

**A QUANTITATIVE STUDY ON FOREIGN DIRECT INVESTMENT IN INDIA –
MAPPING ASEAN COUNTRIES' FOOTPRINT IN THE POST-LIBERALIZATION ERA**

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Abstract

Foreign Direct Investment (FDI) plays a pivotal role in promoting economic growth, industrialisation, technological advancement, and integration into global value chains. This research aims to analyse the trends, patterns, and relative dynamics of Foreign Direct Investment (FDI) equity inflows in India with a special reference to Malaysia for the period 2000–2025. Based on secondary data available at DPIIT, the World Bank, and official FDI fact sheets, the research employs tools such as trend analysis, growth rate comparison, FDI-to-GDP ratio analysis, and graphical representation. The research confirms that although India's overall FDI growth was phenomenal, Malaysia's contribution was negligible, a paltry USD 1,272.30 million for 25 years, less than ASEAN comparators such as Singapore and Thailand. The research confirms that Malaysia has always recorded a greater FDI intensity (FDI% % of GDP) than India, reflecting a more foreign investment-integrated economy despite lower absolute figures. The research identifies the imperative need for strategic bilateral cooperation, sectoral investment facilitation, and data transparency enhancement to consolidate India–Malaysia investment relations. The research concludes with actionable recommendations to enhance collaborative economic partnerships and stimulate diversified capital flows into India's high-priority sectors.

Keywords- *FDI, India, ASEAN Countries, Equity Inflows, Post-Liberalization Era*

I. Introduction

Foreign Direct Investment (FDI) plays a pivotal role in promoting economic growth, industrialisation, technological advancement, and integration into global value chains. In emerging economies such as India, FDI serves not only as a source of capital but also as a catalyst for technology transfer, managerial expertise, innovation, and access to international markets (UNCTAD, 2023). Among the various forms of FDI, equity inflows are considered the most stable and strategic, as they reflect long-term investor confidence and commitment to the host economy (OECD, 2022).

Since the economic liberalisation reforms of 1991, India has progressively opened its economy to foreign investment through policy liberalisation, regulatory reforms, and sector-specific initiatives. These measures have substantially increased foreign equity participation, positioning India as one of the world's leading destinations for Foreign Direct Investment (DPIIT, 2024). In this context, the Association of Southeast Asian Nations (ASEAN) has emerged as an important source of investment, with countries such as Singapore, Thailand, and Malaysia contributing to India's expanding investment landscape.

Among the ASEAN economies, Malaysia occupies a strategically significant position owing to its long-standing economic, cultural, and diplomatic relationship with India. Bilateral initiatives, including the India–Malaysia Comprehensive Economic Cooperation Agreement (CECA) and India's Act East Policy, have strengthened cooperation in trade and investment (MEA, 2023). Despite these favourable relations, Malaysia's contribution to India's FDI equity inflows remains relatively modest compared with major ASEAN investors such as Singapore and other leading investment partners, indicating considerable untapped investment potential (RBI, 2024).

Against this backdrop, the present study examines the trends and patterns of Malaysia's FDI equity inflows into India during the period 2000–2025, covering a significant phase in India's post-liberalisation economic development. The study analyses annual investment trends, compares Malaysia's contribution with selected ASEAN economies, and evaluates investment intensity using FDI inflows as a percentage of GDP. It also considers the influence

of major global events, including the 2008 global financial crisis, the COVID-19 pandemic, and the post-pandemic recovery, on investment flows.

As India continues to promote initiatives such as Atmanirbhar Bharat, digital transformation, and renewable energy development, strengthening investment partnerships with ASEAN economies has become increasingly important. In this context, Malaysia offers significant opportunities for expanding bilateral investment cooperation. The findings of the study are expected to contribute to the literature on India–ASEAN investment relations and provide policy insights for enhancing Malaysia's participation in India's long-term economic development.

II. Review of literature

The contribution of Foreign Direct Investment (FDI) to economic development has been researched worldwide at the regional and national levels. This overview outlines some of the most pertinent contributions of research in relation to the importance of FDI equity flows, economic liberalisation policies of India, ASEAN contributions, and investment trends of Malaysia, in general.

