

# THE PATTERN OF STATE WISE INFLOWS OF FDI IN INDIA

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**Abstract:** The Foreign Direct Investment (FDI) has played an important role in the process of globalization during the last two decades. The rapid expansion in FDI by multinational enterprises may be attributed to significant changes in technologies, greater liberalization of trade & investment regimes and deregulation & privatization of markets in many countries. Including developing countries like India. The present study has focused on The Pattern of State Wise Inflows of FDI in India during 2012-13 to 2021-22.

**Keywords:** FDI, Investment Policies, Growth Rate.

## Introduction

Looking at FDI inflows, we can see a large variance between Indian states. Despite some foreign direct investment is geographically restricted owing to the availability of natural resources or proximity to the market, states with metropolitan cities are the primary hubs of foreign direct investment in India. For example, the state of Maharashtra benefits from having two metropolitan cities, namely Mumbai and Pune. In the south of India, the states of Andhra Pradesh, Karnataka, and Tamil Nadu all have metro cities, namely Hyderabad, Bangalore, and Chennai. When compared to Gujarat, it has the disadvantage of not having a major metropolis. As a result, it draws less FDI than the preceding states. Another explanation might be a lack of physical infrastructure or the state's location in an earthquake-prone zone. Many Indian states have been successful in attracting FDIs by implementing reforms and enhancing infrastructure. Gujarat, Maharashtra, Andhra Pradesh, Karnataka, Orissa, Madhya Pradesh, Punjab, Rajasthan, and West Bengal are among them. However, states such as Jharkhand and Bihar have not attracted adequate FDI in comparison to other states. The major explanation might be Naxalite operations in the state or the amount of corruption in the workplace and social environment. Furthermore, the impression of governance in these states is a big impediment to attracting FDI. In some ways, these states are a mishmash of poor and irresponsible governance, which makes investors hesitant to continue investing in these states.

## Research methodology

The study covers a period of ten years starting from 2012-13 to 2021-22. The qualitative and quantitative facts and figures pertaining to the period are systematically collected and analyzed. The present study primarily depends on secondary data. The prime objective of the study is to analyze the pattern of state wise FDI inflows into India during the study period.

## Data Analysis

### Maharashtra

The FDI inflow to Maharashtra from April 2000 to September 2021 was Rs 9,59,746 crore, accounting for 28.2 percent of the country's total FDI inflow. Maharashtra's economic survey report disclosed that the state's FDI inflow in 2021-22 was Rs 48,633 crore, down from Rs 1,19,734 crore the previous year. According to the survey, Karnataka led the way with Rs 1,02,866 crore in FDI inflows in 2021-22, followed by Gujarat with Rs 11,145 crore, Tamil Nadu with Rs 8,364 crore, and Telangana with Rs 7,506 crore in the same year. According to the 2020-21 Economic Survey Report, the state fell to third place in terms of FDI inflows in the first six months of this fiscal year. Statistics from the last few years show that FDI inflows into the state are decreasing with each passing year. According to the poll, the state got \$27,143 crore in FDI between April and September 2020, significantly less than the nearby state of Gujarat, which now holds the top spot. It has got a massive 1, 19,566 crore in FDI in the current fiscal year until September, while Karnataka has also garnered 27,548 crore.

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The data explains that the FDI inflows in to Maharashtra are registered at USD 8,716 Million in the year 2012-13, whereas, in the year 2013-14 it was declined to USD 3,420 Million. However immediately in the year 2014-15 there was a robust increase of 85.99 per cent and the trend was continued up to 2016-17. In the year 2017-18 and 2018-19 the FDI inflows were abnormal declined by 31.70 per cent and 15.20 per cent respectively. In the year 2019-20 it was increased by 4.42 per cent and the same increasing trend was continued up to 2021-22. The State of Maharashtra has received an average of USD 11,495.7 Million with an average annual growth rate of 21.34 per cent during the period under review.

### **Karnataka**

Karnataka received about 40% of the FDI received by India in the fiscal year 2021-22. This year, the state is expected to get a comparable amount of FDI and has grown as a desirable location in the country. The 2022 edition of its global investment exposition, Global Investors' Meet, set to be inaugurated on November 2, will only accelerate the flow of investments to the State. To minimise industry concentration in the state capital, the government intends to expand them to Tier 2 and Tier 3 cities as well. The plan is to develop an economic environment outside of Bengaluru while simultaneously creating jobs throughout the state. In order to encourage Tier-2 and Tier-3 communities, the state has offered substantial incentives to investors. The New Industrial Policy 2020-25 aspires for comprehensive state development and the expansion of Tier 2 and Tier 3 cities as new economic growth engines. The state is also building additional airports in Tier 2-3 cities to support development outside Bengaluru.

