S.P. MANDALI'S
R. A. Podar College
of Commerce & Economics (Autonomous)

Name of the project: Global investment in India- Foreign Direct Investment

Percentage of Plagiarism - 7%

Name of the guide: Yogesh Kumar Vaishya

Degree of Bachelors in Management Studies

Semester VI

2021-22

Submitted by

Name of the student: Druti Panchal

Roll no: 37

R. A. Podar College Of Commerce & Economics

Matunga, Mumbai 400019.

DECLARATION

I, Miss Druti Panchal the student of T.Y.BMS Semester VI (2021- 2022) hereby declare that I have completed the project on Global Investment in India- Foreign Direct Investment. The information submitted is true and original to the best of my knowledge.

(Signature of Student)
Name of the student
Roll number

R. A. Podar College Of Commerce & Economics
Matunga, Mumbai 400019.

S.P. MANDALI'S

R. A. Podar College

of Commerce & Economics (Autonomous)

ACKNOWLEDGEMENT

To list who all have helped me is difficult because they are so numerous and the depth is so enormous.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project.

I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.

I would like to thank my **Principal, Dr.(Mrs) Shobana Vasudevan** for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our **Coordinator Ms.Divya Lalwani**, for her moral support and guidance.

I would also like to express my sincere gratitude towards my project guide **Mr. Yogesh Kumar Vaishya** whose guidance and care made the project successful.

I would like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially **my Parents and Peers** who supported me throughout my project.

Certificate

This is to certify that Mr./Ms. _________________________, Roll no:____ of Third Year BMS, Semester V| (2021-2022) has successfully completed the project on _____________ under the guidance of ____________________.

Course Coordinator

Principal

Project Guide/ Internal Examiner

External Examiner

Table of Content

ABSTRACT

Purpose –

The purpose of the study is to find out fundamentals and dimensional factors which affects the global investment that is foreign direct investment in India. The emphasis will also be on the complete scrutiny of factors under foreign direct investment which have driven, is driving and will drive a country's economy in future times.

Findings -

Findings of the study is concentrated on the foreign direct investment aspect and theoretical implications on the same. Considering theoretical and statistical techniques various conclusions have been drawn subsequently.

Practical Implications-

Research paper will critically analyze the factors which are driven foreign direct investment in India. It will also give a clear perspective as to how money invested in recent times will sue a fruitful result in future. Sound recommendations which can accelerate growth have also been suggested in the paper.

Methodology –

In order to meet the objectives different modes are used to collect the data. Here, the data used is secondary in nature. Using this data and implying statistical techniques rational figures will be attained through a series of statistical techniques for each objective rang-

ing from Time Average (3 years moving average) to regression analysis (correlation coefficient).

Scope -

Due to global warming and other environmental issues associated with it, the green energy sector has been a hot topic in preceding years. Thus, its grasping growth showing unexpected high will be hypothesized.

Significance –

This study is important for not only investors but financial institutions to examine the scope of foreign investment in India by surpassing each factor. Therefore, this study is significant in order to motivate more foreign direct investment in India.

Recommendations –

Recommendations will be based on statistical data proved with the tinge of theoretical findings. It will mark that the global economy will have a much larger scope in the future times. It surprisingly, will shape every dimension of the economic aspect in India.

Conclusions –

The conclusion denotes the meeting of criteria and objectives through literature review and findings of the research for hypothesis. India has undergone a change in basic assumptions calling to its competitive stand in the world. The Indian economy is on a robust growth trajectory and boosts of a stable annual growth rate, rising foreign exchange reserves and boom in capital markets, among others.

CHAPTER 1: INTRODUCTION

A strong financial system steers the economic development of a country as it allows in fund flow from various sectors that have surplus to those countries who are in shortage. This way a country with a fund shortage can use these funds in your most productive manner. In this era of the 21st century, the world is undebatable in constant change. Various nations are integrating their efforts to make a world better place to live in. G-20 leader summit, Asia- Pacific Economic Cooperation Summit 2021, Nam Summit 2021 are some of the examples of the same. Thus, in this changing era where nations are opting for optimistically open-mindedness, one such aspect which has quite strongly held the grasp is global investments. Perceptions of foreign investors towards India changed quite distinctly as a result of the change in the policy regime. Inflows of FDI have increased substantially compared to the earlier regime in which the scope for FDI was quite restricted.

This research paper will specifically cover global investments made in India through foreign direct investments (FDI) and foreign institutional investments (FII). The key focus will be on foreign direct investment. It will study and scrutinize their relationship and draw a conclusion. How Foreign direct investments and other factors associated with it is inevitably riding the financial markets which at the end contributes in India's GDP, growth and development will be simultaneously analyzed to prove the undertaken hypothesis. Not only the structure of global investment but also, its essence in driving India's economy will be statistically reviewed.

1.1 HISTORY

In the earlier time, borrowers could only borrow money within the geographical boundaries of the country but with the technological development and increasing globalization foreign participants can also enter the financial markets of other country and provide money to domestic market players.

The entire concept of global investment got the boost in 1991 when, foreign direct investment in India was introduced under the foreign exchange management act FEMA. This was implemented by India's finance minister Dr Manmohan Singh. The commencement was with a baseline of $1 billion in 1990. It was introduced under liberalization privatization and globalization (LPG) policy of the Indian economy. Foreign investors were optimistic for investment in Indian market. This was in the form of foreign direct investment which is attaining an investment which parent company makes in foreign country, in this case India, and foreign institutional investment which is refers to outside entities investing in the nation's financial markets. From less than $ 1 billion in the early 1990s, FDI inflows more than doubled to exceed $ 2 billion in 1995. Though this did contribute to the observed increase in the reported FDI inlows, there is no denying the fact of the sharp increase in the inlows especially during the last few years.

1.2 MECHANISM

Investor analyses macro, sector, and company fundamentals to identify investment opportunities for the foreign stocks which will acquire them a share of profit and simultaneously contribute to that company's growth rate. These factors play a significant role to discover a momentum which India need by studying its growth rate in the preceding decade. The returns of a particular company in India would depend upon the performance of that company’s project funded through FDI. This is said to be a driver of India’s economy because it facilitates the inflow of new technology, managerial expertise, new ideas, skills, knowledge, more employment and improve the infrastructure facilities. Therefore, it helps developing countries to turn into developed country.

1.3 CASE STUDY

In order to draw the conclusion with accurate analysis, various case studies in the preceding times will be used to prove the point. Economic crash of 2008, Russian and Ukraine conundrums of 2022, coronavirus pandemic crisis is some of the case studies whose impact on India's financial market will be taken under consideration.

1.4 AIMS

To critically analyze how India soon shall aspire to become $ 5 trillion economy where global investment functions as a catalyst and hypothesizing infrastructural sector playing a significant role to do so through foreign direct investment.

1.5 OBJECTIVES

I) To study the structure of Foreign Direct Investment (FDI) in India.

II) To study the difference between Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII).

III) To analyse foreign direct investment and foreign institutional investment inflow and growth rate from 2010 to 2021.

IV) To derieve the relationship between foreign direct investment and foreign institutional investment inflow in India using statistical techniques.

V) To determine factors responsible in driving foreign direct investment with the help of evaluated data in the preceding decade.

VI) To study the role of government policies leading a change in annual growth rate trend of Foreign Direct Investment -Indian political economy

VII) To analyse the growth of foreign Direct Investment in Infrastructural sector.

VIII) To study the role and impact of infrastructure sector in driving global investment of India till date and in coming years.

IX) To study the role and scope of green energy in driving global investment of India.

X) To evaluate whether India is on the Road Map of $5 trillion economy by 2025.

1.6 HYPOTHESIS

a. Indian political economy plays a significant role in shaping the global investment of India.

b. Infrastructure sector to shape Indian economy through foreign direct investments in coming years.

c. Foreign direct investment will play a significant role in making India USD 5 trillion economy by 2028 rather than 2025.

d. Foreign investment will excel towards the green energy sector in coming years.

e. There is a negligible inverse relationship between foreign direct investment and foreign institutional investment in India.

f. This is a right time to invest in India due to certain political parameters.

CHAPTER 2: LITERATURE REVIEW

This chapter will briefly illustrate literature review of scope of foreign direct investment in India through FDI. It will focus on the key elements like concepts of global investment, foreign direct investment, infrastructure, and role of governments to motivate its flow.

Literature review is an overview of writings and various sources of the major topics. It is a process of organizing knowledge and information for identifying and evaluating accessible information which has been documented. This accident information is sourced by experts, examiners, researchers, and scholars. Hence, it is a summary of existing resources on the respective topic. The topic noted under literature review is completely based on secondary data because it consists of theories, concepts, practices, viewpoint of authors, debates et cetera. Hence it serves the foundation to review the topic from all dimensions to support historical perspective. With globalization, foreign capital has become an important source of finance in many capital markets and foreign investors have started to allocate more of their money abroad – *Leuz et al., 2009 and Bekaert et al,.2002*.

2.1 MEANING

Foreign Direct Investment:

'*John Dunning',* there is an operational distinction between Foreign Direct Investment and Foreign Portfolio Investment. He explains foreign direct investment as not a transfer of capital in an organization but, exchange of resources such as technology, management, organizational and marketing skills. Further, the expected return is on this resourceful investment rather than its capital which urges enterprises to convert into multinational companies.

Direct investment reflects the aim of obtaining a lasting interest by a resident entity of one economy that is direct investor, in an enterprise that is resident in another economy that is the direct investment enterprise- '*IMF and OECD'*.

Foreign Institutional Investments:

India is considered as a favorite destination by foreign investors as it has emerged one of the strongest growing economies of Asia. There is a advocational discussion that FIIs help in stock price discovery as they depend and widen the security market. FIIs increase the demand for domestic stocks which causes an upsurge in equity price thereby lowering the cost of capital for firms- *Advocator of foreign investments*.

Foreign Portfolio Investments:

On the other hand, *John Dunning* also explains that when resources are transferred internally within the firm rather than externally between two independent parties where control is still retained over their usage, it is defined as foreign portfolio investment.

2.2 PROJECT FINANCING

'Structured long-term financing of infrastructure, industrial projects and public services with limited resources to the sponsors, where a Projects death is prepared from future cash flows generated by the project once operational." is the definition of Project Finance defined by *Arnaud Dornel, lead financial specialist at World Bank.*

Project finance can be purely domestic or international-based. It is a form of foreign direct investment where foreign sponsors participate in the equity of a project company at shares of more than 10%-*OCED*. The project company which is about to undertake the project is usually financed with a loan structure which ultimately not only relies on projects cash flow for the payment but also projects assets, interest held as secondary collateral. The financing of this project could also involve a combination of multinational enterprise and commercial lenders as well as public sector partners.

The below-mentioned diagram is the graphical representation of projects financed globally from the year 2010 to 2019. X axis indicates the year timeline where is, Y axis indicates number of projects undertaken and accordingly billions of dollars spent on it. The following data is sourced from *UNCTAD, Refinitiv SA based.*

Fig1.1- Number of projects in billions of dollars

In 2019 the total number of project finance transactions announced grew by 11 per cent to almost 2,300, for a total value of $1.2 trillion (figure I.11)

2.3 COUNTRY-WISE FOREIGN DIRECT INVESTMENT IN INDIA.

The below-mentioned diagram is the graphical representation of a pie chart. This pie chart explains the capital flow of investment in India by different countries in the year 2021-22. Their share of contribution is displayed in the descending order. Investment of different countries provides evidence of countries' growth.

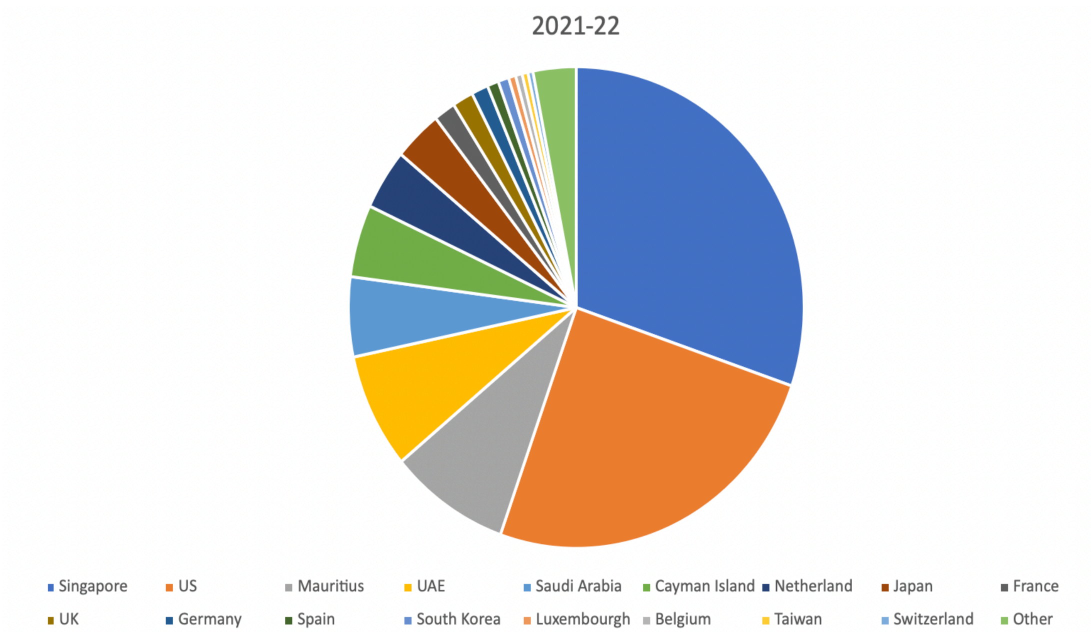


Fig- 1.2

Here, the Primary positions are conquered by Singapore and United States of America (U.S.A). These being the developed countries, not only ensure the capital flow into the country but also embanks the supply of science & technology, marketing, and management skills. In this pie chart more then 60% of the foreign investors investing are from developed countries. Besides, high foreign investment by developed countries brings positive influence in India which results in widening up of more opportunities for foreign investors. This allows more flexibility in government policies regarding foreign investments. Not only developed countries but also developing countries benefit in gaining skills and wide range of knowledge through foreign investment.

The tabular representation through which a pie diagram is drafted was soured by the portal of *Reserve Bank of India*. Subsequently, RBI's analysis has been evaluated in order to derive literature review.

2.4- NET INFLOW OF FOREIGN INSTITUTIONAL INVESTORS IN INDIA

The below-mentioned diagram is a graphical representation of net inflows made by foreign institutional investors in India. The years of 2014 shows the peak that is highest inflow. Subsequently, the lowest inflow of FII was in the year 2008.

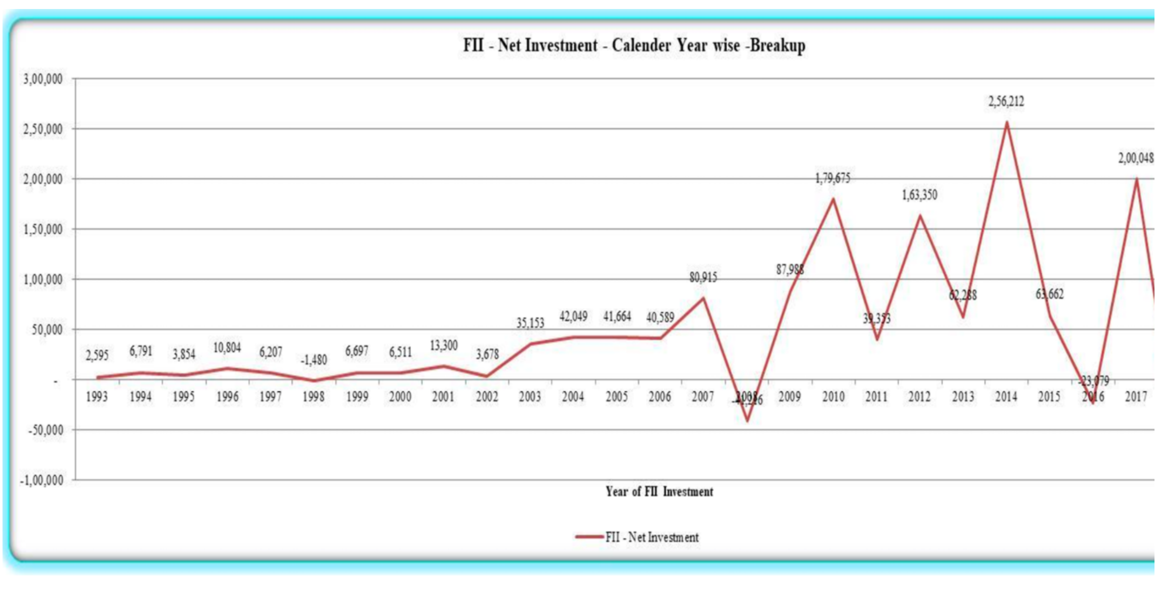


Fig –1.3

Thus, one aspect is prominently assertive from the trend of this graph that after 2001, there has been constant fluctuation in the trend line forming the pattern of consolidation until 2017. On average, every 2-3 consecutive years, the net investment. of FII's displays a sharp fall.

