An analysis of foreign direct investment inflows in Tamil Nadu

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***Abstract:** Several facts have proven that foreign direct investment has significant impact on economic growth, in particular, foreign direct investment (FDI) impacts five variables—domestic investment, technology, employment generation and labor skills, the environment, and export competitiveness. This paper is divided into two sections. The first examines the rationale for increasing FDI and briefly examines national trends in FDI. The second looks at FDI trends in Tamil Nadu. There are two competing theories regarding the effect of FDI on domestic investment. One is that FDI encourages domestic investment by providing new markets, demand for inputs and new technology that spills over into the economy. Labor is mobile and often moves from multinational firms to domestic firms; more skilled labor may leave a multinational firm to form a start-up. Researchers also believe that FDI can serve to increase competition thereby making markets (including financial markets) more efficient. Finally, investment in new sectors can stimulate the growth of new industry and new products.*

The present study is based on secondary data and period of the study is from 2009 to 2020. Total FDI inflows have been raised from US $ 27841 Millions in the year 2008-09 and the share of direct foreign investment through approvals in equity etc. stood at 65.79% and that of portfolio investment was 34.21%. Projections show that total FDI inflows will be US $ 46,098 Millions in 2019-20. Singapore and Mauritius tops in FDI inflows and the FDI inflows in Manufacturing and Computer service sectors were in highest position. They have positive impact on the related economic indicators on Indian Economy

***Keywords:** FDI, Indian Economy, DIPP*

1. Introduction

Foreign Direct Investment (FDI) is an investment which comes directly into production and services in a country by a company located in a different country, either by buying by expanding business in that host country. It is a mode of doing business in a overseas country (P Subba Rao 2009). Foreigners may subscribe to shares and debentures of another country's concerns. Foreign Direct Investment (FDI) is a major driver of economic growth and a source of non-debt finance for the economic development of India. The Government of India has now endeavored to put in place an investor friendly FDI Policy, that attracted more investor and investment into the country.

FDI introduces modern technologies, transfers knowledge, skill, provides access to export markets along with investment and managerial expertise. It provides the much needed foreign exchange to help reduce the shortfall of balance of trade. When foreign enterprises enter into competition with local firms, the latter are forced to improve their technology, quality and management, therefore FDI is treated as an important mechanism for channelizing transfer of capital and technology that promotes economic growth in host countries.

Tamil Nadu is India's most urbanised state. It has a well-developed manufacturing sector, with the largest number of factories in operation in India and the country's largest pool of skilled labour. The state leads in automotive, engineering, research and development, health care, IT and IT-enabled services, textiles, cotton, financial, and leather industries. The state is also among India's top FDI destinations, accounting for 7 per cent of total inflows into India from 2000–2017. The state hosts manufacturing facilities over 50 Fortune 500 companies and is home to the largest Japanese and Korean investments in India. Its capital Chennai is a premier automotive hub.

While Tamil Nadu had experienced rapid industrial growth over recent times, there are signs of a poor economic growth resulting in economic slowdown. An increasing proportion of proposed investments over the decade, 2017 have been falling through, the SME sector is stagnating, the state's rankings on ease of doing business. Manufacturing growth slowed to 1.65 per cent in 2015–16. As wages in the state rise and other states improve on ease of doing business, automotive companies are increasingly investing elsewhere in India.

Tamil Nadu's fiscal position is stable, but its welfare system remains a burden on finances and declining manufacturing growth is also impacting revenue. As a manufacturing state, Tamil Nadu fared better than expected from the implementation of the GST (General Sales Tax). The state's debt has grown in double digits over the decade to 2017. But this has not corresponded with commensurate GSDP growth; GSDP grew at 6.5 per cent from 2012–17. The major areas of FDIs are- oil, mining, coal and gas, banking, insurance, transportation, finance, manufacturing, retailing etc. FDI is plays a significant role in Indian economic growth.

Basically, total FDI includes Foreign Direct Investment- which includes the share of investment in equity through SIA / FIPB, RBI, NRI, acquisition of shares of Indian companies by NRIs under FEMA, equity capital of unincorporated bodies and other capital. and Foreign portfolio investment-which consists of Global Depository Receipts (GDR), American Depository Receipts (ADR),Foreign Institutional Investors (FIIs),offshore funds and others.

