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Major Flows of Foreign Capital and Revenue Receipts in India

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ABSTRACT

Capital may be the most significant factor of production along with entrepreneur. There are two types of capital, human capital and physical capital. In the present paper, the focus will be on physical capital and particularly that brought from foreign countries. A business consisting of commerce, trade, aids to trade and industry is dependent upon capital. The present research study will focus on the flows of foreign capital in the era of globalisation in the whole world. It may facilitate different governments, multi-national companies, multilateral institutions, planners and decision-makers to take various decisions of investments whether foreign direct or portfolio both. In any country, the business environment may be conducive to the growth of business and trade. The foreign capital will flow into a country where the business environment is comfortable and vice-versa. Such capital may be in the form of foreign aid, foreign direct investment, foreign portfolio investment, commercial loans and official flows. Generally foreign capital remains helpful in technology transfer, exploitation of natural resources, strengthening infrastructure, increasing productivity, generating employment opportunities along with increasing competitiveness in the domestic economy. However, many a times, there may be some restrictive conditions with foreign capital along with its sensitivity in the local business environment. In the present paper a global scenario regarding foreign capital will be analysed that may help individual countries in their policy formulation and also multilateral institutions to decide the global future course of action.

Objectives of the Study-

The specific objectives of the study are the following:

1) To study the quantum of the flows of foreign capital in different economies of the world.
2) To examine the flows of different types of foreign capital into different economies in comparable form.
3) To suggest the ways and means to MNCs, different countries and multilateral institutions.

Sources of data and Research Methodology-

The present research study is based on the secondary and cross sectional data collected from the following sources:

- World Development Indicators, International Bank for Reconstruction and Development, World Bank Group, Washington D.C., 2015.
- Statista, India – Statistics and Facts, Available at https://www.statista.com

The World Development Indicators constitute a chapter on the States and Markets that constitutes very important and impressive cross-sectional data directly relevant and in comparable form for different countries, MNCs and multilateral institutions. The data provided by the World Bank is quite reliable and authentic on the basis of which any country may draw its future course of action in the planned era.
The present study uses a research methodology of Hermeneutics and Exegesis of the Content Analysis which seems quite an appropriate research technique for the systematic, objective, qualitative and of course quantitative description of the data procured through various secondary sources. The relevant data have been collected, brought into a comparable form, condensed, organized and presented into two-dimensional tables. Then these tables are analysed and interpreted for further planning and decision-making for the whole of the Indian union particularly on the aspects of international trade. It will also be beneficial to know the trade and commerce environment of other economies so that an appropriate investment decisions in various countries may be taken by their respective governments, MNCs and multilateral institutions. It is also important to mention here that a broad picture will be drawn to facilitate these institutions in their future course of action.

Review of Studies

Baldwin John R and Wulong Gu (2005) studied on the Global links: multinationals, foreign ownership and productivity growth in Canadian manufacturing. They found that there are two benefits of foreign controlled plants in the Canadian manufacturing sector – one is the superior performance of these plants and another is their productivity spillovers to domestic plants. Tushar Krishna, Amit Kumar, Li-Shiuan Peh, Jacob Postman and Patrick Chiang (2009) examined the Express virtual channels with capacitively driven global links and found that the networks on chip must deliver high bandwidth at low latencies while keeping within a tight power envelope. B Oyelaran-Oyeyinka (2006) studied Learning in local systems and global links: The Otigba computer hardware cluster in Nigeria. He asserted that a according to traditional wisdom, the poor countries are unlikely to be host to a high technology sector and particularly within the organisation of small and medium enterprises. P Widener (2009) examined the Global links and environmental flows: oil disputes in Ecuador. He analysed the material flows and non-material flows both. The material flows included the extraction, transportation and exportation of oil and non-material flows included community and environmental campaigns. Both flows examined along an oil supply chain. It was revealed that grassroots and professional organizations in communities in communities integrated in petroleum's commodity chain are least coupled with transnational campaigns. Stark D C, Vedres B and Bruszt L (2005) analysed the Global links, local roots: Varieties of Transnationization and Forms of Civic Integration. They found and favoured these global links. They stressed on the importance that the domestic organisations can contact, communicate and partner with transnational NGOs along with international and supranational agencies for financial support and non-monetary resources in the form of organizational transfer of skills, knowledge and information. Simultaneously, the East Central European fragile civic organizations were sinking their roots into the domestic society. The organizations had sound bonds of relationship within their own and other domestic organizations and the twinned processes went on throughout.

Results and Discussion-

The table shows personal remittances received in million US dollar for the year 2013, foreign direct investment (net inflow) in million US dollars for the year 2013, portfolio equity (net inflow) in million US dollars for 2013, total external debt stock in million US dollar for 2013 and total debt service (% of exports of goods, services and primary income for the year 2013. The Column 3 shows the personal remittances received in million US dollars. It is delightful fact that the highest such remittances in the world are for India, i.e., US $ 69,970 million. The second and third highest remittances received by China (US $ 38,819 millions) and Philippines (US $ 26,700 million) for the year 2013. It is the matter of research how India has achieved such position. However, it seems that India being overpopulated country from where the huge population has been migrated to the developed countries where they work hard and the credit and thrift habits of Indian people is 31.8 per cent of its GDP (Column 8). Those migrated Indians sent such a huge and largest amount of remittances to their homes. It is also worth mentioning here world's highest gross savings rate is for Timor-Leste where it is 249.0 per cent of the GDP. A separate study may require to look into how it becomes possible to save more than its GDP but the whole world may take lesson from such a tiny country.