2.5 RELATIONSHIP BETWEEN FDI AND FII

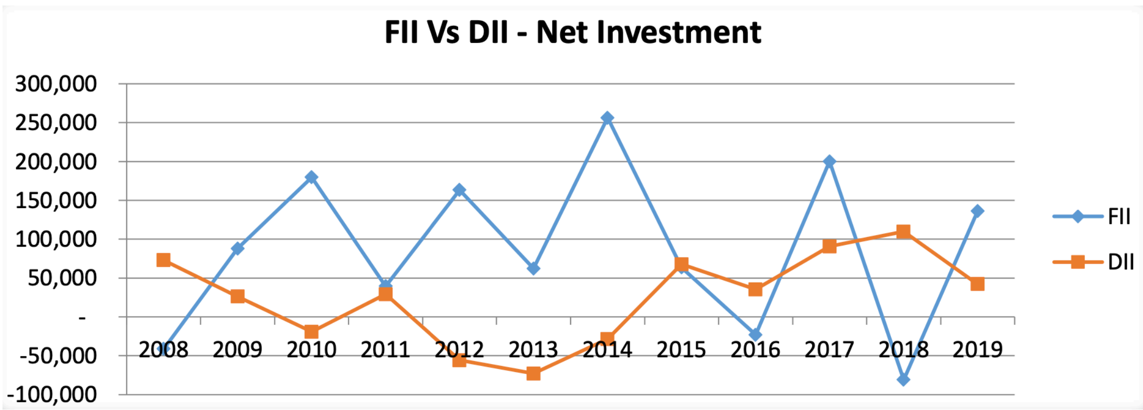


Fig 1.4

Highest amount of investment made by the domestic institutional investors is in the year 2018. However, the Foreign institutional investors have sold more than they have purchased in 2018. Hence, one thing which can be noted from the graph mentioned is that FII and FDI have a highly inverse relationship at a consistent phase. Foreign Institutional Investors – *Understanding the Indian Advent Mrs Vatsala Manjunath*

2.6 FOREIGN DIRECT INVESTMENT IN INDIA AND PERCENTAGE GROWTH RATE IN GDP

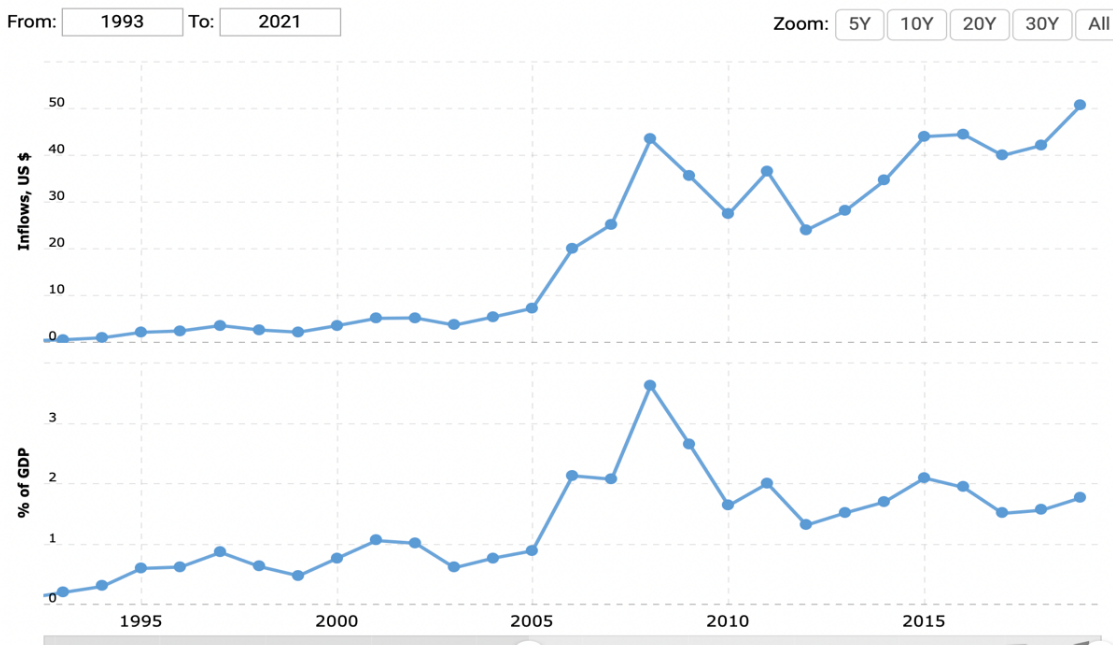


Fig- 1.5

FDI is one of the parameters through which the growth and development of a country can be measured on a global level but the ground-level reality of this development has to be analyzed to really understand the benefit that India has gotten from FDI.

A steady growth can be seen in the foreign inflows in the India with the peak formed in 2008.

2.7 GLOBAL FDI INFLOWS, 2015-22- PANDEMIC IMPACT (IN TRILLION DOLLARS)

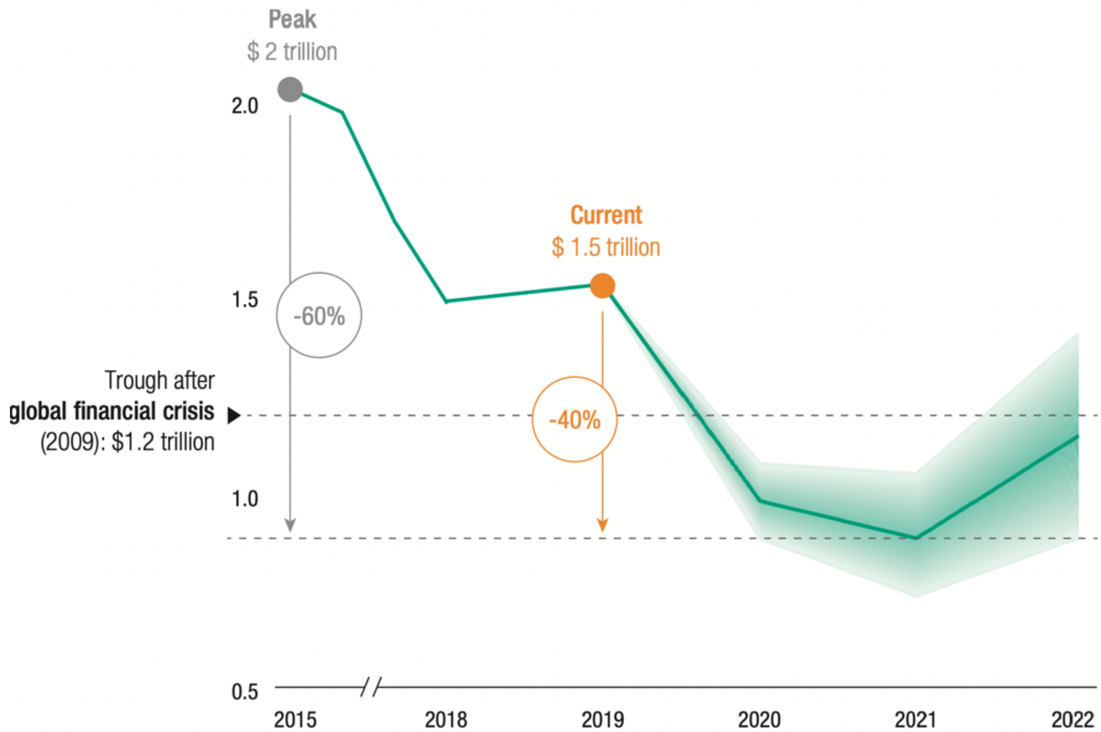


Fig-1.6

In 2020 and 2021, the COVID-19 issue resulted in a significant decline in foreign direct investment (FDI). In 2020, it has an immediate negative impact, with a worsening trend in 2021. (Figure 1.6). Global FDI flows are expected to drop by up to 40% in 2020, compared to their 2019 value of $1.54 trillion (about $4,700 per person in the US). For the first time since 2005, FDI would go below $1 trillion (about $3,100 per person in the US) (about $3,100 per person in the US). FDI is expected to fall by further 5% to 10% in 2021, according to projections. The COVID-19 crisis has had an immediate impact on FDI and will very certainly have long-term ramifications. A range of consequences for FDI are being triggered by the unexpected and simultaneous interaction of supply- and demand-side shocks, as well as policy responses to the global crisis. *World investment report 2020*

2.8 FDI INFLOW AND PROJECTIONS BY GROUP OF ECONOMIES AND REGION.

(Billions of dollars and per cent)

Group of economies/region	2017	2018	2019	Projections 2020
World	**1 700**	**1 495**	**1 540**	**920 to 1 080**
Developed economies	**950**	**761**	**800**	**480 to 600**
Europe	570	364	429	240 to 300
North America	304	297	297	190 to 240
Developing economies	**701**	**699**	**685**	**380 to 480**
Africa	42	51	45	25 to 35
Asia	502	499	474	260 to 330
Latin America and the Caribbean	156	149	164	70 to 100

Table 1.1

In 2020, FDI growth rates were negative in all regions and socioeconomic levels (table 1.7). According to projections, developed economies would see a loss of between -25 and -40 percent. As the virus's virulence contributes to the economic instability of numerous significant economies, FDI in Europe will plummet to the highest (-30 to -45 percent compared to 2019).

The developing economies as a whole are anticipated to face a higher drop, ranging from 30% to 45 percent. The developing world appears to be more vulnerable to catastrophe (contrary to the situation after the global financial crisis, which had a much stronger effect on FDI to developed countries). Their investment and productive footprints are less diverse, leaving them more susceptible to systemic concerns. Because of their tighter fiscal capacity, political responses and support measures, which are important at this juncture to limit the depth of the crisis and kick-start a recovery, are likely to be substantially weaker in these territories than in developed nations. According to projections, FDI in emerging Asia, which is generally the world's economic engine, has dropped by 30 to 45 percent. While early indications show that the region has already begun to recover from the shock of the virus's early breakout in China,

Latin America and the Caribbean, as anticipated, saw the greatest loss in FDI, with a forecasted drop of 40 to 55 percent in 2020. Source: *UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).World investment report 2020*

2.8-1 ANALYSIS (2.7 &2.8)

As seen from the graphical and tabular representation of 2.7 and 2.8, a conclusion can be drawn that not just social conundrums of the world but also political reactions which countries take in accordance to the dilemma occurred, affects the movement of global investment. It differs from country to country and policies to policies which their respective government is supposed to frame. Pandemic of 2020 have shared a major perspective on the behavior of global investment for developed countries and developing countries. Hence the 2nd objective can be proved here, that global political economy and social conundrums of the world have a direct impact on global investments, specifically Foreign Direct Investments in the world.

2.9 - A) DEVELOPING COUNTRIES- PROJECT FINANCED SECTOR-WISE

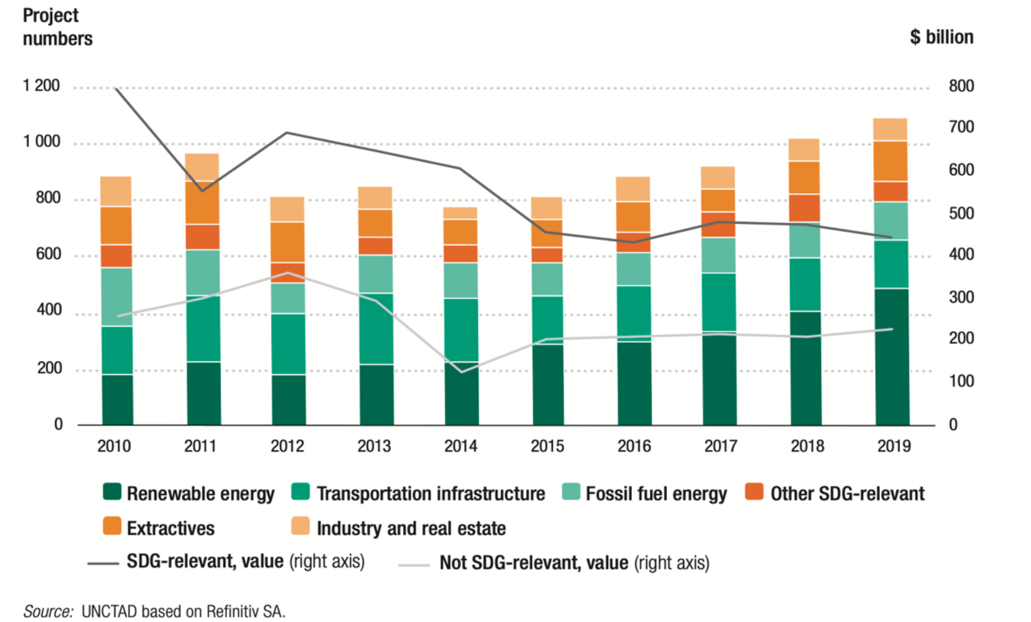


Fig 1.7

The above-mentioned diagram is the graphical representation of sector-wise project finance in the developing countries through global investment inflows. It examines the number of projects and billions of dollars invested.

