

FDI - Foreign Direct Investment

Introduction to FDI

1. **Foreign Direct Investment (FDI)** is an investment made by a firm or individual in one country into business interests located in another country. It typically involves acquiring a lasting interest in or gaining significant influence over a company in the foreign country. FDI can take various forms, such as establishing new operations, acquiring existing businesses, or entering into joint ventures with local firms.
 2. FDI is a crucial driver of globalization, facilitating the flow of capital, technology, and expertise across borders. It plays a vital role in the economic development of both the investing and host countries, promoting integration into the global economy. However, it also involves challenges and risks that require careful management to ensure mutual benefits.
 3. **Foreign Direct Investment (FDI)** lies at the heart of globalization and serves as an important conduit for the transfer of capital, goods, services, and information across economies. Measuring FDI helps us better understand how countries are interconnected and integrated into today's global economy.
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Benefits of FDI

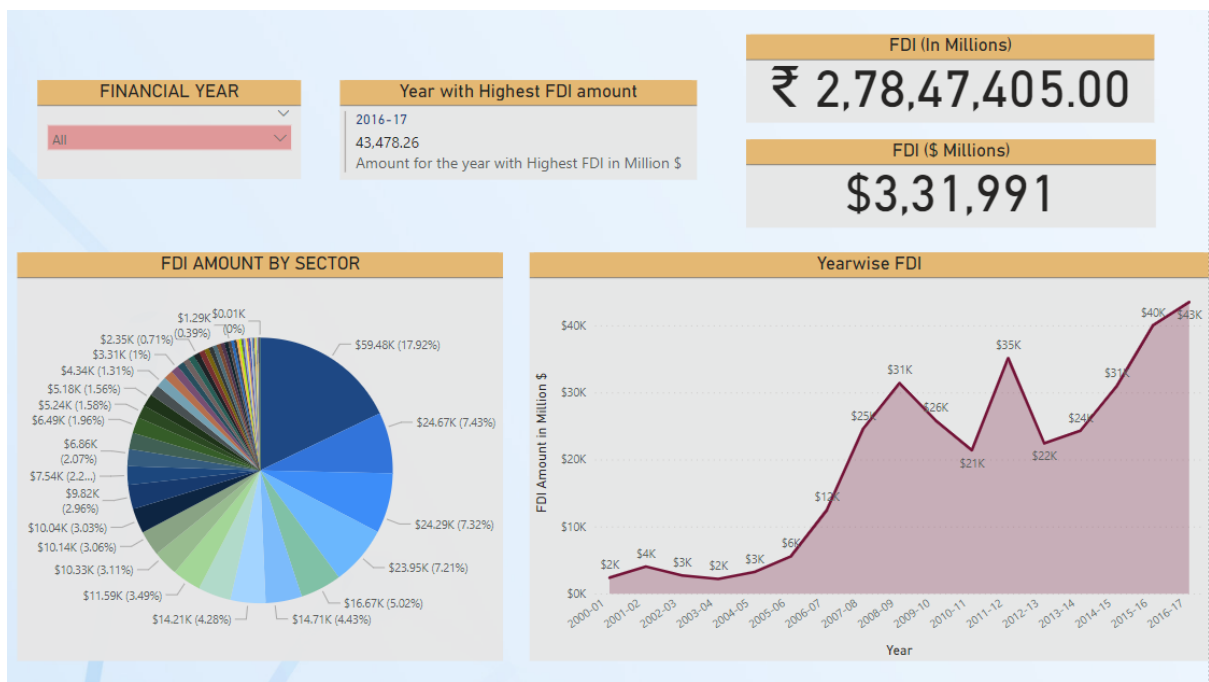
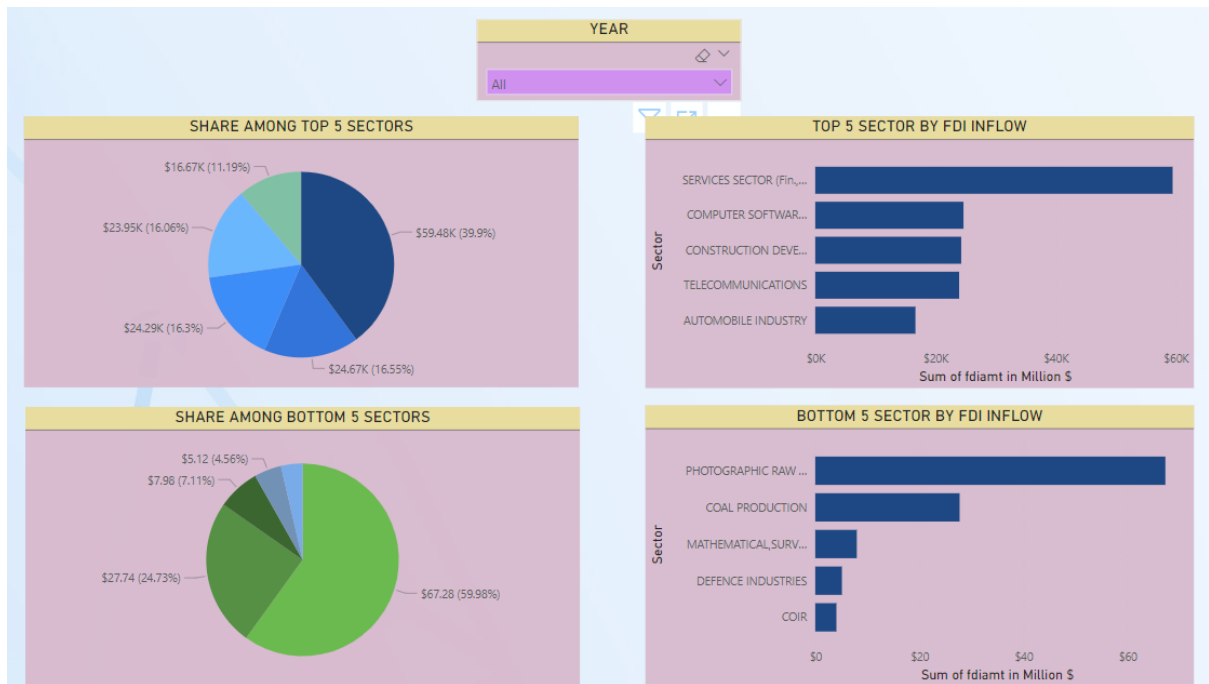
1. Economic growth and development
 2. Technology transfer and innovation
 3. Infrastructure development
 4. Access to international markets
 5. Economic diversification
 6. Competitive business environment
 7. Political and economic stability
 8. Access to global markets and expertise
 9. Tax revenue and government finances
 10. Improved balance of payments
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Insights

