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AN APPRAISAL OF FDI INFLOWS IN DEVELOPED AND DEVELOPING ECONOMIES FROM 1990-2021

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ABSTRACT

In the era of globalization availability of domestic capital is not sufficient that can boost the growth of the economies at high growth rate. Now the FDI has become a bridge which fill the gap between domestic saving and capital requirement. It has become a important source of private external finance to both developed and developing economies and play a dynamic role in implementation of sustainable development goals and growth of the economies. Social, economical, political, managerial and organizational factors plays a vital role in allocation of foreign capital. Therefore all the economies of the world are trying to attract more and more capital by framing strong policies frame work. In this research paper attempt has been made to analyse the inflow of FDI in the developed and developing economies and data for the period of 1990-2021 has been taken.

Key Word:- FDI, Developed and Developing economies, trend. Determinants Factors, Global.

INTRODUCTION

The origin of FDI can be seen from 1500 BC in its purest form is that of Phoenicians a civilization who do their trade by ships with Greeks and have their outpost the eastern. After few centuries the trade through the sea routes remain continue between Asia and Europe. In the early fifteenth century and onward Western European started establishing the colonies and in 1602 East India Company can be described as global first multinational corporation. "In eighteen to nineteenth century the unilateral investment was made from imperialist states to colonial states and generally tended to natural resources."[1] In early 1900 two third of world FDI was flowing to developing countries."[2] In the beginning of twentieth century various countries of the world used the FDI for the development of infrastructure. "Upto 1914 world stock of FDI was estimated at $15 billion. U.K. was the largest source of the investment followed by United States and Germany and the stock of world FDI rise to $66 billion by 1938"[3]

Till 1980 the inflows of FDI by the MNC was considered as threat to the host country due to various reasons such as colonial experience, effect on the economies and political activities, lack of commitment, unfair business practices and price fluctuation etc. But later on it was realized by the developed and developing countries that inflows of FDI is the only way to accelerating the economic growth rate. Most of the developed countries relax the barrier restriction for the global market and entered the bilateral treaties of investment. The inflows of FDI in the developing countries was also seen as source of capital and alternate of loam as the commercial banks were not in a position to finance due to debt crisis. The developing countries also reshape their attitude towards liberalization and fix the standard for hospitality to the foreign firm as per their requirement and emphasis on change of policies rather change in directions.

"Foreign direct investment net inflow is defined as the total value of inward overseas direct investment made by foreign entities including non-resident investors. It is the investment coming into the domestic country or reporting economy."[4] Inward foreign direct investment into domestic country include all assets and liabilities exchanged between the foreign investors and enterprises based in the domestic country where the investment is made. Foreign direct investment has played a significant and positive role in the developed and developing economies in capital formation knowledge transfer felling the gap between the domestic saving and capital required. It has become a growth booster by providing external resources, private external finance and promote the economic development and growth rate by easily access to foreign market. If a country has low level equilibrium , low investment, low per capita income due to low saving with in the country then it can escape from the trap by importing more FDI from other investment making countries.

REVIEW OF LITERATURE

There is no paucity of studies on FDI at global level and all these research has focus on positive and negative impact of FDI, its trends and pattern, determinants, economic growth, association with GDP, benefits, Sustainable development, balance of payment, import and export, impact of governance, comparison between economies, countries, regions and sub regions, productivity, policies, risk factors, equities, industries, infrastructures, economic & financial crisis and pandemic etc. Few such studies are reviewed as under.

Prakash L. and Assaf Razin (2001)[5] investigate how FDI is beneficial for developing economies and conclude that FDI inflow have significant impact on the development of host economies and suggested that the developing countries must focus on improving the climate of investment'

Elizabeth A (2002)[6] analyse the determinants of FDI in developing countries and concluded that different factors have different impact and recommended that the African govt. should develop a strong mechanism to enhance the creditability of reforms process.

Tatiana, D. Paula Nistor (2012)[7] started that the policies and approaches adopted by the developed and developing economies have played a key role in their development and FDI has a vital role in establishing a new economic world.

A.M. Khalel (2010)[8] conducted a study of role of inward and outward FDI with economic growth and concluded that FDI has positive impact on the GDP in long run where as outward FDI has no direct impact on GDP.

Mumtaz Hussain Shah, Yahya Khan (2010)[9] confirm that if a country adopted the proper policy for the trade and investment liberalization than it can attract more investors and also implies that there is positive association between FDI and market size.

Manpreet, Apalak, Surendra (2010)[10] have studied the various India specific infrastructural factors affecting FDI inflow and their finding indicate that quality of human resources, road network and rail transportation play crucial role in attracting the FDI.

Asiya Siddica, Mir Tanzim Nur (2017)[11] conducted a study of 40 developed and developing economies from 1990-2010 and find that institutions and infrastructure, law and order have positive impact on inflow of FDI whereas bureaucratic quality has negative effect.

Udi Joshua, Mathew E. Rotini, Samual A. Sarkodie (2020)[12] conduct a research on 200 economies between 1990-2018 and reveal that FDI inflow, external debt and official development are the key factors for the growth of these economies and recommended that to sustain the economic growth and FDI, countries should frame policies that maintain the appropriate political and economic environment for attracting FDI inflows.

