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A Study of Foreign Direct Investment in India with Special Reference to Pre & Post Covid Regime

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ABSTRACT
The National Economies function on several dynamics. One of the essential contributors to the economy is the foreign direct investments (FDI). FDI essentially is a financial transactional strategy which infuses the global presence and enhanced operations. The COVID-19 pandemic has created a paradigm shift in economic dynamics with a potential impact on Foreign Direct Investment (FDI) in India. The uncertainty and disruptions caused by the global health crisis prompted a cautious approach from investors, leading to a temporary decline in FDI inflows globally. The situation in India reflects the broader challenges faced by emerging economies, navigating through the economic fallout of the pandemic. Despite the initial setbacks, India's resilience and strategic measures have positioned it as an attractive destination for FDI post-COVID. The government's proactive steps, coupled with economic reforms, have aimed to restore investor confidence and create an environment conducive to sustained FDI growth.
This study is a descriptive research conducted massively with the help of secondary data. The Researchers aim to understand the Concept & significance of Foreign Direct Investments (FDI). The study further aims to analyze the dynamics of FDI in Indian Context with special reference to Pre- and Post-COVID regime. The Authors highlight the importance of FDI for India's growth and extend insights into FDI's role in shaping India's development post-pandemic. The Researchers Conclude that Post Covid FDI Inflow haven't been affected much due to pandemic however the negative impact is attributed to the War (Russia – Ukraine) and subsequent Supply chain issues. The drop of 16% in recent past (22-23) didn't had the impact of Covid, instead it was External environment pressure (War). (www.ibef.org) The Researchers further conclude that the FDI scenario in India is into positive direction (barring the external threats like war). As the global economy gradually recovers, India's strategic initiatives and resilience are expected to contribute to the revival of FDI, playing a pivotal role in the nation's economic resurgence in the post-COVID regime.

Keywords: *fdi, economy, covid, pre & post covid regime, finance, economics*

I. INTRODUCTION

Foreign Direct Investment (FDI) is a strategic business transaction involving the acquisition of a substantial stake in a foreign company. This term is commonly employed to elucidate a company's strategic initiative to broaden its operational footprint in a new geographical region. FDI manifests as substantial capital injections by a corporation into a foreign enterprise, with the overarching goal of expanding its operational scale or establishing a multinational presence. In essence, an investment in a foreign entity earns the designation of FDI when it encompasses the procurement of a significant equity share in the target company. This can take various forms, ranging from acquiring raw materials to establishing a market presence in uncharted territories or amplifying existing business operations. Corporations typically seek out enterprises exhibiting robust growth prospects and possessing a skilled workforce within open economies. Beyond the infusion of capital, FDI encompasses the provision of technological advancements and management expertise, affording the investing corporation a comprehensive grip on the foreign business entity.

1.1 Theoretical Review

The definition of Foreign Direct Investment (FDI) provided by the International Monetary Fund's Balance of Payments Manual emphasizes it as an investment aimed at acquiring a lasting interest in an enterprise operating outside the investor's economy. Additionally, the 1999 World Investment Report from the United Nations Conference on Trade and Development defines FDI as an investment establishing a long-term relationship, reflecting lasting interest and control by a resident entity in one economy (the foreign direct investor) in an enterprise situated in a different economy (FDI enterprise, affiliate enterprise, or foreign affiliate). The term "long-term" in this context serves to differentiate FDI from the short-term nature of portfolio investment, which involves a high turnover of securities. It is distinguished from other forms of investment, like portfolio investment, by the notion of obtaining a lasting interest and a degree of influence or control. Governments often encourage FDI because it can bring in capital, technology, and expertise, which can contribute to economic growth and development in the host country.

1.2 Objectives of the Study

- To understand the Concept & significance of Foreign Direct Investments (FDI).
- To analyze the dynamics of FDI in Indian Context with special reference to Pre- and Post-COVID regime.
- To highlight the importance of FDI for India's growth and extend insights into FDI's role in shaping India's development post-pandemic.

