

Study On Fpi Inflows In India – A Sector Wise Analysis

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Summary

This study examines the flow FPI into different sectors in the Indian Economy. This data is collected on five sectors which are: Health care sector, oil and gas, automobile industry, Metal & Mining and Telecommunication. In this research paper, a study has been developed on flow of FPI into the economy. Graphs and tables were used for Presentation of data. Secondary data was collected from websites of NSDL, IBEF, RBI, etc. The paper conclusively identifies a few sectors of Indian economy and established that economic conditions have an impact on flow of FPI into the country. This is helpful for investors, financial management consultants, and policy makers for decision making. Due to limitation of time, data size is kept small. The Period of data under the study is from 2015-2022. The study adds value to the literature by exploring interest regarding macroeconomic conditions.

Keywords: FPI, Health care sector, oil and gas, automobile industry, Metal & Mining and Telecommunication

Date of Submission: 04-03-2024

Date of Acceptance: 14-03-2024

I. Introduction

Foreign Portfolio Investments (FPI) means acquisition of securities of existing companies in India and issuer- companies have a more diversified ownership structure as foreign investors become their shareholders. Along with foreign direct investment (FDI), FPI is one of the common ways to invest in an overseas economy Foreign portfolio investment (FPI) consists of securities and other financial assets held by investors in another country. It does not provide the investor with direct ownership of a company's assets and is relatively liquid depending on the volatility of the market. FDI and FPI are both important sources of funding for most economies. Securities and Exchange Board of India (SEBI) operates the FPIs.

Foreign portfolio investors are normally exposed to increased share price volatility, which increases their risk, and investors expect to receive compensation for the risk they take on. Foreign portfolio investors can access equities, bonds, derivatives, mutual funds, and guaranteed investment certificates, among other instruments.

SEBI has introduced the Foreign Portfolio Investors Regulations, 2019. FPIs also need to follow the Income-tax Act, 1961 and Foreign Exchange Management Act, 1999.

Automobile Industry in India

The Indian auto industry became the 4th largest in the world with sales increasing 9.5 per cent year-on-year to 4.02 million units (excluding two wheelers) in 2017. It was the 7th largest manufacturer of commercial vehicles in 2018. The Two Wheelers segment dominates the market in terms of volume owing to a growing middle class and a young population. Moreover, the growing interest of the companies in exploring the rural markets further aided the growth of the sector.

India is also a prominent auto exporter and has strong export growth expectations for the near future. Automobile exports grew 14.5 per cent during FY 2019. It is expected to grow at a CAGR of 3.05 per cent during 2016-2026.

Health Care sector

The services sector is not only the dominant sector in India's GDP, but has also attracted significant foreign investment flows, contributed significantly to exports as well as provided large-scale employment. India's services sector covers a wide variety of activities such as trade, hotel and restaurants, transport, storage and communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction.

Thus, service sector which is dominant in terms of its growth & shares serves as an engine of growth for Indian economy. It is important for a developing country like India with a large and young population to generate quality employment and move up the value chain.

Metals and Mining

With the launch of the National Mineral Policy 2019 and the Mines and Minerals (Development and Regulation) Amendment Act 2021, India presents a major opportunity for investors looking to invest in the metal industry in India. India has large reserves of Iron ore, Bauxite, Chromium, Manganese ore, Baryte, Rare earth and Mineral salts. The Metals and Mining sector in India is expected to witness a major reform in the next few years, owing to reforms such as Make in India Campaign, Smart Cities, Rural Electrification, and a focus on building renewable energy projects under the National Electricity Policy as well as the rise in infrastructure development. Ministry of Coal launched the fifth tranche, second attempt of fourth tranche and second attempt of third tranche of commercial coal mine auction on March 30, 2022. The 3rd round of auction have 88 coal blocks offered and the 4th round of auction held in December 2021 offered 99 coal mines, of which 59 are fully explored with 40 partially explored.