Borensztein et al. (1998) also presented a seminal paper demonstrating the role FDI plays in promoting economic growth through technology transfer, particularly in high human capital economies. Similarly, **Alfaro et al. (2004)** also added that the composition of FDI, by sector of industry, is important and that the manufacturing and infrastructure industries contribute more to GDP growth. **UNCTAD (2023)** also noted that developing countries are increasingly using FDI not just for capital, but to engage in global value chains and innovation systems.

Balasubramanyam et al. (1996) argued that FDI is more advantageous for outward-looking economies like India after liberalisation compared to closed economies. Since post-1991 reforms, India has progressively liberalised industries to 100% foreign equity share, leading to consistent FDI equity inflows each year (**DPIIT, 2024**). **Kumar (2021)** discussed India's FDI policy reforms and highlighted a transition from manufacturing-driven FDI to service sector-driven FDI inflows. The study analysed sector-wise performance and observed IT, telecom, and energy as emerging drivers.

Sahoo (2006) analysed ASEAN FDI flows to India and noted that economic diplomacy and trade agreements boost investor confidence to a significant extent. Among the ASEAN

countries, Singapore, Thailand, and Malaysia have signed comprehensive cooperation pacts with India, but Singapore remains the largest investor (**RBI, 2024**). The **World Bank (2019)** noted that ASEAN investment inflows into India are growing, albeit disproportionately, with Malaysia, for example, being underrepresented in high-value sectors despite good diplomatic ties.

Empirical studies on Malaysian FDI into India remain limited. **Tan and Thambipillai (2018)** discussed Malaysia's outward FDI in the world and identified India as an emerging but underestimated destination, especially in the energy, logistics, and construction industries. Authors attributed this to risk perception, market complexity, and regulatory uncertainty. Malaysian investments in India have predominantly come through joint ventures in infrastructure (e.g., Malaysia Airports) and energy (e.g., Petronas) sectors, according to **MEA (2023)**. More recently, Khazanah Nasional's investments in Indian technology startups reflect a diversification tendency. **Gentari (2024)**, a Petronas subsidiary, has committed over USD 4.5 billion towards renewable energy initiatives in India, and this reflects a strategic emphasis on sustainability-linked industries.

Whereas FDI inflows to India from ASEAN have been extensively examined, there has been a missing link in country-specific research on Malaysian equity-based investments. There are limited studies that present a holistic perspective of trends in investment over a year, sectoral linkages, and Malaysia's relative position among India's FDI. The present study attempts to bridge this gap by presenting an analytical account of Malaysian equity inflows to India between 2000 and 2025.

III. Statement of the problem

Foreign Direct Investment (FDI) has been a major driver of globalisation and economic growth in emerging markets like India. Apart from the infusion of financial capital, FDI brings managerial skills, new technology, and access to international markets. Since 2014, India has seen spectacular rises in FDI flow on account of policy reform, industrial liberalisation, and government programmes like Make in India and Startup India. In recent times, however, FDI flow has been volatile, particularly during and in the wake of the COVID-19 pandemic, raising doubts about the stability and long-term viability of the investments.

Parallel to this, India's bilateral investment policy with ASEAN countries, particularly Malaysia, remains to be converted into meaningful capital flows. Despite cultural similarities,

strategic agreements like the India–Malaysia Comprehensive Economic Cooperation Agreement (CECA) and increasing trade partnerships, Malaysia's share of India's FDI inflow is negligible in comparison with ASEAN counterparts Singapore, Thailand, and Indonesia. This discrepancy is further cause to question Malaysia's position in India's investment stream and the barriers to closer economic integration.

Another crucial attribute of FDI is its intensity in comparison with national economic scale, usually expressed as FDI inflows compared to GDP. Now, Malaysia has had a higher FDI-to-GDP ratio than India throughout the past three decades, reflecting greater investment penetration and foreign capital reliance compared to its economy. This highlights the significance of considering India's performance not just in absolute terms of FDI but also in relative economic integration.

Therefore, the present study will address the following key research questions:

- What is the trend of FDI inflows into India over the years from FY2014 to FY2025?
- How does the FDI equity inflow of Malaysia to India compare with others of other ASEAN countries such as Singapore, Thailand, and Indonesia?
- How is the investment intensity, defined in terms of FDI inflows as a percentage of GDP, different between India and Malaysia over 1990-2023?

With these questions, the research aims to uncover the dynamics of India–Malaysia investment, make comparative observations regarding ASEAN investment trends, and find policy suggestions for foreign capital inflow in India.