II. INDIA AS AN INVESTMENT DESTINATION

According to the World Investment Report by the United Nations Conference on Trade and Development (UNCTAD), India continues to be a preferred choice for international investors due to its consistent economic and social policies, with investors prioritizing stability. National regulatory changes can impact businesses significantly, affecting their capacity to operate. Incentives such as low-interest loans, tax breaks, grants, and subsidies, coupled with the removal of restrictions, promote inward Foreign Direct Investment (FDI). India boasts abundant skilled and unskilled human resources, and investors benefit from the lower labour costs whereas China faces challenges associated with an ageing population, leading to concerns about a shrinking workforce and increasing dependency on the elderly. In India, Special economic zones have been established to offer essential infrastructure, supporting various industries. The unexplored markets and the untapped potential of India's middle class make it an attractive destination for investors. India's natural resources, including coal, iron ore, and natural gas, provide further investment opportunities. Since the launch of Make in India in September 2014, the country has witnessed a positive trend in FDI, reaching USD 286 billion between April 2014 and March 2019. Despite the challenges posed by the COVID-19 pandemic in 2020, India remained the world's third-largest recipient of FDI, experiencing a 13% annual rise. Notably, FDI inflows surged by 28% between April 2020 and January 2021, reaching USD 81.97 billion, driven by a robust recovery in the information technology sector. Despite these achievements, the Indian economy still grapples with underlying weaknesses. India's investment climate has seen notable improvement since the liberalization of the economy in 1991, marked by an accommodating regulatory regime and eased foreign direct investment (FDI) norms. In FY 2022, India received a record foreign inflow of US$84.8 billion. (www.ibef.org)

With a robust banking system supporting economic recovery, private-sector investment is anticipated to surge, positioning India as a beacon in the Asian business and investment landscape. Amid these circumstances, specific trends catalyze an increase in inbound investment, making India an attractive destination for global companies seeking to diversify their Asia presence, access Indian and South Asian markets, complement their China operations, and leverage advantageous free trade agreements, production capabilities, and market benefits. India's democratic system allows for a transparent and accountable decision-making process. Investors appreciate the stability and predictability that democratic governance provides, enhancing confidence in long-term investments whereas China's political landscape is dominated by the Communist Party, which may lead to centralized decision-making and potential political risks.

The government's departure from the 'zero-Covid' approach in 2021 allowed businesses to resume operations, laying a foundation for a robust economic rebound. Key to the Ease of Doing Business reforms is an extensive focus on the rationalization and digitalization of regulatory compliances throughout the business cycle. The government's efforts in 2022 streamlined, simplified, and digitized 33,000 compliances across federal ministries, departments, and states.

Trade facilitation has undergone transformative reforms, propelling India's global ranking from 146th position in 2018 to 68th in 2020. Initiatives such as paperless compliance systems and clearances through a Risk Management System have reduced dwell time and transaction costs for exporters and importers. The Business Reform Action Plan (BRAP) since 2014, featuring rigorous reform measures and annual assessments, has significantly improved the business environment pan-India.

The Indian government offers both tax and non-tax investment incentives to specific sectors, such as electronics, and designated regions, including the Northeast region, Jammu & Kashmir, Himachal Pradesh, and Uttarakhand. Special Economic Zones (SEZ), National Investment & Manufacturing Zones (NIMZ), and Export Oriented Units (EOUs) are provided incentives to attract manufacturing companies. Each state government also has its distinct policies, offering supplementary investment incentives like subsidized land prices, favourable loan interest rates, reduced tariffs on electric power supply, tax concessions, etc. Central government and state industrial development banks extend medium to long-term loans for new projects.

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Recent government measures include the relaxation of FDI policies in various sectors, involving an increase in foreign investment limits, simplified investment conditions, and transitioning many sectors to the ‘automatic route’ without requiring Foreign Investment Promotion Board approval. While reforms aimed at cleaning up the banking system are underway, their impact on credit supply takes time. Despite a sizable fiscal deficit and public debt, the government has initiated steps to reduce them, notably through the introduction of the Goods and Services Tax (GST) to enhance tax revenues and enhance long-term economic competitiveness. Sectors experiencing growth due to these initiatives encompass real estate, private banking, defense, civil aviation, single-brand retail, and television news.

In its pursuit of establishing India as a global hub for Electronics System Design and Manufacturing (ESDM) and advancing the vision of the National Policy on Electronics (NPE) 2019, the government has introduced three schemes: the Production Linked Incentive Scheme (PLI), Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS), and Modified Electronics Manufacturing Clusters Scheme (EMC 2.0).

India has actively pursued free trade agreements (FTAs) with numerous partners over the last two years, covering topics such as tariff reduction, services trade rules, digital issues, intellectual property rights, and investment promotion. The country has signed 13 FTAs in the last five years, contributing to its prominence in South Asia as a major investment hub connected to various Asian countries.

India’s extensive network of Double Tax Avoidance Agreements (DTAAs) aims to eliminate double taxation, offering foreign investors a fair and equitable system. With over 94 comprehensive DTAAs and eight limited DTAAs, India has one of the largest networks, providing clarity on the right to tax different types of income between ‘source’ and ‘residence’ countries.

In assessing India as a potential destination, investors should consider factors like infrastructure, talent availability, access to raw materials, incentives, and logistics. India has diversified its economy, emphasizing services sectors boosted by ICT capabilities and a skilled English-speaking labour force. With competitive labour costs, a young population, and improved infrastructure, India stands out as a prime investment destination in South Asia.

