

Introduction to Foreign Direct Investment (FDI)

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. 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. 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.

 by Chethan Km





Benefits of FDI

1 Economic growth and development

FDI can stimulate economic growth and development by providing access to new markets, technologies, and capital.

2 Technology transfer and innovation

FDI can facilitate the transfer of technology and innovation from developed to developing countries, leading to increased productivity and competitiveness.

3 Infrastructure development

FDI can contribute to the development of infrastructure, such as transportation, energy, and telecommunications, which are essential for economic growth.

4 Access to international markets

FDI can provide companies with access to new international markets, expanding their customer base and sales opportunities.

Insights

Sector	FDI Share (%)	Reason for FDI
Services	18%	Outsourcing, urbanization, government regulations, thriving startup ecosystem
Computer Software and Hardware	7%	Interlinking with telecommunications and service sector
Construction Development	6%	Infrastructure development, urbanization
Telecommunications	7%	Growing demand for mobile and internet services
Automobiles	5%	Growing middle class, increasing demand for vehicles



Insights (Continued)

FDI Trends

Total FDI over the 17 years amounts to approximately 3.3 lakh million dollars. FDI in India increased gradually until 2008 but declined afterward, possibly due to the global financial crisis of 2007–2008. 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.

Low Interest Sectors

The Mathematical Surveying and Drawing Instruments sector has recorded zero FDI over the 17 years. 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.

Significant Sectors

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%).

Reports



Report 1

This report provides a comprehensive overview of FDI trends in India over the past 17 years.



Report 2

This report analyzes the factors driving FDI in specific sectors, such as services, software, and telecommunications.



Report 3

This report examines the impact of FDI on the Indian economy, including its contribution to growth, employment, and technological advancement.



Report 4

This report explores the challenges and opportunities associated with FDI in India, such as regulatory frameworks, infrastructure development, and competition.



Report 5

This report provides



Report 6

This report provides the



Report 7

This report shows the