IMPACT OF FOREIGN DIRECT INVESTMENT (FDI) ON SUSTAINABLE DEVELOPMENT – A STUDY BASED ON RECENT ISSUES

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Abstract: The whole world is struggling with the impacts of pandemic due to Covid-19. All communities look together to overcome this emergency. Covid-19 has dramatically set back Foreign Direct Investment (FDI) progress, and affected all aspects of financing for development. In our study, we have addressed some issues like, private investment and finance, public investment and finance to overcome the financial exigencies. FDI is one of the most important issues in financial sustainability. In this article, we have highlighted the overall positions of FDI during last couple of years.

Keywords: Financial Sector, Sustainability, Foreign Direct Investment (FDI).

Introduction

Incorporating the concept of sustainable development into government agendas are currently a major priority worldwide. After the post covid-19 world, the leaders to rethink and reimage their vision of success. As the businesses gear up to ease into the post covid-19, they look at the new possibilities for operational optimization and robustness. As per stake holders concern, sustainability reporting would be more vital. The financial sector plays an essential role in mobilizing and allocating the required capital for the transition. An efficient and stable financial sector gives a right framework in investment decisions. In 'make in India' theme FDI provides opportunities for future competitiveness, innovation, growth, prosperity, security as well as employment and safeguard in social sectors also. In the developing countries FDI attracting the largest shares in primary as well as manufacturing sectors are hit the worst FDI being a critical driver of the economic growth could play an important role in supporting sustainable development during and after the crisis.

Literature Review

Aggarwal (2020) observed that covid-19 has battered the worst recession ever in the global economy. He also observed that 15% of the young people already lost their job. FDI being critical driver of the economic growth and it also hit the worst in pandemic situation.

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Al Ahbabi and Nobanee (2020) discussed that financial management is one of the important tool that promotes sustainable business practices. This article focused on some issues like address risk that impact on corporate sustainability, corporate sustainability reporting disclosure and also promoting sustainable development in the long term of a business.

Sharif and Kaushal (2018) opined that financial improvement conveys alongside itself expenses to the countries in the shape of environmental degradation. They have been made to explore the existing literature on the green finance and future scope of green finance in India.

Objectives

In this paper FDI is depicted a few suitable elements. FDI is identified as one of the important factors in development of our economy and also a source of sustainability in future context. The fundamental objective of their study is to build up economic growth at grass root level of the country. Hence, this study has the following specific objectives:

1) To highlight the situation of Foreign Direct Investment in present context.

2) To identify the financial instruments that is focused on sustainable development.

Methodology

This article conducted with the help of published reports and policy document on Reserve Bank of India and other GOI annual report. The literature review in this study mainly focuses on sustainable development on finance. We use descriptive statistics and other statistical tools like correlation co-efficient on various financial instruments to find out the suitable result as we expected.

Overview of Industrial Production

Table - 1 : Annual Growth of Index of Industrial Production (IIP) since the year 2015-16. (Figure in Percent)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-2020	2020-2021 (Apr to Oct)
Mining	4.3	5.3	2.3	2.9	1.6	-13.3
Manufacturing	2.8	4.4	4.6	3.9	-1.4	-19.7
Electricity	5.7	5.8	5.4	5.2	1.0	-5.6
Primary Goods	5	4.9	3.7	3.5	0.7	-12.7
Capital Goods	3	3.2	4.0	2.7	-13.9	-34.5
Intermediate Goods	1.5	3.3	2.3	0.9	9.1	-19.6
Infrastructure /Construction Goods	2.8	3.9	5.6	7.3	-3.6	-20.8
Consumer Durables	3.4	2.9	0.8	5.5	-8.7	-31.7
Consumer non-durables	2.6	7.9	10.6	4.0	-0.1	-5.9

Source: Annual Report-2020-21, GOI, ministry of Commerce and Industry, Department for Promotion of Industry & Internal Trade.

