



Foreign Direct Investment in Construction Activities

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Abstract:

Foreign Direct Investment (FDI) has been a crucial driver of India's economic growth since the economic liberalization in 1991. It serves as a vital source of non-debt capital, bringing in technology, skills, and expertise, which helps in job creation and overall economic development. The objectives of the present study is to provide a skeleton on foreign direct invest with the scene of different sector specially construction activities sector. The present study is based on secondary data collected from sources. This paper tries to find out sector wise disparities of foreign direct investment India .This paper also tries to find out regional wise disparities of foreign direct investment in India related to constructions activities sector.

Keywords: Infra-Structure, FDI, Construction Activities

Introduction:

Infra-structure of an economy can often be classified into economic and social infra-structures. Energy, Transport system, Communication, Banking, Insurance and Science and Technology are included in economic infrastructure. Economic infrastructure directly support to the process of production and distribution of the economy. India's economic infrastructure shows rapid expansion, with huge capital expenditure (₹11.2 lakh crore in 2025-26 Budget), significant growth in National Highways (1.46 lakh km in 2024) and Metro Rail (810 km operational), and strategic initiatives like PM Gati Shakti for integration, though challenges remain in private investment and specific sector output (like energy) facing pressures, while ports and digital connectivity see major boosts. Key stats highlight increased road density, surging metro network, and rising port capacity, indicating strong public-led growth in physical infrastructure.

India's FDI inflows have increased ~20 times from FY01 to FY25. According to the

Department for Promotion of Industry and Internal Trade (DPIIT), India's cumulative FDI inflow stood at Rs. 99,08,749 crore (US\$ 1.12 trillion) between April 2000-September 2025, mainly due to the government's efforts to improve the ease of doing business and easing of FDI norms. The total FDI inflow into India from April-September 2025 stood at Rs. 4,44,641 crore (US\$ 50.36 billion) and FDI equity inflow for the same period stood at Rs. 3,03,402 crore (US\$ 35.18 billion). Foreign Direct Investment (FDI) has a significant and positive impact on the Indian economy, serving as a crucial non-debt source of capital, technology transfer, and job creation. The Indian government has progressively liberalized FDI policies, making India one of the most attractive investment destinations globally.

Review of Literature:

Rajeshbhai M. P.(2015) Stated in his research paper entitle 'Foreign Direct Investment, The Indian Scenario' FDI in India has a significant role in the economic growth and development of India. FDI in India to various

sectors can attain sustained economic growth and development through creation of jobs, expansion of existing manufacturing industries. The inflow of FDI in service sectors and construction and development sector, from April, 2001 to March, 2014 attained substantial sustained economic growth and development through creation of jobs in India. Mallikarjun Konnur and Mantesh Chubachi (2025) stated in his research paper entitle ‘The Impact of Foreign Direct Investment on India's Sectoral and Regional Economic Growth: An Analytical Study’, the FDI-driven growth requires ongoing reforms of policies and straightforward regulations, improved infrastructures, and solutions to problems with regional differences, bureaucratic inefficiencies, and sectoral discrepancies to sustain continuous growth. Divyadharshini A and Dr.K.Prathiba stated in his article entitle ‘Analyzing The Impact Of Infrastructure Development On India's Economic Growth 1990 To 2024’, The period from 1990 to 2024 has witnessed significant strides in infrastructure development in India, which has been a key driver of its economic growth. From 1991 to 2024, improvements in transport, energy, and digital infrastructure have bolstered productivity and attracted both domestic and foreign investments. However, challenges such as regional disparities, sustainability concerns, and financing remain.

Objectives of the Study:

The objectives of the study are as follows:

- 1) To analysis sector wise foreign Direct Investment inflow in India
- 2) To study the FDI in infrastructure activities
- 3) To study the share of top states attracting FDI equity inflow for construction (infrastructure) activities sector

Research Methodology:

The present study is based on secondary data. The secondary data has been collected by Department of Promotion of Industry and Internal Trade (DPIIT). For the analysis, percentage tool is used. Period of 2020 to 2023 has been selected for the present research

Analysis:

1.Sector-wise Foreign Direct Investment in India:

FDI (Foreign Direct Investment) and sectors are linked because governments regulate how much foreign investment (FDI) is allowed in different economic sectors, with many sectors in India now open up to 100% FDI, especially services, software, and manufacturing, driving significant inflows and job growth, though some critical areas like defense or specific financial services still have caps or government approval requirements, making sector-specific rules crucial for global investors.