Anuj, Preeti & Megha (2020)[13] conducted a study on flow of FDI in India and concluded that there are different pattern for FDI flows and the trend of FDI flow in India fluctuate due to various reasons i.e. economic and financial crisis pandemic etc. In the beginning the flow was very slow and after 2014-15 the inflow was very higher and it has increase the economic growth and sustainable development process of the country.

Alvaro A, Pedro Raffy and Joaquim Carlos (2021)[14] analyse the behaviour of foreign investment inflow & outflows in four selected countries and noted that index for developed countries behave differently as compare to these selected countries.

Omar, Alzhoul, Khaled (2022)[15] made an attempt to find the determinants of FDI, channel of inflows and outflows, growth pattern and covid-19 effect on FDI and stated that pandemic wave affected all the economies at global level and have negative effect on the economic growth and recommended that the economies must frame robust reform the attract more FDI.

Namila Rajput (2022)[16] studied the pattern of FDI in developed and developing economies and find that the pattern and trend of FDI flows in both the economies is different and vary from country to country, regions and sub-regions.

OBJECTION OF THE STUDY

- To evaluate and appraise the flows of inward FDI in developed and developing economies
- To know the trend and driving factors which attract the flows of FDI in these economies.

RESEARCH METHODOLOGY

The secondary data for the study has been taken from 1990-2021 and this data has been collected from the reports of IMF, world investment reports, UNCTAD statistics reports, global and monitor reports, World Bank, OECD database, FDI wikipedia, Journals, Magazines, Newspapers Books, Research papers and different websites etc. Time series method and percentage techniques has been applied to analyse the data. Tabular and graphical presentation has been used to analyse the trend in developed and developing economies.

ANALYSIS & INTERPRETATION

The share of developed countries in 1990 in the global inflow was 83.59% but it declined in 1991-92. “The slow down in the growth of FDI to and from developed countries in 1990 is largely owing to slowing down of economic activities especially in United States which entered a recession in the middle year and to some extent in western Europe” [17]. This decline was due to decrease in the share of Europe especially the Western Europe and North America, Spain and other developed Countries. The sluggish economic growth, declining profitability, poor business performance in banks, finance and real estate were the main cause of declining trend. The share of developing countries in world inflow during 1990 was 16.41% and it was higher than their share in between 1986-89. The inflow to Asia & Pacific increase by 8% in 1991 and strong growth of inflow was also noticed in South and South-East Asia and Latin America and Caribbean and Africa by 20% .

The inflow was attracted by privatization programme, liberalization, economic recovery, Debt equity Swap, profitability opportunities, open to foreign invertors etc. The investment flow to the developed countries slip down in 1991-92. The more decline was in United States and during 1992 it turned into negative. The inflow to the developing countries remain in upward trend for the consecutive six years in 1992 except in 1989. The main force behind the rise was strong economic expansion are recovery in some Latin American countries. "Japan remain the main source of FDI in Asia and Pacific and its investment in Asia was profitable" [18]

The declining trend in the global FDI come to an end in 1993. The growing performance by the big economies and little contribution form the developing countries has vital role in shaping the trend upward. Most of the developed countries registered a relatively modest increase in FDI inflow in 1993. The share of Europe and other developed countries decrease while share of North America in total global FDI increase but in total inflows the share of North America and Europe increase as compare to previous years.