Oil and gas

The oil and gas sector is among the eight core industries in India and plays a major role in influencing decision making for all the other important sections of the economy. India's economic growth is closely related to its energy demand, therefore, the need for oil and gas is projected to grow more, thereby making the sector quite conducive for investment. India retained its spot as the third-largest consumer of oil in the world as of 2021.

Telecommunication sector in India

India is currently the world's second-largest telecommunications market with a subscriber base of 1.20 billion and has registered strong growth in the past decade and half. The Indian mobile economy is growing rapidly and will contribute substantially to India's Gross Domestic Product (GDP), according to report prepared by GSM Association (GSMA) in collaboration with the Boston Consulting Group (BCG). As of January 2019, India has witnessed a 165 per cent growth in app downloads in the past two years.

The liberal and reformist policies of the Government of India have been instrumental along with strong consumer demand in the rapid growth in the Indian telecom sector. The government has enabled easy market access to telecom equipment and a fair and proactive regulatory framework that has ensured availability of telecom services to consumer at affordable prices. The deregulation of Foreign Direct Investment (FPI) norms has made the sector one of the fastest growing and a top five employment opportunity generator in the country.

Objective Of The Study

To study the changes in the flow of FPI into various sectors in India

II. Methodology

In this study, five different sectors of India are examined. The factors investigated are Health care sector, oil and gas, automobile industry, Metal & Mining and Telecommunication.

Data: In this study, we use the data of flow of FPI into Health care sector, oil and gas, automobile industry, Metal & Mining and Telecommunication from 2015-22.

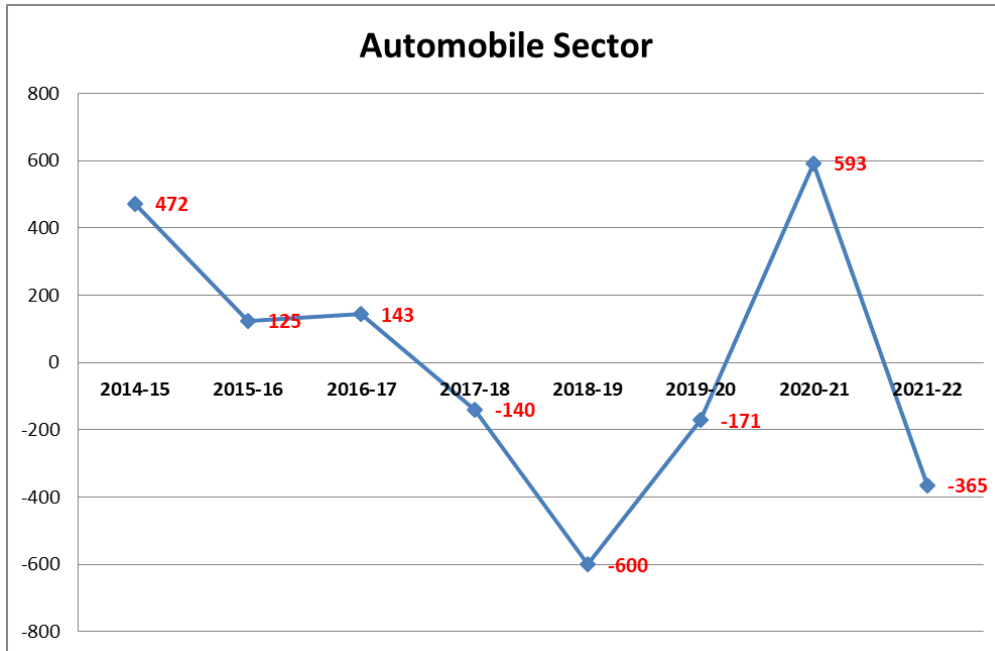
Data Analysis Techniques: For the purpose of the study, the different sectors are depicted in various tables and graphs. Firstly, we identified the sectors. Secondly its value were tabulated and presented in various graphs and finally the flow of fund was analyzed and interpreted.

Analysis And Interpretation

The flow of FPI into the various sectors will be presented and interpreted using various tables and diagrams.