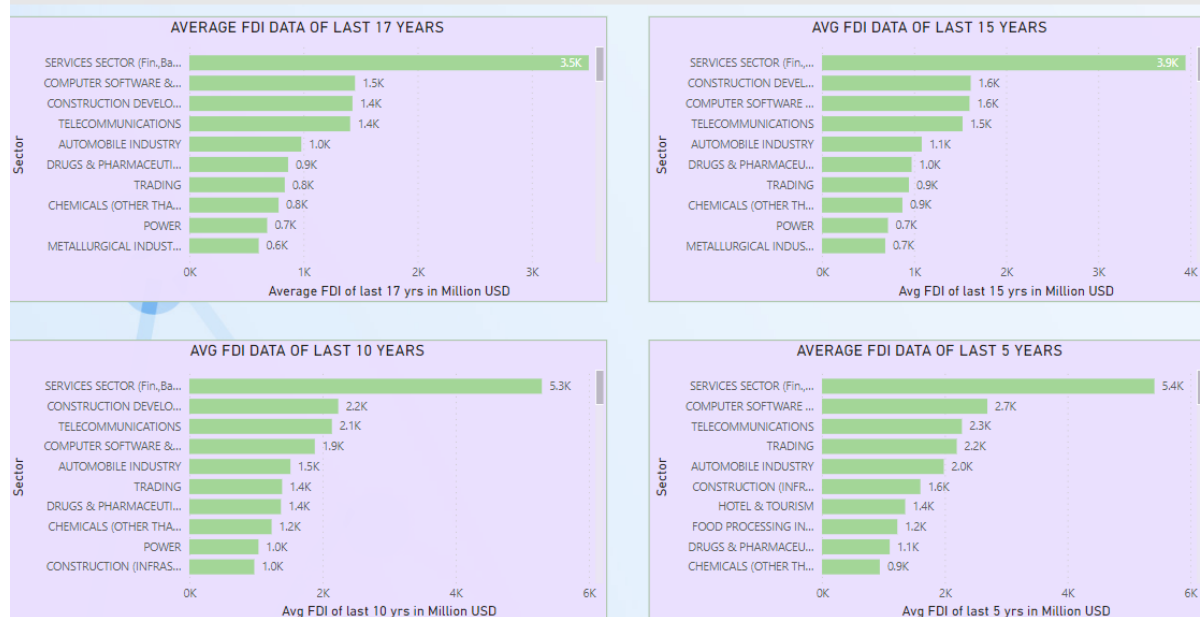
1. The service sector has attracted the largest share of FDI over the 17 years, around 18%. This may be due to factors such as outsourcing, urbanization, government regulations, and a thriving startup ecosystem.
2. The next four sectors with significant FDI are computer software and hardware, construction development, telecommunications, and the automobile industry. The rise in FDI in these sectors might be due to their interlinking with industries such as telecommunications and the service sector.
3. Total FDI over the 17 years amounts to approximately 3.3 lakh million dollars.