2. Review of Literature

(1998) Amitiava Chatterjee and Balasundaram Maniam studied on the determinants of foreign investment in India; tracing the growth of FDI in India and the changing attitude of the Indian Government. Nagesh Kumar (2001) concludes that magnitudes of FDI inflows have recorded inspiring growth, while they are very small level compared to the country's potential. Balasubramanyam.V.N and Vidya Mahambre (2003) concludes that FDI is a very good means for the transfer of technology and knowhow to the developing countries. Birendra Kumar and Surya Dev (2003) through the data from the Indian context proved that the increasing trend in the absolute wage of the worker does not deter the increasing flow of FDI. Laura Alfaro (2003) finds that FDI flows into the different sectors of the economy (namely primary, manufacturing, and services) exert different effects on economic growth. FDI inflows into the primary sector tend to have a negative effect on growth, whereas FDI inflows in the manufacturing sector a positive one. Evidence from the foreign investments in the service sector is ambiguous.

John Andreas (2004) states that effects of FDI inflows has the potential to affect host country economic growth. His research argues that FDI shall have a positive effect on economic growth as a result of technology spillovers and physical capital inflow. Performing data analysis covering 90 countries during the period 1980 to 2002, the empirical part of the paper finds indications that FDI inflows enhances economic growth in developing economies but not in developed economies. Economic growth will increase the size of the host country market and strengthen the incentives for market seeking FDI. This will result in a situation where FDI and economic growth are mutually supporting each other. However, due to the low income levels in the developing economies, growth is unlikely to result in market.

Klaus E Meyer (2005) in his paper "Foreign Direct investment in Emerging Economies" finds out that as emerging economies integrate into the global economies international trade and investment will continue to accelerate on host economies.. The study also finds that interface between domestic and international markets and their relative importance may even increase further. The study concluded that the first priority should be on enhancing the general institutional framework such as to enhance the efficiency of markets, the effectiveness of the public sector administration and the availability of infrastructure. On that basis, then, carefully designed but flexible schemes of promoting new industries may further enhance the chances of developing internationally competitive business clusters. Danage and Phalatankar (2012) states that need for the access and control over the latest technologies by developing countries will control over the markets of developing countries.

3. FDI policy in India

It is profound to note that India had followed an extremely cautious and selective approach while formulating FDI policy. The chronological background of FDI in India is followed from the establishment of East India Company of Britain. Before independence, major FDI came from the British companies and after the Second World War, Japanese companies entered in the Indian Market. After independence, issues relating to foreign capital, MNCs, gained interest of policy makers. The industrial policy of 1965, allowed MNCs to venture through technical collaboration in India. The govt. has provided many incentives such as tax concessions, simplified licensing etc to boost the FDI inflows. In the phase of Indian economy, economic reforms were made in 1991 and India opened its doors to FDI and inflows, adopting more liberal foreign policy to restore the confidence of overseas investors (Sapana Honda 2011).

A series of measures that were directed towards liberalizing foreign investment included the following

i) Automatic permission for technology agreements in high priority industries and liberalization of technology imports

ii) Permission to NRIs and Overseas Corporate Bodies to invest up to 100% in high priorities sectors.

iii) Hike in the foreign equity holding limits to 51% and liberalization of the use of foreign brands name.

iv) Signing of the convention of multilateral investment guarantee agency for protection of foreign investments. These efforts were boosted by the enactment of Foreign Exchange Management Act. 1999, that replaced the Foreign Exchange Regulation Act. 1973. This along with the sequential financial sector reforms paved way for greater capital account liberalization in India.

vi) Significant measures like 100% FDI in business to business (B2B), airports, e-commerce, power sector, oil refining. Manufacturing activities in all SEZs can have 100% Automatic route except for arms, explosives, allied defense equipments, narcotics etc. (P Subba Rao 2009)

vii) FDI in India is permitted either through the automatic route or the government approval route. It has been the intent and objective of the Government of India to attract and promote Foreign Direct Investment and make FDI policy regime more investor friendly, in keeping with national interests. In line with its stated objective, the Government has put in place a transparent, predictable and easily comprehensible policy framework on FDI. Further, FDI policy regime has been liberalized continuously over the years wherein FDI up to 100% is permitted under automatic route in most sectors/activities. It has been the endeavor of the Government to ensure that India remains a favorable and attractive Investment destination.