Renewable energy investments have progressively increased over the previous decade, accounting for over half of all investment projects globally in 2019. Investment in renewable energy sources has surged in emerging nations as well, rising from 20% in 2010 to 44% in 2019. Transportation infrastructure investments are also substantial in these nations, accounting for more than 20% of all projects during the decade, with a high of almost 30% in 2013–2014, owing in part to the launching of China's Belt and Road Initiative and India's national infrastructure pipeline scheme by government of India. *World investment report 2020*

2.9- B) FDI INVESTMENTS IN GREEN SECTOR- *FDI FINANCE*

- Jan 13, 2020: Panasonic India Eyes INR. 500 cr in Revenues from its Solar Business in the Next 3 to 4 years.
- Oct 22, 2019: Taiwan-based companies are keen to invest in India in electric vehicles, smart cities, and technology sectors.
- Jul 12, 2019: GIC Holdings Pte. Ltd and Abu Dhabi Investment Authority (ADIA) have agreed to invest an additional $ 329 mn in Greenko Energy Holdings. This investment will contribute to raising an integrated renewable energy project equity and other acquisitions.
- May 2019: Rooftop solar solutions provider ZunRoof has raised $1.2 mn from Godrej to fund expansion plans and strengthen product portfolio.
- Apr 2019: Avaada Energy raised Rs.1,000 cr from ADB, Germany's DEG and Dutch FMO to finance its 2.4 GW renewable energy portfolio.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

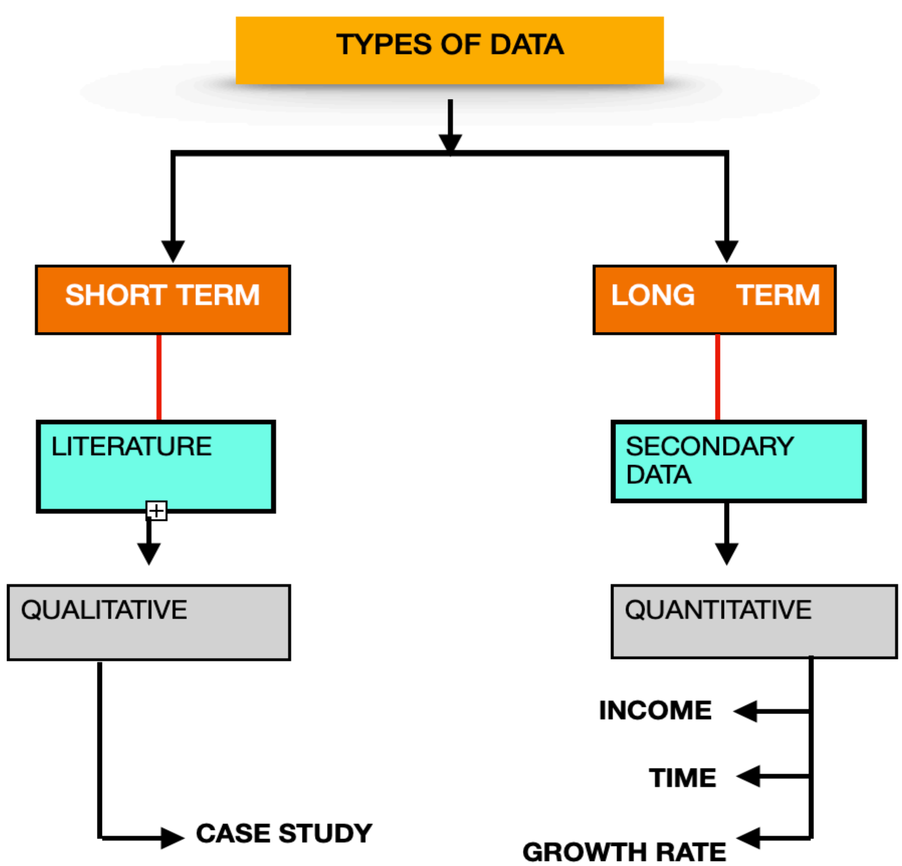
This chapter emphasis on research methodology used for the study. This chapter consists of three sub sections; types of methods, choice of method and way, data collection.

Adolph defined methodology as an investigation of how research should be proceeded towards outcomes (Adolph, 2017). However, methodology is about choosing the method, collecting the data accurately, data analyses and justifying the data.

This section contributes to different forms of technical methods used in order to derive the desirable results of impact of global investment in India.

3.2 CLASSIFICATION OF DATA

Fig-1.8



a. Short Term Data Type

When a particular thing reaches maturity within a relatively brief time, it is known as short-term. When factual aspects are collected for making the basis of reasoning, reference, or analysis, it is known as data. These are the temporary adjustments in the data according to the surrounding conditions affecting it. In short search data are used for one-time use and when the task is completed it will not be used again. Though it is important to connect but have subsequently short life.

b. Long Term Data Type

The long term involves a relatively longer period. When factual aspects are collected for making the basis of reasoning, reference, or analysis through this data whose maturity lasts longer it is known as long term type data. It is important to connect the tends of particular aspect to derive the result for subsequently longer period of time.

c. Literature Method

Here, Economic books, research and other published papers, magazines, and newspapers such as Indian Express, Economic Times will be used as references to check if political conundrums hinder the growth rate of foreign direct investment in India. It will also provide us with a theoretical explanation of certain factors which shall be a basis for analyzing data statistically. Case studies shall be taken into account whenever necessarily needed to prove the hypothesis. It is one of the aspects of secondary data. Here, the perspective of reviewing the data is qualitative which suggests the various observations which will be made on the data.

d. Secondary Data

Here, the information is purely based on secondary sources which consist of theories, concepts, practice, viewpoint of authors, debates et cetera (Heston, 2017). Secondary information of the data which is already collected by experts with the overall outlook of statistical technique. These data are highly reliable and could be used for further research methodologies. As a result, it creates a foundation to review the topic from all aspects. However, checking authenticity of this information is the primary concern while analyzing. Nonetheless, secondary data provide a framework on our concern regarding the topic and directs the viewpoint accordingly. Here, the project will be derived by quantitative method. With its help, data will be not only collected but also redefined, analyzed and evaluated with the help of tabular as well as diagrammatic representation such a linear graph, bar chat, scatter diagram etc. The data mostly focuses on foreign direct investment with its scope and contribution in Indian economy

3.3 RESEARCH METHODS

a. Qualitative Research Method

The focus in this method is to review the point of you which an export shares on a concern to topic that is taken into consideration to study. Qualitative research emphasizes the quality of the data which is reviewed by a scholar. Usually, data found here is descriptive in nature. Hence it requires a certain amount of time to scrutinize the viewpoint in order to fit it in the objectives of the research paper. Key studies are going to be one of the aspects to review under this topic as it provides a descriptive viewpoint of scholars and exports.

b. Quantitative Research Method

Quantitative research the emphasis is not on the quality but its quantity. The data is quantified in order to obtain results. This method of research generally is involved with numerical which can help to derive statistical outlook on the data. However, there are many software to map the data in terms of figures and numbers accurately but this method with the help of mathematical tools provides biased and reliable answers to match the objectives.

Both the methods are valid enough to justify the research objectives. The contribution of qualitative and quantitative research methodology in the research is 20% and 80% respectively. Quantitative research is used with the help of statistical techniques to derive the hypothesized results. These results are analyzed based on qualitative research technique which consists of case study to review the outcome.

c. Case Study

An idea behind case study is that it describes a particular situation which reflects a point of concern and common integral interest society. Such conundrums of society are reviewed by many scholars and experts which provide the basis for the following research papers. Such case studies are studied from various angles to draw perspective conclusions by scholars.In this paper, case studies would be analysis to answer the question as why do data show that obvious trend.

d. Income

Income is one of the aspects of quantitative research methodology. Therefore, income is mentioned in billions and trillions to highlight the FDI contribution in totality.

e. Time

Time is another aspect of quantitative research methodology used. In the thesis, a time span of decade that is 2010 to 2022 is considered to examine the growth rate of global investments in India.

f. Growth Rate

In the due means to calculate the growth that would have occurred in a year gap, growth rate factor is considered. The figures are then displayed in the form of percentage. Hence, it is a quantitative research methodology approach.

3.4 DATA COLLECTION METHODOLOGY

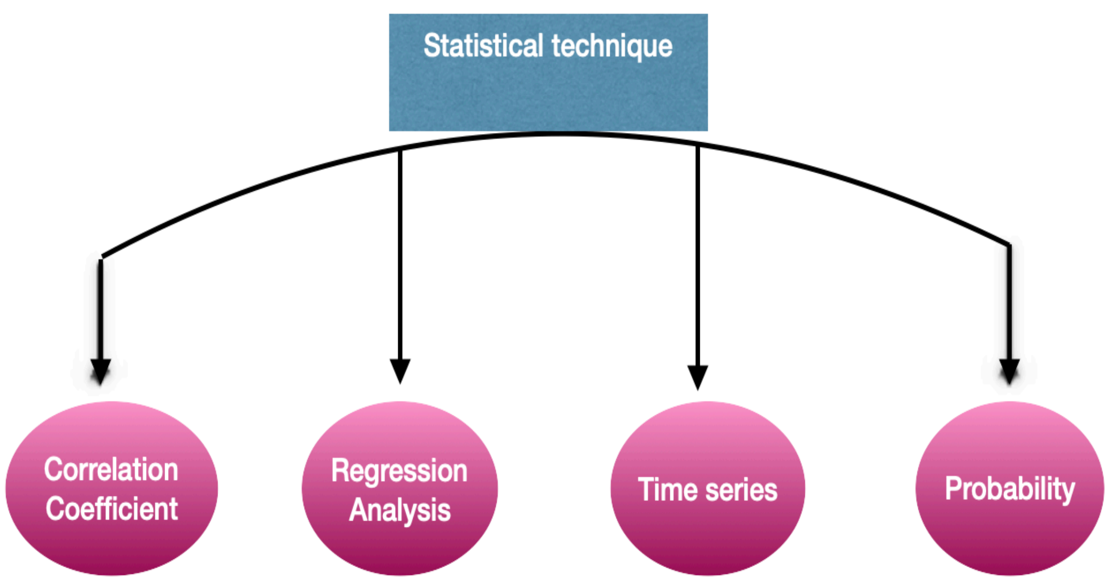


Fig-1.9

a. Correlation Coefficient

When two quantitative variables are studied at the same time and the outcome suggests that change in one variable is reciprocated by an equivalent change in another variable directly or indirectly then these variables are said to be corelated. Thus, it is a statistical measure. It examines a degree to which two variables are correlated scientific study which explains how two variables are corelated is known as Correlation Coefficient. Furthermore, scatter diagram displays the trend to justify its correlativity.

b. Regression Analysis

This is a statistical tool which consists of two variables out of which one is a set of independent variables and other is dependent variable. Here, dependent variable means the factor which researchers attempt to understand or predict, certainly known as an explained variable. On the other name independent variable have a impact of the dependent variable. Furthermore, Regression Analysis is a set of processes which identify the variable that influences the topic of interest. Hence, one can Analyse which factor matters the most and which can be neglected.

c. Probability

An experiment which can be conducted under identical conditions where the outcome is certain is called a trail. Probability is a measure of chances of happening or non-happening of outcomes of a particular dataset.it answers the question like how many different, equally likely possibilities are there which can meet a desirable constraint. A probability of events occurring is the number of ways in which an event can occur over the total number of possible events.

d. Time Series

Data for time series is collected from real life things that concern us. Tie series gives graphic and numeric output. It guides us more about real life conditions of that aspect. It is also helpful to predict future values and trends. Timeseries analysis has four aspects of behavior. These behaviors are trend, seasonality, cycle, and an explained variation. Sometimes there are strange dips and germs in the graph which depict irregularities in the behavior in timeseries analysis. One of the aspects in time series analysis is moving average. Moving average could be taken of two years, three years, four years. This moving average gives us the percentage of growth rate or deterioration for those number of years which we consider, that is two years moving average, three year moving average or four years moving average etc.

3.5 METHOD OF DATA ANALYSIS

Qualitative and quantitative data can be analyzed in three ways. In order to analyze quantitative data, descriptive and statistical analysis is used with the tinge of thematic analysis to support a base for qualitative methodology.

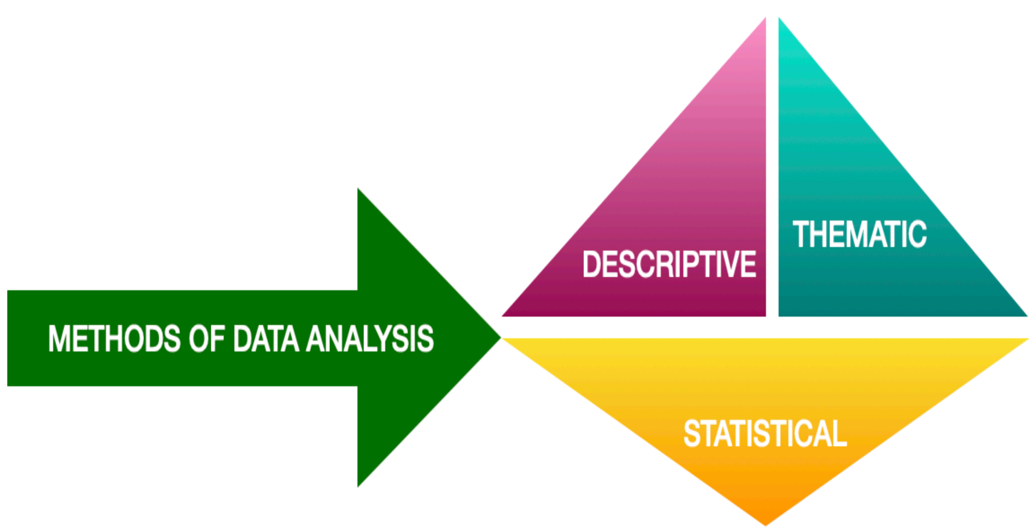


Fig-2.1

a. Thematic Analysis

Thematic analysis is a method of analysis, using which one can go through the dataset in an organized manner and analyze it effectively to uncover hidden trends and other interference is based on a criteria theme defined by a researcher. As qualitative research involves mostly numeric data which cannot be analyzed through statistical and mathematical calculations this type of analysis can be proved very effective.

b. Descriptive Analysis

Descriptive analysis is used to describe the basic data features in a study, it provides a summary of the samples, measures the data with simple graphical analysis (Baha, 2016). However, the author argued that if the interpretation is conducted effectively then, the analyses data can deliver useful insights that results in formation of the topic.

c. Statistical Analysis

Statistics may be defined as the science of collecting, representing and interpreting numerical data from a logical point of view. Here, collecting accurate data is especially important or else the results will be extremely faulty. Search analysis is hardly used to investigate and discover relationships among certain phenomenal. Using various techniques under statistics would be established to meet the objectives accordingly. When the secondary data is collected statistical analysis plays a significant role. It is a foundational base in the creation of secondary data.

CHAPTER 4: Structure of Foreign Investment

4.1 DEFINITIONS OF FOREIGN DIRECT INVESTMENT.

a. OECD:

OECD provides us with the benchmark definition, which is most reliable. According to OECD, “FDI is a category of cross-border investment made by a resident entity in one economy with the objective of establishing a lasting interest in an enterprise that is a resident in an economy that and that of the direct investor.”

b. John Dunning:

FDI involves “the transfer of other resources than capital (technology, management, organizational and marketing skills, etc.) and it is the expected return on this, rather than on the capital per se, which proms enterprises to become multinational enterprises.”

c. Buckley and Brooke Definition on FDI:

They characterized it by stating that FDI represents a package transfer of capital, technology, management and other skills, which takes place internally within multinational firms.

d. IMF’S Balance of Payment Manual:

The fifth edition of IMF's balance of payment manual defines that the owner of 10% or more of a company's capital as a direct investor is foreign direct investment.

Foreign Direct Investment	OECD	John Dunning	Buckley and Brooke	IMF's Balance of Payment Manual.
Definitions	Cross-border investment made by resident entity with objective of establishing lasting interest in an enterprise that is resident in economy of direct investors	Transfer of resources other tan capital and eventually expected rate of return which leads it to Multinational enterprises.	Package transfer of capital, technology, management and other skills taking place intentionally	Owner of more than 10% of company's capital as a foreign direct investor.

Table-2

4.1.A) ANALYSIS OF DEFINITION

Foreign investment relationships by their nature may lead to long-term and steady financing and technological transfers with the objective of maximizing production and the earnings of the MNE that is a multinational enterprise over time. Thus, capital is simply a conduit for transfer of resources for direct investment. The lasting interest which is expressed by direct investment implies the existence of a long-term relationship between direct investor and direct investment enterprise. This sometimes also impacts the degree of influence on the management of the latter significantly. It also suggests that the motivation for controlling the foreign enterprise is not just prudent use of assets but something quite different. The control of the foreign enterprise is desired in order to remove competition between that for an enterprise and enterprise in other countries. Or control is desired in order to appropriate fully the returns on certain skills and abilities. It also depicts that Buckley and Brooke's definition is quite similar to Dunnings's description of FDI.

4.2 FOREIGN INSTITUTIONAL INVESTORS

a. SEBI Regulation 1995:

It defines foreign institutional investors as an institution established or incorporated outside India which proposes investors to make investment in Indian securities.

b. The Economic times:

Foreign Institutional Investors (FIIs) are those institutional investors which invest in the assets belonging to a different country other than that where these organizations are based.

Foreign Institutional Investor	SEBI Regulation 1995	The Economic Times
Definitions	Institution outside India which proposes investors to make investment in Indian securities	Investors which invests in the assets belonging to different county other the its organisational base.

