

# FDI Outflows Trends and Patterns of Indian Companies

Anupam<sup>1</sup> Shilpa Rani<sup>2</sup> & Deepak Kumar<sup>3</sup>

## Abstract

In last decade, companies from developing countries have started investing abroad and have become an important source of outward foreign direct investment (OFDI). Foreign direct investment is seen as a very important factor in accelerating the process of growth and development in developing economies and nations. A series of initiatives have been undertaken by these countries over the last 10 years to increase the outflow of FDI. But it's very important to understand the specific set of policy measures that can create maximum and help these countries in achieving their goals. This paper examines the emerging trends in OFDI from India. The study of these outflows of foreign direct investment will help in understanding the impact of various OFDI policies and to make amendment in future policies of OFDI.

**Keywords:** - Outflows Foreign Direct Investment, FEMA, GDP.

---

<sup>1</sup> Anupam, Shilpa Rani, Research Scholar(s), Kurukshetra University, Kurukshetra

<sup>2</sup> Anupam, Shilpa Rani, Research Scholar(s), Kurukshetra University, Kurukshetra

<sup>3</sup> Deepak Kumar, Assistant Professor (Commerce), S.D. College(Lahore) Ambala Cantt.

## INTRODUCTION

In recent years India has become indispensable place for overseas investment by foreign countries. Now it has become strategic global partner for both for transnational corporations and to their domestic companies. Overseas investment has reached at a higher level in past decade. Until upto a couple of year Indian companies were not showing interest in overseas countries due to their constraints .Now they are participating at the growing level and getting the benefits of overseas investment. However this trend of OFDI has not shown consistent growth. Now a day's every sector whether it is manufacturing or IT sector showing a higher level of growth in last few years. Outflow of capital whether portfolio or FDI to foreign companies have been at the forefront of discussion for a long period. Indian government in the hope of increasing their economic growth have adopted different type of policy measures. Most Indian companies engage in overseas investment with market seeking approach. However there are some companies which have started their operation in overseas countries because of high cost of production in home countries.

## OBJECTIVES OF THE STUDY

The outflows of foreign direct investment in India have shown historic growth in the recent years. India has been one of the emerging economy of this century has made indispensable growth in terms of overseas FDI which benefits are linked to international economic integration. India is now world's 21<sup>st</sup> largest investor with an investment of over US \$ 75 billion across the world over the past decade. In this context paper seeks to examine the trends of Indian overseas investment.

## RESEARCH METHODOLOGY

This study is based on secondary data which have been collected from secondary data source such as RBI bulletins, RBI website source on hand book of statistics on Indian economy, world investment report of UNCTAD. The data collected have been analysed and presented in the form of tables and graphs.

## FDI OUTFLOWS TRENDS AND PATTERNS IN INDIA

In the last few years, a large number of enterprises from emerging markets have entered the international marketplace. In particular, enterprises from China, India and Russia have invested abroad.

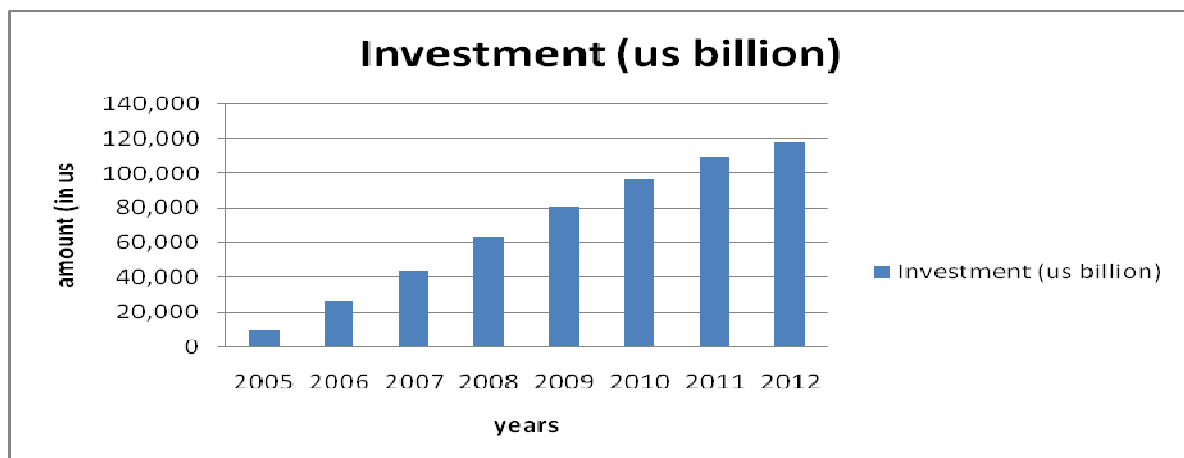
Economic liberalization and fundamental changes in the foreign trade regimes have not only attracted high inflows of foreign direct investment (FDI) to these countries, but have also motivated companies from these countries to invest abroad. India has become the world's 21st largest outward