viii) In 2015-16, with a view to provide ease of doing business, licensed and non-sensitive activities were placed under automatic route and investment caps were raised. FDI policy provisions were radically overhauled across sectors such as Construction Development, Broadcasting, Retail Trading, Air Transport, Insurance and Pension among others. In addition, initiatives such as introduction of composite caps in the FDI policy and raising the FIPB approval limit were also undertaken to promote ease of doing business in the country.

xi) The measures towards FDI policy liberalization and reforms continued in the financial year 2018-2019. A paradigm shift was made in the FDI policy on retail and other financial services sector. For retail trading of food products, the Government permitted 100% FDI with the condition that such food products have to be manufactured and/or produced in India. The measure promotes domestic industry, creates local jobs and helps in conserving valuable foreign exchange.

x) In the Financial services sector, Government promulgated that any financial sector activity which is regulated by a financial sector regulator will be eligible for 100% FDI under automatic route, and approval would be needed only for unregulated financial sector activities. During the financial year 2018-2019, FDI policy reforms were also undertaken in other sectors such as Defence, Airport Infrastructure, Broadcasting, Animal Husbandry and Retail Trading. The path breaking reform measures taken by the Government have resulted in increased FDI inflows in the country, which year after year is setting up new records.

4. FDI in Tamil Nadu

Tamil Nadu has emerged as the second largest economy in India and its current GDP is well over US$ 605.26 billion based (PPP terms) Purchasing Power Parity method, 32nd largest in terms and bigger than Vietnam, Belgium, Sweden, Norway, Finland, Denmark and New Zealand. The GSDP growth rate at constant prices –7.94% GSDP (FY 16-17); 8.03% expected growth, US$ 207.8 billion (CAGR) –FY 17-18. Tamil Nadu has emerged as a major recipient of investments, Tamil Nadu has become one of the most favored investment destinations particularly FDI. Tamil Nadu stands 1st in Industrial performances, Investment potential, Number of Operational Special Economic Zones, Number of persons employed, Ranks 9th Globally in production of Renewable energy[1].

Tamil Nadu has strong and stable government with pro-active government policies. It facilitates the creation of foreign and local ventures, investor-friendly and apparent decision making process, good diversified industrial infrastructure, uninterrupted power situation, profuse availability of skilled manpower, harmonious industrial relations and absence of labor unrest, high quality of work ethics and culture with peaceful life style, paramount incentives package, highly cosmopolitan and most importantly, English language is spoken widely all over the State.

Advantages in Tamil Nadu for FDI Inflow: 8.4% - 2ndlargest contributor to India's GDP, 17% - State's share in number of factories, higher than any other State, 11%- Contribution to India's industrial output, 7.7% - 4thin terms of FDI inflows , 28%- Contribution to India's renewable energy capacity, higher, 18% - Number of India's technical universities, higher than any other State, 48.5% - India's most urbanized State by geography and population, 14%- Contribution of renewable meeting State's energy needs, 10%- Net Value added in factory Sector, Industrial Output in factory Sector[2].

FDI received during April 2000 to March 2018: from April 2000 to April 2011 - USD 7,341 million, April 2000 to March 2018 - USD 27,235 million, Incremental FDI attracted during May 2011 to Mar 2018 - USD19,894 million[3].

Total exports of Manufactured Goods from Tamil Nadu: US $ 29.53 billion (2017-18) and one of Top Three exporting states Adding software exports of US $ 16.93 billion, Tamil Nadu's total exports exceeds US $ 46.46 Billion.. Tamil Nadu has large presence of export-driven industries like Textiles & Garments, Leather Goods, Automobiles & Components, Electronic Hardware, etc., besides Software & BPO. Tamil Nadu is First in terms of number operational & Exporting SEZs (38 SEZs as on 30thJune 2018 which exported Rs.88,848 crores (2017-18) constituting 15.3%of India's SEZ exports. Tamil Nadu ranked Second in terms of 100% EoUs–425 units as on date. Tamil Nadu –the Third largest Software exporter: US $ 16.93 billion (2017-18). Tamil Nadu is the largest exporter of Leather products. TN accounts for 1/3rdof India's Automobiles and parts exports. (*Source: Guidance Bureau)*