Table-3

4.2.A) ANALYSIS OF THE DEFINITION

Here, security and exchange board of India SEBI plays a tremendous role because it allows only those entity which are registered with it to invest in Indian stock market through the route of foreign institutional investment. Not only this but also, FIIs are required to get the approval from reserve bank of India under the provision of foreign exchange regulation act, 1973 to be eligible to make these investments. There are big companies such as investment banks, mutual funds et cetera who invest considerable amount of money in the Indian market. It further contends that as India is emerging economy there is also a problem of growing trade deficit in the country. This can be met by inflows from foreign investors which then could be supplied in the form of foreign capital through FII. This fund inflow is likely to help the country strengthen its forex reserves. This is because FIIs exert strong influence on the total inflow coming into the Indian economy.

4.3.1 - ROUTES OF FOREIGN INFLOW

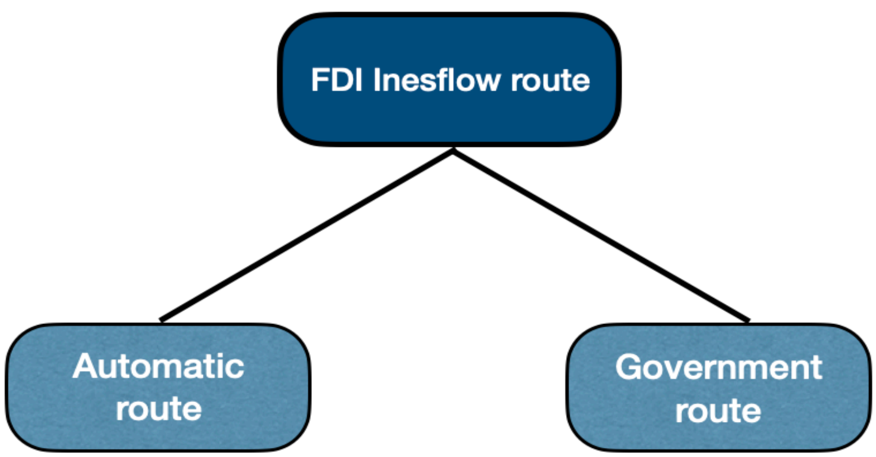


Fig-2.2

FDI inflow routes: -

An Indian company may receive Foreign Direct Investment under the two routes as mentioned below.

1. **Automatic Route:** To the extent permissible under the automatic route, FDI in sectors or activities does not require prior permission from the government or the Reserve Bank of India. The FDI Clearance path, on the other hand, needs previous government approval. An application for such permission can be submitted through the Foreign Investment Facilitation Portal.

2. **Government Route**: Foreign direct investment (FDI) in activities not covered by the automatic route requires government approval, which is decided by the Foreign Investment Promotion Board (FIPB), the Department of Economic Affairs, and the Ministry of Finance.

4.3.2- TYPES OF FOREIGN INVESTMENTS

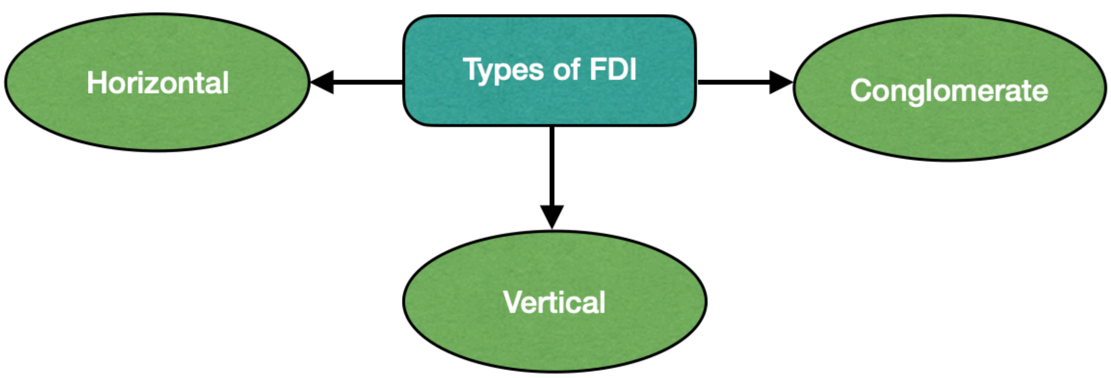


Fig-2.3

1. **Horizontal Investment**: The company expands its inland operation to other countries as part of the horizontal investment. The company does the same things here, but it does so in a different country. In other words, horizontal foreign direct in-

vestment refers to the production of products and services in another country that are similar to those produced and manufactured in the company's home market. By locating near other established enterprises, it is possible to dodge trade obstacles, have better access to the local economy, or draw on technological expertise in the area.

2. **Vertical Investment:** A business grows into another country through vertical investment by relocating to a different level of the supply chain. The company engages in a variety of businesses in other countries, but these activities are all related to the main business. Backward and forward vertical FDI are the two types of vertical FDI. In the case of backward FDI, the multinational business forms its own input goods provider, which supplies inputs to the parent company. The company develops a foreign portfolio by conducting forward FDI.

3. **Conglomerate Investment**: The business is carrying out unrelated business activities in a foreign location under the Conglomerate Investment. Such an investment is unique because it entails entering a new country and market. Because the funding firm has no prior experience in the foreign company's field of competence, a joint venture is frequently adopted.

4.3.3- ENTITIES FOR FDI TO INVEST

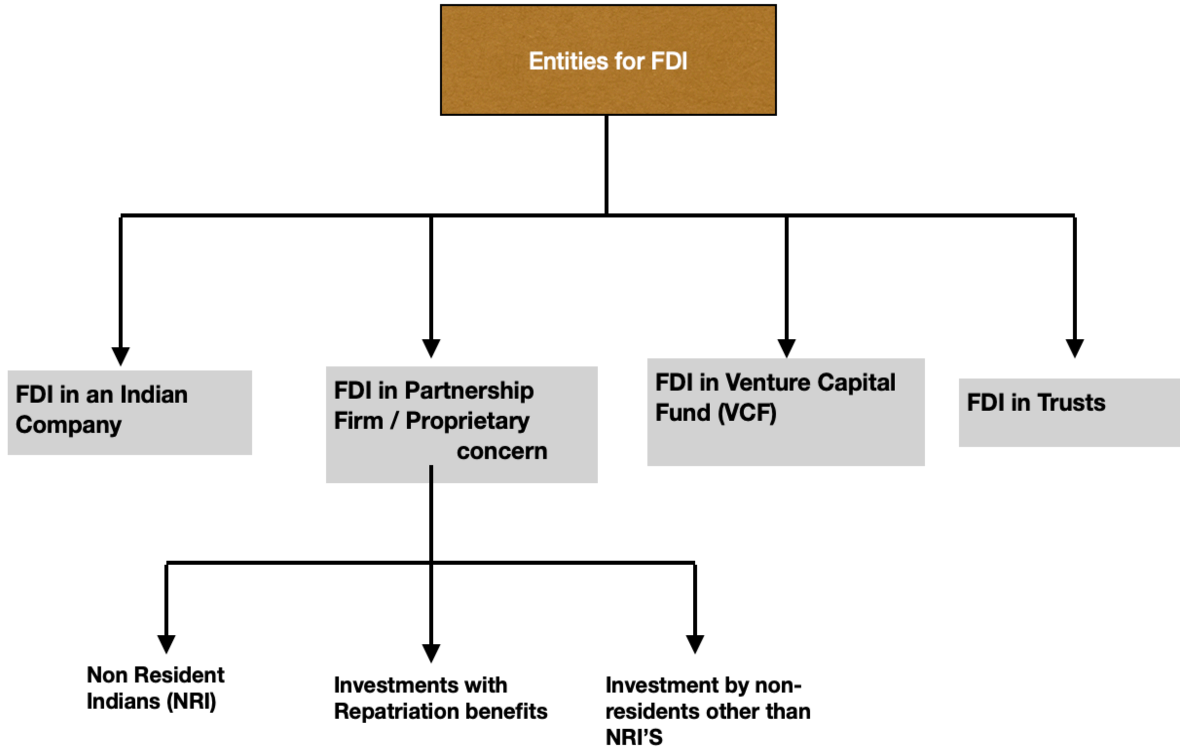


Fig -2.4

1. **FDI in an Indian Company**: Indian companies, especially micro and small businesses (MSEs), can provide cash in exchange for FDI.

2. **FDI in Partnership Firm / Proprietary Concern:**

❑ A Non-Resident Indian (NRI) or a Person of Indian Origin (PIO) resident outside India can contribute to the capital of a firm or a proprietary concern in India on a non-repatriation basis if

(a) The amount is invested through inward remittance or out of an NRE/FCNR(B)NRO account with Authorized Dealers / Authorized banks.

(b) The company or proprietorship is not involved in the agricultural/plantation, real estate, or print media industries.

(c) The amount invested cannot be repatriated outside of India.

- Investments with repatriation advantages: NRIs/PIOs may apply to the Reserve Bank for authorization to invest in sole proprietorships/partnership enterprises with repatriation benefits. The application will be decided after consulting with the Indian government.

- Investment by non-residents other than NRIs/PIOs: A person residing outside India who is not an NRI or a PIO may apply to the Reserve Bank for prior clearance to invest in a contribution firm or any association of persons in India. The application will be decided after consulting with the Indian government.

- Restrictions: An NRI or PIO is not permitted to invest in a firm or proprietorship concern engaged in any and all immovable property for the purpose of profit or income, or in Print Media.

3. **FDI in Venture Capital Fund (VCF):** As mentioned in paragraph 3.1.6 of this Circular, FVCIs are permitted to invest in Indian Venture Capital Undertakings (ICUs)/Venture Capital Funds (VCFs)/other enterprises. A person located outside India (non-resident entity/individual including an NRI) cannot invest in a domestic VCF that is set up as a trust through the automatic route of the FDI scheme, but may do so with the FIPB's approval. However, if a domestic VCF is formed as an incorporated company under the Companies Act, 1956, a person residing outside of India (non-resident entity/individual, including an NRI) can invest in it under the automatic route of the FDI Scheme, subject to the pricing guidelines, reporting requirements, and mode of payment, minimum capitalization norms etc.

4. **FDI in Trusts:** Under the FDI policy, non-residents investing in India can invest only in companies, LLPs (with prior approval from FIPB), and Venture Capital Fund (which is a trust) (with prior approval from FIPB)

4.3.5- DISTINGUISH

TERMS	FOREIGN DIRECT INVESTORS	FOREIGN INSTITUTIONAL INVESTOR
MEANING	It is an investment that a parent company makes in a foreign country.	It is an investment made by an investor in the markets of a foreign nation.
REGISTERATION	It has altogether different procedure and must go through series of documentation to get registered	To make investments, corporations simply need to register with the stock exchange.
FLEXIBILITY	Investors do not have the liberty to send it and take it back any time the desire. Hence, it is not flexible enough.	It is also known as hot money as the investors have the liberty to sell it and take it back. Hence, it is not flexible.

AIM	It aims to increase the enterprises capacity or productivity or change its management control.	It aims to flows only into the secondary market. It helps in increasing capital availability.
ELIGIBILI-TY	Direct investment is considered evident when the investor owns directly or indirectly at least 10% of the voting power of the direct investment enterprise	They're no as such condition required in ordered to be called a foreign direct investor.
DURATION	It is considered for long term ben-efits	It is considered to me short term benefits.
VOLATILI-TY	It decreases the market volatility and hence bring stability in the market.	It increases the market volatili-ty and sometimes the disrupts the capital market.
RELATION-SHIP	FDI and FII have hardly any cor-relation. But FDI and GDP has the direct relationship	FII and DII have highly in-verse correlation

CHAPTER 5- TO ESTABLISH FDI AND FII RELATION-SHIP

5.1 INTERPRETATION OF DATA

Data

YEAR	FDI
2010-11	14.94
2011-12	23.47
1012-13	18.29
2013-14	16.1
2014-15	24.75
2015-16	36.07
2016-17	36.32
2017-18	37.37
2018-19	38.74
2019-20	42.63
2020-21	52.55

Table- 4

The mentioned diagram is the tabular representation of net FDI inflow presenting year wise in India.

The amount of foreign investment is calculated in millions. As the table suggests, the amount of inflow shows steady progress as the year passes by. The highest investment inflow has been in the preceding year of 2020-21.

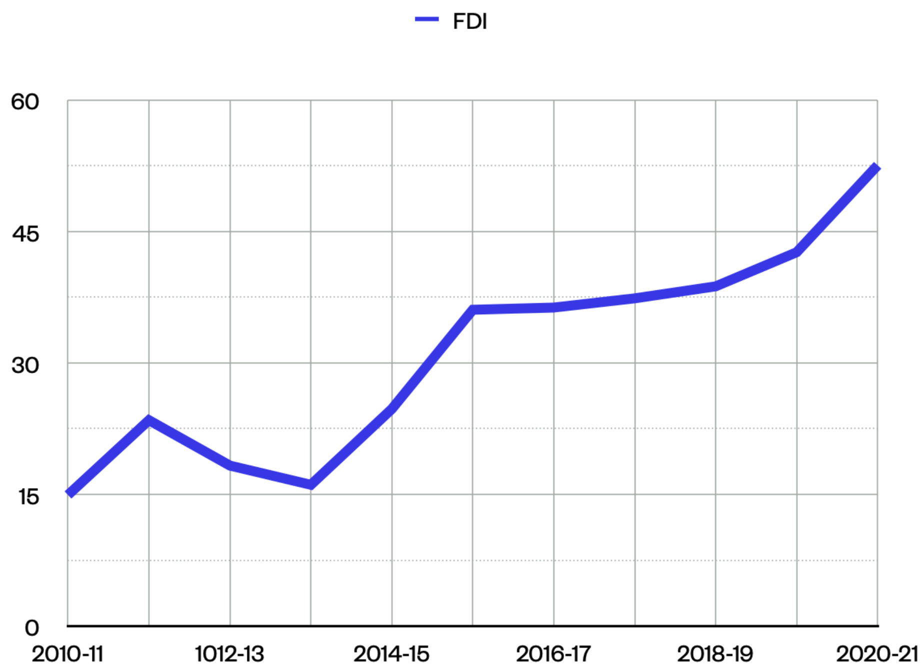


Fig-2.5

The above displayed data is drawn from table no-2. It represents the FDI inflow and has accordingly drafted a liner graph based on the data. In the preceding decade. There is a progressive growth in foreign investment with the new high forming after every 4 years on average. Fiscal year 2020-21 showed the highest investment. This may be because of the various schemes undertaken by the government of India – One such being national infrastructure pipeline studies under case study.

There was one drop in the inflow in the entire decade in the fiscal year 2013-14. This may have been because of the political consequences around the world.

Theoretically understanding:

The Indian economy has had a challenging time, with GDP growth of less than 5%. In fiscal year of 2013-14, a protracted slowdown has been caused by persistent uncertainty in the global outlook, caused by the Euro crisis and general slowdown in the global economy, which has affected export demand, compounded by domestic structural constraints such as a low manufacturing base, delays in project approvals, and inflationary pressures.

The fixed investment rate fell sharply in 2013-14, owing to a 2.1 percent drop in gross fixed capital formation, mostly due to a drop in private sector investment. High interest rates and limited liquidity arising from contractionary monetary policy which used to control inflation and keep the rupee from devaluing contributed to this drop.

