



TRENDS, DETERMINANTS AND IMPLICATIONS OF FOREIGN DIRECT INVESTMENT FROM INDIA

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ABSTRACT

Recent trends in global FDI outflows reveal that global FDI outflows witnessed a high growth during 2004-07. In line with the global trend, India's outward FDI proposals as also actual FDI outflows showed higher growth during the period 2004-05 to 2007-08, mainly due to progressive liberalization in India's overseas investment policy during these years. However, in an aftermath of global economic crisis and resultant slowdown in growth of world economy, world FDI outflows showed a decline in 2008. Accordingly, during 2008-09 India's outward FDI proposals as well as FDI outflows from India also recorded decline; and the fall in India's outflows was larger than that of the world in 2008. Moreover, in case of India, the proportion of 'actual investment outflows' to 'cleared investment proposals' also witnessed a decline. During 2008-09, manufacturing remained the single largest sector in India's FDI outflows, and there was an increase in the shares of manufacturing and financial services, while a decline in the shares of non-financial services and trading was observed. As regards the outward FDI proposals, in India, most of the proposals during 2008-09 were cleared through automatic route, as it was in 2007-08. Equity continued to be the dominant mode of financing of the investment proposals and the shares of equity and loans increased during the year. Direction of outward FDI proposals indicated that Singapore, the Netherlands, Mauritius and the US continued to be the leading recipients of India's outward FDI in 2008-09