Global disruptions, including the COVID-19 pandemic and the US-China trade war, have prompted businesses reliant on China to diversify, favouring India’s lower operating costs and competitive labour market. India’s infrastructure development initiatives, such as the National Infrastructure Pipeline (NIP) and Industrial Corridor Projects, position the country as a significant player in the global construction market by 2025.

Tax relief at both central and state levels, along with incentives for specific sectors and Special Economic Zones (SEZs), enhances India’s appeal to investors. The concessional corporate tax rates and a diverse array of incentives provide a favourable environment. Each Indian state has its own set of policies and incentives, varying based on location, manufacturing products, investment scale, and job creation.

III. FDI INFLOW IN REFERENCE TO INFLATION

The definition of the term “foreign direct investment” (FDI) was defined earlier, alongside its counterpart, “foreign indirect investment,” collectively constituting foreign investments. In contrast, foreign indirect investments encompass entities like corporations, financial institutions, and private investors acquiring stakes or positions in foreign companies traded on international stock exchanges. This form of investment is less advantageous, as the investor can swiftly divest their holdings, often within days of acquisition.

Inflation denotes the general escalation in the price levels of goods and services within an economy over a specified timeframe. As prices rise, consumer purchasing power diminishes. Conversely, deflation, indicating a decline in the overall price levels, represents the opposite. This is quantified through the inflation rate, with figures above 0% signalling inflation and figures below 0% denoting deflation. In the contemporary economy, inflation poses challenges by potentially increasing the real value of debt and triggering recessions, while excessively high inflation is a consequence of a surge in the money supply.

In simplified terms, increased consumer wealth leads to heightened consumption, subsequently driving up prices—an occurrence known as high inflation, originating from an undue expansion of the money supply. The correlation between inflation and interest rates becomes evident, as interest rates determine the cost of borrowing. Lower interest rates prompt increased borrowing, amplifying the money supply, fostering economic growth, and inflating commodity prices. In an ideal scenario, robust investment and consumption could coexist without an inflationary surge. This equilibrium, however, is seldom realized due to market dynamics. Increased consumer spending, if not counteracted, can elevate commodity prices, escalating production costs. This intricate relationship extends to domestic and foreign markets, influencing consumer spending and business profits, subsequently impacting foreign investments. Heightened commodity prices impede consumer spending, affecting both domestic and foreign products. Such circumstances negatively impact business profits, dissuading foreign investments, which are contingent on favourable returns. Maintaining equilibrium between interest rates and inflation is a constant challenge for governments and central banks, recognizing the intricate and often precarious interplay between the two.

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IV. FDI IN REFERENCE TO EXTERNAL VALUE OF THE CURRENCY AND POLITICAL ENVIRONMENT

Fluctuations in the host country's currency value result in a corresponding rise or fall in the exchange rate, subsequently impacting the affordability of its goods for foreign customers. Consequently, the country's export dynamics undergo changes in the global market, influencing the inflow of Foreign Direct Investment (FDI). A depreciation in the home country's currency elevates the exchange rate, fostering an increase in FDI inflows in the host nation. Conversely, currency appreciation in the host country correlates with heightened FDI inflows. Hence, a discernible negative correlation exists between the exchange rate and FDI inflows in the host country. The ability of a country to attract foreign direct investment is markedly influenced by its political environment. Foreign investors seek stability and transparency in a nation's policies to ensure sufficient protection for their investments, as instability introduces risks for these investors. Enhanced transparency in policies correlates with heightened inflows of Foreign Direct Investment (FDI).

V. FDI INFLOW ANALYSIS

Table 1: Financial Year wise FDI inflow data

II. FINANCIAL YEAR-WISE FDI INFLOW DATA:

A. AS PER INTERNATIONAL BEST PRACTICES:
(Data on FDI have been revised since 2000-01 with expended coverage to approach International Best Practices)

(Amount in USD Million)