5.2 - INTERPRETATION OF FII DATA

Data

YEAR	FII
2010-11	1464.38
2011-12	937.25
1012-13	1683.67
2013-14	516.48
2014-15	2774.59
2015-16	-181.75
2016-17	484.11
2017-18	1446.8
2018-19	-389.29
2019-20	-275.29
2020-21	2670.99

Table-5

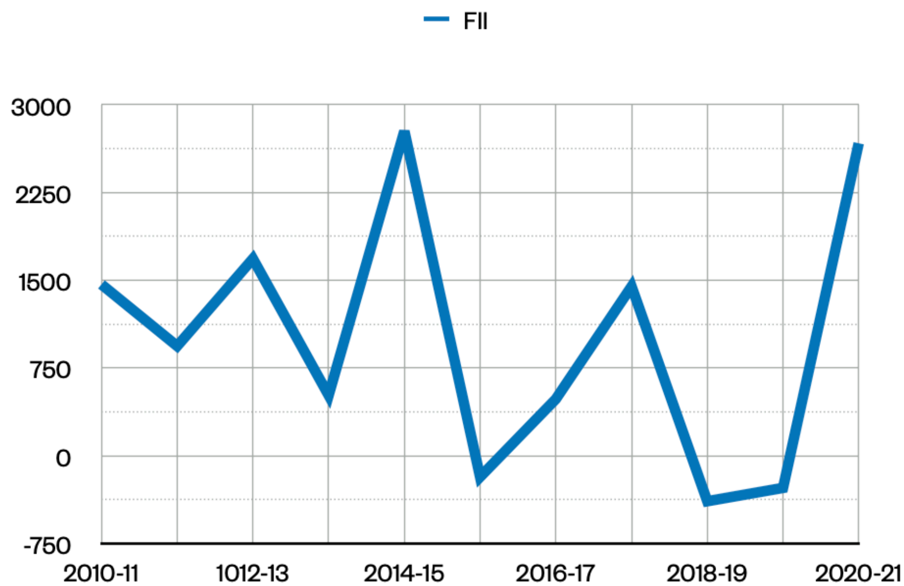


Table- 5

Fig- 2.6

The above-mentioned diagram is the graphical representation of foreign institutional investment in India in the preceding decade. The graph shows linear pattern Steady study fluctuation. From 2010 to 2019, there has been Constant degradation in the inflow with the highest peak forming in 2014 and 15. The number has recovered until now that is in 2021. There is a extreme fluctuation in FIIs net inflow in India.

Shop drops are noted in the years 2015-16 and 2019-20. This might be due to political consequences covered in theoretical understanding.

<u>Theoretical understandings:</u>

The government announced extensive foreign investment liberalization in November 2015, lowering FDI requirements in 15 industries, including civil aviation, banking, defense, retail, and news broadcasting, and making the licensing process easier. This encouraged FII investment and a trend with upward movement on the path to recovery from the fiscal downfall of 2015-16.

FII flows had seen a bumpy ride so far in year 2018-19, with a meagre investment of $15 million, while domestic institutional investors (DIIs) continue to invest more aggressively into the Indian equity market. DII's and FII's have an inverse relationship. hence, when DIIs are aggressively acting in the market, FII's net for stands low.

5.3 - BREAKEVEN POINT FOR EQUILIBRIUM

Point of Equilibrium

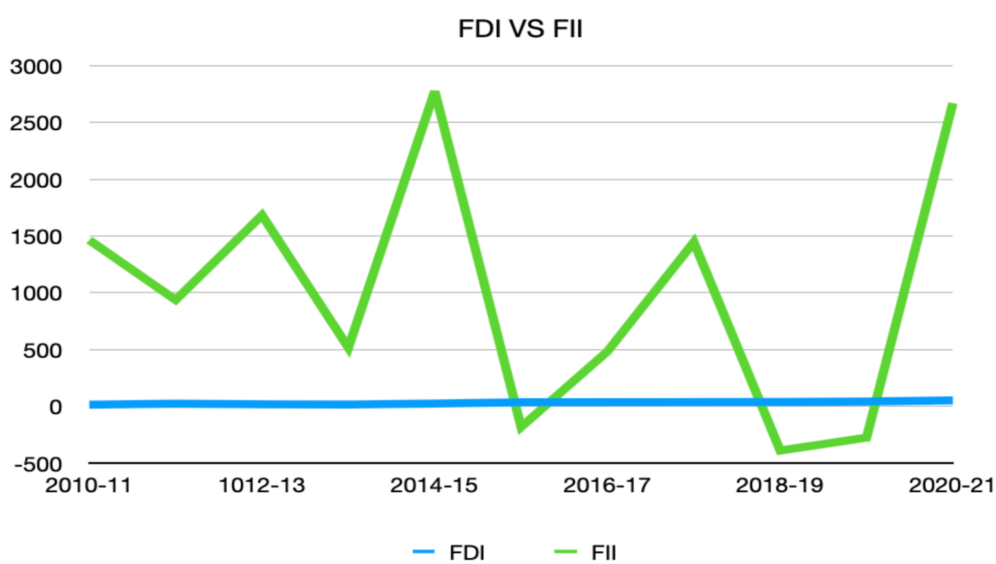


Fig- 2.7

5.4 - REGRESSION ANALYSIS

To completely understand regression analysis, one must first understand the following terms:

Dependent Variable: This is the main factor that you're trying to understand or predict.

Independent Variables: These are the variables that users believe influence their dependent variable.

To see if there is a link between these two variables, oneself commences by plotting the data points on a graph.

Formula:

Correlation –r:

In research, correlation analysis is a statistical approach for calculating the link between two variables and measuring the strength of the linear relationship between them. There are three key characteristics of correlations. They can provide information about the relationship's direction, shape (shape), and degree (strength) between two variables.

Formula:

$$r = \frac{\sum (x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum (x_i - \bar{x})^2 \sum (y_i - \bar{y})^2}}$$

YEAR	(X)	(Y)	x bar	y bar	x square	y square	xy
2010-11	14.94	1464.38	14.94	1464.38	223.2036	2144409	21877.84
2011-12	23.47	937.25	23.47	937.25	550.8409	878437.6	21997.26
1012-13	18.29	1683.67	18.29	1683.67	334.5241	2834745	30794.32
2013-14	16.1	516.48	16.1	516.48	259.21	266751.6	8315.328
2014-15	24.75	2774.59	24.75	2774.59	612.5625	7698350	68671.1
2015-16	36.07	-181.75	36.07	-181.75	1301.045	33033.06	-6555.72
2016-17	36.32	484.11	36.32	484.11	1319.142	234362.5	17582.88
2017-18	37.37	1446.8	37.37	1446.8	1396.517	2093230	54066.92
2018-19	38.74	-389.29	38.74	-389.29	1500.788	151546.7	-15081.1
2019-20	42.63	-275.29	42.63	-275.29	1817.317	75784.58	-11735.6
2020-21	52.55	2670.99	52.55	2670.99	2761.503	7134188	140360.5

Table- 6

The above diagram is the tabular representation of data used for regression analysis. Here, x represents Foreign Direct Investment whereas Y represents foreign Institutional Investments FII.

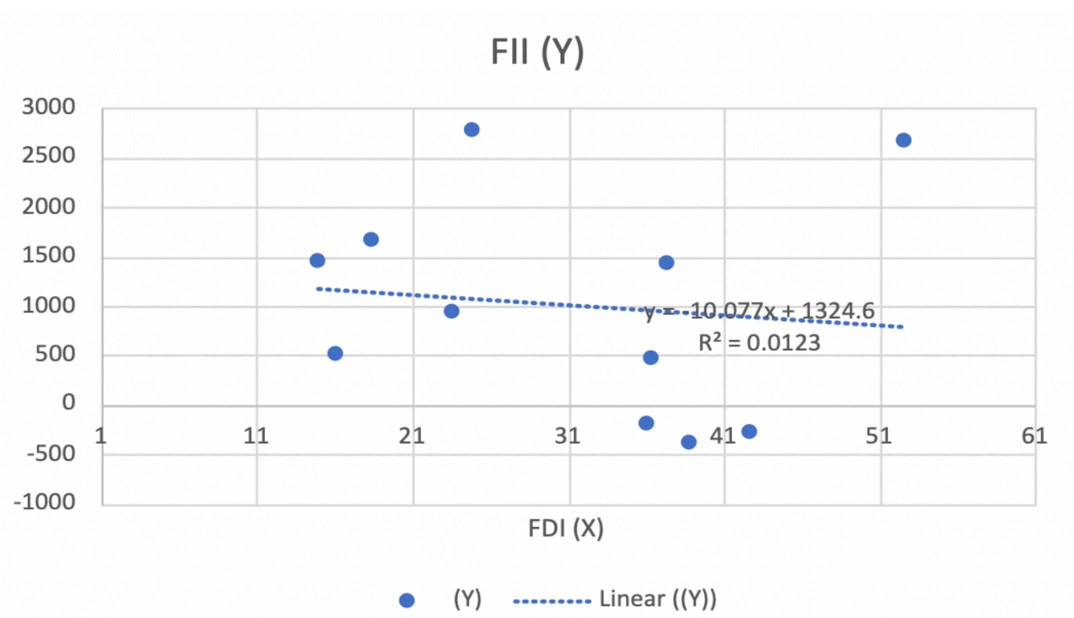


Fig- 2.8

The regression line represents the relationship between independent variable and dependent variable.

Here, Y denotes the regression line equation and ř2 represents the proximity of correlation between FDI AND FII.

R that is coefficient of correlation will be – 0.111

Fundamentals in correlation:

- The Way a Relationship Is Heading The direction of the relationship between the two variables is revealed by the correlation measure. The arrow can point in either a good or negative way.
- Positive: Both variables in a positive relationship tend to move in the same direction: if one grows, the other tends to increase as well. If one declines, the other is likely to signal.
- Negative: In a negative relationship, the variables move in opposing directions: if one increases, the other decreases, and vice versa.
- "+" symbol indicates a positive association, while a "--" sign indicates a negative relationship.
- The Ideal Relationship: The correlation coefficient is either +1.00 or -1.00 when two variables are exactly (linearly) connected. Positively or negatively, they are considered to be fully linearly connected.
- No relationship: When two variables have no relationship at all, their correlation is 0.00.
- When the linear graph moves in the downward direction from left to right, it has a negative relation and then graph moves upward from left to right it has a positive relation.

- Negative relation means the inverse relationship where is positive relation means direct relationship.

Analysis:

As the correlation coefficient stands at 0.111, it suggests that the FDI and FFI have hardly any relationship. It has proximity to almost no relationship. In this graph, the linear line moves in the downward direction from left to right hands denotes a minute or diminutively negative correlation that is -0.111. Thus, it represents an inverse relationship. Hence, there is hardly any relationship between foreign direct investors and foreign institutional investors. And if it occurs it occurs at all then, it will behave inversely. *(Hypothesis e)*

CHAPTER 6: TIME SERIES

6.1: FDI – 3 YEAR MOVING AVERAGE

A Moving Average Can Smooth Data That Remains Volatile after Seasonal Adjustment.

	#INDEPENDENT		
YEAR	**FDI**	**3 years moving**	**average**
2010-11	14.94	--	
2011-12	23.47	56.7	18.9
1012-13	18.29	57.86	19.28666667
2013-14	16.1	59.14	19.71333333
2014-15	24.75	76.92	25.64
2015-16	36.07	97.14	32.38
2016-17	36.32	109.76	36.58666667
2017-18	37.37	112.43	37.47666667
2018-19	38.74	118.74	39.58
2019-20	42.63	133.92	44.64
2020-21	52.55	-	

Table- 7

The mentioned diagram is the tabular representation of data use in time series. Three-point averages are calculated by taking a number in the series with the previous and next numbers and average the three of them. It helps to smoothen the process due to high volatility.

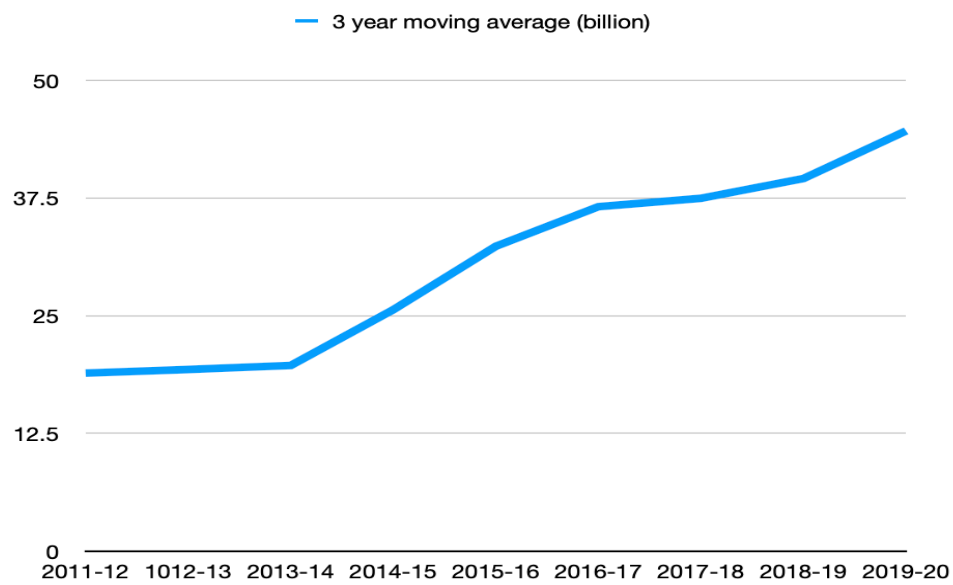


Fig- 2.9

The above-mentioned diagram is the graphical representation of tabular data with such time series analyses using three year moving average. The linear lying on the graph denotes three are moving average of FDI inflow in a preceding decade. One can clearly notice a consistent progression in the FDI inflow as the linear trend always embarked on a new high. The peak of highest inflow in FDI has been in the year 2019-20. *(Hypothesis f)*

Theoretical understanding:

There was hardly any progress in the years from 2011 until 2014. In 2014-15 when the government in India changed, and Mr. Narendra Modi embarked on the position of prime minister and his party formed the government, the changes were made in provisional law. There was easement and flexibility provided which plunged the net FDI Inflow.

CHAPTER 7: INFRASTRUCTURE AND FDI

Introduction:

Infrastructure development is critical to the growth of a country's sectors and overall economy. The infrastructure sector in India is a major economic driver.

Because it demands industrial growth and manufacturing, greater investment in this sector has a compounding effect on overall economic growth. As a result, by improving living conditions, aggregate demand is boosted.

Electricity, roads, telephones, railways, irrigation, water supply and sanitation, ports, and airports, storing facilities, and oil and gas pipelines are all part of the infrastructure sector.

The data mentioned below has been extracted from the portal of reserve bank of India. The key infrastructural sector factors such as computer service, transport, manufacturing, financial service, real estate activities, construction service, education, and research and development, electricity, and energy generation, retail and wholesale trade, mining, and business services at the key factors taken into consideration in order to drive infrastructural development I am in flow through FDI in India.

7.1 FDI INFLOW IN INFRASTRUCTURAL SECTOR IN 2010-11

Financial year 2010-11

SECTORS	SECTOR WISE INFLOW (in millions)
Computer Service	866.00
Transport	220.00
Manufacturing	4,793.00
Financial Service	1,353.00
Real Estate Activities	444.00
Construction Service	1,599.00
Education, R&D	56.00
Electricity & Energy Generation	1,338.00
Retail & Wholesale Trade	391.00
Mining	592.00
Business Service	569.00
TOTAL	**12,221.00**

Table-8

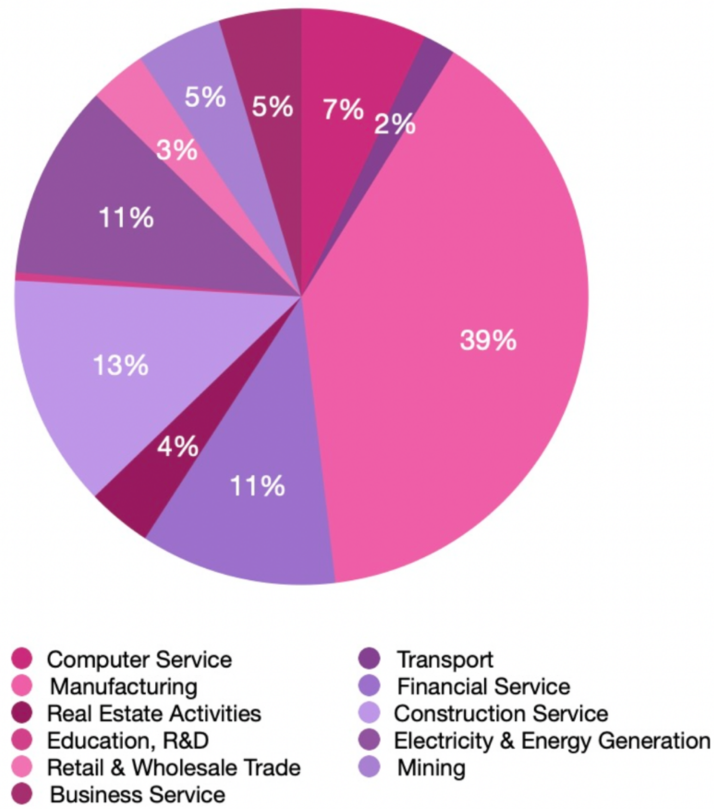


Fig-3.1

The amount of foreign direct investment inflow into fiscal year of 2010-11 has been taken into consideration. The type item has been drawn from the table specifying data. Thus, the major share is captured by the manufacturing sector. 2nd and 3rd position is grabbed by Construction Service and Financial Service, respectively. The least investment inflow was in retail and whole sale trade and the share of compute service was 7% in total.