It is noticed that the State of Karnataka has been receiving a quantum amount of FDI continuously year after year except the years 2016-17 and 2018-19. The lowest amount of FDI inflows USD 1,023 Million registered in the starting year of the study period 2012-13. The highest amount of FDI inflows USD 22,072 Million was recorded in the last year of the study period 2021-22. The State has received on an average USD 6,658.8 Million with average annual growth rate of 72.73 per cent during the study period of ten years.

### **Gujarat**

Gujarat has attracted more FDI than its GDP size would imply. However, in comparison to its peer states, particularly Tamil Nadu, Delhi, Maharashtra, Karnataka, and potentially Andhra Pradesh, it has fallen substantially little. The influence of FDI on the Gujarat economy has been good, since it has led to the state's overall progress. The impact of FDI on the Gujarat economy has been positive, as different industries in the state have grown, developed, and expanded. It is noticed that the State of Gujarat has revived a minimum amount of FDI inflows USD 493 Million in the year 2012-13, whereas, the highest amount of FDI inflows USD 21,890 Million with an annual growth rate of 261.70 per cent in the year 2020-21. There was a continuous inflow of FDI in to the State except 2017-18 and 2018-19. The State has received total FDI inflows USD 43,037 Million in the ten years period of the study. The average annual growth rate of FDI inflows in to Gujarat is recorded at 86.93 per cent during the period under review.

### **Delhi**

According to figures from the Government of India, Delhi, together with sections of Uttar Pradesh and Haryana, contributed for 14 percent of total FDI contributions to India over the year 2021-22. The ease of doing business due to the simple availability of all major head offices in the state has proven to be the yardstick for attracting investors from all over the world. Delhi has even surpassed the long-standing leading state of India in terms of FDI in India, which appears to be losing its status as the top destination for such investment to Delhi presently. Looking ahead, the impact of FDI in the Delhi region has been quite significant in all sectors, be it Real Estate, Retail, Tourism, or any other. Delhi is the launching point for the majority of projects in the nation, and if not the starting point, it is the monitoring point for significant FDI projects in India. It reveals from the data that the State of Delhi attracted FDI inflows in a unique manner in the study period of ten years from 2012-13 to 2021-22. In the year 2012-13 the State has attracted FDI inflows of USD 3,222 Million and it was increased to 6,242 Million in the year 2013-14, this increasing trend was continue year after year up to 2015-16. In the year 2016-17 the FDI inflows in to the State were declined suddenly by 53.83 per cent. However immediately in the year 2017-18 it was increased by 30.12 per cent and continued the increasing trend up to 2019-20. In the year 2020-21 the FDI inflows in to the State were declined by 39.61 per cent, but in the year 2021-22 the FDI inflows were atypically increased by 53.28 per cent. The State has received the FDI inflows on an average USD 8,278.9 Million with an average annual growth rate of 25.41 per cent in the study period.

### **Tamil Nadu**

The Tamil Nadu administration accomplished a stunning reversal in its image as an ideal global investment destination, resulting in a 41.5 percent rise in FDI and initiatives taken to encourage more investments in the state. According to data from the Union Ministry of Commerce and Industry's Department for Promotion of Industry and Internal Trade, FDI climbed to around \$3 billion in 2021-22 from approximately \$2.3 billion in 2020-21. Guidance, the State's nodal body for investment promotion, is considering a range of initiatives to strengthen the investment climate for 2022-23. The goal is to build manufacturing units for firms in high-value-added industries. The data

explains that the State of Tamil; Nadu has received FDI inflows from the lowest of USD 2,116 Million in the year 2013-14 to the highest of USD 4,528 Million in the year 2015-16. It is noticed that in the pre Covid period the State has received attractive amount of FDI inflows whereas, the post Covid period the State has received in almost every year a meagre amount of FDI inflows. On an average the State has received FDI inflows USD 2,925.5 Million with an average annual growth rate of 10.64 per cent during the period under review.

### **Haryana**

The effect of FDI on the Haryana economy has shown to be favourable, with the state's economy growing at an exceptional rate. Haryana has grown at an amazing rate. Haryana has emerged as one of the most dominant states in the country for FDI, giving the economy a significant boost. Haryana has surpassed Gujarat as the country's leading maker of tractors, passenger automobiles, scientific equipment, and motorcycles. Because of FDI, employment has expanded dramatically. Haryana's FDI has grown in recent years, and the state has taken steps to encourage investors. Nothing can deny that Haryana offers several business chances. Haryana is strategically located, and its closeness to New Delhi makes it an appealing FDI destination. The data shows that the FDI inflows in to Haryana are very meagre amounts with only double digits figures up to 2015-16. In the year 2016-17 the FDI inflows in to the State are very negligible that is USD 6 Million. In the year 2017-18 the FDI inflows are significantly increased and recorded at USD 108 Million and it was abnormally increased by 472.22 per cent in the year 2018-19. The same increased trend was continued in the year 2019-20, 2020-21 and 2021-22 by the annual growth rates of 66.50 per cent, 64.91 per cent and 64.88 per cent respectively. It is also observed that on an average the State has attracted USD 646 Million with an average annual growth rate of 255.16 per cent in the study period of ten years.