S. NO.	Financial Year (April - March)	FOREIGN DIRECT INVESTMENT (FDI)						Investment by FII's Foreign Institutional investoINR Fund (net)
		Equity				FDI INFLOW INTO INDIA		
		Government Route/ Automatic Route/ Acquisition Route	Equity capital of unincorporated bodies #	Re-invested earnings +	Other capital +	Total FDI Inlow	%age growth over previous year (in USD terms)	
FINANCIAL YEAR 2000-01 TO 2023-24 (upto Sept. 23)								
1	**2000-01**	2,339	61	1,350	279	**4,029**	-	1,847
2	**2001-02**	3,904	191	1,645	390	**6,130**	**(+) 52 %**	1,505
3	**2002-03**	2,574	190	1,833	438	**5,035**	**(-) 18 %**	377
4	**2003-04**	2,197	32	1,460	633	**4,322**	**(-) 14 %**	10,918
5	**2004-05**	3,250	528	1,904	369	**6,051**	**(+) 40 %**	8,686
6	**2005-06**	5,540	435	2,760	226	**8,961**	**(+) 48 %**	9,926
7	**2006-07**	15,585	896	5,828	517	**22,826**	**(+) 155 %**	3,225
8	**2007-08**	24,573	2,291	7,679	300	**34,843**	**(+) 53 %**	20,328
9	**2008-09**	31,364	702	9,030	777	**41,873**	**(+) 20 %**	-15,017
10	**2009-10**	25,606	1,540	8,668	1,931	**37,745**	**(-) 10 %**	29,048
11	**2010-11**	21,376	874	11,939	658	**34,847**	**(-) 08 %**	29,422
12	**2011-12**	34,833	1,022	8,206	2,495	**46,556**	**(+) 34 %**	16,812
13	**2012-13**	21,825	1,059	9,880	1,534	**34,298**	**(-) 26%**	27,582
14	**2013-14**	24,299	975	8,978	1,794	**36,046**	**(+) 5%**	5,009
15	**2014-15**	30,933	978	9,988	3,249	**45,148**	**(+) 25%**	40,923
16	**2015-16**	40,001	1,111	10,413	4,034	**55,559**	**(+) 23%**	-4,016
17	**2016-17**	43,478	1,223	12,343	3,176	**60,220**	**(+) 8%**	7,735
18	**2017-18**	44,857	664	12,542	2,911	**60,974**	**(+) 1%**	22,165
19	**2018-19**	44,366	689	13,672	3,274	**62,001**	**(+) 2%**	-2,225
20	**2019-20**	49,977	1,757	14,175	8,482	**74,391**	**(+) 20%**	552
21	**2020-21**	59,636	1,452	16,935	3,950	**81,973**	**(+) 10%**	38,725
22	**2021-22**	58,773	910	19,347	5,805	**84,835**	**(+) 3%**	-14,071
23	**2022-23 (P)**	46,034	1,566	19,105	4,650	**71,355**	**(-) 16%**	**-4,828**
24	**2023-24 (upto Sept. 23)**	**20,488**	**697**	**9,240**	**2,700**	**33,125**		**20,873**
CUMULATIVE TOTAL (from April, 2000 to Sept, 2023)		**657,808**	**21,843**	**218,920**	**54,572**	**953,143**	**-**	**255,501**

Source: (i) RBI's Bulletin for November, 2023 dt. 16.11.2023 (Table No. 34 – FOREIGN INVESTMENT INFLOW).
(ii) Inflow under the acquisition of shares in March, 2011, August, 2011 & October, 2011, include net FDI on account of transfer of participating interest from Reliance Industries Ltd. to BP Exploration (Alpha).
(iii) RBI had included Swap of Shares of USD 3.1 billion under equity components during December 2006.
(iv) Monthly data on components of FDI as per expended coverage are not available. These data, therefore, are not comparable with FDI data for previous years.
(v) Figures updated by RBI up to September, 2023. Figures are provisional.
(vi) Data in respect of 'Re-invested earnings' & 'Other capital' are estimated as average of previous two years.
'#' Figures for equity capital of unincorporated bodies are estimates. (P) All figures are provisional

Source: www.dpiit.gov.in

In comparison to inflows in 2021–2022, the yearly reduction equals 16% in 2022–2023. Gross FDI inflows increased by 10% from fiscal 2019–20 to USD 81.97 billion in 2021–22. The last time FDI decreased year on year was in 2012–13 when inflows fell by 26% to USD 34.298 billion. But there was the significant increase in inflows after 2012-13. Total FDI inflows in the country in the last 23 years (April 2000 – September 2023) are $953.143 Billion while the total FDI inflows received in the last 9 years (April 2014 – September 2023) was $615.73 Billon which amounts to nearly 65% of total FDI inflow in last 23 years. In FY 2014-15, FDI inflow in India stood at mere $45.15 Billion, which increased to $60.22 Billion in 2016-17 and further to the highest ever annual FDI inflow of $84.83 Billion reported during the FY 2021-22. Total FDI inflows in the country in the FY 22-23 is $71.35 Billion and total FDI equity inflows stands at $46.03 Bn. Throughout the majority of the previous fiscal year, a discernible downward trajectory was evident. Remarkably, India defied this trend even in 2020, the year marked by Covid-induced lockdowns, experiencing a surge in inflows attributed to substantial investments from tech giants in Reliance Jio and various start-ups. The reduction in flows into start-ups, prominent recipients of surplus global funds, has been attributed to elevated inflation and sluggish demand in the U.S. and Europe. Despite the decline in flows, sentiments remain resilient, with officials and economists asserting that this trend is temporary. There is optimism that investments will rebound once the prevailing global uncertainty subsides. (www.ibef.org).