7.2 FDI INFLOW IN INFRASTRUCTURAL SECTOR IN YEAR 2015-16

Financial year 2015-16

SECTORS	SECTOR WISE INFLOW (in millions)
Computer Service	4,319.00
Transport	1,363.00
Manufacturing	8,439.00
Financial Service	3,547.00
Real Estate Activities	112.00
Construction Service	4,141.00
Education, R&D	394.00
Electricity & Energy Generation	1,364.00
Retail & Wholesale Trade	112.00
Mining	596.00
Business Service	3,031.00
TOTAL	**27,418.00**

Table-9

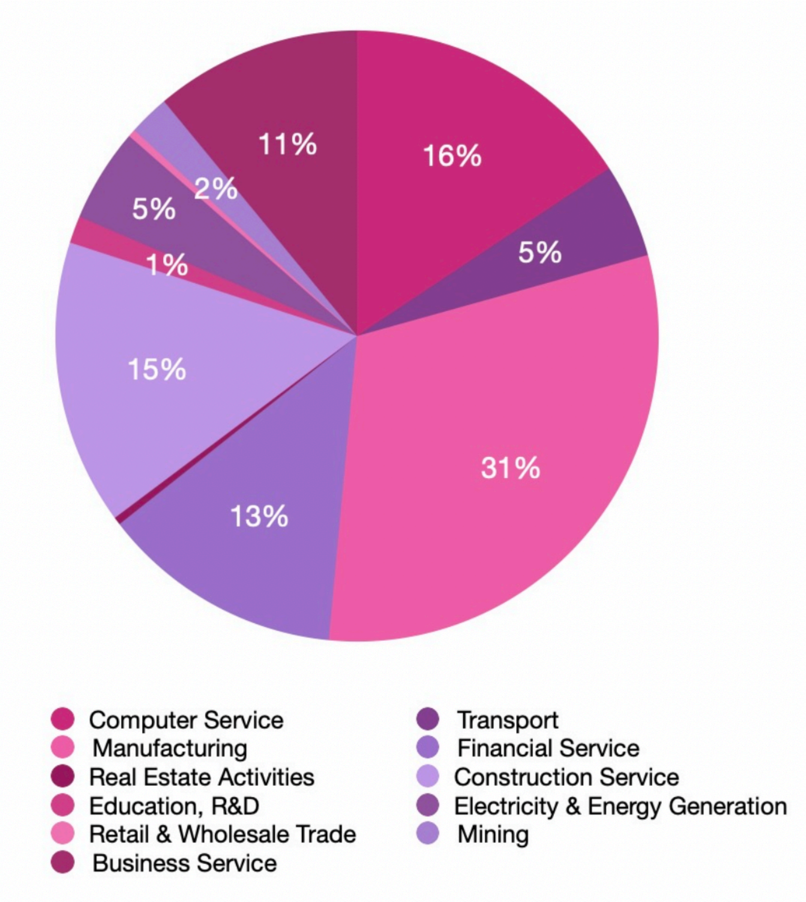


Fig-3.2

The above-mentioned diagram is the pie diagram representing eating the share of infrastructure sector for FDI inflow in the year 2015–16. Based on the table above the pie diagram has been drawn.

In the five years of the frame, there has been a change in the infrastructure sector inflow when compared to the fiscal year of 2010–11. Here, the major foreign investment inflow has been in the Manufacturing Service, Computer Service and Construction Service, respectively. The least foreign inflow was in real estate and retail and wholesale service activities.

The significant major change was noted in the inflow of computer service and India's software is being appreciate all round the globe.

7.3 FDI INFLOW IN INFRASTRUCTURE SECTOR IN YEAR 2020-21

Financial year 2020-2021

SECTORS	SECTOR-WISE INFLOW (in billions)
Computer Service	23,050.00
Transport	7,584.00
Manufacturing	6,739.00
Financial Service	2,728.00
Real Estate Activities	401.00
Construction Service	2,314.00
Education, R&D	963.00
Electricity & Energy Generation	989.00
Retail & Wholesale Trade	2,960.00
Mining	186.00
Business Service	1,750.00
TOTAL	**49,664.00**

Table-10

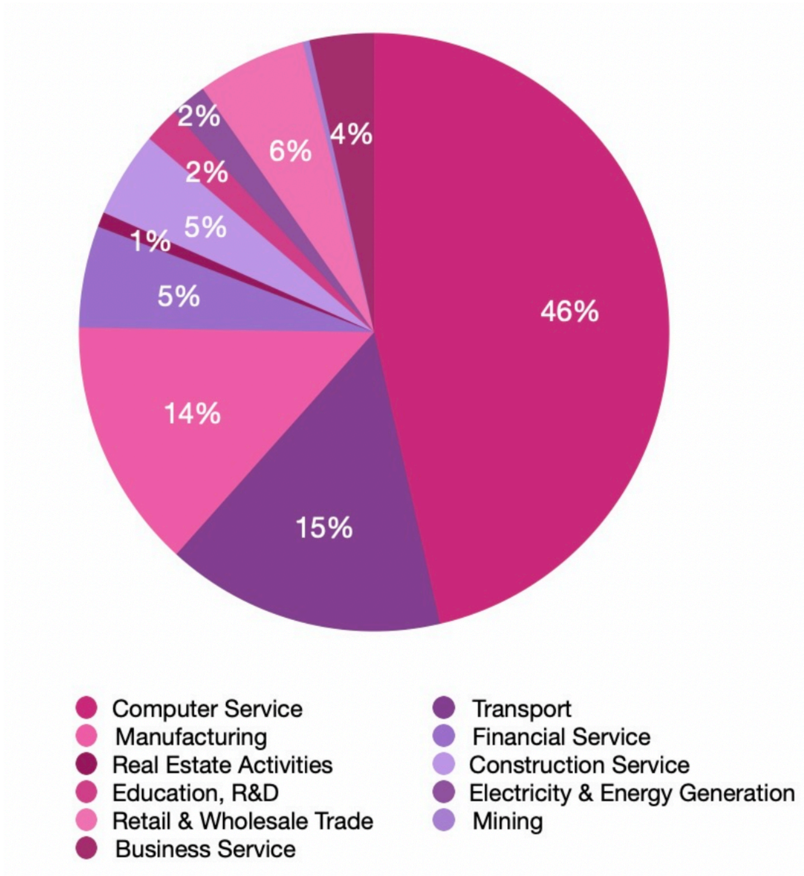


Fig3.3

The above-mentioned diagram is the pie diagram which is drawn from the table denoting foreign direct investment in infrastructure sector of year 2020-21. After considering the 5-year span from 2015-16, hence, the factorial shift can be noted.

Surprisingly, the highest foreign inflow was in the Computer Service Sector. From 7% in 2010 to 16% in 2015-16 to 46% in 2020-21. This displays the demands the Indian software and its service all around the globe. 2nd 3rd and 4th position is secured by Transport, Manufacturing, and Financial Service, respectively. The lowest inflow was in real estate and mining activity sectors. Fron 2% share in 2010-11 to directly 15% share in 2020-21, the Transporation sector have seen a major jump.

National infrastructure Pipeline, Bharatmala schemes introduced by government of India have paved a way for the increment in FDI inflow until now- (mentioned under the case study).

7.4 COMPARISON AND INTERPRETATION.

Sector-wise FDI inflow (in million)

SECTORS	2010-11	2015-16	2020-21
Computer Service	843	₹ 4,319.00	₹ 23,050.00
Transport	344	₹ 1,363.00	₹ 7,584.00
Manufacturing	4793	₹ 8,439.00	₹ 6,739.00
Financial Service	1353	₹ 3,547.00	₹ 2,728.00
Real Estate Activities	444	₹ 112.00	₹ 401.00
Construction Service	1599	₹ 4,141.00	₹ 2,314.00
Education, R&D	56	₹ 394.00	₹ 963.00
Electricity & Energy Generation	1338	₹ 1,364.00	₹ 989.00
Retail & Wholesale Trade	391	₹ 3,998.00	₹ 2,960.00
Mining	592	₹ 596.00	₹ 186.00
Business Service	569	₹ 3,031.00	₹ 1,750.00
Total	12322	₹ 31,304.00	₹ 49,664.00

Table-11

The above diagram is the tabular representation of FDI inflow in the infrastructural sector of three years -: 2010–11, 2015–16 and 2020-21 for the accurate comparison. With the help of this, it is easy to analysis as which sector have captured massive growth rate and which sector have fallen down. In this way, impact of political economy due to provisional law can be observed to hypothesis the graphical analysis.

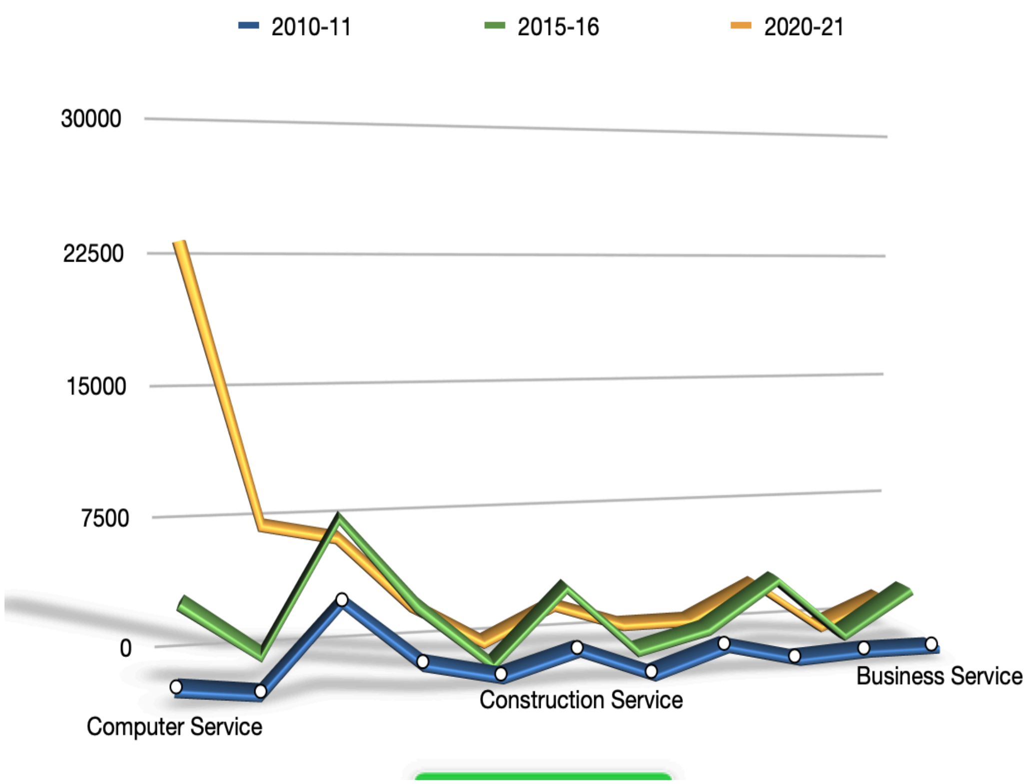


Fig-3.4

The above-mentioned diagram is the graphical representation drawn on the basis of table showing FDI inflow in India. The white dots on the linear line of 2010-11 graph represent the 9 infrastructural sectors which were taken into consideration in a tabular order wise. *(Hypothesis b)*

- The most surprising sector of all is Computer Services. This is because, India's remarkable IT industry has earned it global recognition as a knowledge economy. IT services, IT-enabled services (ITES), e-commerce (online business), software, and hardware items are all part of the IT sector. This industry also contributes to the development of infrastructure for storing, processing, and exchanging data for critical corporate activities and other organizations. IT-based services and solutions have become critical to the growth and success of any business. This industry has a noticeable impact on boosting the productivity of practically every other area of the economy, and it also has a lot of room to grow and improve. The rapid advancement within the IT industry and liberalization policies such as reducing trade barriers and eliminating import duties on technology products by the Government of India are instrumental in the growth of this industry. when the COVID-19 pandemic has grappled the entire world and economies have been hard hit. Indian IT industry was still showing positive signs and has the resilience to overcome this unprecedented tragedy. It emerged as a global economic force and a major contributor to the Indian economy in particular and the world in general.

- The global economy was wrought devastation by the COVID-19 pandemic, and India was no exception. GDP is at its lowest point in history. Every sector of the economy suffered a setback. Manufacturing, mining, consumer durables, real estate, and construction are just a few examples. The demand for Indian real estate, on the other hand, is unabated. As the lock down was announced in the entire country, migration of people and students got refrained as they were travelling for work, colleges, and universities. Thus, this is the reason for Real estate coming down than it was in 2010-11 in India.

- Thus, almost all sectors came down in 2020-21 as compared to 2015-16. This was mainly because of covid pandemic across the globe. Hence social conundrums of society also have a significant impact on a country's economy focusing on foreign direct investments.

7.3 IMPACT OF INFRASTRUCTURAL SECTOR ON FDI

Data

Year	FDI Infrastructure	FDI in total	Percentage rise
2010-11	11.98	14.94	4.5
2011-12	19.738	23.47	7.4
1012-13	13	18.29	4.87
2013-14	12.776	16.1	4.794
2014-15	19.656	24.75	7.3764
2015-16	26.317	36.07	9.876
2016-17	28	36.32	10.5
2017-18	28.286	37.37	10.615
2018-19	29.513	38.74	11.075
2019-20	30.689	42.63	11.517
2020-21	46.514	52.55	17.455
2021-22	73	81.15	26.535

Table-12

The table denotes the share of FDI in infrastructure sector from the total FDI inflow in India. This way it helps us to understand how much does FDI infrastructure contributes to the foreign inflow. In this way we can also conclude whether FDI infrastructure is going to drive India's economy in upcoming times.

