

The Pivotal Part of Global Direct Investment - A Research Pre & Post Liberalization Era

R S Ch Murthy Chodisetty, B Harshini Reddy

Abstract: Global investments are playing an important role in the growth of Indian economy better than other nation's economy in the present. More nations are providing more savings and attracting global investments. The requirement of global direct investments are deepening Inflows rate in any nations in the world. Global direct investments are specified a route between global inflows and savings in the country. In the process of Global economic development global investments helped to cover to Indian savings and provide entry routes in to India for development growth of Indian economy. These papers mainly focus on what is the position of FDI flows in pre and post liberalization period.

Keywords: FDI in India, Pre Liberalization, Post Liberalization. **JEL Codes:** F-21, D-92, E-22

I. INTRODUCTION

The government of India was initiation of introducing LPG in India. The main important role in the introducing LPG is increase foreign direct investments and industrial growth and Indian GDP.

FDI Explored Unidirectional relationship exists between FDI and GDP and FDI and EXR. Structural break was found in 1991-92 which is statistically significant year in terms of FDI in India. Hence, the New Economic Policy initiated in 1991-92 had made a significant impact on FDI in India.

ROUTES OF FDI IN INDIA:

Automatic Route:

By this route FDI is allowed without prior approval by Government or Reserve Bank of India, (GDR, ADR, IDR, FII, OFF-SHORE FUNDS), FDI reforms to push India-US trade: USIBC.

Government Route (FIPB/SIA):

Prior approval by government is needed via this route. Foreign Investment Promotion Board is the responsible agency to oversee this route. (SIA-Secretariat for Industrial Assistance)

II. REVIEW OF LIERATURE

Anitha. R (August-2012): This paper was indentifying Global direct investment flows in the india before LPG and after LPG. The main important concept of this study is what is the position of Global FDI inflow and treand analysis of

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future five years. I am using Autoregressive Integrated Moving Average (ARIMA) forecasting technique.

Maniam & Amitiava Chatterjee (1998): This paper is identified on the factors effecting on Global FDI flows in American states in to India. What are the factors are influencing Global FDI in to India and playing an important role in India.

Ajay shah & Lla Patnaik (2004): The study detailed How Does the FDI Affect Economic Growth" suggest that the effectiveness of the FDI depends on the stock of human capital in the host country. Capital is above certain threshold and the FDI positively has contributed to growth. The FDI leads to the growth of technology spillovers that increase factor of productivity. They conclude that human capital could educate labor force and if necessary new technology and management skill are to be absorbed.

Chandana Chakraborty and Peter Nunnenkamp (2008): This paper is said that booming foreign direct investment in post-reform India is widely believed to promote economic growth.

Kali Ram Gola, Mridul Dharwal (2013): The main purpose of the study is to investigate the impact of FDI on economic growth in India, from the period of 1990 to 2011. It affects the economic growth by stimulating domestic investment, increasing human capital Formation and by facilitating the technology transfer in the host countries.

III. OBJECTIVES OF THE STUDY

1. To know the flow of investment in India.
2. To compare FDI inflows during the post liberalization period and pre liberalization period and forecast FDI inflow in India for future 5 years

IV. RESEARCH METHODOLOGY

a. Data Collection for the study:

- World Bank website.
- Make in India Concept, concepts
- Central Statistical Organization (CSO)
- Investopedia.
- Wikipedia.

b. Tools and Techniques are used:

- Growth Rate
- Compound Growth Rate
- Autoregressive Integrated Moving Average

c. Period of the study:

The period of the study will be 38 years i.e., 1980 to 2018. India was said to have received insufficient FDI inflows. Therefore it is very much necessary to look back the trend of India's FDI inflows for the period 1980 to 2017 and to

evaluate its potential factors determining FDI attraction and thereby bringing out a clear picture on the competitive status of India in FDI attraction among selected Asian nations.