5.1 FDI Analysis in Reference to Countries

The major countries assisting FDI in India are Singapore, Mauritius, USA, Japan, UAE, UK, Netherlands, Germany, Cyprus, Cayman Islands contributing to 85% of the Total FDI Equity inflow. Mauritius remains the largest source of FDI equity inflows into India, accounting for more than a quarter of the total FDI equity inflows from April 2000 to March 2023 with the share of 25%. Singapore being 2nd with a share of 23%, and the United States of America remains at 3rd with a share of 10% during the same period. Singapore has surpassed Mauritius as the leading Foreign Direct Investment (FDI) contributor for the current financial year. Nevertheless, FDI from Mauritius surpasses that from various economic powerhouses such as the USA, China, and Japan. This is primarily due to Mauritius being a tax haven with a double taxation avoidance agreement with India. A tax haven, like Monaco or the Bahamas, features an extremely low or zero-tax regime. The Double Taxation Avoidance Agreement (DTAA) enables investors to pay taxes in their resident nation, allowing corporations to pay zero tax in Mauritius while receiving tax exemption in India. The substantial investments from Mauritius often involve funds previously embezzled from India through round tripping transactions, whitewashed into tax-free capital, and permitted by our government to be invested in India—commonly known as the Mauritius route—a practice detrimentally impacting the Indian economy in multiple ways. The principal factors contributing to substantial contributions from these nations include favourable tax regulations and reduced tax rates. The volume of Foreign Direct Investment (FDI) originating from these source nations is also contingent on the existence of tax treaties between them. The downturn in the wake of the Russia-Ukraine conflict is cited among the factors influencing the decline. In the aftermath of the pandemic, nations have implemented various protectionist measures to diminish reliance on external partners and safeguard their domestic industries. This could potentially impact investor sentiments. Notably, the real GDP growth rates of major source countries for FDI, namely Singapore, U.S.A., and the U.K., witnessed a decline in 2022, further contributing to the challenging FDI landscape. As per UNCTAD's 2022 Global Investment Report, FDI inflows witnessed a decline from USD 64 billion in 2020 to USD 44 billion in 2021, despite the stock of FDI rising to USD 514 billion. India holds the 5th position among the top 20 FDI host economies and is the largest host in its sub-region, traditionally attracting 70-80% of inflows. M&A activities decreased overall in 2021, but the country saw a significant increase in new international project finance deals, particularly in renewables, construction, and manufacturing. Noteworthy projects include a USD 13.5 billion steel and cement plant by Arcelormittal Nippon Steel and a USD 2.4 billion car manufacturing facility by Suzuki Motor. Recent years have seen India relaxing administrative regulations for foreign investors in select industrial sectors, contributing to FDI growth. The country's assets, such as specialization in services, a skilled English-speaking workforce, and a potential market of one billion inhabitants, have attracted investments from key countries like Mauritius, Singapore, the U.S., and others. Despite commendable reform efforts, India faces challenges like restrictive foreign investment laws, bureaucracy, and corruption. The Economist Business Environment ranks India 64 out of 82 countries for its investment climate, emphasizing the need for continued reform. While the country grapples with these challenges, the demographic advantage, expanding e-commerce, and technological markets are expected to fuel growth in the coming years. A notable recent investment involves the USD 1.575 billion merger of Sony Pictures Networks India and Zee Entertainment Enterprises. (www.ibef.org).

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D. SHARE OF TOP INVESTING COUNTRIES FDI EQUITY INFLOW (Financial year):

Rank	Country	Amt. in Rupees Crores/ Amt. in USD Million	2021-22 (April-March)	2022-23 (April-March)	2023-24 (April-Sept.)	Cumulative Equity Inflow * (April, 2000-September, 2023)	%age out of total FDI Equity inflow (in terms of USD)
1	Mauritius	Rupees Crores	69,945	48,895	24,388	9,80,830	
		USD Million	9,392	6,134	2,952	166,828	25%
2	Singapore	Rupees Crores	1,18,235	1,37,374	43,024	10,37,421	
		USD Million	15,878	17,203	5,224	153,393	23%
3	U.S.A.	Rupees Crores	78,527	48,666	16,910	4,22,824	
		USD Million	10,549	6,044	2,052	62,248	10%
4	Netherland	Rupees Crores	34,442	19,855	15,844	2,99,293	
		USD Million	4,620	2,498	1,927	45,686	7%
5	Japan	Rupees Crores	11,187	14,328	17,263	2,53,324	
		USD Million	1,494	1,798	2,098	40,838	6%
6	United Kingdom	Rupees Crores	12,283	13,994	5,257	1,98,491	
		USD Million	1,657	1,738	638	34,514	5%
7	UAE	Rupees Crores	7,699	26,315	9,082	1,16,040	
		USD Million	1,032	3,353	1,100	16,678	3%
8	Cayman Islands	Rupees Crores	28,383	6,069	1,193	1,06,272	
		USD Million	3,818	772	145	15,069	2%
9	Germany	Rupees Crores	5,421	4,417	1,964	85,657	
		USD Million	728	547	238	14,376	2%
10	Cyprus	Rupees Crores	1,735	10,184	293	73,044	
		USD Million	233	1,277	35	12,680	2%
TOTAL FDI EQUITY INFLOW FROM ALL COUNTRIES		Rupees Crores	**4,37,188**	**3,67,435**	**1,68,875**	**41,48,511**	
		USD Million	**58,773**	**46,034**	**20,488**	**655,050**	-