At present, 61 Fortune 500 companies have base in Tamil Nadu - **USA:** Ford, DELL, Flextronics, Sanmina SCI, Delphi, Visteon, Caterpillar, Honeywell, Johnson&Johnson, Citigroup, Pepsi, Dow Chemical co., Coca-Cola, Accenture, Hewlett-Packard, Microsoft, IBM, Johnson Controls, Emerson, Terex Corporation and Motorola, Boeing, GE, Accenture. **Japan:** Nissan, Mitsubishi, Yamaha, Bridgestone, Hitachi, Komatsu, Panasonic, Toshiba, Mitsui, Marubeni, Fujitsu, Sumitomo, Mizuho, NEC Corporation, MUFG. **Germany:** BMW, Daimler, Bosch, Siemens, Bayer, BASF. **France:** Renault, Michelin, Saint Gobain, Alstom, PSA. **South Korea:** Hyundai, Samsung, POSCO, Lotte. **Finland:** Nokia. **Taiwan:** Foxconn. **China:** Huawei. **Switzerland:** ABB.

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[1] (*Source: DIPP, Government of Tamil Nadu policy note 2018-19, Tamil Nadu Budget note 2018-2019, IBEF , Invest India, IMF, 2017, * -Frost and Sullivan report March 2018, ASI 2015-16, IEEFA report 2018)*

[2] *(Source: IBEF –TN state report 2018 , DIPP, Govt. of India, Govt. of Tamil Nadu 2018)*

[3] *(Source: DIPP, Ministry of Industries and Commerce, GOI, TN Industrial Policy Note 2018-1)*

NCAER N-SIPI 2018 Ranking: Tamil Nadu is ranked "Second" in terms of State Investment Potential Index. In 2018, Tamil Nadu has substantially improved its position to Second in terms of six parameters. Of this, Tamil Nadu is ranked "First" in terms of: Good Governance and Political stability, Peaceful law and order conditions, uninterrupted power availability, and harmonious industrial relations, etc.

Tamil Nadu has a six sigma advantage for competitiveness to attract Foreign investors: Fastest growing State economy Average Growth rate: about 11%. Well-developed Infrastructure: Power, roads, communication, etc., Mature Industrial base: Leader in automobiles & parts, Electronic hardware, Textiles, IT, etc., Manufacturing Total Cost competitiveness. Excellent Port and airport Logistics, and finally Largest producer of skilled Manpower.

Tamil Nadu is India's second-largest economy: The State is an economic powerhouse of 8.79% share of India's GDP (ranked 2nd) with a per capita income of Rs 1.2 lakhs, 31% higher than India's average, State GDP has grown at 7.9% (constant prices) in FY 17, faster than the national growth rate of 7.1%.

5. Objectives of the study

a) To analyze the growth and national trends patterns of FDI inflow in India
b) To study the FDI trends in Tamil Nadu
c) To make projections of FDI in India and make necessary suggestions.

6. Methodology

The present study is purely based on secondary data. It has been collected from various sources- World Investment Reports (WIR), UNCTAD, RBI bulletins, websites etc. The period of the study is from 2009 to 2020.

In order to make analysis of the collected data, percentage and statistical tools have been used. For calculating projected values of FDIs, the least square method has been used. The equation of a straight line is as under-

$Y = a + bx$

Where Y = dependent variable
a = intercept
b = slop
x = independent variable (time).

Here, y = total FDI inflows and
X = time
The normal equations are --
$\Sigma y = n a + b \Sigma x$
$\Sigma xy = a \Sigma x + b \Sigma x2$
Here, the main object lies in estimating.

Also the Annual Growth Rate (AGR) and Compounded Annual Growth Rate (CAGR) are used to analyze the FDI inflows during the set period.

7. Results and discussion

Table No. 7.1 depicts gross inflows of FDI in India from 2009 to 2020. Foreign direct investment was 41,863 US $ million in the year 2008 - 2009, which decreased to 37,745 US $ million in the year 2009-2010, and started declining gradually to 19,819 US $ million in

2012-2013. FDI inflows during 2014-2015 have been encouraging. The FDI inflows raised from 21,564 US $ million in the year 2013-2014 to 36,021 US $ Million in 2015-2016. The significant increase in FDI inflows to India reflected the impact of liberalization of the economy, and gradual opening up of the capital account. FDI inflows include the share of investment in equity through SIA / FIPB, RBI, NRI, acquisition of shares of Indian companies by NRIs under FEMA, equity capital of unincorporated bodies and other capital, which stood at 68 % of the total inflows.