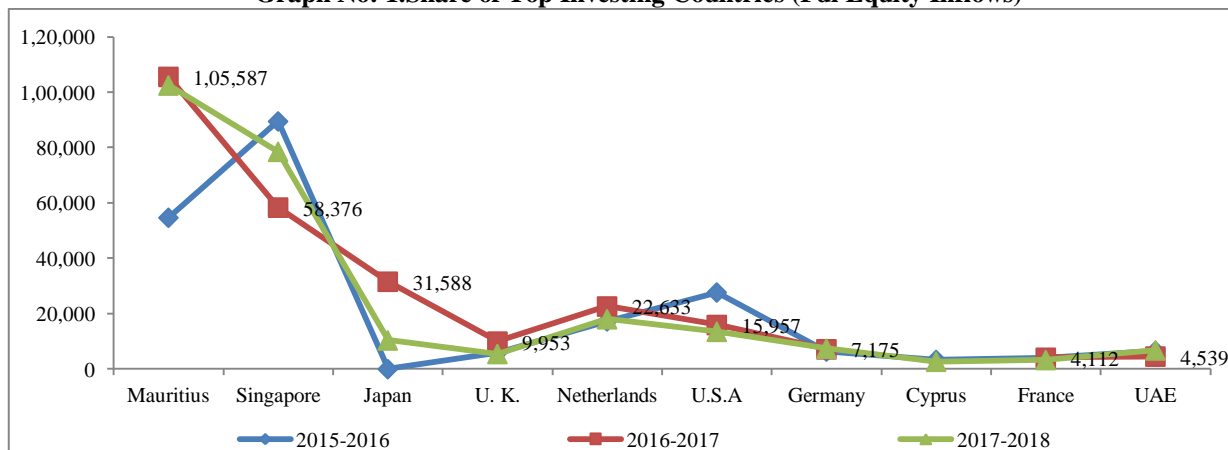
V. OBJECTIVE WISE ANALYSIS & RESULTS

Table No: 1.Share of Top Investing Countries (Fdi Equity Inflows)

Rank	Country	2015-2016	2016-2017	2017-2018	Cumulative Inflows of FDI	% of Total Inflows
1	Mauritius	54,706	105,587	102,492	688,442	34%
2	Singapore	89,510	58,376	78,542	393,584	18%
3	Japan	17,27	31,588	10,371	152,630	7%
4	U. K.	5,938	9,953	5,473	131,018	7%
5	Netherlands	17,275	22,633	18,048	135,215	6%
6	U.S.A	27,695	15,957	13,505	124,037	6%
7	Germany	6,361	7,175	7,391	59,435	3%
8	Cyprus	3,317		2,680	49,411	3%
9	France	3,937	4,112	3,297	33,934	2%
10	UAE	6,528	4,539	6,767	32,953	2%
Total FDI Flows		262,322	291,696	288,889	2,075,911	

Source: DIPP website, FDI fact sheet.

Graph No: 1.Share of Top Investing Countries (Fdi Equity Inflows)



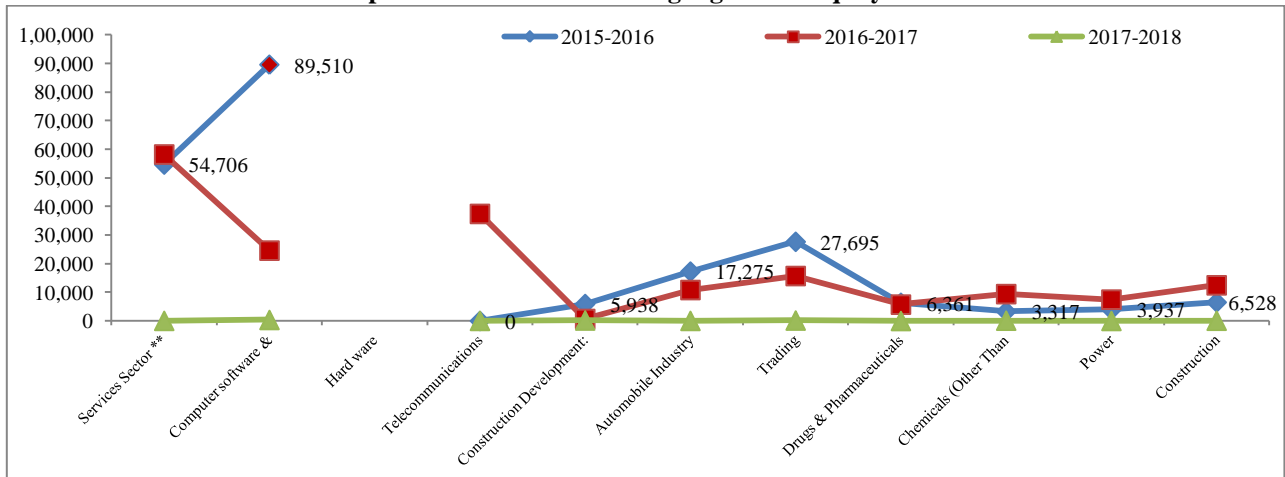
Analysis & interpretation: The above table and graph shows that highest amount of FDI in India from 2016-2017 to 2017-2018 came from Mauritius. Mauritius had secured first

place with 34 percent in the above said period. While Singapore, Japan, UK and Netherlanders are 18%, 7%, 7% and 6% respectively.