investor. Its average annual OFDI flows are now higher than those of many developed market economies. Moreover, while India's OFDI gradually increased during the past three decades. The trends of outflows of India are shown by figures below:

## FOREIGN DIRECT INVESTMENT OUTFLOWS

(Units: In USD billion)

Years	Investment (us billion)
2005	9,741
2006	27,036
2007	44,080
2008	63,338
2009	80,839
2010	96,901
2011	109,509
2012	118,167



Source: UNCTAD

Table 1 exhibits the trends in Outward FDI from India. It is evident from the table that OFDI has increased from US\$ 9,741 million in 2003-04 to US\$ 118,167 million in 2012. Along with FDI Inflows, OFDI has also shown an impressive growth rate. The growth rate has been quite impressive during last seven years.

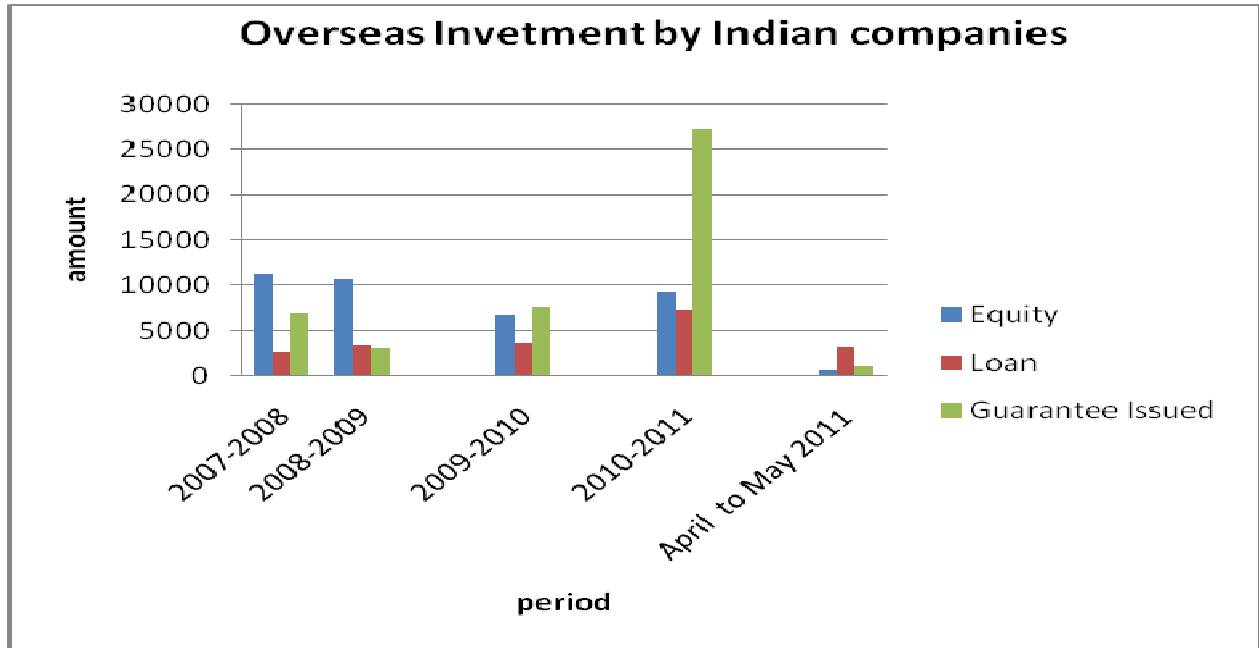
Indian overseas investment policies have been progressively liberalized and simplified to meet the changing needs of a growing economy in a globalized environment. The policy which was

evolved as one of the strategies for export promotion and strengthening economic linkages with other countries has been streamlined significantly in scope and size, especially after the introduction of FEMA in June 2000. In the post 2003 period, the policy has enabled corporate entities and registered partnerships to invest in bonafide businesses abroad, currently to the extent of 400% of their net worth, under the automatic route. The aggregate data of overseas investments for the last four years is furnished below:

### **OVERSEAS INVESTMENT BY INDIAN COMPANIES**

<b>Period</b>	<b>Equity</b>	<b>Loan</b>	<b>Guarantee Issued</b>	<b>Total</b>
<b>2007-2008</b>	11269.18	2718.02	6959.96	20947.16
<b>2008-2009</b>	10732.26	3329.00	3104.88	17166.14
<b>2009-2010</b>	6763.27	3620.19	7603.79	17987.25
<b>2010-2011</b>	9351.77	7346.89	27230.52	43929.18
<b>April to May 2011</b>	731.41	3193.24	1166.23	5090.88

SOURCE: RBI



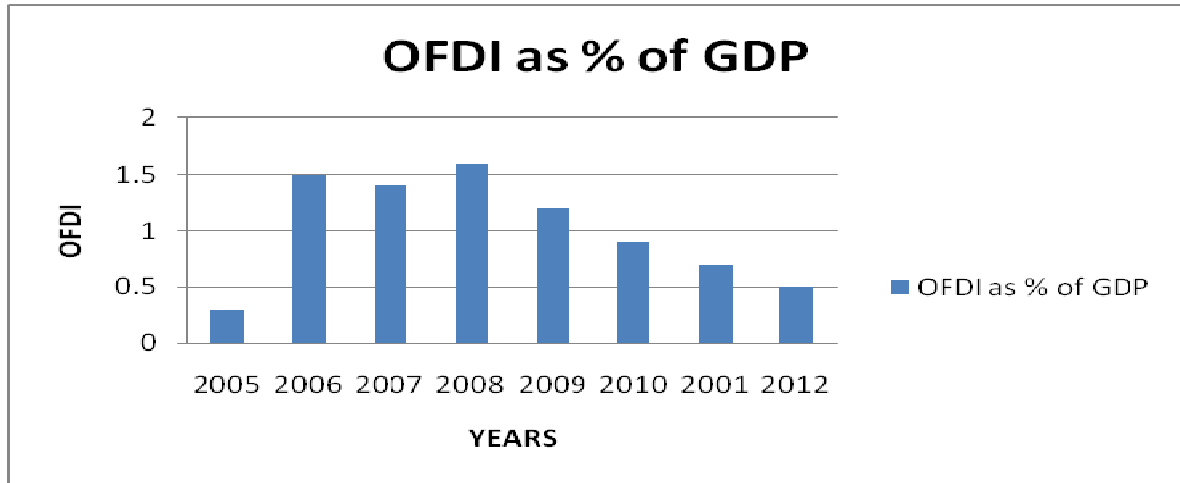
The table shows Indian overseas foreign direct investment which includes three component equity, loans and guarantees. According to data released by RBI overseas FDI by Indian companies 2007-2008 included \$ 11.2 billion and became \$

43.9 billion in 2010-11. The global crises caused Indian OFDI flows to fall from their high in 2007, largely because Indian MNEs had borrowed heavily in dollars to finance mega cross-border M&As.

## FOREIGN DIRECT INVESTMENT OUT FLOWS AS PERCENTAGE OF GDP

Unit in Percentage

Year	OFDI as % of GDP
2005	0.3
2006	1.5
2007	1.4
2008	1.6
2009	1.2
2010	0.9
2011	0.7
2012	0.5