### **Telangana**

Telangana, India's 29th State was established in June 2014, with Hyderabad as its capital. Previously, the state attracted FDI inflows under the name of Andhra Pradesh. Telangana State has been receiving FDI inflows independently since 2014. As a result, the state is presently not even in the Top-10 list of states. During this period, the state has received just 4,960 crore in FDI. This represents less than 1% of all FDIs entering India. That accounts for only 0.39 percent of overall FDI inflows into India. FDI inflows totaled \$1.34 billion between October 2019 and September 2020. Telangana has received \$11.5 billion in FDI since 2015. Conforming to the Department for Promotion of Industry and Internal Trade (DPIIT), cumulative FDI inflows into Telangana were US\$ 18.75 billion from April 2000 to June 2019. In the first nine months of the fiscal year 2020-21, from April to December, the state got FDI of Rs 6,466 crore. This represents 2% of all FDIs received by India. According to the most recent statistics from the Centre's Department for Promotion of Industry and Internal Trade (DPIIT), Telangana is one of the top ten states in terms of attracting FDI. Telangana attracted FDI worth Rs 11,331 crore between October 2019 and December 2020, ranking ninth. This equates to 2.4% of total FDI attracted by India. It is noticed from the data that in the year 2012-13 and 2013-14 the Telangana Region has received FDI flows in the name of Andhra Pradesh thus the FDI inflows are negligible during these two years period. The FDI inflows in t Telangana State started from the year 2014-15 onwards, in this year the FDI inflows are recorded at USD 1,369 Million. The FDI inflows were increased in the year 2015-16 by 13.66 per cent and in the year 2016-17 by 41.07 per cent. Then after it was declined by 43.23 per cent in the year 2017-18, however in the year 2018-19 the robust inflow of FDI was recorded by the growth rate of 177.45 per cent. In the year 2019-20 and 2020-21 the FDI inflows were drastically fall down due to the impact of pandemic situation. After the quick recovery from the Covid the state has received a quantum amount of FDI of USD 1,607 Million in the year 2021-22. It was also observed that the state has received the FDI inflows on an average USD 1,516.4 Million with an average annual growth rate of 24.43 per cent in the entire study period of ten years duration.

### **Jharkhand**

Jharkhand is one of the world's richest resource zones, accounting for 40% of India's mineral and coal reserves, respectively. Mining and mineral extraction are the state's central industry due to its huge mineral deposits. According to statistics given by the Department of Industrial Policy and Promotion, the state received FDI equity inflows of US\$ 113 million from April 2000 to June 2019. In the current fiscal year 2022-23, a coal block in Jharkhand has received a foreign direct investment of Rs 119 crore. The government formerly allowed 100% FDI in coal mining, sale and associated infrastructure, and contract manufacturing under the automated method. According to the DPIIT, cumulative foreign direct investment inflows into Jharkhand in 2021-22 totaled US\$ 5 million and were US\$ 2.65 billion between October 2019 and June 2022. In August 2022, 5 IEMs were submitted, with a total planned investment value of \$497.94 million. The statistics reveals that the inflow of FDI in to the state of Jharkhand is very negligible up to 2018-19. Surprisingly, the state has received the highest amount of FDI inflows of USD 1,852.6 Million in the year 2019-20. Whereas, in the year 2020-21 the inflow of FDI was recorded at USD 792 Million with the negative growth rate of 57.25 per cent. In the last year of the study period 2021-22 the FDI inflow is registered at just USD 6 Million.

### **Rajasthan**

Rajasthan is the second most appealing investment destination in India in 2021-22. Surprisingly, the state saw the highest rate of growth over the time, increasing by about 535 percent and drawing new investments worth Rs 2.37

trillion. Rajasthan's strategic position is one of the key reasons for its popularity as an investment destination. It borders five other key Indian states, including Punjab, Haryana, Uttar Pradesh, Madhya Pradesh, and Gujarat. This state's surrounding states provide access to around 40% of the Indian market, and it also serves as a crucial transit link between northern Indian states and ports on India's western coast. Rajasthan is thus an attractive place for businesses wishing to increase their market reach in India. The data reveals that the FDI inflows in to Rajasthan are ranged between the lowest of USD 38 Million in the year 2013-14 and the highest of USD 707 Million in the year 2021-22. It is observed that the state has received on an average USD 266.2 Million with an average annual growth rate of 189.70 per cent in the study period of ten years from 2012-13 to 2021-22.