IV. Objective

Foreign Direct Investment has played a significant role in India's economic development by promoting capital formation, technology transfer, and industrial growth. Understanding the trends in FDI inflows, the contribution of major investing countries, and the relative investment intensity is essential for assessing India's investment performance and identifying opportunities to strengthen bilateral economic relations. In this context, the present study has been undertaken with the following objectives:

- To analyse the FDI inflows into India annually from FY2014 to FY2025.
- To compare Malaysia's FDI equity inflows into India with those from other major ASEAN countries, namely Singapore, Thailand, and Indonesia.



- To compare the investment intensity (FDI inflows as a percentage of GDP) between India and Malaysia during the chosen period.

V. Research methodology

The current research embraces a descriptive and analytical study design grounded on secondary data obtained from reliable sources like the Department for Promotion of Industry and Internal Trade (DPIIT), World Bank (World Development Indicators), and Reserve Bank of India. The research period spans India's FDI inflows from FY2014 to FY2025, Malaysia's and ASEAN-origin FDI equity inflows for the period 2000-2025, and FDI as a percentage of GDP for Malaysia and India for the period 1990-2023. Trends are calculated using trend analysis, comparative analysis, and percentage analysis, supplemented with graphical tools for easier interpretation. The study is based on equity elements of FDI and does not include reinvested earnings or other capital. Although the study provides macro-level findings, its limitation is the lack of disaggregated sectoral data in Malaysia and its dependence on the accuracy of secondary data.

VI. Analysis and interpretation

India's FDI inflows have risen about 20 times from FY01 to FY25. As per the Department for Promotion of Industry and Internal Trade (DPIIT), India's total FDI inflow was at Rs. 9,297,188 crore (US \$1.07 trillion) during April 2000 to March 2025, primarily because of the government's initiatives towards enhancing the ease of doing business and relaxation of FDI policies. The cumulative FDI inflow to India from the period January 2025 to March 2025 was Rs. 1,51,465 crore (US\$ 17.4 billion), and FDI equity inflow during this period was Rs. 80,967 crore (US\$ 9.3 billion).

April 2000-March 2025, India's service sector received the largest FDI equity inflow of 16 worth Rs. 7,65,759 crore (US\$ 118.84 billion), followed by computer software and hardware industry worth 15% amounting to Rs. 7,84,971 crore (US\$ 110.69 billion), trading worth 7% amounting to Rs. 3,34,506 crore (US\$ 47.57 billion), telecommunications worth 5% amounting to Rs. 2,41,091 crore (US\$ 40.07 billion), and automobile industry worth 5 amounting to Rs. 37,854 crore (US\$ 37.85 billion).

India also recorded large FDI inflows in April 2000-March 2025, which were from Mauritius at Rs. 10,92,900 crore (US\$ 180.19 billion) accounting for a total of 25%, followed by Singapore at 24% with Rs. 12,18,108 crore (US\$ 174.88 billion), the USA at 10% with Rs.

4,93,550 crore (US\$ 70.65 billion), the Netherlands at 7% with Rs. 3,62,988 crore (US\$ 53.30 billion), and Japan at 6% with Rs. 2,83,370 crore (US\$ 44.39 billion).

The top state that obtained the maximum FDI equity inflow between October 2019-March 2025 was Maharashtra at Rs. 6,97,304 crore (US\$ 88.67 billion) with 31%, followed by Karnataka at 20% with Rs. 4,45,513 crore (US\$ 57.65 billion), Gujarat at 16% with Rs. 3,47,572 crore (US\$ 44.91 billion), Delhi at 13% with Rs. 2,95,613 crore (US\$ 37.80 billion), and Tamil Nadu at 5% with Rs. 1,15,346 crore (US\$ 14.61 billion).

Table 1 takes a look at the yearly pattern of Foreign Direct Investment (FDI) inflows in India from FY2014 to FY2025.