It has been observed from the Table-1 that, annual growth of Mining since 2015-16 to 2019-20 were 4.3, 5.3, 2.3, 2.9 and 1.6, but in 2020-21 after covid-19 the growth rate of mining was declined by 13.3, it was huge set back in case of mining sector. In case of Manufacturing sector, the annual growth from 2015-16 to 2019-20 were 2.8, 4.4, 4.6, 3.9, -1.4 but in 2020-21 the growth rate was declined by -19.7. Another part the capital goods and consumable durables goods were badly affected during covid-19 pandemic. These two sector growths were declined by more than 30 percent such as -34.5 and -31.7 percent respectively.

Core Industries and its Growth

Table-2: Growth of Index of Eight Core Industries (Figure in Percent)

Sector	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 (Apr to Oct)
Coal	4.8	3.2	2.6	7.4	-0.4	-3.6
Crude Oil	-1.4	-2.5	-0.9	-4.1	-5.9	-6.1
Natural Gas	-4.7	-1.0	2.9	0.8	-5.6	-12.5
Refinary Products	4.9	4.9	4.6	3.1	0.2	-16.4
Fertilizers	7	0.2	0.03	0.3	2.7	4.1
Steel	-1.3	10.7	5.6	5.1	3.4	-22.8
Cement	4.6	-1.2	6.3	13.3	-0.9	-21.3
Electricity	5.7	5.8	5.3	5.2	0.9	-5.6

Source: Annual Report-2020-21, GOI, ministry of Commerce and Industry, Department for Promotion of Industry & Internal Trade.

From the above table it has been seen that, some particular sector like coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity also badly affected during pandemic. After covid-19 pandemic the growth rate of such eight core industries were decreased by -3.6, -6.1, -12.5, -16.4, -22.8, -21.3 and -5.6 percent respectively. Positive growth was seen only fertilizer sector in during pandemic. But other industries were badly affected during covid-19 pandemic.

Flow of Foreign Direct Investment

Table-3: Sector Wise Inflow of Foreign Direct Inflow (Figure in US Million)

Item	2015-16	2016-17	2017-18	2018-19	2019-20
Manufacturing	8439	11972	7066	7919	8153
Communication Services	2638	5876	8809	5365	6838
Retail & Wholesale	3998	2771	4478	4311	4914
Financial Services	3547	3732	4070	6372	4326
Computer Services	4319	1937	3173	3453	4104
Business services	3031	2684	3005	2597	3684
Restaurant & Hotels	889	430	452	749	2546
Transport	1363	891	1267	1019	2333
Construction	4141	1564	1281	2009	1937
Electricity & other Energy	1364	1722	1870	2427	1906
Real state Activities	112	105	405	213	564
Education, Research & Development	394	205	347	736	528
Misc. Services	1022	1816	835	1226	443
Mining	596	141	82	247	217
Others	215	470	226	102	137

Source: Annual Report-2019-20, GOI, ministry of Commerce and Industry, Department for Promotion of Industry & Internal Trade.

From the Table-3, we have been analyzed the sector wise inflow of foreign direct investment from 2015-16 to 2019-20. It has been seen that the important sector like manufacturing, retail & whole sale, construction, electricity and other energy and financial services were huge contribution from foreign direct investment. From 2015-16 to 2019-20, foreign direct investment in manufacturing sector were 8439, 11972, 7066, 7919 and 8153 US million dollar.

Conclusion

Foreign direct investment (FDI) leads to the long term growth of the economy. It not only took technology at the higher level also reduce unemployment rate. In 2020 despite the Covid-19 pandemic India recorded some growth in FDI sector. Moreover, our findings could usefully be compared with several manufacturing as well as industrial components in foreign direct investment sector. Another valuable area of study would be to analyze the post Covid-19 situation in industrial sector, which might be suitable for emerging new economic and how the country restore there several difficulties in financial sector. Finally, analysis is needed to determine the effectiveness of foreign direct investment in sustainable development financing instruments and also their social impact.

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