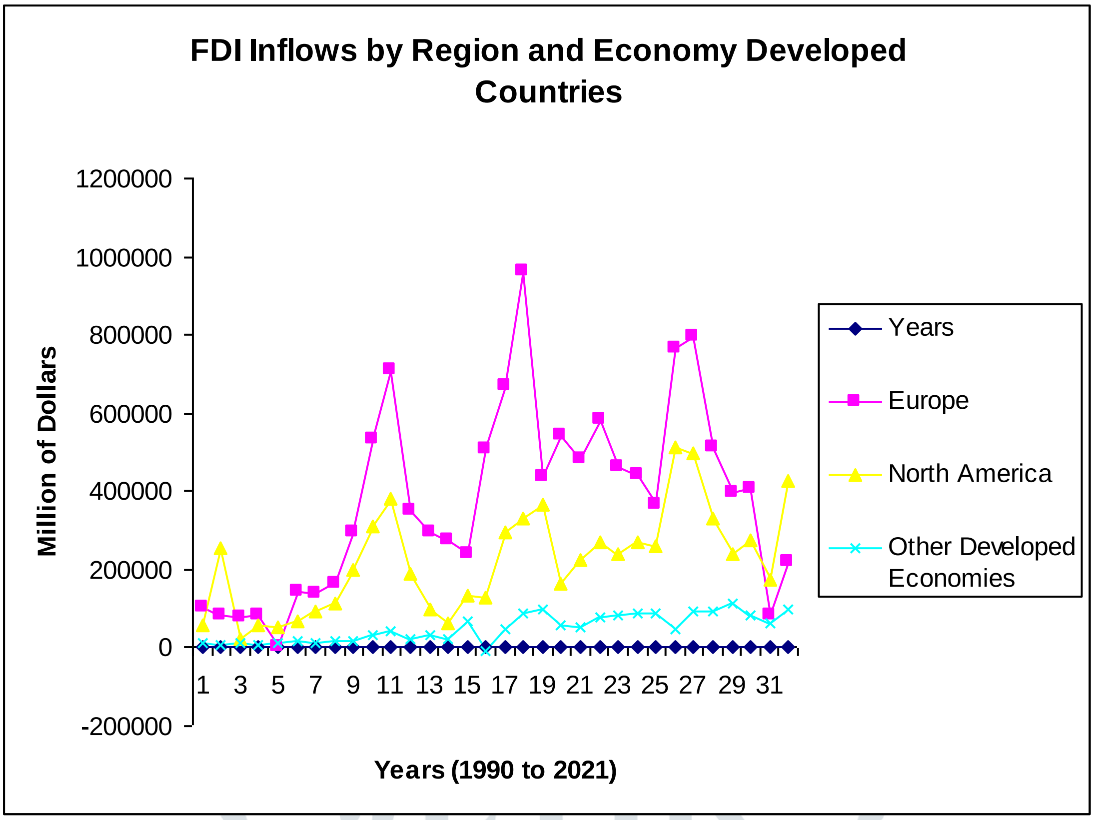
In 1993 the developing countries attracted the record FDI more than twice the amount in 1991 and same level in 1986. The growth distributed among the regions and grouping of developing countries. China was the largest host country followed by Asia and Latin America in developing world. The developing countries succeeded in attracting the growing inflow of FDI and their share in the global FDI inflow reached at 39.03% in 1994 from 34.32% in 1993. The upward trend was continue from 1990 and pushed the developing countries to be the major partner of global FDI. Asia Pacific share dominate the total inflow and China was the seecond largest recipient of FDI in 1994. The Asia Pacific being the main attractor of FDI inflow reached at $56836.6 USD in 1993 and $68232.9 USD in 1994. The inflow to Latin America and Caribbean supported by privatization programmes of the govt. and also have the upward trend. The role of Africa remain marginalized as more concentration of FDI flow was toward small countries. The share of ocean was very little during two years. Economic growth and liberalization of trade are few factors that give the momentum toward rising trend.

FDI inflows by Region and Economy Developed Countries
(Million of Dollars)
Table-1

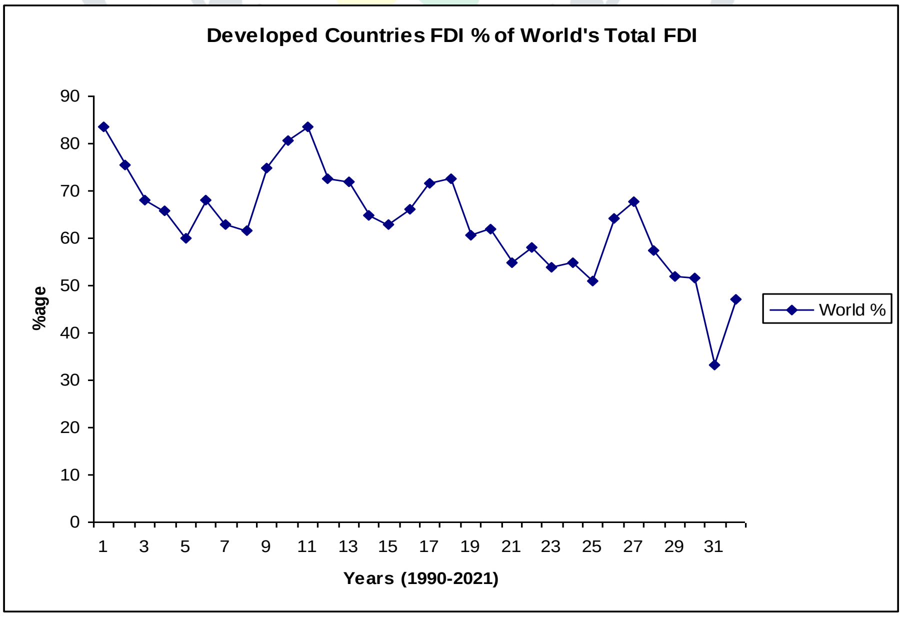
Years	Europe	North America	Other Developed Economies	Total FDI of Developed Economies	World %	World FDI Inflow
1990	102697.3	56004.3	12577.9	171279.5	83.59	204887.7
1991	81867.4	256801.0	8535.6	116083.0	75.39	153959.7
1992	77530.9	23945.7	10628.7	112105.3	68.07	164685.0
1993	82785.4	55394.6	7781.3	145961.3	65.68	222236.6
1994	90.541.0	53299.1	9879.4	153719.5	60.07	255893.7