4. FDI in India increased gradually until 2008 but declined afterward, possibly due to the global financial crisis of 2007–2008.
5. FDI further declined in 2012–2013, potentially due to scandals such as the 2G spectrum scam, coal allocation scam, retrospective taxation, declining GDP growth, high inflation, and interest rates.
6. The **Mathematical Surveying and Drawing Instruments** sector has recorded zero FDI over the 17 years.
7. FDI in most sectors recovered after the global financial crisis, but sectors like **Ports** have seen a year-on-year decline, indicating a need for increased focus.
8. Foreign investors are particularly interested in financial services due to their profit-generating potential, allowing profits to be repatriated to the home country. As the services are consumed in the host country, this leads to an outflow of funds from the host country.
9. There is very low interest in sectors like **Coir, Defense Industries, Mathematical Surveying and Drawing Instruments, and Coal Production**. Around 28 to 30 sectors receive 1% or less of total FDI.
10. The second-largest recipient of FDI is the **Computer Software and Hardware** sector, which accounts for 7% of total FDI. Other significant sectors include **Telecommunications (7%), Construction Development (6%), Automobiles (5%), Trade (4.7%), Drugs and Pharmaceuticals (4%), Chemicals (other than Fertilizers) (4%), Power (3%), Construction (3%), and Hotel and Tourism (3%).**