Table No: 2. Sectors attracting highest fdi equity inflows

Rank	Sector	2015-2016	2016-2017	2017-2018	Cumulative Inflows of FDI	% of Total Inflows
1	Services Sector **	54,706	58,214	43	249	18%
2	Computer software & Hard ware	89,510	24,605	359	817	8%
3	Telecommunications	17,27	37,435	39	670	8%
4	Construction Development:	5,938	703	176	459	7%
5	Automobile Industry	17,275	10,824	39	748	5%
6	Trading	27,695	15,721	169	912	5%
7	Drugs & Pharmaceuticals	6,361	5,723	3	472	4%
8	Chemicals (Other Than	3,317	9,397	118	111	4%
9	Power	3,937	7,473	13	461	4%
10	Construction	6,528	12,478	105	679	3%

Graph No: 2. Sectors attracting highest fdi equity inflows



Analysis & interpretation: The above table and graph shows that highest amount of FDI in service sector in India is highest in the year of 2016-17. the lowest is in India is Drugs & Pharmaceuticals in the year 2016-17 respectively.

2. To compare FDI inflows during the post liberalization period & pre liberalization Period:

Formula based analysis:

$$AGR = (X2 - X1) / X1$$

X1 = 1 value of variable X

X2 = 2 value of variable X

Compounded Annual Growth Rate (CAGR) formula =
$$CAGR (t_0, t_n) = (V(t_n) / V(t_0))^{1 / (t_n - t_0)} - 1$$