1995	141746.4	68026.8	18633.8	228407.0	68.18	345142.7
1996	138208.5	94088.8	14175.8	246473.1	62.75	392778.7
1997	162388.2	114923.2	18230.7	295542.1	61.49	480628.5
1998	293729.8	197237.4	18605.8	509573.0	74.77	681509.5
1999	531685.9	308120.0	30504.0	870309.9	80.71	1078285.7
2000	710777.1	380802.1	42394.0	1133973.8	83.58	1356685.1
2001	350865.4	187124.4	22152.7	560142.5	72.45	773130.5
2002	296002.8	96612.5	32300.8	424916.1	71.98	590311.3
2003	274684.5	60628.3	20219.7	355532.5	64.68	549628.8
2004	239112.6	135381.0	65940.1	440433.7	63.05	698479.5
2005	505800.0	130464.6	-5809.0	630455.6	66.14	953219.6
2006	668114.8	297429.9	47333.0	1012877.7	71.57	1415251.7
2007	963750.6	332772.5	85853.6	1382376.7	72.55	1905427.6
2008	437999.0	367918.5	95994.0	901911.5	60.68	1486234.9
2009	542482.4	166303.7	58090.8	766876.9	61.95	1237833.9
2010	482674.1	226449.4	52195.1	761318.6	54.73	1390992.3
2011	583937.9	269531.3	79579.8	933049.0	57.94	1610398.2
2012	463748.5	242145.0	83371.0	789264.5	53.74	1468753.1
2013	443615.8	270761.3	85595.5	799972.6	54.83	1459042.8
2014	364931.0	260738.2	88292.6	713961.8	50.91	1402522.5
2015	763717.7	511461.0	47544.4	1322723.1	64.09	2063638.3
2016	794426.0	495474.9	94913.5	1384814.4	67.70	2045423.6
2017	513250.0	331722.8	92710.2	937683.0	57.43	1632638.5
2018	398049.2	240895.9	114375.2	753320.3	52.01	1448276.2
2019	404755.7	275257.5	84442.5	764456.7	51.63	1480626.0
2020	80786.5	174003.6	64399.8	319189.9	33.14	963138.5
2021	219032.6	427051.7	99654.9	745739.2	47.12	1582309.8

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics)



The flow of FDI at global level during 1995 reached at 345142.7 USD compare to 255893.7 USD in 1994 and there was 35% rise as compare to previous year. This hefty rise was in the developed countries. The share of the developed countries of the global FDI was 68.18% i.e. 8% rise in the share. "In 1995 FDI growth was substantially higher than of export of goods and non factor services (18%) world output (2.4%) and gross domestic capital formation 5.3%" [19]



The share of Europe was 62.06% followed by 29.78 % North America and only 8.10% of other developed countries. United States, United Kingdom, France and Australia were the main recipient of inflow and United States strengthen their position as the largest host economy. Political stability, cheap skilled labour force, economic recovery, strong economic growth, end of recession and merger and acquisition were the main force for the hafly rise and on the other hand the companies also become more globalised keeping in view the technological change and pressure of competition in the global market.

There was also boom in the inflow of FDI in the developing countries as their share in the global FDI market rise to 39.93% in 1994 as compare to 34.32% in 1993. South, East, South-East Asia and Pacific have played a vital role in strengthening the inflows. The share of Latin America and Caribbean's also show the upward trend. The share of Africa remain the same in 1994 the reason being the change in the pattern of royalty and fee payment of foreign firms by Africa. The rise of inflow in the developing economies was the reflection of sustainable economic growth rate, privatization and liberalization of legal frame. Continue economic growth and liberalization play a vital role and set the new record in global FDI in 1996.

"Increase in FDI inflows exceeded the growth in nominal value of world gross domestic product and international trade which expanded by 6.6% and 4.5% in 1996 respectively."[20] The inflow into the 54 countries and outflows from 20 countries set a new record during the year. Most of the countries who attract more inflows also make more outflows. The developed countries received $246473 USD inflow during the year. United Kingdom registered the second highest position in term of FDI inflows and outflows after United States in 1996. The share of Europe accounted for 56.07% a slight less share as compare to previous year due to less inflows in the Central and Eastern Europe. Although the overall investment inflows was stimulated by favourable profitability and growing economies. On the other hand the share of developing countries in the global share rise from 33.82% to 37.25% in 1996. The flows of FDI into Africa increase by 6% and increase in the share of Asian countries shows that investors have the more confident in long term prospects in the region. Inspite of period of volatility in portfolio investment in Latin America and Caribbean also registered a small increase in inflows. During 1997, 151 changes in FDI regulation were made by the 76 countries of the world and out of the changes more than 89% were made for creating the conducive environment for FDI inflows and outflows and investors friendly. "The year 1997 witnessed a complete mix of economic changes around the world. The financial crisis in Asia and halting of high economic growth in East and South-East Asia, the worst economic recession in Japan since the mid 1970, continued high economic growth in United States, strong economic recovery in the European Union and Latin America, weak commodity and petroleum price that affected the economies of Africa and West Asia, and the reversal of economic decline in Central and

Eastern Europe for the first time since the end of central planning despite different and divergent performance in different regions reflecting these development, FDI continued to growth all regions."[21]

The upward trend in world FDI inflows set a new record by touching the figure of 480628.5 USD in 1997 and it was above the twice of inflows in 1990. There is no doubt that the developed countries with more that 60% share after 1990 of the world inward flows and more than that outward flows, dominate the global inflows and outflows for more than decade but their dominance was challenged by developing countries. Their share in inwards flow in global inflow was rise 16.41% in inward and 4.9% in outflow in 1990 and increased to 38.51% and 12.83% in 1997 respectively. United States and Western Europe have outstanding performance in term of recipient of inflows. The decline of inflows in Latin America after 1992 till 1997 take the positive trend in 1997 and it may be due to structural reforms, liberal policies and conducive environment.