* *Includes inflow under NRI Schemes of RBI.*

Note:

i. Cumulative country-wise FDI equity inflow (from April, 2000 to September, 2023) are at – Annex-'A'.

ii. %age worked out in USD terms & FDI inflow received through Government Route + Automatic Route + Acquisition of existing shares only.

iii. Figures are provisional.

Source: www.dpiit.gov.in

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5.2 FDI in States/UT's

F. STATES/UTs ATTRACTING HIGHEST FDI EQUITY INFLOW

Rank	Sector	Amt. in Rupees Crores/ Amt. in USD Million	2021-22 (April-March)	2022-23 (April-March)	2023-24 (April-Sept)	Cumulative Equity Inflow * (October, 2019-Sept, 2023)	%age out of total FDI Equity inflow (in terms of USD)
1	MAHARASHTRA	Rupees Crores	114,964	118,422	65,502	4,72,830	
		USD Million	15,439	14,806	7,950	61,921	30%
2	KARNATAKA	Rupees Crores	163,795	83,628	23,460	3,58,517	
		USD Million	22,072	10,429	2,844	47,305	23%
3	GUJARAT	Rupees Crores	20,169	37,059	18,884	2,57,909	
		USD Million	2,706	4,714	2,286	34,187	16%
4	DELHI	Rupees Crores	60,839	60,119	25,583	2,15,676	
		USD Million	8,189	7,534	3,107	28,300	14%
5	TAMIL NADU	Rupees Crores	22,396	17,247	11,116	75,202	
		USD Million	3,003	2,169	1,349	9,850	5%
6	HARYANA	Rupees Crores	20,971	20,735	8,029	67,502	
		USD Million	2798	2,600	973	8,795	4%
7	TELANGANA	Rupees Crores	11,964	10,319	9,679	45,445	
		USD Million	1,607	1,303	1,176	5,921	3%
8	JHARKHAND	Rupees Crores	48	44	78	19,371	
		USD Million	6	6	10	2,666	1%
9	RAJASTHAN	Rupees Crores	5,277	7,218	1,435	17,293	
		USD Million	707	910	174	2,252	1%
10	WEST BENGAL	Rupees Crores	3,195	3,217	685	11,582	
		USD Million	428	394	83	1,511	1%

Note: i. Cumulative State-wise/UT-wise FDI equity inflow (from October, 2019 to September, 2023) are at – Annex-'C'.

ii. %age worked out in USD terms & FDI inflow received through Government Route + Automatic Route + acquisition of existing shares only.

iii. State wise data is maintained w.e.f. October, 2019. Figures are provisional.

Source: www.dpiit.gov.in

Maharashtra received USD 61.92 Billion becoming the highest value of FDI inflow State. In the interim, the State reconsidered administrative approval amounting to ₹18,399 crore for 47 irrigation projects in Vidarbha. These projects will collectively facilitate irrigation for a total land area of 2 lakh 23 thousand 474 hectares in Vidarbha. The resolution transpired during the 84th session of the Vidarbha Irrigation Development Corporation, Nagpur Regulatory Board, conducted in Mumbai.
Bengaluru, recognized as the startup hub of India and housing 40% of the country's unicorns, grapples with the repercussions of global challenges, as highlighted in the assessment. Karnataka, serving as India's IT nucleus with numerous global IT corporations headquartered in Bengaluru, intensifies the impact of these global dynamics. Simultaneously, State Own Tax Revenue witnessed a 15% surge in the first half of 2023-24 compared to the corresponding period in the previous year. During the same timeframe, state non-tax revenue exhibited a growth of 14%. Overall, revenue receipts have experienced a 5% increment compared to the corresponding period in the prior year.