Table No. 7.1- Gross inflows of foreign Investment in India from 2009 to 2020 Amount in US $Millions

	US $ Millions		
Year	**Direct Foreign Investment**	**Foreign Portfolio investment**	**Total FI Inflows**
2008-2009	41,873	-14,032	27,841
2009-2010	37,745	32,396	70,141
2010-2011	11,834	30,293	42,127
2011-2012	22,061	17,170	39,231
2012-2013	19,819	26,891	46,710
2013-2014	21,564	4,822	26,386
2014-2015	31,251	42,205	73,456
2015-2016	36,021	-4,130	31,891
2016-2017	35,612	7,612	43,224
2017-2018	30,286	22,115	52,401
2018-2019	30,712	-618	30,094
2019-2020	43,013	1,403	44,416
Total	**361,791**	**166,127**	**527,918**
	68%	32%	100%

(Source – RBI bulletins)

In the table no. 7.1, the total FDI inflows is nothing but the direct foreign investment added to foreign portfolio investment. As per Table No. 7.1, the portfolio investment shows negative value of -15,032 US $ million in 2008-2009, which raised to 32,496 US $ million in the next financial year 2009-2010, but declined in the year 2011-2012 showing 17,170 US $ million. Further it rose to 26,891 US $ Million in 2012-2013. This investment increased to 42,205 US $ Million in 2014-2015 but declined to -4,130 US $ million in 2015-2016.

Total FDI inflow rose from 27,841 US $ million in 2008-2009 to 73,456 US $ million in 2014-2015 but declined to 30,094 US $ million in 2018-2019 due to global crisis, though again it moderated and raised to 44,416 $ million in 2020.

Net portfolio investment's share in total inflows stood at 31% .It is observed that the definition of FDI has been enlarged since its inception in 1991, to make it internationally comparable. Total gross inflows of FDI stood at 527,918 US $ Millons during the period from 2008-2009 to 2019 to 2020.

Table No. 7.2 Showing projections of Foreign Investment in India.
Amount in US $ Million

	US $ Millions		
Year	**Direct Foreign Investment**	**Foreign Portfolio investment**	**Total FI Inflows**
2020-2021	52,626	3,163	55,789
2021-2022	62,239	4,923	67,162
2022-2023	71,852	6,683	78,535
2023-2024	81,465	8,443	89,908

(Source- Calculated from table no. 1 using equation Y=a+bx)

From Table No 7.2 It can be observed that direct investment and foreign portfolio investment have projected to be raised making total inflows to 89,908 US $ Millions at the end of the year 2024.

Table no. 7.3 Foreign Direct Investment flows to India: country-wise and industry-wise from 2015 to 2020

(US$ million)

Source/Industry	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20 P**
1	2	3	4	5	6
Total FDI	**36,068**	**36,317**	**37,366**	**38,744**	**42,629**
Country-wise Inflows					
Singapore	12,479	6,529	9,273	14,632	12,612
Mauritius	7,452	13,383	13,415	6,570	7,498
Netherlands	2,330	3,234	2,677	2,519	5,295
Cayman Islands	440	49	1,140	863	3,496
U.S.A.	4,124	2,138	1,973	2,823	3,401
Japan	1,818	4,237	1,313	2,745	2,308
France	392	487	403	375	1,167
United Kingdom	842	1,301	716	1,211	1,125
South Korea	241	466	293	982	777
Hongkong	344	134	1,044	598	678
Cyprus	488	282	290	161	657
Germany	927	845	1,095	817	443
Belgium	57	172	213	56	388
U.A.E.	961	645	408	853	323
Luxembourg	784	99	243	251	252
UK Virgin Islands	203	212	21	290	250
China	461	198	350	229	162
Others	1,725	1,905	2,498	2,768	1,796
Sector-wise Inflows					
Manufacturing	8,439	11,972	7,066	7,919	8,153
Communication Services	2,638	5,876	8,809	5,365	6,838
Retail & Wholesale Trade	3,998	2,771	4,478	4,311	4,914
Financial Services	3,547	3,732	4,070	6,372	4,326