Table No. 1: Sector-wise Foreign Direct Investment in India

Rank	Sector	Amt. in USD Million	Cumulative Equity Inflow (April, 2000- June, 2025)	%age out of total FDI Equity inflow (in terms of USD)
1	Services Sector	USD Million	122,124	16%
2	Computer Software & Hardware	USD Million	116,158	16%
3	Trading	USD Million	48,077	6%
4	Telecommunications	USD Million	40,096	5%

5	Automobile Industry	USD Million	39,148	5%
6	Construction (Infrastructure) Activities	USD Million	36,850	5%
7	Construction Development: Townships, Housing, Built-Up Infrastructure	USD Million	27,214	4%
8	Drugs & Pharmaceuticals	USD Million	24,617	3%
9	Chemicals (Other Than Fertilizers)	USD Million	23,347	3%
10	Non-Conventional Energy	USD Million	23,048	3%

Source: <https://www.dpiit.gov.in>

Table No. 1 shows that from April 2000-September 2025, India's service sector attracted the highest FDI equity inflow of 16% amounting to US\$ 122,124 billion, followed by the computer software and hardware industry at 16%, amounting to US\$ 116,158 billion, trading at 6% amounting to US\$ 48,077 billion, telecommunications at 5% amounting to US\$ 40.096 billion, and automobile industry at 5% amounting to US\$ 39.148 billion, construction (infrastructure) activities at 5% amount to US\$

36850 billion. Drugs & Pharmaceuticals, Drugs & Pharmaceuticals and Non-Conventional Energy sector attracted 3% each.

2.FDI Equity Inflow in Construction (Infrastructure) Activities Sector:

The construction infrastructure activities sector encompasses the planning, design, and physical construction of essential public and private facilities that form the backbone of modern society. These activities generally fall into several core categories:

Table No.2: FDI Equity Inflow in Construction (Infrastructure) Activities Sector

Sub Sectors	Amount of FDI equity Inflow (from April 2000 to 2023)		%age with total FDI Inflow
	<i>INR crore</i>	<i>USD million</i>	
Roads & Highways	32,669.91	5,173.56	0.78
Warehouses	78,731.19	10,562.89	1.58
Construction (Others)	124,902.94	17,790.13	2.67
Total of above	236,304.05	33,526.59	5.03

Source: <https://www.dpiit.gov.in>

Table No. 2 shows Construction Activities Sector attracted only 5.03 % out of total Foreign Direct Investment in India from 2020 to 2023. Out of 5.03 % FDI, share of Roads and

Highways was 0.78%, Warehouse 1.58% and Construction (Other) 2.67%.

3. Country Wise FDI Share for Construction Activities Sector:

Foreign Direct Investment (FDI) has played a crucial role in the development of the

construction industry in India. With the government's efforts to promote ease of doing business, there has been a surge in FDI inflows in the construction activities sector.

**Table No.3: Country Wise FDI Share for Construction Activities Sector
(From January, 2000 to December, 2023)**

Ranks	Country	Amount of FDI equity Inflow		%age with total FDI Inflow
		INR crore	USD million	
1.	Singapore	94,170.84	13,225.80	39.45
2.	Mauritius	33,923.26	5,341.86	15.93
3.	U.S.A	21,378.58	3,226.60	9.62
4.	UAE	23,661.67	3,146.19	9.38
5.	Japan	12,808.01	1,653.59	4.93
Total of above		1,85,942.36	26,594.04	79.32

Source : <https://www.dpiit.gov.in>

Table No. 3 shows Country wise FDI share for construction activities sector. India also had major FDI inflows during April 2000-September 2023. Out of total FDI for construction activities sector, 79.32% was

invested by Singapore, Mauritius, U.S.A., UAE and Japan. Share of Singapore FDI for construction activities sector in total FDI in India was 39.45% which highest follow by Mauritius 15.93%, U.S.A. 9.38%, Japan 4.93%.

4. State-wise Foreign Direct Investment Equity Inflow for Construction Activities Sector:

Table No.4: State-wise Foreign Direct Investment equity inflow for construction activities sector

Ranks	State	Amount of FDI equity Inflow		%age with total FDI Inflow
		INR crore	USD million	
1.	Maharashtra	97,602.73	12,741.00	71.83
2.	Gujarat	9,479.62	1,270.56	7.16
3.	Karnataka	7,359.16	984.88	5.55
4.	Tamil Nadu	5,139.52	660.84	3.73
5.	Delhi	4,994.06	651.19	3.67
Total of above		1,24,575.09	16,308.47	91.95

Source : <https://www.dpiit.gov.in>

Table no. 4 shows Maharashtra state received the highest FDI equity inflow during April 2000 to December 2023 with US\$ 12711. at 71.83% followed by Gujarat with US\$

1270.56 at 7.16%, Karnataka US\$ 984.88 at 5.55%, Tamil Nadu US\$ 660.84 at 3.73%, Delhi US\$ 651.19 at 3.67%.

Conclusion:

The Services Sector and Computer Software & Hardware consistently attracts 16% which is highest FDI equity inflows in India followed by Trading, Telecommunications, and the Automobile Industry also being major recipients, driven by economic reforms. Out of total FDI, Construction Activities Sector attracted only 5.03 % share. Singapore, Mauritius, The USA, UAE and Japan are top source countries for Foreign Direct Investment in Construction Activities Sector. Maharashtra, Gujarat, Karnataka, and, Tamil Nadu, Delhi are top five states for attracting Foreign Direct Investment. Other State could not success for attracting FDI which is essential for their economic development.

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