A Comparative Study of FDI Rate of India and Brazil

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ABSRACT

For the Purpose of Development of countries and for the Measure the economic performance of the countries the different indicators are used, like GDP (Gross Domestic Production) Growth rate, Import and Export rate, Gross savings, Import and Export rate, FDI etc. The FDI rate is one of the most powerful indicators for the Development of countries. Foreign Direct Investment is investment of foreign assets into domestic structure, Equipment and organization. FDI allows to money to freely go to whatever business has the best prospect for growth anywhere in the world. The present study focus to evaluate the FDI rate analysis with special references to India and Brazil. For the purpose of analysis of India and brazil economy the FDI rate are selected. The study covers period of 10 years from the year 2010 to 2019. For this investigation secondary data are used. For check the FDI rate Trend, Average and T test are applied.

INTRODUCTION

A foreign direct investment (FDI) is a controlling ownership in a business enterprise in one country by an entity based in other country. Foreign direct investment is investment of foreign assets into domestic structures, equipment, and organizations. It does not include foreign investment into the stock markets. Foreign direct investment is thought to be more useful to a country than investments in the equity of its companies because equity investments are potentially "hot money" which can leave at the first sign of trouble, whereas FDI is durable and generally useful whether things go well or badly. FDI is a major source of external finance which means that countries with limited amounts of capital can receive finance beyond national borders from wealthier countries. Exports and FDI have been the two key ingredients in China's rapid economic growth. According to the World Bank, FDI and small business growth are the two critical elements in developing the private sector in lower-income economies and reducing poverty. Foreign direct investment has many advantages for both the investor and the recipient. One of the primary benefits is that it allows money to freely go to whatever business has the best prospects for growth anywhere in the world. That's because investors aggressively seek the best return for their money with the least risk. This profit motive is color-blind, doesn't care about religion or form of government.

REVIEW OF LITERATURE

1 Sharma K. Published Article on “Export growth in India: has FDI played a role” Export supply is positively related to the domestic relative price of exports and higher domestic demand reduces export supply. Foreign investment appears to have statistically no significant impact on export performance although the coefficient of FDI has a positive sign.

2 Singh, Shikha Published Article on "Foreign Direct Investment (FDI) and Growth of States of India" This study stated that foreign direct investment (FDI) policies play a major role in the economic growth of developing countries around the world. In the light of the above the paper highlights the trend of FDI in India after the economic reforms, sector-wise and country-wise share of FDI, the manner in which FDI has affected the growth of Indian states. Various factors which play a significant role in attracting FDI into a particular state are also examined. Efforts made by the state governments in order to attract maximum FDI are also studied.

3 Narayana murthy Vijayakumar, Perumal Sridharan, Kode Chandra Sekhara Rao Published Article on "Determinants of FDI in BRICS Countries: A panel analysis" This paper analyzes the effects of foreign aid on the economic growth of developing countries. The study uses annual data on a group of 85 developing countries covering Asia, Africa, and Latin America and the Caribbean for the period 1980-2007. The hypothesis that foreign aid can promote growth in developing countries was explored. This hypothesis was tested using panel data series for foreign aid, while accounting for regional differences in Asian, African, Latin American, and the Caribbean countries as well as the differences in income levels. While the findings of previous studies are generally mixed, the results of this study also indicate that foreign aid has mixed effects on economic growth in developing countries.

4 Shiva S. Makki, Agapi Somwaru Published Article on "Impact of Foreign Direct Investment and Trade on Economic Growth" Foreign direct investment (FDI) and trade are often seen as important catalysts for economic growth in the developing countries. Our analysis, based on cross sectional data of a sample of 66 developing counties over three decades, indicates that FDI and trade contribute significantly towards advancing economic growth in developing countries. We show that FDI interacts positively with trade and stimulates domestic investment. Sound macroeconomic policies and institutional stability are necessary pre-conditions for FDI-driven growth to materialize. Our results imply that lowering inflation rate, tax rates, and government consumption would promote economic growth in developing countries.

OBJECTIVES OF STUDY

1 To review the FDI rate for economic development.

2 To Evaluate the FDI rate of India and Brazil.

3 To study and compare the FDI rate position of the countries under study.

4 To calculate the trend FDI rate of India and Brazil.

RESERCH METHODOLOGY

Data collection

Data collection is very important task for the researcher. This study is based on secondary data and it is collected from websites and other net source. The source of data as under:

www.Tradingeconomics.com

www.worldbank.com

www.macrotrend.net

Sample Design

The total numbers of Countries are the universe of the study. At this stage researcher has decided to take 2 countries India, Brazil, for the study. The researcher used simple random sampling technique and selects the Countries.

Period of the Study:

The present study is made for the period of 10 years from 2010-2019.

Tools and techniques

For the analysis of FDI rate of India and Brazil the different tool like Average, trend and T test are used.

