapore 15,71,27l; 11,295; 49,34 and50,080 crore rupees respectively, USA 8,002; 9,230; 2,944 and 40,134 crore rupees respectively, U.K. 3,840; 3,094;1,236 and 27,261 crore rupees respectively, Netherlands 3,922; 4,283; 2,213 and 22,339 crore rupees respectively, Japan 1,889; 5,670; 2,330 and 19,225 crore rupees respectively, Cyprus 5,983; 7,728; 1,437 and 1,914 crore rupees respectively, Germany 2,750; 2,980; 315 and 12,783 crore rupees respectively, France 2,098; 1,437; 1,178 and 8,097 crore rupees respectively, and in U.A.E. 1,133; 3,017; 1,042 and 8,065 crore rupees respectively, the cumulative figure in terms of US million $ of all the years for Mauritius, Singapore, USA, U.K, Netherlands, Japan, Cyprus, Germany, France and U.A.E are 11,275, 8,914, 6158, 4,968, 4,230, 4,209, 2,868, 1,784, 1,737 respectively with the total of all 1,21,261 which was in terms of percentage 42%, 9%, 7%, 5%, 4%, 4%, 4%, 2%, 2% and 1% respectively with the total of 78% of cumulative percentage.

Sector wise percentage three cumulative figures as per table-7 for top ten sectors. These sectors are service sector, computer hardware, Telecommunication, Housing and real estate, construction, Power, Automobile, Metallurgical, Petroleum and Natural Gas, Chemical and other sectors 21%, 9%, 8%, 7%, 7%, 4%, 4%, 3%, 2%,2% and 33% respectively.

Country wise flow of FDI Mauritius on top with 27 % share of total inflow which was 42% in2011 followed by Singapore, USA, Netherlands Japan, UK, Cayman Islands, Germany, UAE. Cyprus at bottom in 2022 lowest and ranked 10th, In 2011 first three position were same, UK was at number four Netherlands was number five japan was number sixth Cyprus number seven, Germany eight, France number nine and UAE number ten.

Sector wise performance as rank on the basis of percentage in 2011, 1. Service Sector (Financial & Non-financial),2. Computer Hardware &Software, 3.Telecommunication, 4. Housing & Real Estate, 5 Construction Activity,6. Power, 7.Automobile, 8. Metallurgical, 9.Petroleum and Natural Gas 10.Chemicals but cumulative performance 2019 to 2022 is different as shown in table.

Maharashtra attracting most of FDI highest in total share 28%, followed by Karnataka 24% Gujrat 19% , Delhi on fourth spot, Tamil Nadu fifth spot, Haryana on sixth spot, Telangana seventh, Jharkhand eighth, Rajsthan ninth and west Bengal last having only 1% of total share, all look and reflect government efforts.

Table 1: TOTAL FDI INFLOW(fromApril,2000toMarch,2022)

1	**CUMULATIVE AMOUNT OF FDI INFLOW** (Equity inflow+'Re-invested earnings'+'Other capital')		USD847,400 Million
2	**CUMULATIVE AMOUNT OF FDI EQUITY INFLOW** (excluding, amount remitted through RBI's NR I Schemes)	NR3,612,201 Crore	USD588,528 Million

Table 2: FDI INFLOW DURING FOURTH QUARTER OF FINANCIAL YEAR2021-22(JANUARY, 2022 TO MARCH,2022)

1	**TOTAL FD INDIA INFLOW INTO earnings '+'other capital') (Equity inflow 'Re-invested** (as per RBI's Monthly bulletins)		USD22,037 Million
2	**FDI EQUITY INFLOW**	INR.1,17,211 Crore	USD15,599 Million

Table 3: FDI EQUITY INFLOW(MONTH-WISE) DURING THE FINANCIAL YEAR2021-22

T FinancialYear2021-22 (April–March)		***Amount of FDI Equity inflow***	
		(In INR Crore)	***(In USD mn)***
1	April,2021	33,064	4,440
2	May,2021	76,652	10,462
3	June,2021	19,603	2,665
4	July,2021	21,231	2,849
5	August,2021	46,236	6,233
6	September,2021	33,143	4,505
7	October,2021	27,864	3,719
8	November,2021	32,703	4,390
9	December,2021	29,480	3,911
10	January,2022	47,553	6,388
11	February,2022	34,632	4,617
12	March,2022	35,026	4,593
2021-22(fromApril,2021toMarch,2022)#		**437,188**	**58,773**
2020-21(fromApril,2020toMarch,2021)#		**442,569**	**59,636**
%age growth over last year		**-1%**	**-1%**

Table 4: SHARE OF TOP INVESTING COUNTRIES FDI EQUITY INFLOW(Financial year): 2019 -2022

Ranks	*Country*	Amt. in Rupees Crores/Amt. In USD Million	*2019-20 (April – March)*	*2020-21 (April – March)*	*2021-22 (April – March)*		*Cumulative inflow (April,00 – March,22*	*%age to total inflow (interims Of USD)*
		Rupees	57,785	41,661	69,945		9,07,547	