There was record level inflow in global FDI and both the developed and developing countries also registered the more inflows and outflows. The global FDI inflow reached at 681509.3 USD in 1998 a jump of 41%. The share of developed countries also reached at highest level i.e. 74.77% in 1998 and it was 83.59% in 1990.

"In 1914, 70% of US FDI in developing countries was in agriculture and mining, 26% in service and 1% in manufacturing and in 1998, US FDI was 14% in agriculture, 59% in mining and 27% service." [22] For the first time in the last more than 12 years FDI flows to the developing countries declined in 1998. The decline was mainly due to reduction in the flow of FDI in Asia's developing countries. The share of Africa also declined where as 33 least developed countries in Africa experienced the rise in trend. The global FDI inflow jumped to 1078285.7 USD in 1999 highest ever till date and rise was nearly equal to the total inflow in 1997. The developed countries also attracted more inflow in 1999 it was more than three fourth share of the global inflow. The share of Europe increase more than that of United States. The single currency Euro also contributed more for attracting the inflow due to the more price transparency in Europe which leads to increase in FDI into Central and Eastern Europe. "Change in Govt. policies on FDI during 1999 confirm strengthening the trend toward liberalization, protection and promotion of FDI. The developing countries reduce the sectoral restriction to foreign entry"[23] The overall inflow towards developing countries increase in 1999 but their share in the global FDI decrease to 19.29% in 1999 from 25.23% in 1998. The flow to Africa increase due to the more investors and business friendly environment created by Africa Govt. The inflow in Asia also increase although the decline was expected due to financial crisis in 1997-98 the aggregate inflow to Latin America and Caribbean remain continue to rise for more than five consecutive years.

The global FDI inflow again achieved a highest peak point by reaching at 1356685.1 USD in 2000. "The global expansion of investment flows was driven by more than 60,000 TNC's and with over 80,000 affiliated abroad"[24] The main destination of inflows was the developed countries which attract more than 83% of share of global FDI. "World top 30 host countries account for 95% of total world FDI inflows and 30 home countries account for 99% of outflows FDI flow"[25] In case of developing countries Asia reached a record level of 132355.7 USD the more inflow was in East Asia. The managerial and organizational factors play important role in determination of location for FDI and other factors such as large market, possession of natural resources and low cost skilled and unskilled labour also attract the FDI inflows. The global FDI inflows falls by 42% in 2001 and fall by another 23% in 2002 and reached at just half the figure of 2000. The inflows to developed countries also falls by 50% in 2001 and 42% in 2002. "Out of 195 host economics 108 received less inflows in 2001"[26] Microeconomic factors, slow growth, recession in some countries, slumping profitability, reduce in reliance on intra companies loans, loss of confidence in wake of corporate scandal, low corporate profit, winding up of privatization programme and slow down in corporate restructuring etc. were the main causes of FDI down fall.

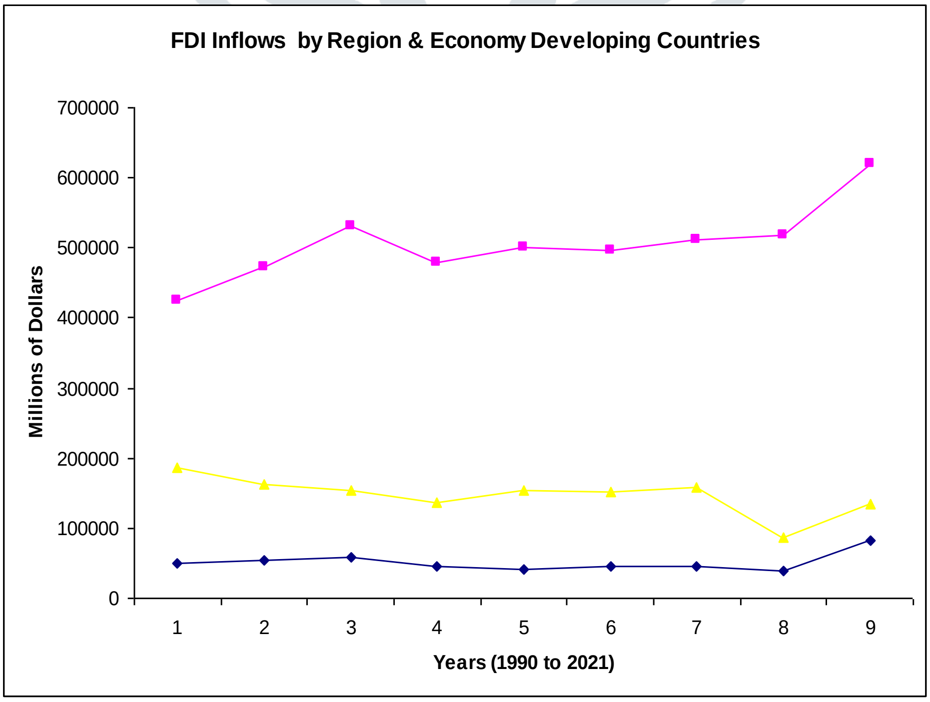
"Although China allowed private and foreign investors to acquire controlling stakes in domestically listed companies including state enterprises"[27]