Table 7.4

FDI: pattern of equity inflow and growth rate

Location	2015-16	2016-17	2017-18	2018-19	2019-20*
Chennai (T.N. & Puducherry)	₹29,781 (27.5%)	₹14,830 (- 50.2%)	₹22,354 (50.7%)	₹18,164 (-18.7%)	₹13,135 (-7.3%)
Bengaluru (Karnataka)	₹26,791 (26%)	₹14,300 (-46.6%)	₹55,334 (287%)	₹46,963 (-15.2%)	₹49,417 (49.7%)
Mumbai (Maharashtra, Dadra & Nagar Haveli, Daman & Diu)	₹62,731 (61%)	₹1,31,980 (110.4%)	₹86,244 (-34.7%)	₹80,013 (-7.2%)	₹47,619 (-15.5%)
Ahmedabad (Gujarat)	₹14,667 (55.8%)	₹22,610 (54.2%)	₹13,457 (-40.5%)	₹12,618 (-6.2%)	₹30,218 (157%)
New Delhi (Delhi & parts of U.P. & Haryana)	₹83,288 (97%)	₹39,482 (-52.6%)	₹49,366 (25%)	₹70,485 (42.8%)	₹67,364 (17.5%)
All-India total	₹2,62,322 (38.7%)	₹2,91,696 (11.2%)	₹2,88,889 (-0.1%)	₹3,09,867 (7.3%)	₹2,58,009 (10.6%)

In column 1, States and Union Territories covered by FDI inflow are mentioned in brackets. Location refers to the place where regional office of the RBI which recorded the inflow is located

** April to December 2019*

In columns 2 to 5, figures of annual growth rate are mentioned in brackets

In column 6, growth rate, mentioned in brackets, is arrived at by comparing the flow of FDI of 2019-20 with the corresponding period for 2018-19

SOURCE: WEBSITE OF DEPT. FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE, UNION MINISTRY OF COMMERCE AND TRADE

FDI in Tamil Nadu is dominated by investments in IT sector. Chennai and the Tamil Nadu region as a whole serving as attractive FDI host for nearly 10 decades. Although Chennai must compete with Bangalore and Hyderabad, Chennai is having skilled IT human resource, attracting investors. Also Chennai has profound BPO infrastructure serving software design, computerized services and call centers, accounting etc. Tamil Nadu is now well positioned amongst the southern states of India to be a major site for IT-related investment. Few papers from the Center for International Development at Harvard University have cited the role of the Tamil Nadu state in promoting computer education, computer-based government services and assistance to the private sector (Bajpai, and Ramachandran and Goebel, 2001).

Table no. 7.5

Foreign Direct Investment flows to Tamil Nadu – 2019-2020

FY 2019-2020	
From October 2019 TO March 2020	□7,230.44 crore
From 2019-20 (April – September)	□9,394.00 crore
Total	□16,624.44 crore
FY 2018-19	□18,164 crore
% change	- 8.5%

Source: Department for Promotion of Industry and Internal Trade

Official data revealed the fact that Foreign direct investments into Tamil Nadu has declined by 8.5% to □16,624.44 crore in the financial year (FY) 2019-20 from □18,164 crore in FY 2018-19,. However, a senior State government official stated that it us a good year for investments for Tamil Nadu, pointing to the number of 'consent to operate' issued.

According to provisional data released by the Department for Promotion of Industry and Internal Trade, Tamil Nadu had attracted an investment of □7,230.44 crore for the October 2019 to March 2020 period and had accounted for 4.21% of the inflows into the country, the sixth-highest among States. For April-September 2019-20, Tamil Nadu saw foreign direct inflows of □9,394 crore.

During the second edition of the Global Investors' Meet in January 2019, 304 Memoranda of Understanding (MoU) and 12,360 pacts concerning micro, small and medium enterprises (MSME) were signed with investment commitments of around □3 lakh crore.