The shortfall in the southwest monsoon has adversely affected agricultural production and hydroelectricity generation, posing a consequential risk to the state's economic growth. Preliminary assessments estimate crop losses for the kharif season at ₹33,770.10 crore.

The tightening of monetary policy has constrained aggregate demand, contributing to a decline in foreign direct investment, as indicated in the review while scrutinizing the global economic landscape. Owing to the ongoing Russia-Ukraine conflict and the conflict between Israel and Palestine, the global supply chain and trade outlook face adverse impacts. Despite these challenges, the review expresses optimism about Karnataka, emphasizing it as one of the fastest-growing economies in the country with steady, stable, and resilient economic growth compared to other states. The economic outlook for Karnataka in September 2023 remains positive, with expectations of robust growth driven by the services sector, and a commendable performance anticipated in the industrial sector. The state stands out in revenue collection nationwide, currently holding the second position in GST collections.

In 2020–21, FDI inflows into Gujarat peaked, with ₹1.62-lakh crore of investments flowing into the State. The State government had cited incentives offered by it under the new industrial policy as the reason for the performance during a year affected by the Covid pandemic. Thereafter, the state slipped from the pinnacle, attracting ₹20,169 crore in 2021–22 and ₹37,059 crore in 2022–23.

Delhi fetches USD28300 Million FDI Inflow which is 14% of the total share of FDI Equity Inflow in last 4 years from Oct. 2019- Sept. 2023, whereas Tamil Nadu attracts 5% with the FDI value of USD 9850 Million, Haryana received USD 8795 Million with the total of 4%.

5.3 FDI in Reference to Sectors

Rank	Sector	Amt. in Rupees Crores/ Amt. in USD Million	2021-22 (April-March)	2022-23 (April-March)	2023-24 (April-Sept)	Cumulative Equity Inflow * (April, 2000-Sept, 2023)	%age out of total FDI Equity inflow (in terms of USD)
1	SERVICES SECTOR **	Rupees Crores	53,165	69,852	31,720	6,63,706	
		USD Million	7,131	8,707	3,853	106,709	16%
2	COMPUTER SOFTWARE & HARDWARE	Rupees Crores	1,07,762	74,718	19,788	6,72,566	
		USD Million	14,461	9,394	2,401	97,312	15%
3	TRADING	Rupees Crores	33,779	38,060	7,587	2,74,766	
		USD Million	4,538	4,792	920	40,451	6%
4	TELECOMMUNICATIONS	Rupees Crores	4,980	5,469	2,225	2,34,747	
		USD Million	668	713	271	39,315	6%
5	AUTOMOBILE INDUSTRY	Rupees Crores	51,624	15,184	5,470	2,28,135	
		USD Million	6,994	1,902	664	35,408	5%
6	CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	Rupees Crores	24,178	13,588	19,850	2,24,328	
		USD Million	3,248	1,703	2,402	32,088	5%
7	CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and construction-development projects	Rupees Crores	932	1,196	541	1,29,750	
		USD Million	125	146	66	26,422	4%
8	CHEMICALS (OTHER THAN FERTILIZEINR)	Rupees Crores	7,202	14,662	3,383	1,30,102	
		USD Million	966	1,850	411	21,714	3%
9	DRUGS & PHARMACEUTICALS	Rupees Crores	10,552	16,654	964	1,27,000	
		USD Million	1,414	2,058	117	21,581	3%
10	METALLURGICAL INDUSTRIES	Rupees Crores	16,783	1,764	1,417	1,04,564	
		USD Million	2,272	219	172	17,405	3%

*Note:(i)** Services sector includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other*

(ii) Cumulative Sector- wise FDI equity inflow (from April, 2000 to September, 2023) are at – Annex-'B'.

(iii) %age worked out in USD terms & FDI inflow received through Government Route + Automatic Route + acquisition of existing shares only.

(iv) FDI Sectoral data has been revalidated / reconciled in line with the RBI, which may reflect minor changes in the FDI figures (increase/decrease) as compared to the earlier published sectoral data.

(v) Figures are provisional.

Source: www.dpiit.gov.in

The five sectors witnessing the highest Foreign Direct Investment (FDI) Equity Inflow in the fiscal year 2022-23 include the Services Sector (16%), encompassing Finance, Banking, Insurance, Non-Financial/Business, Outsourcing, Research & Development, Courier, Tech. Testing and Analysis, among others. Following closely are Computer Software & Hardware (15%), Trading (6%), Telecommunications (6%), and the Automobile Industry (5%).

The trajectory of FDI inflows into India has been instrumental in fortifying the nation's external account resilience and bolstering foreign exchange reserves over the past decade. Technology-related FDI, particularly in the Computer Software and Hardware sector, has emerged as a pivotal source of investment, with notable contributions from US-based technology giants.

