

FDI and Service Sector

Foreign direct investment in services sector grew 36.5 per cent to USD 9.15 billion in 2018-19, according to the Department for Promotion of Industry and Internal Trade (DPIIT). The sector attracted FDI worth USD 6.7 billion in 2017-18. Services sector includes finance, banking, insurance, outsourcing, R&D, courier, tech testing and analysis. The government has taken several measures like fixing timeliness for approvals and streamlining procedures to improve ease of doing business in the country and attract foreign investments. Increasing FDI inflows in services sector is vital as it contributes over 60 per cent to the gross domestic product. The sector accounts for about 18 per cent of the total FDI India received between April 2000 and March 2019. Other sectors that recorded healthy growth in FDI inflows include computer software and hardware, trading, automobile industry, and chemicals. The overall FDI inflows declined for the first time in the last six years in 2018-19, falling 1 per cent to USD 44.37 billion as foreign investments fell significantly in telecommunication and pharmaceutical sectors, official data showed. Foreign investments are crucial for India as the country needs around USD 1 trillion for overhauling its infrastructure sector such as ports, airports and highways to boost growth. A strong inflow of foreign investments helps improve the country's balance of payments situation and strengthens the value of rupee against global currencies, especially the US dollar. FDI in chemicals sector too registered a marginal decline in 2017-18, when it attracted USD 1.30 billion investments as compared to USD 1.39 billion in 2016-17.

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