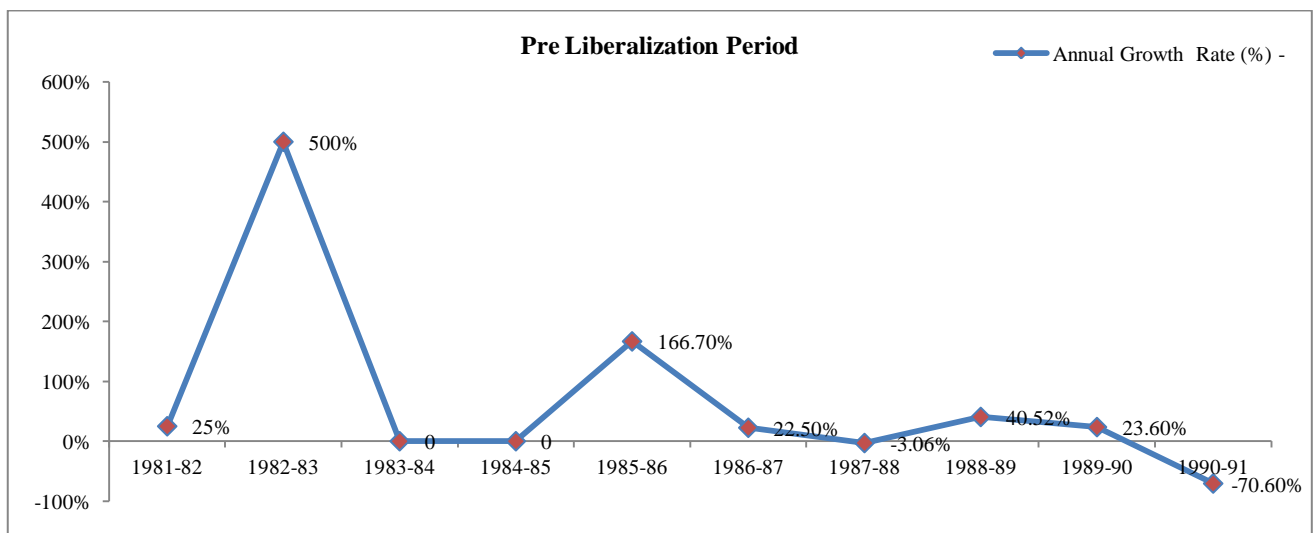
V (t₀) = start value

V (t_n) = finish value

t_n - t₀ = number of years

Table 1: FDI Inflows during Pre Liberalization Period

Category -I is Pre-Liberalization Period			
Sl No	Year	Amount (US Dal. Millions)	Annual Growth Rate (%)
1	1980-81	8.00	-
2	1981-82	10.00	25%
3	1982-83	60.00	500%
4	1983-84	60.00	-
5	1984-85	60.00	-
6	1985-86	160.00	166.7%
7	1986-87	196.00	22.50%
8	1987-88	190.00	-3.06%
9	1988-89	267.00	40.52%
10	1989-90	330.00	23.60%
11	1990-91	97.00	-70.60%
12	Total	1438	0.6406



Analysis and interpretation: The above table and chart shows that Foreign Direct Investment inflow into India before 1991 (Pre-Liberalization) was minimal with the Compounded Annual Growth Rate showing only 25.46 percent. In this time foreign direct investments into India was very low and moderately few sectors. The Government of India was introduced Economic reforms in the year of

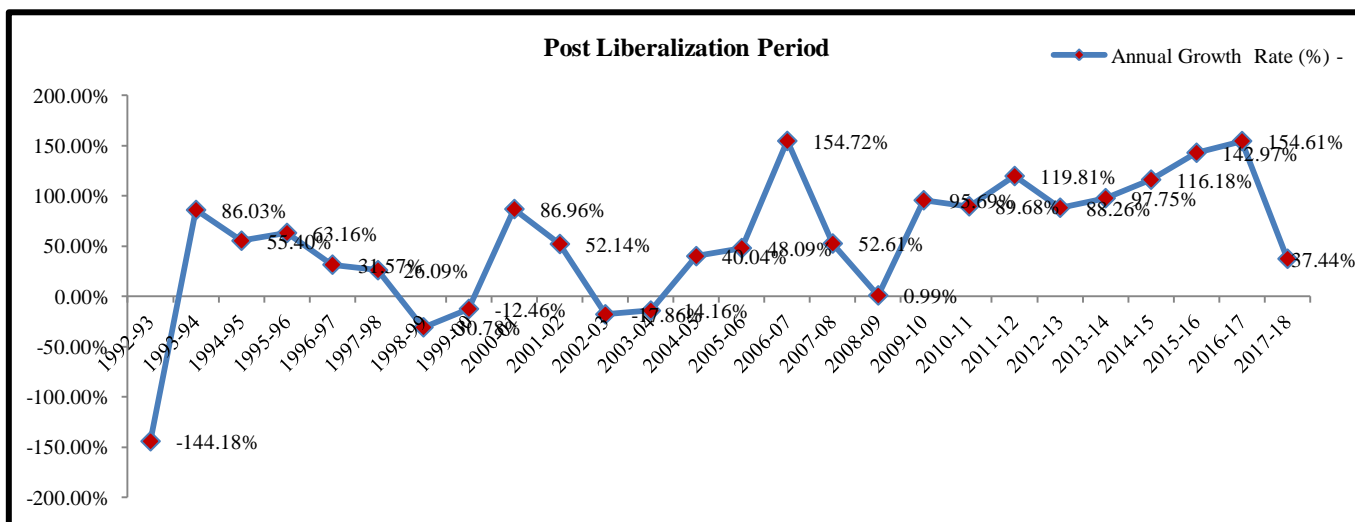
1991. FDI had suddenly become important for India which was looked upon as a key component of economic reforms package.



Table 2: FDI Inflows during Post Liberalization Period

Category-II is Post –Liberalization era			
Sl No	Year	Amount (US Dal. Millions)	Annual Growth Rate (%)
1	1991-92	129	-
2	1992-93	315	-144.18%
3	1993-94	586	86.03%
4	1994-95	1,314	55.40%
5	1995-96	2,144	63.16%
6	1996-97	2,821	31.57%
7	1997-98	3,557	26.09%
8	1998-99	2,462	-30.78%
9	1999-00	2,155	-12.46%
10	2000-01	4,029	86.96%
11	2001-02	6,130	52.14%
12	2002-03	5,035	-17.86%