FDI Inflows by Region &Economy Developing Countries
(Millions of Dollar)
Table: 2

Years	Africa	Asia	Latin America & Caribbean	Oceans	Total of Developing Countries FDI	Word %
1990	2845.2	21932.9	8536.8	293.4	33608.2	16.41
1991	3543.6	22921.2	11204.5	206.8	37876.1	24.61
1992	3840.0	32481.8	16066.6	191.2	52579.6	31.93
1993	5443.9	56836.6	13823.4	171.4	76275.3	34.32
1994	6104.5	68232.9	27668.6	168.3	102173.4	39.93
1995	5665.1	80676.5	29842.6	551.5	116735.7	33.82
1996	6047.9	96558.2	43527.5	172.0	146305.6	31.25
1997	11030.2	108028.8	65873.4	154.1	185086.4	38.51
1998	9991.9	90617.4	71029.0	297.9	171936.2	25.23
1999	11893.8	107118.3	88559.5	404.2	207975.7	19.29

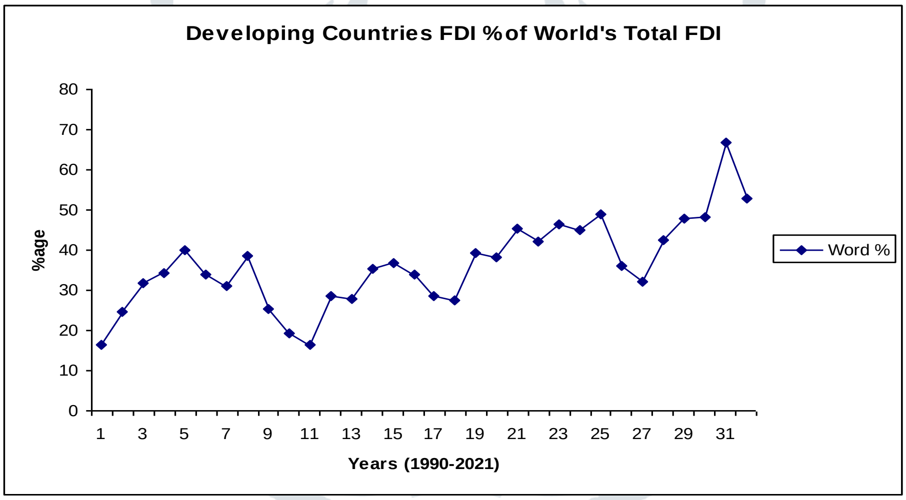
2000	10381.8	132385.7	79827.8	116.4	222711.7	16.42
2001	19772.8	119982.1	72784.8	248.4	212788.1	28.55
2002	14761.4	94114.9	56379.5	139.5	165395.3	28.02
2003	18157.0	129971.8	45621.4	346.1	194096.3	35.32
2004	17646.8	171867.7	68135.4	395.9	258045.9	36.95
2005	29265.3	215995.1	77178.6	325.1	322764.2	33.86
2006	34593.8	293705.9	74098.2	26.1	402374.0	28.43
2007	50863.9	354751.8	117191.1	289.1	523095.9	27.45
2008	58391.2	387837.6	138883.9	-789.3	584323.4	39.32
2009	56866.3	328320..0	86014.9	-244.1	470957.0	38.05
2010	47243.0	422720.7	160756.0	-945.2	629623.6	45.27
2011	46440.9	431279.0	201248.7	-1619.4	677349.1	42.06
2012	57086.8	422720.7	202051-4	-2376.2	679488.7	46.26
2013	50637.1	423692.9	186351.1	-1610.9	659070.2	45.11
2014	54497.6	471994.1	163181.2	-1112.1	688560.8	49.09
2015	57922.1	530810.5	152838.5	-655.9	740915.2	35.91
2016	46249.9	478147.6	136221.2	-9.5	660609.2	32.30
2017	40176.0	501381.8	153536.2	-138.5	694955.5	42.57
2018	45384.2	496897.8	151978.4	695.4	694955.5	47.99
2019	45678.1	511631.8	158744.2	116.4	716170.4	48.37
2020	38952.2	518893.1	86171.6	-68.1	643948.8	66.86
2021	82990.5	618983.4	134457.8	138.9	836570.6	52.83

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics)



"India also considered potential for privatization of state owned enterprises"[28]

In 2003 FDI inflow to developing countries increase to 194096.3 USD. On the other hand, the flow to developed countries decrease and global inflow also show downward trend. As per UNCTAD report the share of developed countries was 64.68% and 35.32% of the developing countries. The main force behind the increase in the share of developing countries was favourable policies by recipient countries and such opportunities were encashed by MNC in the form of profitability. The flow of FDI increase in developed countries and developing countries as the flow of global FDI increase in 2004. "The share of FDI in Africa declining over time from about 19% in 1979 to 9% in 1980 and 3% in 1990 and 6% in 2004"[29] The inflow of global FDI was substantial and it rise by 36% and the increase was in all regions. The flow to the developed countries amounted to 630455.6 USD in 2005 and increase of 30% where as their share in global inflow was 66.14% and 33.84% of the developing countries. The growth of inflows in developed countries was contributed by Europe and U.K. In case of developing countries Africa experienced the growth followed by West Asia, South-East Asia. In Latin America and Caribbean the increase was very little.