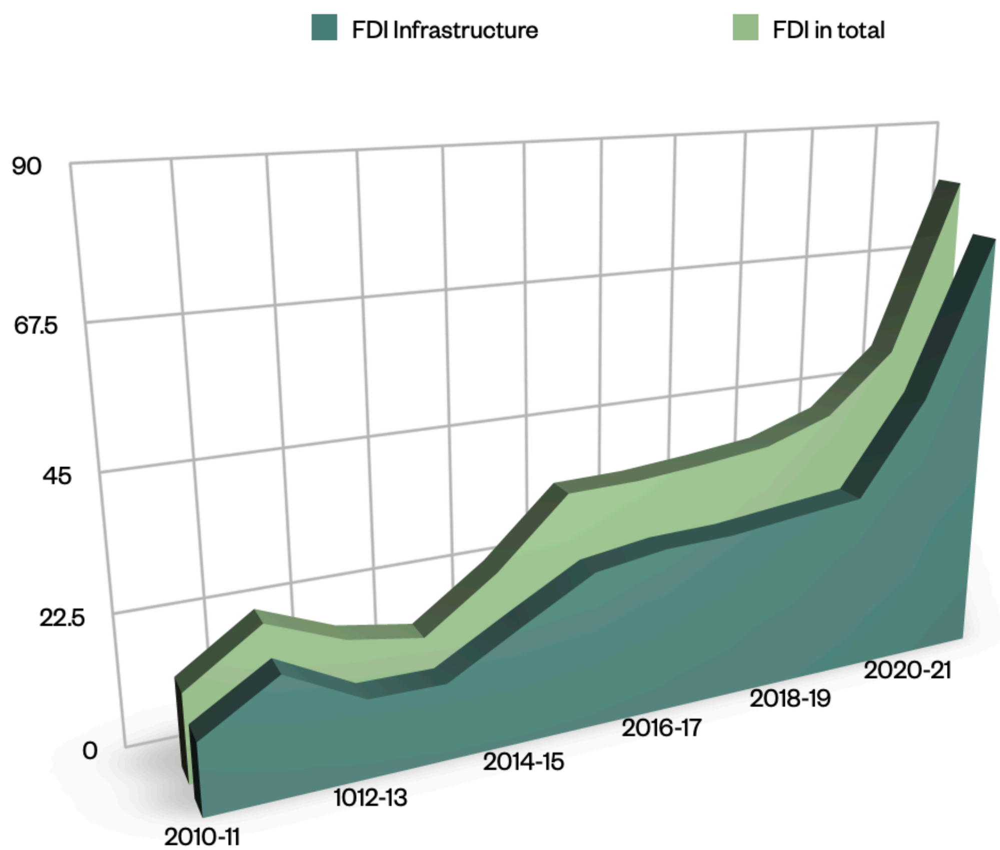


Fig-3.5

The above diagram is the graphical representation of FDI infrastructural share. From the graph one can notice that the trend and pattern of both the factors are moving parallel to each other and as the time passes by it gets more in close proximity. Thus, FDI in the infrastructure sector's contribution is seen to increase from 2018–19 until now, that is 2000 2021. In the year 2000 1617, there was a slight decline nation but it took as grasped quickly. In August 2020 national infrastructure pipeline was launched by the government of India. The scheme worked as the catalyst in the field of infrastructure sector and FDI inflow to boom.

This weekend formally hypothesis our objective that infrastructure sector is driving global investment of India on the major basis. (*Hypothesis b)*

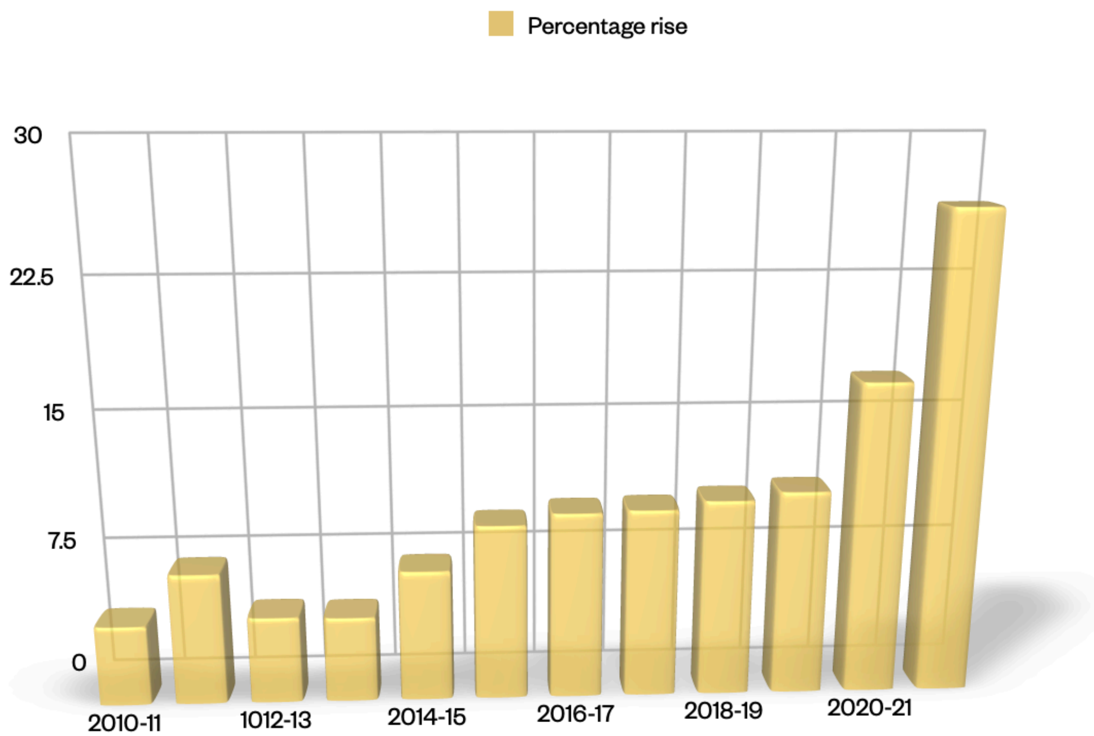


Fig-3.6

According to tabular no- there is a percentage rise in the infrastructural sector under FDI investment for a decade. There is a phase of consolidation from 2015-16 to 2018-19. And later in 2020-22 there is a significant rise.

7.4 SCOPE OF FDI INVESTMENT IN RENEWABLE SOURCES OF ENERGY

The Indian renewable energy market is the world's fourth most attractive renewable energy market. India ranked fifth in terms of installed renewable energy capacity as of October 2018. According to the 2018 Climate scope study, India is the second most evolved major economy in terms of clean energy transition.

Under the automatic method, up to 100 percent FDI in India's renewable energy sector and distribution projects subject to the provisions of The Electricity Act, 2003 is permitted.

FDI inflow

Year	Renewable Energy
2010-11	214
2011-12	452
2012-13	1,107
2013-14	414
2014-15	616
2015-16	777
2016-17	784
2017-18	1,204
2018-19	1,446
2019-20	1,393
2020-21	797
2021-22	1,027

Table- (in million)- 13

The above displayed diagram denotes the tabular representation of the foreign investment inflow of $ trillion in the renewable energy sector of the India. Various keys aspects would be taken into consideration and theoretical understanding behind such behaviors would also be studies.

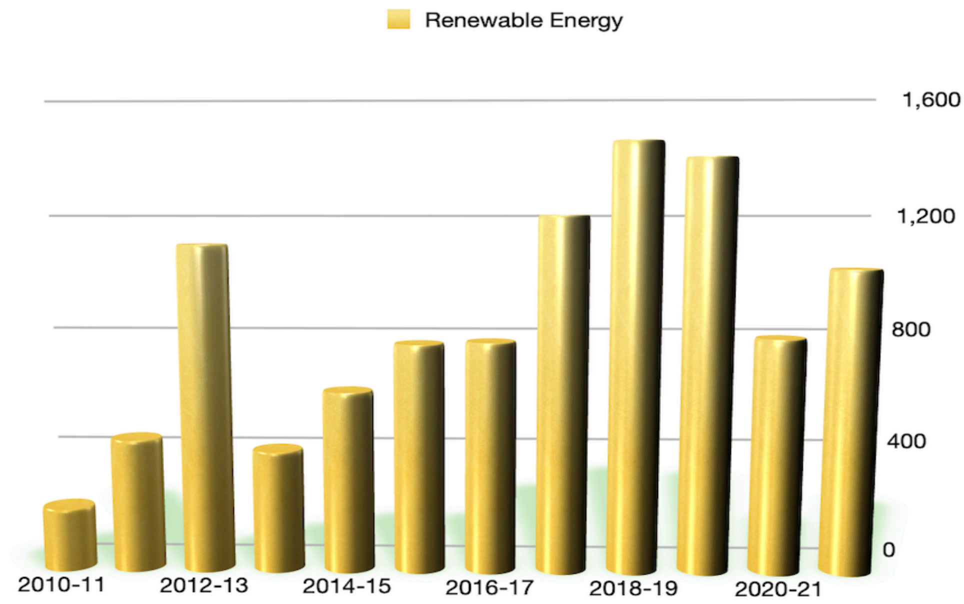


Fig-3.7

The mentioned graphical diagram is drawn from the tabular representation which denotes renewable energy share under FDI inflow.

Thus, according to this graph, the growth rate of FDI under non-conventional sources of energy is consistently increasing. The first highest high was made in the year 2012-14. The highest of all time was in the year 2018-19. There was a sharp drop in 2020-21 *(hypothesis d)*

Theoretical understanding:

- During this time of **2012-13**, wind power installations have increased tenfold, and solar energy has increased from zero to 2,500 MW. Renewable energy makes up roughly 12% of total power generation capacity and accounts for about 6% of overall electricity production in the country. As a result, renewables provide more than twice as much electricity as all the country's nuclear power facilities combined.

- As of October **2018,** the country had installed 73.35 GW of renewable energy capacity from all renewable energy sources, including around 34.98 GW from wind, 24.33 GW from solar, 4.5 GW from small hydro power, and 9.54 GW from bio-power. Furthermore, projects with a total capacity of 46.75 GW were bid out or are in the process of being installed. In the years 2018-19 and 2019-20, projects with a total capacity of 30 GW solar and 10 GW were auctioned out. This has provided renewable energy entrepreneurs and investors' confidence in the government's long-term commitment and planning in the non-conventional sector, encouraging them to make risk-free investments in the country.

- Due to covid-19 pandemic all around the globe, the growth of renewable energy sector was pause and this stagnation led to decline in the growth as compared to **2019-20**. Nevertheless, the National Solar Mission scheme launches in 2020 is expected to boost the development in this sector. This has started to show the impact as the FDI inflow increases in 2021-22

CHAPTER 8: ROAD MAP TO $5 TRILLION ECONOMY BY 2025

8.1 INTRODUCTION

India intends to overtake the United States and China as the world's third largest economy by 2025, with a 12–15 percent share of global GDP. Strong links with the United States are encouraged by the country's high development rate, developing technological capabilities, efficient democracy, and growing regional influence.

Under the existing circumstances, India's goal of becoming a USD five trillion economy by 2025 is unattainable, and the country will need to develop at a rate of 9% per year over the following five years to reach that goal. Nevertheless, political economy of India has made sure to utilize its full potential to do so. National Infrastructure Pipeline scheme introduced by government of India is the first step.

The sector has grown more appealing to investors because of increasing government assistance and improved economics. Renewable energy will play an essential part as India attempts to fulfil its own energy demand, which is anticipated to reach 15,820 TWh by 2040. With simple standards and FDI Opportunities in Indian Renewable Energy, Foreign Direct Investment would play a critical role in bringing in resources such as finance and innovative technologies. This sector will benefit greatly from the free movement of capital, which will lead to the exploration of its growth potential.

8.2 TABULATION OF DATA

Data **In trillion**

YEAR	GDP	FDI	GDP Growth Rate	FDI Growth Rate
2015-16	2.103	0.036	8.322	0.82
2016-17	2.294	0.0363	13.42	2.94
2017-18	2.651	0.0374	1.85	3.359
2018-19	2.701	0.0387	5.92	9.154
1019-20	2.87	0.0426	-7.932	18.93
2020-21	2.626	0.0525	14.74	35.28
2021-22	3.12	0.0812	9.2	11.12
2022-23	3.41	0.0902	8.5	11.74
2023-24	3.71	0.1	8.5	11.74
2024-25	4.025	0.111	8.5	11.74
2025-26	4.367	0.124	8.5	11.74
2026-27	4.681	0.138	8.5	11.74
2027-28	5.07	0.152	8.5	11.74

Table-14

The above-mentioned data is represented in the tabular to objectify whether India will become $ 5 trillion economy by 2025. Data for FDI and GDP is calculated in trillion. The growth rate mentioned for the same is in percentage (%).

8.3 CONSTRUCTION OF THE TABLE

- All the data mentioned in the table is secondary and exactly accurate. They have been taken from authentic and certified websites only. The data for Foreign Direct Investment (FDI) is taken from the portal of Reserve Bank of India (RBI) until 2020-21.
- For predicting the FDI investment for upcoming years until 2028, growth rate is taken into consideration.
- Percentage in Growth rate up to 20-21 for FDI was calculated using statistical technique and one for 2021-22 was predicted to stand by 11.12 % by The Economic Times. For 2022 to 2028, an average of all the year between 2015-16 to 2020-21 divided by 6 whci is equal to 11.74 is considered for deriving the FDI contribution.
- The contribution of GDP that is gross domestic product of India is collected from the portal of World Bank until 2020-21.
- Press Information Bureau of India – finance mentioned in one of their article the percentage of Growth Rate in GDP contribution of the country is predicted to be **9.2% and 8.5 %** for the upcoming years of 2021-22 and 2022-23 respectively.

In order to obtain percentage growth rate for from 2023-24 to 2027-28 for GDP 2 possibilities must be considered.

1. To take the average of all the GDP contribution of all years from 2015 onwards till 2022 which is equal to 6.75 %.
2. To take the average of only 3 fiscal years starting from 2020- 2022-23 which is equal to 10.81%. This factor is considered because after the latest scheme of National Infrastructure Pipeline launched by government of India, there has been impeccable development which will in future times pave the way for more development.

Therefore, having 2 parameters that is 6.75% & 10.81%, its medium of 8.5% is taken into consideration to obtain most possibly accurate results.

- Thus, GDP and FDI is predicted using Growth Rtae parameters with the help of statistical technique.
- The percentage in growth rate
- Thus, in order to calculate the GDP, let us say for 20022-23 -: GDP of 2021-22 was multiplied by the growth rate of that year and the divided by 100. The answer then received (was actual growth rate amount) was added with the GDP.

FOR EXAMPLE -: LET US CONSIDER 2022-23

GDP OF 2021-22 = 3.12

GROWTH RATE OF 2021-22 = 9.2

THEREFORE, 3.12*9.2/100 = 0.287

Therefore, 0.287 + 3.12 = 3.407 ~ 3.41

Ans -: GDP of 2022-23= 3.41

- In this exact way GDP was calculated until 2027-28.

8.4 ASSUMPTIONS

In order for data to behave in same exact manner and derive most accurate results, some factors are supposed to remain constant.

1. **No change in government -** Political instability significantly reduces the inflow of foreign direct investment. When there is a change in government or even during election, there is always negative force of instability in the country.

2. **No extreme change in the Policies** - Interest rates can be influenced by government policy, and a rise in interest rates raises the cost of borrowing. Lower interest rates stimulate investment as firms expand production, whereas higher rates reduce consumer spending. When there is a significant amount of inflation, businesses cannot thrive.

3. **No pandemic** - In the recent pandemic of covid 19, companies reports that their foreign parents have no plans to increase or decrease the amount it invests in their host country over the period of some consecutive years. And just 8% expected investment to go up. There's also little evidence of companies majorly reorganizing their supply chains: only 15% said they were planning on nearshoring or reshoring activities. Tus in this was pandemic triggers low foreign inflows.

4. **Exchange rate stability** - Commercial viability of any FDI is based on exchange rate stability. This means that the value of domestic currency should not drop abnormally by which while repatriating the funds, the foreign investor will lose heavily. Exchange rate should be more or less the same as prevailing at the time of investment.

5. **No national or international conflicts** - Armed conflict — the breakdown of institutions — has divergent effects on investment among firms operating within the same country and industry, depending on each firm's geographic proximity to violence. First, conflict can disrupt or destroy production, discouraging investment.

Second, conflict can undermine state capacity, which has theoretically ambiguous effects on investment: firms may enjoy reduced oversight but lament the withdrawal of protection and public services.[3] Finally, conflict can increase uncertainty about the government's standing or policy agenda, leading to divestment.

8.5 INTERPRETATION OF TABLE

The table mentioned was drawn to derive Gross Domestic Product and Foreign Direct Investment of India for upcoming years. Thus, one can objectify that India is yet to catch its pace if it wants to achieve dollar 5 trillion GDP by 2025. According to the statistical technique the most accurate results which could be derived is that, India would reach approximately around $ 4.37 - $4.68 trillion GDP until the fiscal year of 2025–26. There is a high possibility that India touches dollar 5 trillion GDP in year 2027–28.

Due to 2019–20 COVID-19 pandemic India saw the drawback in the growth rate which hampered its GDP contribution. This has drawn a setback for the country's GDP in order to achieve its target of dollar 5 trillion by 2025.