FPI in Automobile Sector

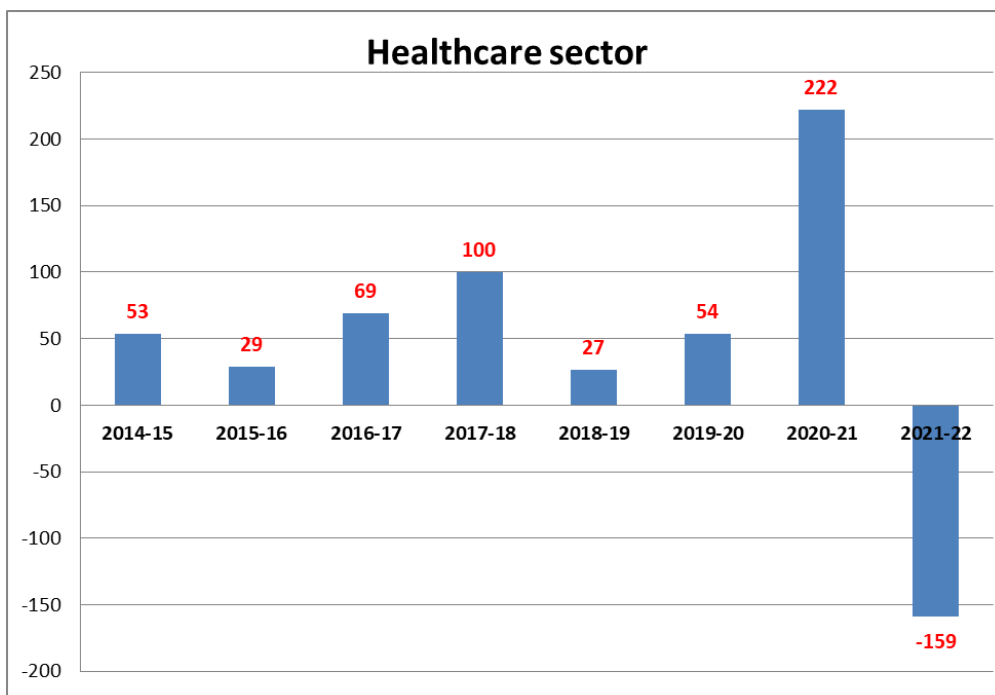
Year	FPI in Automobile Sector
2014-15	472
2015-16	125
2016-17	143
2017-18	-140
2018-19	-600
2019-20	-171
2020-21	593
2021-22	-365



The table and Graph, shows the FPI flows in Automobile sector in India. We can observe that the change of the trend is downward in 2015 and 2016. The year 2017 had a mild increase and a downward trend till 2019. In the period of 2019 to 2021, has seen an increase in the rate, then a sharp depth in the flow of FPI in Automobile sector.

FPI in Healthcare Sector

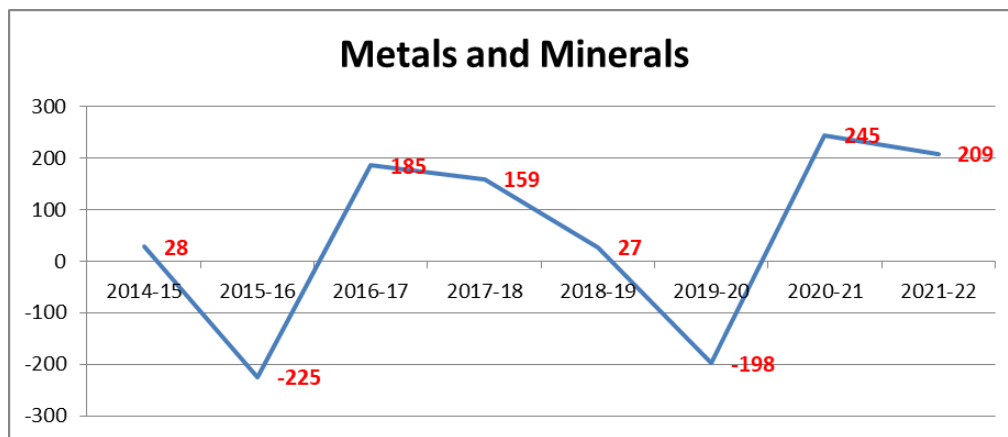
Year	FPI in Healthcare Sector
2014-15	53
2015-16	29
2016-17	69
2017-18	100
2018-19	27
2019-20	54
2020-21	222
2021-22	-159