The world FDI inflows reached at the second highest range i.e. 1415251 USD after 2000 and increase by 32% in 2006 and 34% in 2007. The increase in 2007 was noticed at the top level till date. The share of the developed economies in global inflow increase where as the share of developing countries shows the decline. The high corporate profit, sustainable economic growth, rising price, good financial condition played the important role in attracting the FDI in developed countries in 2006-07. In case of developing countries, Africa break the previous record and inflows jumped by 47% where as in Latin America the rise was 58% and Asia also show the slight rise in inflows. Due to financial and economic crisis the global FDI inflow fell down from the historical peak range and there was 21% decrease in 2008 and 16% fall in 2009. The decline was posted globally in developed economies, developing economies and transition economies. The global FDI inflow in 2009 shows the momentum of growth after declined of two consecutive years. The FDI inflows in the developed countries declined in all regions except Europe. North America was largely affected by decline as United States the most recipient of inflows face the deceasing range. Europe have attracted more FDI as compare to 2009. The other developed countries tightened the rules and regulation for screening the projects and stimulated the individual and other packages.

The extent of FDI decline in the developing countries varies across sub-regions. East, West and North Africa experienced a decline in spite of introduction of substantial privatization programme, where as Southern Africa become the largest recipient of inflows. Asia experienced a little decline. The small decline was also noticed in South, East and South-East Asia, where as the decline was large in Latin America and West Asia. "Global FDI witnessed a modest but uneven recovery in first half of 2010, developing and transition economies absorb half of FDI"[30]

World direct investment inflows rose demurely in 2010 after the large decline in previous two years i.e. 2008-09. It was 12.37% higher than a year before. The increase was due to higher flow of FDI to the developing countries and transitions economies. The inflows to the developed countries shrunken less than 1% from 766876.9 USD to 761318.6 USD In the European countries and other developed countries inflow fell sharply due to uncertainty above the sovereign debt crisis. The flow to North America, Japan and Austrai registered rise and it was due to recovery in the reinvestment earnings.

The FDI to developing countries rose by 33% in 2010 as compare to previous year and it was all due to strengthening the domestic demand, attractive value of companies assets, high earning and growth rate, vigors economic fundamentals and high aspiration to compete in the international new market. "Global FDI inflows in 2011 surpassed their pre crisis average despite turmoil in global economy, but remained 23% short of the 2007 peak."[31] In spite of uncertainty in the global economy, global FDI inflow capture the momentum towards the growth and reached at 1610398.2 USD in 2011 another peak after 2007. The overall share in the global inflow of developed economies shows the upward trend where as the share of the developing countries have the downward trend. The recovery was accelerated in the developed economies due to the following driving force such as corporate restructuring, stabilization and rationalization of companies operations, reduction of cost and proper utilization of capital etc. The rise of FDI inflow in North America was supported by high rate of return and expansion of consumer market. In case of developing economies, the inflow in Africa decline for the third successive year, where as other region shows the rising trend. The global FDI inflow fell again in 2012 in spite of various attractive measure by the host and home economies. The fall was more then 8% where as the expectation was towards the growth of FDI inflow in all economies. In the developed economies the inflow fell drastically from 933049 USD to 789264.5 USD in 2012. Europe and North America saw the significant drop while other developed countries have slight upward. On the other hand the developing countries share in the global inflow reached very near to the developed countries as the share of developing countries was 46.26%. “The global ranking of the largest recipients of FDI also reflect changing patterns of investment flows, 9 of the 20 largest recipient were developing courtries”[32] Global FDI inflow decrease by 0.6% in 2013. The FDI flows to the developed countries increase by 1.27% and their share in the global inflows also increase by 1.09% as compare to previous year. The flow to Europe decrease while flows to North America and other developed countries increase for two consecutive years. The FDI flow to developing countries decreased in 2013 but recorded a new height in 2014 and reached at 688560.8 USD and their share in global inflow also rise to 49.09% in 2014 from 45.17% in 2013. The increase was mainly driven by Africa and Asia while Latin America show declining trend and ocean have negative trend. The inflows to Asia comprising East, South, west Asia. China ranked at second position in the world and near to United States where as India experienced a nearly 17% growth in FDI inflow during the year 2014.

Global FDI flows rose by 47% in 2015 as compare to previous year and it was the highest level during the decade and after the economic and financial crisis in 2008-09. Merger & Acquisition, announcement of more Greenfield projects largely responsible for such rise in inflows.