13	2003-04	4,322	-14.16%
14	2004-05	6,051	40.04%
15	2005-06	8,961	48.09%
16	2006-07	22,826	154.72%
17	2007-08	34,835	52.61%
18	2008-09	35,180	0.99%
120	2009-10	37,182	95.69%
21	2010-11	34,847	89.68%
22	2011-12	46,556	119.81%
23	2012-13	34,298	88.26%
24	2013-14	36,046	97.75%
25	2014-15	45,148	116.18%
26	2015-16	55,559	142.97%
27	2016-17	60,082	154.61%
28	2017-18	14,550	37.44%
	Total	25642	0.6406



Analysis and interpretation: The above table and chart shows that Foreign Direct Investment inflow into India before 1991(Pre-Liberalization) was minimal with the Compounded Annual Growth Rate showing only 25.46 percent. In this time foreign direct investments into in India was very low and moderately few sectors. The Government of India was introduced Economic reforms in the year of 1991.

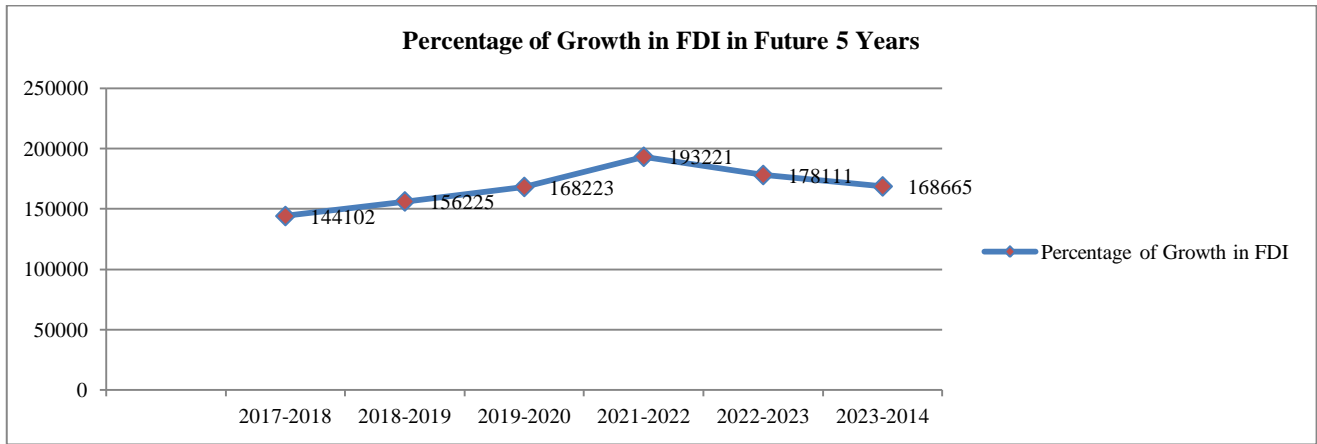
Projection of fdi inflows to India:

Sl. no	Model	Co efficient	Std. Error	Student s test Value	Probabilit y Value
1	ARIM A-I	1.556	0.98	8.968	0.001
2	ARIM A-II	0.449	0.281	3.899	0.235
3	YEAR	9898	1624	3.430	0.223
4	Const.	557816.25	185032.20	3.334	0.228

Global Foreign Direct investment projection for five years

Sl no	Year	Estimated Amount	Percentage of Growth	Percentage of Growth in FDI	Confidential Level
1	2017-2018	1,90,220	1	144102	95%
2	2018-2019	2,20,300	-2	156225	95%
3	2019-2020	1,65,500	15	168223	95%
4	2021-2022	1,88,500	-4	193221	95%
5	2022-2023	2,66,200	06	178111	95%
6	2023-2014	1,90,000	-14.20	168665	95%





VI. CONCLUSION

Global investments are playing an important role in the growth of Indian economy better than other nation's economy in the present. More nations are providing more savings and attracting global investments.

The study concludes the titled The Pivotal part of Global Direct Investment - a Study Pre & post liberalization era has been done based on the secondary data from the period of pre and post liberalization period. The India and China institutional factors are having the stronger influence on the FDI flows. The South African FDI flows are highly influenced by the Quality of public services. Hence, there is further scope of research to do in this area by considering the external factors influence on the Indian fdi flows

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