The table and Graph, shows the flow of FPI in Healthcare Sector in Indian economy. It can be observed that the flow in the sector showed a decreasing trend in 2016 and then it increased till 2018. The year 2019 saw a decline and saw a huge rise in the 2021. In the period of 2014 to 2016, the FPI flow in the sector showed a sharp decline in 2022.

FPI in Metals & Minerals

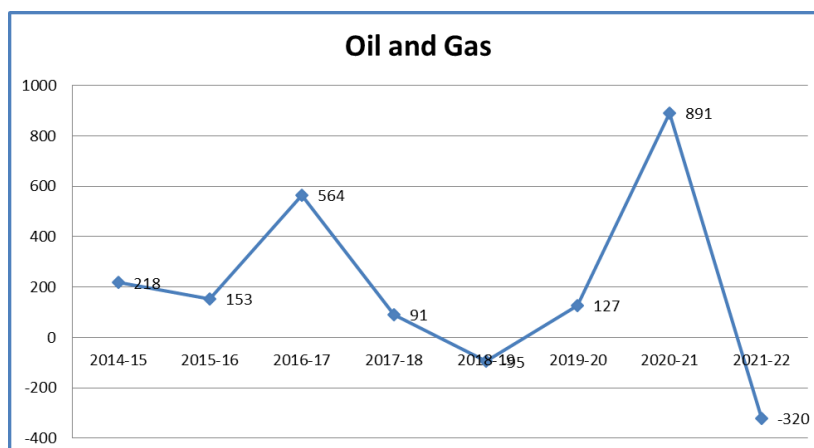
Year	Metals and Minerals
2014-15	28
2015-16	-225
2016-17	185
2017-18	159
2018-19	27
2019-20	-198
2020-21	245
2021-22	209



The table and Graph, shows the FPI flows in Metals and Mineral sector in India. We can observe that the change of the trend declining in 2016. The year 2017 had a rise and a marginal drop 2018. There is a decrease in 2019 and further decrease in 2020. The FPI into the sector saw an increase in 2021 and a slight decrease in 2022.

FPI in Oil & Gas sector

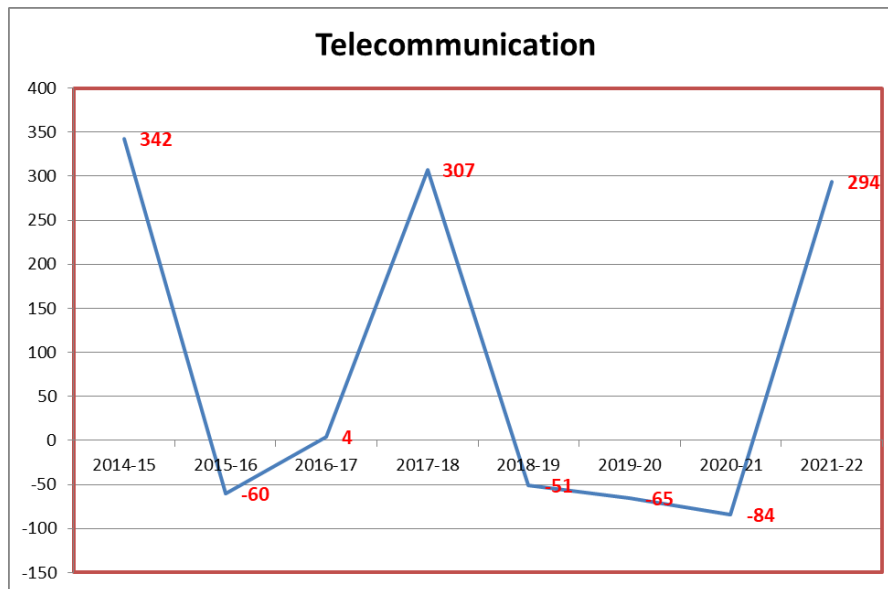
Year	Oil and Gas
2014-15	218
2015-16	153
2016-17	564
2017-18	91
2018-19	-95
2019-20	127
2020-21	891
2021-22	-320