The Column 4 of the table shows the foreign direct investment (net inflow) in US million $ for the year 2013. It is highest for China ($ 3,47,849 million), The U.S. ($ 2,94,971) and Brazil ($ 80,843 million) for the year 2013. India has only $ 28,153 million FDI inflow in the year 2013. It seems worthless to see which countries have the least FDI inflow. Similarly, the Column 5 of the table shows the net inflow of portfolio equity in million US dollar. The highest portfolio equity has been for Luxembourg, Ireland and France that is US $ 2,25,929; 1,09,126 and 35,019 million respectively for the year 2013. In case of India, it is $ 19,892 million that is not a significant amount. There is a need of proper environment for MNCs to bring foreign direct investment (FDI) and portfolio equity (PE) both types of investments.

The Columns 6 and 7 show the total external debt stock in million dollars and total debt servicing as per cent of exports of goods, services and primary income respectively for the year 2013. The highest total external debt stock in the world is for China with $ 8,74,463 million. The next highest are Brazil, Mexico and India with $ 4,82,470; 4,43,012 and 4,27,562 million of total external debt stock. However, the total debt servicing as per cent of exports of goods, services and primary income has been highest for Turkey, Brazil and Pakistan with 28.9, 28.6 and 26.3 per cent respectively. It is a matter of surprise that China having highest total external debt stock in the world but its total debt servicing is merely 1.5 per cent of its exports of goodsThe present research study encompasses foreign loans and links both. There may be mixed positives and negatives for different countries of the world keeping in view various variables. Regarding foreign trade, it is interesting to note that the developed and advance countries of the world including the U.S., the U.K. and Germany have no external debt stock and therefore nothing to pay as debt servicing for the year 2013. Regarding personal remittances received, there is good amount for these three countries but these are not highest.

Table - Major Flows of Foreign Capital and Revenue Receipts

Sr. No.	Country	Personal Remittances Received ($ Millions) 2013	FDI (Net Inflows) ($ Million) 2013	Portfolio Equity (Net Inflows) ($ Million) 2013	Total External Debt Stock ($ Million) 2013	Total Debt Service (% of Exports of Goods, Services & Primary Income) 2013	Gross Savings (% of GDP) 2013
1.	**2.**	**3.**	**4.**	**5.**	**6.**	**7.**	**8.**
1	Argentina	532	11,392	462	1,36,272	13.7	16.2
2	Australia	2465	51,967	15,433	-	-	24.6

3	Austria[c]	2810	15,608	2,348	-	-	25.6
4	Bangladesh	13,857	1,502	270	27,804	5.2	38.8
5	Brazil	2,537	80,843	11636	4,82,470	28.6	13.7
6	Canada	1,199	70,753	17902	-	-	21.0
7	China	38,819	3,47,849	32595	8,74,463	1.5	51.3
8	-Hong Kong, SAR China	360	76,639,	11,916	-	-	25.6
9	-Macao, SAR China	49	3708	-	-	-	58.2
9	France	23,336	6,480	35,019	-	-	20.1
10	Germany	15,792	51,267	15,345	-	-	25.8
11	**India**	**69,970**	**28,153**	**19,892**	**4,27,562**	**8.6**	**31.8**
12	Indonesia	7,614	23,344	-1,827	2,59,069	19.4	29.0
13	Ireland[c]	718	49,960	1,09,126	-	-	20.7
14	Luxembourg[c]	1,818	30,075	2,25,929	-	-	14.4
15	Malaysia	1,396	11,583	-	2,13,129	3.5	30.4
16	Mexico	23,022	42,093	-943	4,43,012	10.3	20.6
17	Pakistan	14,626	1,307	118	56,461	26.3	21.0
18	Philippines	26,700	3,664	-34	60,609	7.7	43.2
19	Russian Fed.	6,751	70,654	-7,625	-	-	24.2
20	Singapore	-	63,772	-90	-	-	47.4
21	Thailand	5,690	12,650	-6,487	1,35,379	4.4	28.5
22	Turkey	1,135	12,823	841	3,88,243	28.9	13.1
23	U.K.	1,712	48,314	27,517	-	-	12.4
24	U.S.	6,695	2,94,971	-85,407	-	-	17.4
25	Vietnam	-	8,900	1,389	65,461	3.5	32.0
26	**World**	**4,60,224s**	**17,56,575s**	**7,02,202s**	**-**	**-**	**22.5**

Source: World Development Indicators, World Bank Group, Washington D.C, 2015.
Notes : w - The Aggregates are totals by weighted average.
s - Simple average c - Being member of the European Monetary Union, there is common currency, Euro

For example, These remittances are 6695, 1712, 15792 and 23336 for the U.S., the U.K., Germany and France which are quite significant. Similarly, in terms of the FDI, the U.S. is the second highest targeted country of the world with the US $ 2,94,971 million, only after China with US $ 3,47,849 million. There is a need of proper environment for MNCs to bring foreign direct investment (FDI) and portfolio equity (PE) both types of investments. In terms of the PE, it is the U.S. where the figure is in the negative and largest amount, i.e., US $ 85,407 million. It signifies that this is the U.S. who has PE invested in other countries. Likewise, the U.S., U.K., Germany and France, the most developed countries of the world have no external debt stock along with the debt servicing. These are the countries which have been financing other countries and multilateral institutions for different purpose. These are the noble purposes giving an impetus to the global links. However, the most developed countries like the U.S. and the U.K. have been lagging behind in terms of the gross savings as per cent of their respective GDP. These are the countries which are developed on the one hand but lagging behind in terms of credit and thrift habits of the inhabitants of these countries.

In essence, the global business environment in modern times is quite impressive in which different countries have been showing different capabilities in the direction of entrepreneurship, foreign trade, loans and links, of course, for the uplift of the whole human race.

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