8.6 GRAPHICAL REPRESENTATION

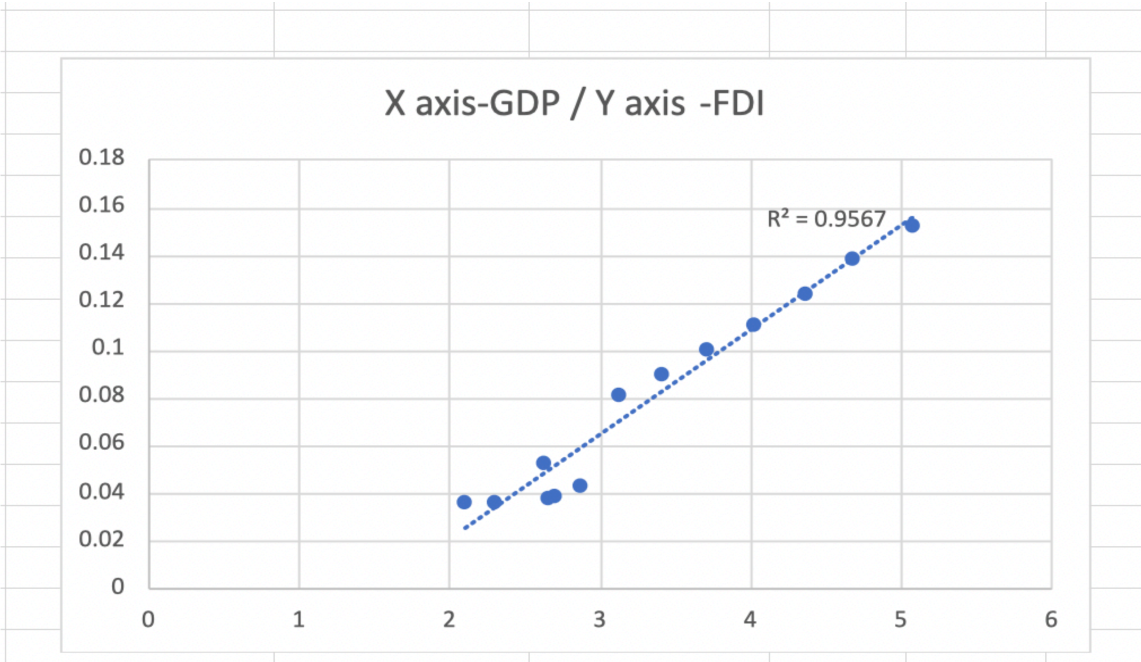


Fig3.8

The mentioned diagram is the graphical representation of the table which drew the road for $5 trillion GDP of India. The graph covers FDI and GDP contributions. As the graph moves upward from left to right it indicates that the relationship between FDI and GDP is positive. Also, there is full correlation as per the data plotted is close to each other forming a linear line in the upward direction.

R sqaure = 0.9567

Therefore, r = 0.978

As the correlation coefficient is extremely close to +1, there exists extremely positive correlation between these 2 variable variables. Hence, if one variable fluctuates then the other will in the same exact way. *(Hypothesis d)*

CHAPTER 9: CASE STUDY

1. ***National Infrastructure Pipeline***

Launched in August 2020, the National Infrastructure Pipeline (NIP) is a first-of-its-kind, whole-of-government exercise to provide world-class infrastructure across India, and improve the quality of life for all citizens. It aims to highlight investment opportunities in India's infrastructure sector, improve project preparation and attracting investments into India. The NIP aims to capture key greenfield and brownfield projects for investments across all economic and social infrastructure sub-sectors on a best-effort basis.

Creating new and updating existing infrastructure will be important to raising India's competitiveness in order to meet the aim of a $5 trillion GDP by 2025 and meet the expectations of its citizens.

The sub-sectors of power, roads and bridges, urban, digital infrastructure, and railroads collectively accounted for 85% of overall infrastructure expenditure in India from fiscal years 2013 to 2019. The private sector was accountable for digital sector investments; however, state governments were primarily responsible for irrigation sector investments.

2. ***National Solar Mission***

The National Solar Mission is a joint project of the Indian government and state governments to develop solar energy in the country. The JNNSM, which was launched in January 2010 and has since been updated twice, presently has a target of 100 GW of solar PV by 2022.

India is a tropical country where the sun shines for longer periods of time and with greater intensity. With around 1500 – 2000 sunshine hours per year, the daily average solar energy incidence over India ranges from 4 to 7 kWh/meter square. As a result, solar energy has the potential to be a significant future source of power.

Achievements-

- *Larger projects are being developed to reduce capital investments in solar power generation projects by developing integrated solar parks to supply solar power plant infrastructure.*
- *The renewable energy corridor was also established in order to build a separate transmission system for places with abundant sunlight or wind in order to generate solar and wind energy.*
- *Solar radiation monitoring stations have been established all over India.*

3. ***Bharatmala***

The Central Government, with the Bharatmala Project, intent to increase trade, improve the condition of the National Highways, and improve the network of roads in the country.

The initiative is a new umbrella program aimed at the highway industry. The Bharatmala Project was initiated by the Central Government in 2017 to boost freight movement and international trade. The cost of the supply chain will be reduced if freight transportation is improved.

Infrastructure Vision and goal by 2025

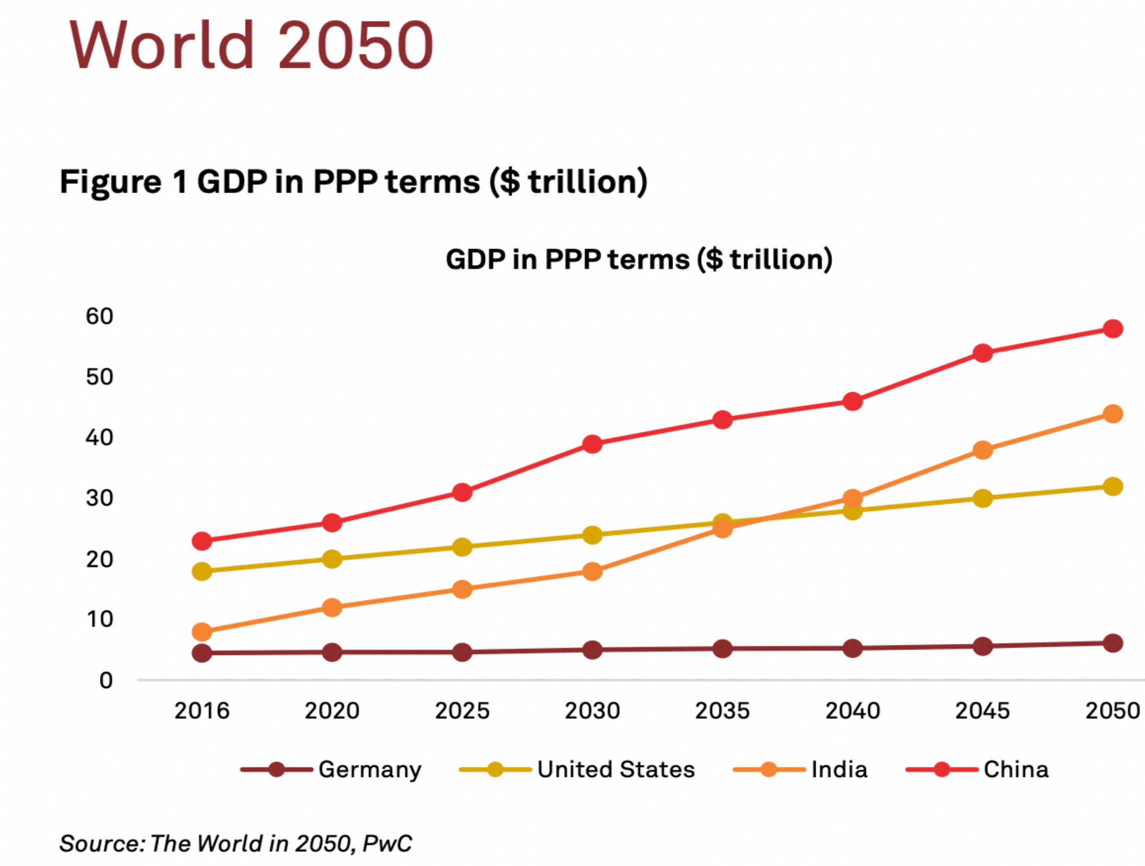


Fig-3.9

2.6 B) ANALYSIS OF THE CASE STUDY

To start with, India possesses huge scope of market for the rest of the world. This has been its key strength which have hold India's ties strongly with foreign countries. Thus, on the global level India stands by ample number of opportunities.

Government of India's financial and political assistance works as a catalyst which is encouraging more foreign investors to invest in India through Foreign Direct Investment. National Infrastructure Pipeline, smart city scheme, National Solar Mission, Bharatmala are key initiatives which seek the attention of investors all around the globe.

India is highly a demographic country with the population of 121.cr as per 2011 census. Thus, providing sophisticated world class opportunities and standard of living is the top most priority to India. This scheme reduces Supply chain management cost, energy consumption cost, releases burden of environment, high technological accomplishments etc., which have high potential to pave its way in becoming $ 5 Trillion economy by 2025.

Thus, all the above factor has contributed in consistent rising of foreign investment in India and specially on infrastructure sector.

Thus, from the above-mentioned case study, one can theoretically note, in the righteous way that Indian political economy and governmental dynamics plays a significant role in the FDI investment which substantially embarks its trend and accordingly contributed to the nation's GDP. - (*objective-5, hypothesis a, f)*

CHAPTER 9: CONCLUSION

The Indian government spokesperson explained why toiletries were not de-licensed because they were not "especially a priority item, and it was believed that there was no use in enabling decontrol in a field where we may not want large quantity to be introduced." Components of furniture were also not de-licensed because "these are minor products, and it was not regarded essential enough to be de-licensed." The year was 1966, when this incident happened and India had just begun its first broad-based economic liberalization experiment. Unfortunately, neither it increased in funds nor the changes were implemented. Slow growth in exports and ambitious public spending under the Third Five-Year Plan created a balance of payments crisis. The problem was compounded by a declining ability to service debt—principal and interest payments were to reach 21% of export earnings by 1966-67. Inflation quickly followed, with headline and food inflation rates reaching 11% and 20%, respectively, in 1964-65. Before the Green Revolution, which was sparked by this crisis, food inflation was set to skyrocket over the next few years. This entire dilemma was not just because of the government policies but also the political and war dynamics in the country. Indo-Pakistan war of 1965 - the second Kashmir war led to food crisis as USA stopped supplying food grains to India. This was the whole reason why green revolution started in India.

Nationalization of the banks, insurers, coal, and oil brought in draconian controls on private and foreign activity. Not only this, but also nationalizing the wheat trade, at social and eventually political cost was done. Only towards the end of the 1970s, economic realities forced a rethink, a shift that would culminate in the liberalization unleashed in 1991.

In short, the colonial experience affected Indian economic policy after independence, which emphasized state-controlled industrialization, state interference in labour and financial markets, a substantial public sector, business regulation, and central planning. The Indian economy was closed. In order to start a business in India, you needed a licensee. High tariffs and import licensing stopped foreign goods from reaching the Indian market since the rupee was inconvertible. Foreign Direct Investment (FDI) and multinational firms were subject to restrictions (MNCs).

On July 24, 1991, India's New Economic Policy, however known as the LPG or Liberalisation, Privatisation, and Globalisation model, was launched.

Liberalisation is the process of making policies less restrictive of economic activity, as well as the decrease or elimination of tariffs and non-tariff barriers.

Privatisation refers to the transfer of property or business ownership from the government to a private entity.

Globalisation is defined as the expansion of economic activities across national political boundaries.

During 1990-91 India's GDP growth rate was only 1.1% but after 1991 reforms GDP growth rate increased year by year and in 2015-16 it was estimated to be 7.5% by IMF. The Indian economy has welcomed many multinational corporations (MNCs) to invest since the liberalisation of FDI regulations began in the early 1990s, and it is expected to attract a large amount of foreign investment in the future. The sector began to evolve after 1991's liberalisation and economic changes; imposed constraints were eased, allowing the economy to grow. As a result, the consumer goods business has experienced substantial expansion in a short period of time. The reduction of entry obstacles allowed many multi-national corporations (MNCs) to enter the market, including Sony, Samsung, and Kellogg's. It resulted in the emergence of domestic firm competitiveness as a result of access to global formats, retail innovation, consumer availability of goods, and improved technology and management techniques. In 1997 the government of India has approved 100% FDI in wholesale cash-and-carry market with automatic approval. The flow of FDI had expanded dramatically because of the economy's liberalisation, with FDI totaling $1.8 billion between 2000 and 2010. FDI was the most effective way to break into the lucrative Indian market. It goes on to say that in recent years, India's single-brand retail sector has emerged as a significant opportunity. Thus, global investors particularly Foreign Direct Investors have played a significant role in supporting, assisting India's economy to boom and be what it is today and what it desires to be tomorrow.

Many countries' financial markets are in free fall, especially following Russia's invasion of Ukraine on February 24, 2022, which plunged the world into a state of uncertainty, chaos, and geopolitical risk. The unpredictability of global financial market volatility has resulted in irreversible capital loss for millions of investors who are frantically trying to preserve their portfolio even if it means taking a hit. When another calamity struck the world economy, it was already producing anxiety in the global financial markets due to rising global inflation, fear of tapering liquidity, and rising interest rates by the US Federal Reserve. So far the negative impact of such circumstances has started to be seen on India as well.

In a recent switch, India's largest lender, SBI, has said that it will not handle any transactions with Russian businesses that are subject to international sanctions.

In addition, due to insurance risk, Indian Oil Corp (IOC) said that it will no longer accept Russian crude and Kazakh PC Blend cargoes on a free on board (FOB) basis.

India and Russia have a trade deficit, with exports falling and imports rising. Oil is a big component of our Russian imports.

According to the data, Russia has accounted for only 2.8% of our total imports in FY22. India could be one of the majorly impacted countries since it imports 80 per cent of its crude oil from other countries.

Thus, from not only the pass situations which have occurred but the war like situation that world is experiencing currently, one thing is utterly cleared that political conundrums of the world possess extremely negative influence of the foreign inflow which leads to the changes in country's growth and development eventually.

Not only in India but global investment as a whole will integrate nations to work with effective corporation and making world more flexible than before.

India has one of the largest market in the world. Hence, it comes up with abundance of opportunities to establish trading relations in order to speed up economic growth and development for home country as well as that particular host country. Similarly, the recent Japanese- Indian convention is one such classic example of how India is the most suitable place for Foreign Direct Investment in India. The target of 3.5 trillion Japanese Yen (PY) under the 2014 Investment Promotion Partnership has been met is impressive. The announcement that Japan will now invest 5 trillion JPY signals that Japanese companies and the government continue to see India as a viable investment destination. It also holds out the possibility for the second- and third-largest economies in Asia to effectively collaborate in the face of Chinese dominance. The investment will cover a wide range of activities, and effectively boost Japanese investments, skill Indian labour and build supply chains. Thus, treaty like this provides a proof of how right the time is to invest in India. Support of government cooperated with the assistance of foreign country plays a perfect role for India's economy to grow in future times and accordingly providing an excellent opportunities for other countries to benefit from it and grow as well.

Bibliography

1. The Indian economy - Ramesh Singh
2. International Financial Service- Vipul Publication
3. International Finance- Manan Publication
4. Foreign Direct Investment in India; Policies condition and procedure- Niti Bhasin
5. https://indiainvestmentgrid.gov.in/national-infrastructure-pipeline
6. https://www.rbi.org.in
7. https://www.cdslindia.com

Plagiarism report

URKUND

Document	YV_Druti Panchal_Global Investment - FDI in India.docx (D130415414)
Submitted	2022-03-14 23:57 (-07:00)
Submitted by	DIVYA LALWANI (divya.lalwani@rapodar.ac.in)
Receiver	divya.lalwani.pcce@analysis.urkund.com
Message	Fwd: Fw: Black Book - plagiarism test Show full message
	7% of this approx. 23 pages long document consists of text present in 12 sources.