There was also a sharp increase in FDI inflows to the developed countries and their share in global FDI reached at 64.09% in 2015 as compare to 50.91% in 2014. Europe and North America remain the largest host of inflows. On the other hand the flows to Africa and Asia shows the upward trend while flow to Latin America fell again in 2015. Global FDI again fall in 2016 but the developed countries have no effect of decline only developing countries were affected by such declining trend. “Six of the top 10 countries invested in low developed countries (LDC) were from developing economies and seven of the top 10 investors in SIDS were also from developing countries.”[33] “In 2017, 65 countries and economies adopted at least 126 investment policy measures of which 84% were favourable to investors”[34] Global FDI inflow fell by 20% in 2017 to 1632638.5 USD from 2045423.6 USD in 2016.

The flows to the developed countries also fall by one third of the previous year inflows and their share in global inflow also declined to 57.43% from 67.70% in 2016. Earlier the FDI inflows rise due to corporate reconfiguration and tax inversion, but due to decline in such transaction and there was decrease in inflow and such downward was in United States, United Kingdom and more flow towards other developed countries. FDI flows toward developing countries remain some slight up. The decline in Africa was due to weak of oil price. On the other hand Asia and Latin America retained in the rising position and become the largest recipient region. China again the largest recipient among the developing countries and second largest in the world. The global FDI inflow fall again in 2018 for the two consecutive years and reached at 1448276.2 USD in 2018 fall by 11%. The FDI flows towards the developed countries also reached to its lowest level and reached at 753320.3 USD while it was just 713961.8 USD in 2014. The decline was less than half in Europe where as in case of North America decline was 27% while other developed countries have slight rise. The host countries in Europe registered negative inflows. United States, United Kingdom also shows the decline where as Australia FDI reached at its highest level. The Flow of FDI in 2018 remain stable Africa and Asia have high inflows where as Latin America contracted the inflows. All the sub-regions of Asia show the positive growth. The flow to Africa expanded due to the continuation of resources seeking investment. Global FDI rose modestly in 2019 after the fall of two consecutive years the rise was due to higher profitability in MNE and impact of tax reform in United States. The flows towards the developed countries also show a little upward margin in spite of trade tension, weaker microeconomics performance and uncertainty. The rising margin was driven by the several Europe countries who experienced strong volatility. The flows in North America remain flat and fell slightly in France, United Kingdom and Germany. The flows to developing countries also rise by a narrow margin than those of developed countries. The soar in FDI in Africa, Asia and Latin America and even in Ocean due to high economic growth rate and more for commodities.

The Covid-19 pandemic caused a dramatic fall in FDI inflows through out the world and it fell by 35% in 2020 and it bring the FDI flows back to this level seen in 2005. This fall was more than 20% below the 2009 trough after the financial and economic crisis in 2009. The pandemic triggered the economic development throughout the global affecting the inflows of FDI in the developed countries also. FDI flow to the developed countries fall by 58% i.e. from 764455.7 USD to 319189.9 USD in 2020. The share of the developed countries remain only 33.14% where as the share of developing countries rise to 66.86%, historical change in the share of both economies. Inflow of Europe dropped by more than 72%, North America by 36% and in other developed countries inflow fall by 23%. The overall decline in the developing economies was recorded by 11% and decline was in all countries and regions. The share of Africa decline by 14%, Latin America by 45% where as there is one percent rise in Asia’s inflows. The closer of MNE, continue wave of Covid-19, postponement or closer of the investment in new projects, disruption supply chain management, decrease in the profit of all the companies were the other reasons including pandemic for the decline of inflows and outflows of FDI in the host and home countries. The environment for inflows and outflows of FDI and international business change dramatically after Covid-19 in 2021-22

FDI inflow recovered strongly in 2021 in all regions of the developed and developing economies. Out of the top 48 countries in the developed economies 34 registered the rise in inflows. The inflows to North America was highest ever recorded. The inflow to Europe also rise by more then double as compare to previous year.

The inflows toward developing economies also reached at highest level ever recorded i.e. 836570.6 USD and these was 30% hike after pandemic. The inflow to Africa also jumped by more then 50% while Asia and Latin America also saw a moderate rise for the third consecutive year.

The upswing cause by increasing confidence of investor, renewable of projects, stimulating packages, increase in corporate profit etc.

According to Global Monitor Report No. 43 global FDI flows down by 31% in the second quarter of 2022 and 7% less than quarterly average of 2021. The negative trends reflect that the change in sentiments of investor due to the food, fuel and finance crises around the world.

CONCLUSION

Over the past-three decades global FDI has witnessed a lot of up & down stagnation, financial and economic crisis, pandemic, regional conflicts and war and all these have the severe impact on the FDI flows in all economies, countries, regions and sub-regions. In spite of all these hurdle, the flow of FDI towards the developed and developing is not stopped but flowing regularly. In order to keep this flow at high speed the economies must frame strong legal and institutional law that must guarantee that the investment made abroad is protected by international law and conventions. The political and economical conducive environment must be maintain and economies must focus on localization advantages and created assets that can be offered to attract the potential investors. There should not be any political, economical and international relation hurdle while screening the FDI projects.

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