### West Bengal

The benefits of FDI inflows to West Bengal have been that they have resulted in the quick construction of infrastructure in the state for flyovers, roads, electricity, and telecommunications. West Bengal's real estate business has benefited from FDI. West Bengal had long been concerned about unemployment. With the influx of FDI, this state has seen a surge in job prospects. According to the DPIIT, FDI inflows into West Bengal, Sikkim, and the Andaman and Nicobar Islands were US\$ 5,599 million from April 2000 to June 2019. It is evident from the data that the FDI inflows in to West Bengal in the year 2012-13 is USD 424 Million and it was increased to USD 436 Million in the year 2013-14. There was a decline of the FDI inflow in to the state by 45.18 per cent in the year 2014-15 when compared to its previous year 2013-14. An abnormal increase was recorded by 299.58 per cent in the year 2015-16, then after surprisingly it was unusually declined by 94.76 per cent in the year 2016-17. However, the FDI inflows in to the state were continuously increased year after year from 2017-18 to 2019-20. In the year 2020-21 there was a slight declined by 31.74 per cent. In the last year of study period the FDI inflows were registered at USD 428 Million. It is further noticed that the state has received on an average inflow of FDI of USD 500.2 Million with an average growth rate of 109.35 per cent in the period under review.

### Conclusion

On the basis of statistical information of FDI inflows into India, it can be concluded that the Maharashtra is top most State to attract the highest amount of FDI inflows of USD 1,14,957 Million, followed by Delhi with an amount of FDI inflows USD 82,789 Million, Karnataka with an amount of FDI inflows USD 66,588 Million, Gujarat with an amount of FDI inflows USD 43,037 Million and Tamil Nadu with an amount of FDI inflows USD 29,255 Million are identified as the top 5 States in the country. Though the Telangana is newly formed State in the year 2014 it has attracted USD 15,614 Million and placed in the 6<sup>th</sup> position after that Haryana with an amount of FDI inflows USD 6,460 Million and placed in the 7<sup>th</sup> position. The State of West Bengal with an amount of FDI inflows USD 5002 Million, Jharkhand with an amount of FDI inflows USD 2,734 Million and Rajasthan with an amount of FDI inflows USD 2,662 Million placed in the 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> position respectively.

### Annexure: The Pattern of State wise Inflow of FDI in to India

States	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Maharashtra</b>	8716 (-)	3420 (-60.76)	6361 (85.99)	9511 (49.52)	19654 (106.64)	13423 (-31.70)	11383 (-15.20)	10880 (4.42)	16170 (48.62)	15439 (4.52)
<b>Karnataka</b>	1023 (-)	1892 (84.95)	3444 (82.03)	4121 (19.66)	2132 (-48.26)	8575 (302.20)	6721 (-21.62)	8938 (32.99)	7670 (14.87)	22072 (187.77)
<b>Gujarat</b>	493 (-)	860 (74.44)	1531 (78.02)	2244 (46.57)	3367 (50.04)	2091 (-37.90)	1803 (-13.77)	6052 (235.66)	21890 (261.70)	2706 (87.64)
<b>Delhi</b>	3222 (-)	6242 (93.73)	6875 (10.14)	12743 (85.35)	5884 (-53.83)	7656 (30.12)	10142 (32.47)	11870 (17.03)	7168 (-39.61)	10987 (53.28)
<b>Tamil Nadu</b>	2807 (-)	2116 (-24.62)	3818 (80.43)	4528 (18.60)	2218 (-51.02)	3475 (56.67)	2613 (-24.81)	2354 (9.91)	2323 (1.32)	3003 (29.27)
<b>Haryana</b>	47 (-)	91 (93.62)	39 (-57.14)	27 (-30.77)	6 (-77.78)	108 (1700.00)	618 (472.22)	1029 (66.50)	1697 (64.91)	2798 (64.88)
<b>Telangana</b>	1159 (-)	678 (-41.50)	1369 (101.92)	1556 (13.66)	2195 (41.07)	1246 (-43.23)	3457 (177.45)	1192 (-65.52)	1155 (-3.10)	1607 (39.13)

<b>Jharkhand</b>	8 (-)	1 (- 87.50)	11 (1000.00)	43 (290.91)	10 (-76.74)	10 (0.00)	0.03 (-99.70)	1853 (6175233)	792 (-57.25)	6 (-99.24)
<b>Rajasthan</b>	132 (-)	38 (- 71.21)	541 (1323.68)	50 (-90.76)	165 (230.00)	117 (-29.09)	363 (210.26)	277 (-23.70)	272 (-1.81)	707 (159.92)
<b>West Bengal</b>	424 (-)	436 (2.83)	239 (-45.18)	955 (299.58)	50 (-94.76)	218 (336.00)	1229 (463.76)	608 (50.53)	415 (-31.74)	428 (3.12)

Source: RBI Factsheets.

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