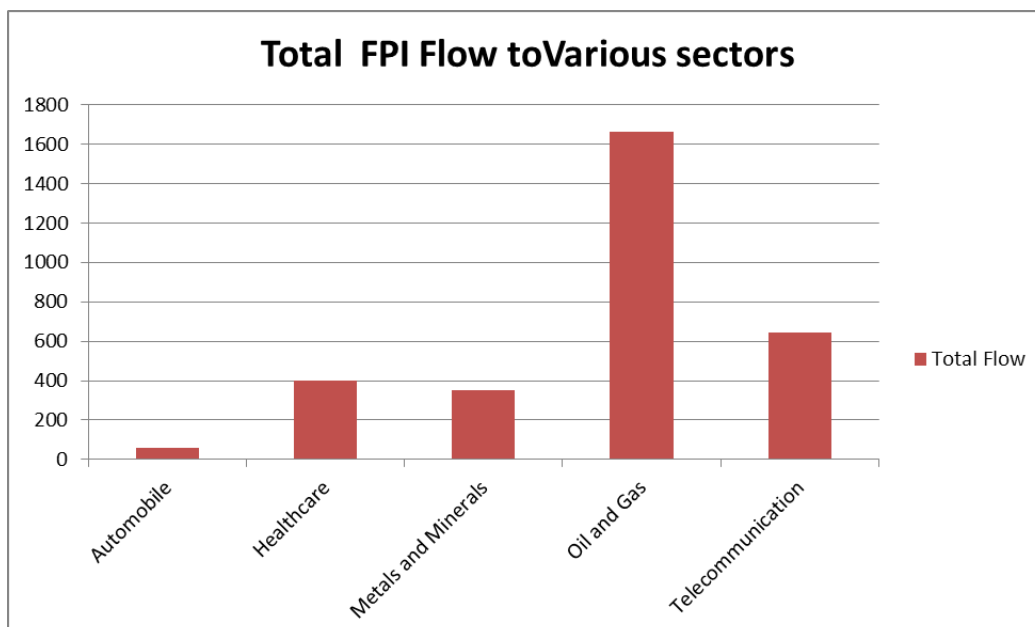
The table and Graph, shows the flow of FPI in Oil and Gas Sector in Indian economy. It can be observed that the flow in the sector showed a decreasing trend in 2015 and then it increased till 2017. The year 2018 and 2019 showed a decline then a rise in the 2021 followed by a sharp decline in 2022.

FPI in Telecommunication sector

Year	Telecommunication
2014-15	342
2015-16	-60
2016-17	4
2017-18	307
2018-19	-51
2019-20	-65
2020-21	-84
2021-22	294



The table and Graph, shows the flow of FPI in telecommunication sector. We can observe that the change of the trend is downward in 2015. The year 2016 had a slight increase and 2017 had an increasing trend. The period of 2018-19 observed a drastic fall and 2019-20 and 2020-21 witnessed marginal decreasing trends. In 2021-22 saw a lot of money flowing into the economy.



III. Conclusion

The paradigm shift in the Indian economy means change in approach or assumption of the economy. This study aimed at explaining the sectoral flow of FPI. Five sectors were identified, presented and interpreted according to the secondary data collected. The period selected for the study was 2009-2019, which has various economic scenarios in it like depression, recession and even growth. The period was rich in economic situations due to Demonetization, GST regime, COVID, etc. In the study it was found that except for Oil and Gas all the other sectors had low inflow of FPI. The study concludes that FPI flows are volatile and low in the country and it has kept on increasing and decreasing in various sectors. Hence the economic conditions of a country affect the flow of FPI into the country.

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