During 2018-19 too, the State had an adverse rate of 18.7%. The performance of the State comes as a contrast to efforts of the State government in encouraging overseas investments. Tamil Nadu continues to register a negative growth rate in the foreign direct investment (FDI) equity inflow this financial year, if the data compiled by the Reserve Bank of India (RBI) and released by the Union government's Department for Promotion of Industry and Internal Trade is any indication.

Analyzing the trend of inflow in the current year's three quarters, the State Industries Department says that even though there is an overall drop of around 7%, the first quarter saw an increase of 24% over the same period of the previous year and the third quarter about 7% rise. It was the showing in the second quarter (drop of 43%) that was responsible for the total negative growth rate.

"Though it is difficult to cite any specific reason, the decrease can be due to the base number of □ 6,127 crore (during the second quarter of 2018-19), which, in turn, happened to be an one-off investment," explains the official, expressing the hope that in the fourth quarter of the year, the State will make up the deficit.

8. Important Observations

A observations are listed below, while assessing literature and data on FDI policies and FDI trends, patterns:

The Reserve Bank undertook a bunch of unconventional liquidity management measures in 2020 to ensure normal flow of finance into the economy, and enable better transmission of monetary policy impulses in the wake of the unprecedented situation created by the COVID-19 pandemic.

Foreign direct investment (FDI) remained the predominant source of external financing, as in the preceding year. In both gross and net terms, FDI flows in 2019-20 were well above their respective levels in 2018-19. Despite a slowdown in the global economy and growing global investment concerns due to disruptions in supply chains, India was able to sustain the pace of FDI in 2019-20 and was the 9th largest recipient country globally in 2019 (World Investment Report 2020, UNCTAD.).

Government has set up the Foreign Investment Implementation Authority (FIIA) in the Ministry of Commerce & Industry. The FIIA will facilitate quick translation of Foreign Director Investment (FDI) approvals and implementations.

The Government has revamped the FIPB and transferred it to the Industry Ministry. The FIPB is the nodal, single window agency for all matters relating to FDI as well as promoting investment into the country. It is chaired by Secretary, Industry (Department of Industrial Policy and Promotion). Its objective is to promote FDI into India.

Apart from making the policy framework investor- friendly and transparent, promotional measures are also taken to attract Foreign Direct Investment into the country. The Government has constituted a Foreign Investment Promotion Council (FIPC) in the Ministry of Industry.

In order to give further impetus to facilitation and monitoring of investment, as well as for better coordination of infrastructural requirements for industry, a new cell called the "Investment Promotion and Infrastructure Development Cell" has been created. With a view to monitoring the implementation of projects approved, and for facilitating solution to investor problems, a Project Monitoring Wing has been created within the IP&ID Cell.

The Entrepreneurial Assistance Unit functioning under the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion provides assistance to entrepreneurs on various subjects concerning investment decisions. The unit receives all papers/applications related to industrial approvals and immediately issues a computerised acknowledgement which also has an identity/reference number.

The Department of Industrial Policy and Promotion also has opened Country Focus Windows for countries with sizeable investment interest in India. At present, the Focus Window cover countries such as USA, Germany, France, Switzerland, UK, Australia, Japan and Korea. For each focus window a senior officer in the Department provides facilitation and assistance.

The Department of Industrial Policy and Promotion has identified officers at the Deputy Secretary/Director level as Nodal officers for facilitation of all matters relating to the industrial projects pertaining to a State.

9. Conclusions

It is found that FDI inflows in India show positive trend over the period under study. Gross inflows of FDI include 68% share of direct investment in equity and 32% share of portfolio investment. FDI increased due to adoption of more liberal foreign policy and series of measures are undertaken by the Government of India. It is observed that Singapore and Mauritius and had 48% cumulative inflows of FDI. While, studying sector wise perspective, it is found that Manufacturing sector tops in attracting highest FDI in equity inflows, followed by Computer Services sector. Even in recent global crisis, FDI inflows showed increasing trend. FDI is expected to grow in coming years. FDI inflows show positive growth trend during the period from 2009-2010 to 2019-2020. Opening FDI in multi-brand retailing has mixed consequences on retail in India. Finally, In order to maintain adequate liquidity in the system and its constituents in the face of COVID-19 related dislocations, facilitate and incentivize bank credit flows, ease financial stress and enable the normal functioning of markets, the Reserve Bank took further liquidity injection measures on April 17, 2020 targeted at specific sectors and entities.

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