Hypothesis of the study

H0: There is no significant Difference in FDI rate of India and Brazil.

H1: There is significant Difference in FDI rate of India and Brazil..

DATA ANALYSIS

Foreign Direct Investment (FDI)

foreign direct investment, commonly known as FDI refers to an investment made to acquire lasting or long-term interest in enterprises operating outside of the economy of the investor. The investment is direct because the investor, which could be a foreign person, company or group of entities, is seeking to control, manage, or have significant influence over the foreign enterprise.

YEAR	INDIA	Brazil.
2010	1.64	3.73
2011	2.00	3.92
2012	1.31	3.76
2013	1.52	3.04
2014	1.70	3.57
2015	2.09	3.59
2016	1.94	4.14
2017	1.51	3.34
2018	1.55	4.15
2019	1.76	4.27
AVERAGE	**1.70**	**3.75**
MINIMUM	**1.31**	**3.04**
MAXIMUM	**2.09**	**4.27**

The above table shows the FDI (annual %) of India and Brazil, The average FDI rate of India is 1.70 and Brazil is 3.75. The minimum FDI rate of India was 1.31 and maximum FDI rate of India was 2.09 in the year 2012 and 2015 respectively. The minimum and maximum FDI rate of Brazil was 3.04 and 4.27 in the year 2013 and 2019 respectively.

Trend Analysis of Foreign Direct Investment (% of GDP) of India:

Year	India	Trend
2010	1.64	100
2011	2.00	121.95
2012	1.31	79.87
2013	1.52	0.92
2014	1.70	103.65
2015	2.09	127.43
2016	1.94	118.29
2017	1.51	92.07
2018	1.55	94.51
2019	1.76	107.31

From the above table identify that the Foreign Direct Investment (% of GDP) of India. In the year 2010 the Foreign direct investment of India was 1.64% and in the year 2011 it was 2.00%, which indicate the increasing trend during these years. In the year 2012 the rate was 1.31%, which indicate the declining trend. From 2013 to 2015 shows increasing trend and from 2016 to 2019 show mix trend.

Trend Analysis of Foreign Direct Investment (% of GDP) of Brazil:

Year	Brazil	Trend
2010	3.73	100
2011	3.92	105.09
2012	3.76	100.80
2013	3.04	81.50
2014	3.57	95.71
2015	3.59	96.24
2016	4.14	110.99
2017	3.34	89.54
2018	4.15	111.26
2019	4.27	114.47

From the above table identify that the Foreign Direct Investment (% of GDP) of Brazil. In the year 2010 the foreign direct investment of Brazil was 3.73% and in the year 2011 it was 3.92%, which indicate the increasing trend. In the year 2012, 2013 the rate was 3.76%, 3.04% respectively, which indicate the decline trend. From the year 2014 to 2019 the foreign direct investment of Brazil indicates the mix trend.

Hypothesis testing with the use of T test

	India	**Brazil**				
Year	X_1	X_2	$(X_1-\overline{X_1})$	$(X_1-\overline{X_1})^2$	$(X_2-\overline{X_2})$	$(X_2-\overline{X_2})^2$
2010	1.64	3.73	-0.06	0.0036	-0.02	0.0004
2011	2.00	3.92	0.30	0.090	0.17	0.119
2012	1.31	3.76	-0.39	0.1521	0.01	0.0001
2013	1.52	3.04	-0.18	0.0324	-0.71	0.5041
2014	1.70	3.57	00	00	-0.18	0.0324
2015	2.09	3.59	0.39	0.1521	-0.16	0.0256
2016	1.94	4.14	0.24	0.0576	0.39	0.1521
2017	1.51	3.34	-0.19	0.0361	-0.41	0.1681
2018	1.55	4.15	-0.15	0.0225	0.40	0.16
2019	1.76	4.27	0.06	0.0036	0.52	0.2704
	1.70	**3.75**		**0.55**		**1.43**

Mean $\overline{X}_1$ = 1.70 and $\overline{X}_2$ = 3.75 and Difference = 2.05

T – Test Calculated value = 14.13

Degree of Freedom = $n_1 + n_2 - 2 = 18$

Table value at 5% level of significant = 2.1009

FINDINGS

Calculated value	Degree of freedom	Table value	H_0 /H_1
14.13	18	2.1009	H1: Accepted

Conclusion:

Here calculated value is 14.13 & Table value is 2.1009 using the 5% level of significance and calculated value is more than Table value. So, the Null Hypothesis (Ho) is Rejected and Alternative Hypothesis (H_1) is Accepted so, we can say that there is significance difference in FDI rate of India and Brazil under the study period.

SUGGESTION

From the above FDI rate data of the India and Brazil, it would be suggest that the India has need to improve the FDI rate as compared to Brazil. because the India FDI rate trend shows Fluctuation trend during the year, so it need to improve the FDI rate as compared to Brazil

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