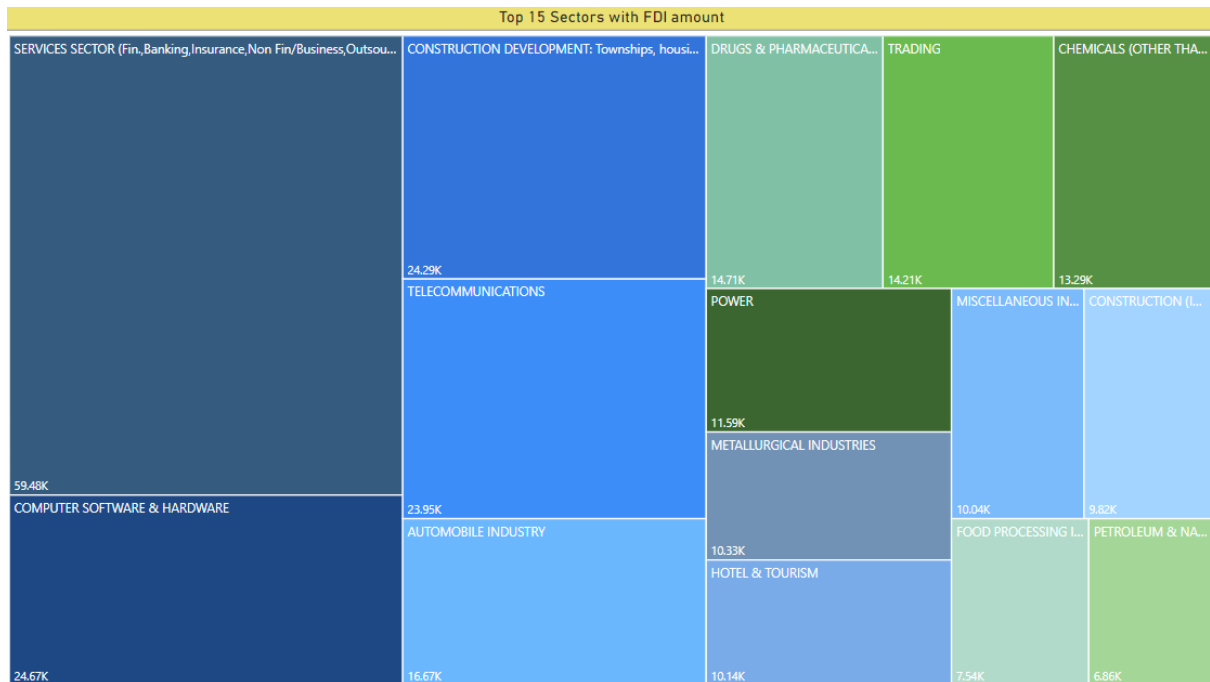
AVERAGE FDI DATA OF LAST COUPLE OF YEARS



SECTOR WISE AND YEAR WISE FDI DATA

Sector	FDI Amount in Million \$
AGRICULTURAL MACHINERY	\$449.2
AGRICULTURE SERVICES	\$1,920.75
AIR TRANSPORT (INCLUDING AIR FREIGHT)	\$1,014.44
AUTOMOBILE INDUSTRY	\$16,673.92
BOILERS AND STEAM GENERATING PLANTS	\$195.15
CEMENT AND GYPSUM PRODUCTS	\$5,239.23
CERAMICS	\$760.12
CHEMICALS (OTHER THAN FERTILIZERS)	\$13,293.09
COAL PRODUCTION	\$27.74
COIR	\$4.06
COMMERCIAL, OFFICE & HOUSEHOLD EQUIPMENTS	\$353.47
COMPUTER SOFTWARE & HARDWARE	\$24,669.49
CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	\$9,817.47
CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and construction-development projects	\$24,293.09
CONSULTANCY SERVICES	\$3,617.73
DEFENCE INDUSTRIES	\$5.12
DIAMOND, GOLD ORNAMENTS	\$895.95
DRUGS & PHARMACEUTICALS	\$14,706.9
DYE-STUFFS	\$88.4
EARTH-MOVING MACHINERY	\$389.39
EDUCATION	\$1,416.2
ELECTRICAL EQUIPMENTS	\$6,567.41
ELECTRONICS	\$1,719.98
FERMENTATION INDUSTRIES	\$2,487.81
FERTILIZERS	\$565.69
FOOD PROCESSING INDUSTRIES	\$7,542.02
Total	\$3,31,990.99

Year	FDI Amount in Million \$
2000-01	\$2,378.71
2001-02	\$4,027.69
2002-03	\$2,704.32
2003-04	\$2,187.85
2004-05	\$3,218.69
2005-06	\$5,539.75
2006-07	\$12,491.76
2007-08	\$24,575.4
2008-09	\$31,395.96
2009-10	\$25,834.38
2010-11	\$21,383.07
2011-12	\$35,120.78
2012-13	\$22,423.59
2013-14	\$24,299.32
2014-15	\$30,930.47
2015-16	\$40,000.99
2016-17	\$43,478.26
Total	\$3,31,990.99



SECTOR WITH ZERO FDI AND THEIR CORRESPONDING YEARS	
Sector	YearsWithZeroFDI
EARTH-MOVING MACHINERY	2000-01
HOSPITAL & DIAGNOSTIC CENTRES	2000-01
AIR TRANSPORT (INCLUDING AIR FREIGHT)	2000-01, 2001-02
FERTILIZERS	2000-01, 2001-02
NON-CONVENTIONAL ENERGY	2000-01, 2001-02
RAILWAY RELATED COMPONENTS	2000-01, 2001-02
EDUCATION	2000-01, 2001-02, 2002-03
VEGETABLE OILS AND VANASPATHI	2000-01, 2001-02, 2002-03
PRIME MOVER (OTHER THAN ELECTRICAL GENERATORS)	2000-01, 2001-02, 2002-03, 2003-04
SOAPS, COSMETICS & TOILET PREPARATIONS	2000-01, 2001-02, 2002-03, 2003-04
CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	2000-01, 2001-02, 2002-03, 2003-04, 2004-05
RETAIL TRADING	2000-01, 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07
MATHEMATICAL, SURVEYING AND DRAWING INSTRUMENTS	2000-01, 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2008-09, 2009-10, 2010-11, 2011-12, 2013-14, 2014-15, 2015-16, 2016-17
DEFENCE INDUSTRIES	2000-01, 2001-02, 2002-03, 2003-04, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2016-17
COIR	2000-01, 2001-02, 2002-03, 2003-04, 2008-09, 2015-16, 2016-17
COAL PRODUCTION	2000-01, 2001-02, 2002-03, 2004-05, 2009-10, 2010-11, 2011-12, 2012-13, 2014-15, 2015-16, 2016-17
BOILERS AND STEAM GENERATING PLANTS	2000-01, 2001-02, 2002-03, 2005-06, 2008-09
PRINTING OF BOOKS (INCLUDING LITHO PRINTING INDUSTRY)	2000-01, 2001-02, 2003-04
SUGAR	2000-01, 2001-02, 2003-04
PHOTOGRAPHIC RAW FILM AND PAPER	2000-01, 2001-02, 2005-06, 2009-10, 2011-12, 2012-13, 2013-14, 2015-16, 2016-17
GLUE AND GELATIN	2000-01, 2003-04, 2004-05, 2005-06, 2006-07, 2008-09, 2012-13
TIMBER PRODUCTS	2000-01, 2006-07
PORTS	2000-01, 2006-07, 2011-12, 2012-13, 2015-16, 2016-17
TEA AND COFFEE (PROCESSING & WAREHOUSING COFFEE & RUBBER)	2002-03
DYE-STUFFS	2002-03, 2005-06, 2006-07, 2012-13, 2013-14
AGRICULTURAL MACHINERY	2004-05
INDUSTRIAL INSTRUMENTS	2006-07
SCIENTIFIC INSTRUMENTS	2007-08, 2009-10