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1	MAURITIUS	Crores						
		USD Million	8,241	5,639	9,392		157,742	27%
2	SINGAPORE	Rupees Crores	103,615	129,227	1,18,235		8,57,024	
		USD Million	14,671	17,419	15,878		130,967	22%
3	U.S.A.	Rupees Crores	29,850	102,499	78,527		3,57,248	
		USD Million	4,223	13,823	10,549		54,151	9%
4	NETHERLANDS	Rupees Crores	46,071	20,830	34,442		2,63,594	
		USD Million	6,500	2,789	4,620		41,261	7%
5	JAPAN	Rupees Crores	22,774	14,441	11,187		2,21,733	
		USD Million	3,226	1,950	1,494		36,942	6%
6	U.K.	Rupees Crores	10,041	15,225	12,211		1,77,848	
		USD Million	1,422	2,043	1,647		31,902	5%
7	CAYMANISLANDS	Rupees Crores	26,397	20,779	28,383		99,010	
		USD Million	3,702	2,799	3,818		14,153	2%
8	Germany	Rupees Crores	3,467	4,910	5,421		79,276	
		USD Million	488	667	728		13,591	2%
9	UAE	Rupees Crores	2,393	31,242	7,699		80,643	
		USD Million	339	4,203	1,032		12,225	2%
		Rupees	6,449	2,839	1,735		62,567	

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Volume-3 Issue-5 || October 2023 || PP. 30-41 DOI: 10.54741/mjar.3.5.4

10	CYPRUS	Crores						
		USD Million	879	386	233		11,367	2%
TOTALFDIEQUITY INFLOWFROMALLCOUNTRIES *		Rupees Crores	353,558	442,569	4,37,188		36,12,201	
		USD Million	49,977	59,636	58,773		588,528	-

Table 5: SHARE OF TOP INVESTING COUNTRIES FDI EQUITY INFLOW (Financial year): 2008 -2011

Ranks	**Country**	**2008-09 (April-March)**	**2009-10 (April-March)**	**2010-11 (April-August)**	**Cumulative Inflows(April '00-August'10)**	**%age to Total Inflows (in Terms of US $)**
1.	Mauritius	50899(11229)	49633(10376)	3461(2924)	224367 (50164)	42%
2.	Singapore	15727(3454)	11295(2379)	4934(1085)	50080(11275)	9%
3.	U.S.A.	8002(1802)	9230(1943)	2944 (636)	40134(8914)	7%
4.	U.K.	3840 (864)	3094 (657)	1263 (247)	27261(6158)	5%
5.	Netherlands	3922 (883)	4283 (899)	2213 (481)	22339(4968)	4%
6.	Japan	1889 (405)	5670(1183)	2330 (515)	19225(4230)	4%
7.	Cyprus	5983(1287)	7728(1627)	1437 (310)	19214(4209)	4%
8.	Germany	2750 (629)	2980 (626)	315(69)	12783(2868)	2%
9.	France	2098 (467)	1437 (303)	1178 (254)	8097(1784)	2%
10.	U.A.E.	1133 (257)	3017 (629)	1042 (224)	8065(1773)	1%
11.	**Total FDI Inflows**	123025 (27331)	123120 (25834)	40816(8887)	542514(121261)	78%

Table 6: SECTORS ATTRACTING HIGHEST FDI EQUITY INFLOW: (2019-2022)

Ranks	*Sector*	Amt. in Rupees Crores/Amt.in USD Million	*2019-20 (April – March)*	*2020-21 (April – March)*	*2021-22 (April – March)*	*Cumulative inflow (April,00– March,22)*	*%age to total inflow (In Terms of USD)*
1	SERVICESSECTOR	Rupees Crores	55,429	37,542	53,165	5,62,438	
		USD Million	7,854	5,060	7,131	94,195	16%
2	COMPUTERSOFTWARE&HARDWARE	Rupees Crores	54,250	194,291	1,07,762	5,78,060	
		USD Million	7,673	26,145	14,461	85,517	14%
3	TELECOMMUNICATIONS	Rupees Crores	30,940	2,884	4,980	2,27,053	
		USD Million	4,445	392	668	38,331	7%
		Rupees	32,406	19,349	33,779	2,29,132	

4	TRADING	Crores					
		USD Million	4,574	2,608	4,538	34,741	6%
5	AUTOMOBILEINDUSTRY	Rupees Crores	19,753	12,115	51,624	2,07,480	
		USD Million	2,824	1,637	6,994	32,842	6%
6	CONSTRUCTION(INFRASTRUCTURE)ACTIVITIES	Rupees Crores	14,510	58,240	24,178	1,90,801	
		USD Million	2,042	7,875	3,248	27,969	5%
7	CONSTRUCTIONDEVELOPMENT: Townships,housing,built-upinfrastructureandconstruction-developmentprojects	Rupees Crores	4,350	3,117	932	1,28,013	
		USD Million	617	422	125	26,209	5%
8	CHEMICALS(OTHERTHANFERTILIZEINR)	Rupees Crores	7,492	6,300	7,202	1,12,057	
		USD Million	1,058	847	966	19,452	3%
9	DRUGS&PHARMACEUTICALS	Rupees Crores	3,650	11,015	10,552	1,09,382	
		USD Million	518	1,490	1,414	19,405	3%
10	METALLURGICALINDUSTRIES	Rupees Crores	14,970	10,002	16,783	1,01,381	
		USD Million	2,101	1,340	2,272	17,015	3%