Moreover, India's strategic focus on semiconductor and display manufacturing, reinforced by a $10 billion incentive package, has garnered interest from major international electronics firms, exemplified by Micron's plans to establish a semiconductor assembly and test facility in Gujarat. The nation's burgeoning electronics sector, witnessing a surge in exports, reflects a robust growth trajectory.

The proliferation of Indian unicorns, totalling an estimated 107 by 2022, has become a focal point for FDI inflows, with global venture capital and private equity firms actively investing in the dynamic start-up's ecosystem. Japan's SoftBank, with a decade-long track record of over $14 billion in Indian tech start-ups investments, remains a prominent contributor to this trend.

VI. RESEARCH METHODOLOGY

This study adopts a descriptive and analytical research design which aims to provide the significant analysis of FDI in India. Data Collection: Secondary data, gathered from The Department for promotion of Industry and Internal Trade forms the basis of the study.Time Horizon: The research covers a significant data from 2000 to 2023 upto September, but majorly focuses on the data of 2019-2023 till September gives a comparative study for post and pre COVID era.

VII. DISCUSSION & RESULTS, CONCLUSION

The inception of Foreign Direct Investment (FDI) in India traces back to 1991, marking the commencement of the "Economic Liberalization in India" era. Presently, FDI assumes a pivotal role in propelling the Indian economy forward, standing as a major financial catalyst for economic advancement. During the Financial Year 21-22, India witnessed an unprecedented FDI inflow, reaching USD 84,835 Million, while the following year FDI falls significantly by 16% acquiring USD 71,355 Million.

Over the past decade, the Indian Government has implemented various initiatives to augment Foreign Direct Investment (FDI) in India, aiming for economic enhancement.

Launched in September 2014, the Make in India Initiative sought to unlock foreign investment in the manufacturing sector, which traditionally took a back seat to the dominant service sector in contributing to India's GDP. Sectors such as Defense, Railways, Construction, Insurance, Pension Funds, and Medical Devices were liberalized for FDI. The Investor Facilitation Cell (IFC) was established to aid foreign investors in navigating regulatory procedures, offering support throughout the pre-investment, execution, and post-execution phases.

In 2015, FDI in India experienced remarkable growth, surging by 48%, propelling the country to become a leading global destination for FDI, surpassing the United States and China.

In September 2015, formal agreements were inked between the Ministry of Railways and global giants Alstom BSE 0.40% and GE Transport to establish locomotive manufacturing facilities in Madhepura and Marhaura in Bihar, constituting a monumental Rs. 40,000 crore projects.

Amidst the 2020 Coronavirus Pandemic, adjustments to the FDI policy were introduced. To safeguard Indian companies from hostile takeovers, heightened scrutiny was imposed on FDIs originating from countries sharing borders with India, subjecting such investments to the Government Route.

In the same year, the FDI cap for the Defense Manufacturing Sector was elevated from 49% to 74% under the Automatic Route and to 100% under the Government Route.

Moving into 2021, the FDI cap for the Telecom sector ascended from 74% to 100% under the Automatic Route. Additionally, the limit for the Insurance Sector was raised from 49% to 74%.

Phoenix Mills Ltd., an Indian textile manufacturing company, secured an investment of INR 450 crore through a qualified institutional placement offering in August 2020, courtesy of The Government of Singapore. Between April 23 and July 16, 2020, Jio Platforms Ltd. Divested 25.24 percent of its stake, amounting to Rs 1.52 trillion, to various foreign investors.

In January 2020, Amazon unveiled plans to invest approximately US$1 billion, aimed at digitizing small and medium businesses in India.

During 2019, Saudi Aramco acquired a 20 percent stake in Reliance's oil-to-chemicals division, valuing the transaction at US$ 75 billion.

In May 2023, Foxconn, the world's largest contract electronics manufacturer, procured a parcel of land in Tamil Nadu as part of its strategy to establish Apple manufacturing units.

Foreign investors recognize substantial potential in the Indian economy, appreciating its highly skilled workforce, modest wage demands, and expanding consumer market. Presently, India stands as one of the most alluring destinations for Foreign Direct Investment (FDI) globally. In 2022, India secured the 16th position in Kearney's Foreign Direct Investment Confidence Index, underscoring its appeal. The economic progress of India has demonstrated encouraging growth recently, and the nation holds the capacity for sustained and substantial expansion in the years ahead. The Researchers Conclude that Post Covid FDI Inflow haven't been affected much due to pandemic however the negative impact is attributed to the War (Russia –

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Ukraine) and subsequent Supply chain issues. The drop of 16% in recent past (22-23) didn't had the impact of Covid, instead it was External environment pressure (War). The Researchers further conclude that the FDI scenario in India is into positive direction (barring the external threats like war).

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