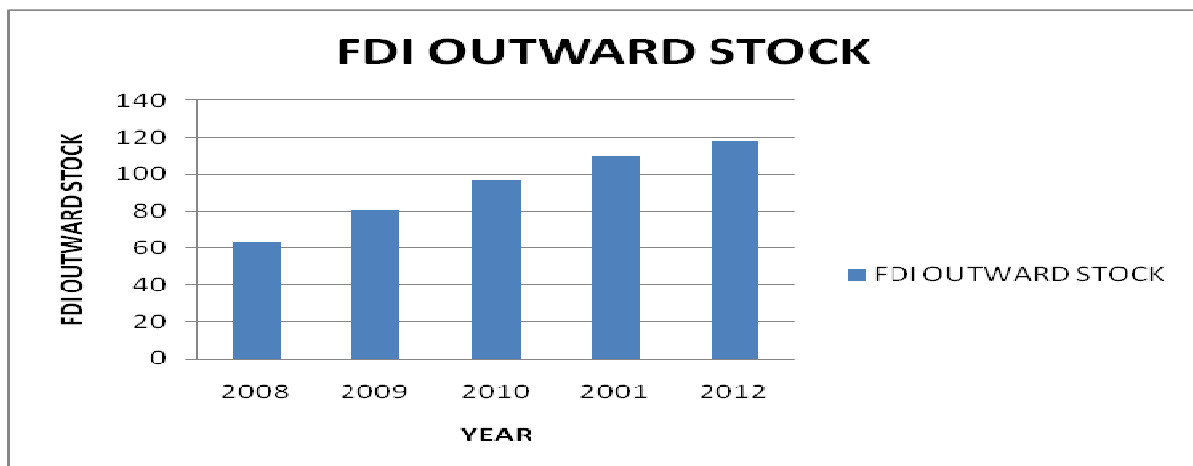
The above table shows that FDI outflows of India a percentage of GDP is increasing constantly. It shows that FDI outward

stock is increasing but overall it is not increasing if we show the figure of FDI outflows as a % of GDP.

## FOREIGN DIRECT INVESTMENT OUTWARD STOCK

Units: In USD billion

Year	FDI OUTWARD STOCK
2008	63.3
2009	80.9
2010	96.9
2001	109.5
2012	118.2



The above table shows that FDI stock from India is rising. It was \$ 63.3 billion in 2008 and became \$ 118.2 billion in 2012 which was 86.72 percent in 2012 as compared to 2008.

## CONCLUSION

The growth of Indian OFDI is expected to continue. The sectoral and regional distribution of Indian outward FDI is broadening. The liberalization of policies of various sectors as medical services, defence, information technology and education is motivating Indian companies to look at overseas acquisitions to build both domestic strength and global presence. It is expected that foreign investments in the natural resource sectors will surge, given the continuing difficulty in acquiring large tracts of land for agricultural purposes and the growing

resistance to large mining projects in India. Indian MNEs will continue to invest in developed-country based companies, particularly now that they are more affordable due to the global crisis. In addition, Indian MNEs are seeking more strategic investments in emerging markets. Thus it is very necessary that Indian government and Reserve Bank should constantly review the policies and procedures of overseas investment by Indian companies that would facilitate globalization efforts through outward FDI without adverse implications for vast domestic economy and its macro-economic stability. In this way FDI will help realize India its true path of economic growth.

## REFERENCES

1. Baskaran, S. A., & Charlas, L. J. (2012). A Study on the Outward FDI from India. ZENITH International Journal of Business Economics & Management Research, 2(6), 49-60.
2. Jha, G. M., Agrawal, A., Gupta, A., & Mishra, A. K. (2013). Determinants of FDI in South Asia. International Research Journal of Social Sciences, 2(1), 1-6.
3. Dunning, J. H. (2003). The role of foreign direct investment in upgrading China's competitiveness. Journal of International Business and Economy, 4(1), 1-10. Globerman, S., &

4. Shapiro, D. M. (2008). 12. Outward FDI and the economic performance of emerging markets. The rise of transnational corporations from emerging markets: threat or opportunity?, 229
5. Baskaran, S. A., & Charlas, L. J. (2012). A Study on the Outward FDI from India. *ZENITH International Journal of Business Economics & Management Research*, 2(6), 49-60.
6. Anwar, A. I., Hasse, R., & Rabbi, F. (2008). Location Determinants of Indian Outward Foreign Direct Investment: How Multinationals Choose their Investments Destinations. In CBS Conference on Emerging Multinationals.
7. Kayam, S. S. (2009). Home market determinants of FDI outflows from developing and transition economies.
8. Hattari, R., & Rajan, R. S. (2010). India as a source of outward foreign direct investment. *Oxford development studies*, 38(4), 497-518.
9. Ravi, S., & Charu, S. (2010). *FDI Outflows from India: An Examination of the underlying Economics, Policies and their Impact* (No. WP2010-03-01). Indian Institute of Management Ahmedabad, Research and Publication Department.
10. Mittal, P., & Aggarwal, S. (2012). Analysis of fdi inflows and outflows in India. *ZENITH International Journal of Business Economics & Management Research*, 2(7), 212-229.
11. Fung, K. C., & Garcia-Herrero, A. (2012). Foreign direct investment outflows from China and India. *China Economic Policy Review*, 1(01).