Table 7: SECTORS ATTRACTING HIGHEST FDI EQUITY INFLOW: (2008-2011)

Ranks	**Sector**	**2008-09 (April-March)**	**2009-10 (April-March)**	**2010-11 (April-August)**	**Cumulative Inflows (April'00-August'10)**	**%age to Total Inflows (in Terms of US$)**
1.	Service Sector(Financial & Non-financial)	28516(6138)	20776(4353)	5793(1260)	111023 (24862)	21%
2.	Computer Hardware &Software	7329(1677)	4351 (919)	2090 (458)	45937(10330)	9%
3.	Telecomm	11727(2558)	12338(2554)	4789(1054)	45495(9985)	8%
4.	Housing & Real Estate	12621(2801)	13586(2844)	2492 (539)	39861(8895)	7%
5.	Construction Activity	8792(2028)	13516(2862)	1352 (294)	37045(8347)	7%
6.	Power	4382 (985)	6908(1437)	3121 (677)	24040(5305)	4%
7.	Automobile	5212(1152)	5754(1208)	519(114)	21341(4710)	4%
8.	Metallurgical	4157 (961)	1935 (407)	2807 (613)	16247(3743)	3%
9.	Petroleum and NaturalGas	1931 (412)	1328 (272)	987(218)	12491(2883)	2%
10.	Chemicals	3427 (749)	1707 (362)	675(146)	11949(2642)	2%

Table 8: STATES/UTs ATTRACTING HIGHEST FDI EQUITY INFLOW

S.No.	*STATE*	Amt. in Rupees Crores/Amt. in USD Million	*2019-20 (October – March)*	*2020-21 (April – March)*	*2021-22 (April – March)*	*Cumulative inflow(October,19 – March,22)*	*%age to total inflow (interms of USD)*
1	MAHARASHTRA	Rupees Crores	52,073	119,734	1,14,964	2,88,905	
		USD Million	7,263	16,170	15,439	39,165	28%
2	KARNATAKA	Rupees Crores	30,746	56,884	1,63,795	2,51,429	
		USD Million	4,289	7,670	22,072	34,031	24%
3	GUJARAT	Rupees Crores	18,964	162,830	20,169	2,01,966	
		USD Million	2,591	21,890	2,706	27,187	19%
4	DELHI	Rupees Crores	28,487	40,464	60,839	1,29,974	
		USD Million	3,973	5,471	8,189	17,659	12%
5	TAMILNADU	Rupees Crores	7,230	17,208	22,396	46,840	
		USD Million	1,006	2,323	3,003	6,333	4%
6	HARYANA	Rupees Crores	5,198	12,559	20,971	38,737	
		USD Million	726	1,697	2798	5,222	4%
7	TELANGANA	Rupees Crores	4,865	8,618	11,964	25,447	
		USD Million	680	1,155	1,607	3,442	2%
8	JHARKHAND	Rupees Crores	13,208	5,993	48	19,248	
		USD Million	1,852	792	6	2,651	2%
9	RAJASTHAN	Rupees Crores	1,347	2,015	5,277	8,640	
		USD Million	189	272	707	1,168	1%
10	WESTBENGAL	Rupees Crores	1,363	3,115	3,195	7,680	
		USD Million	190	415	428	1034	1%

VIII. CONCLUSION

With a few problems and difficulties, foreign direct investment has performed at a level that is generally satisfactory. Our current foreign exchange reserves are over $508.89 billion, and our foreign debts are over $624.7 billion. We can continue to increase our reserves by promoting exports and opening up markets to foreign investors in sectors that are typically off-limits to them, like insurance, banking, and retail. Indian businesses would undoubtedly become more competitive as a result of the opening of investment opportunities to international investors, and some of them, like small retailers and shop owners, may have to fight for their very existence. If 100% FDI is allowed in retail but the traditional with the entry of foreign enterprises, employment prospects will increase and young people will find more challenging work in the retail industries. Customers will receive higher-quality services right at their doorsteps. The likelihood of fraud

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and dishonesty by local merchants will be reduced, and India's foreign exchange reserves will increase. The country's reputation will also improve if the aforementioned gaps and difficulties are resolved because every problem has a solution, and things and outcomes also depend on the managers and regulator of the nation. Apart from this as per current information FDI Inflow decline from traditional source during financial year 2023 by 16%, 3.67 trillion compared 4.37 trillion in terms of rupees due to slow inflow from Mauritius , Netherland but rise from Singapore and UAE, from Mauritius it down to 48,895 crore from 69,945 crore and from US down to 48,666 crore from 78,527 crore but slight rise from Singapore from 1.18 trillion rupees to 1.37 trillion and rise from UAE from 7,699 crore rupees to 2,6315 crore rupees fall from traditional source due to stringent rule and rise is due to better partnership policy.

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