Table 1

Growth of FDI inflow

Financial Year	FDI Inflow (US\$ Billion)	Annual Growth (%)
FY14	36.05	--
FY15	45.15	25.24
FY16	55.56	23.06
FY17	60.22	8.39
FY18	60.97	1.25
FY19	62.11	1.87
FY20	74.39	19.77
FY21	84.84	14.05
FY22	81.97	-3.38
FY23	71.36	-12.94
FY24	71.35	-0.01
FY25	81.04	13.69

(Source -Department for Promotion of Industry and Internal Trade)

Foreign Direct Investment (FDI) inflows to India exhibited an overall upward trend from FY2014 to FY2021. India received FDI inflows of USD 36.05 billion in FY2014, which increased steadily to USD 84.84 billion in FY2021, representing cumulative growth of over 135 per cent during the period. The highest year-on-year growth was recorded in FY2015 (25.24%) and FY2016 (23.06%), reflecting the positive impact of policy reforms, liberalisation measures, and initiatives aimed at attracting foreign investment (DPIIT, 2025).

Following this period of sustained growth, FDI inflows experienced a moderate slowdown. Inflows declined to USD 81.97 billion in FY2022 (-3.38%) and further to USD 71.36 billion in FY2023 (-12.94%). FDI inflows remained almost unchanged at USD 71.28

billion in FY2024, indicating a period of stagnation. This slowdown may be attributed to global economic uncertainty, geopolitical tensions, inflationary pressures, tighter monetary policies, and reduced cross-border investment flows.

However, FY2025 marked a significant recovery, with FDI inflows increasing to USD 81.04 billion, representing a 13.69 per cent year-on-year growth. The rebound indicates renewed investor confidence, supported by India's resilient economic performance, policy reforms, and continued efforts to improve the ease of doing business. Overall, despite the temporary slowdown during FY2022–FY2024, India's long-term FDI trajectory remains positive, reaffirming its position as one of the world's leading destinations for foreign investment.

Table 2

FDI equity inflows from selected ASEAN countries

Country	2000–2021	2022	2023	2024	2025 (Till Mar)	Total FDI (USD Mn)
Malaysia	1134.83	32.58	27.58	67.82	9.48	1272.30
Singapore	126,779.39	17,265.57	11,568.46	16,310.16	2,963.30	174,886.88
Thailand	1115.24	79.03	225.01	47.88	11.28	1,478.45
Indonesia	639.31	7.75	6.76	5.14	0.32	659.30

(Source -Department for Promotion of Industry and Internal Trade)

Note: The country-wise FDI equity inflow data follow the reporting format published by DPIIT and have been reproduced without modification.

Table 2 shows FDI equity inflows from selected ASEAN nations. A cumulative FDI equity inflow analysis from selected ASEAN nations to India shows an uneven trend of investment sources. The top investor is Singapore, and total inflows were approximately USD 174.89 billion from 2000 through March 2025. The contribution was the highest through 2022 with USD 17.27 billion, and it was India's largest FDI partner among the ASEAN nations (DPIIT, 2025).

On the other hand, Malaysia's total FDI inflow for the same year was USD 1.27 billion, with small annual contributions such as USD 32.58 million in 2022 and USD 67.82 million in 2024. This leaves Malaysia way behind Singapore and highlights its small but consistent presence in the investment landscape of India.

Thailand had a cumulative inflow of USD 1.48 billion, with a significant boost in 2023 to USD 225.01 million, which may either be a case of sectoral concentration or one massive investment. Indonesia's FDI inflow, while comparatively smaller in overall amount at USD 659.30 million, indicates generally modest but consistent contributions year by year with no single peaks.

This imbalance points to the fact that while the ASEAN countries enjoy investment connectivity with India, the proportion is largely in favour of Singapore, accounting for over 98% of the total FDI of the four countries. The statistics point to untapped potential for Malaysia, Thailand, and Indonesia to increase their equity investment in India on a sectoral diversification and bilateral outreach level.

Table 3

FDI Net inflows (% of GDP)

Year	India (%)	Malaysia (%)
1990	0.07	5.30
2000	0.77	4.04
2015	2.09	3.27
2016	1.94	4.47
2017	1.51	2.94
2018	1.56	2.31
2019	1.78	2.51
2020	2.41	1.20
2021	1.41	5.42
2022	1.49	3.69
2023	0.79	1.98

(Source - World Development Indicators)

Table 3 and Figure 1 present India's and Malaysia's FDI Net inflows (% of GDP) from 1990 to 2023. A glance at Foreign Direct Investment (FDI) net inflows as a percentage of GDP reveals divergent trends for India and Malaysia between 1990 and 2023. Malaysia's FDI intensity in 1990 was 5.30% of GDP, whereas that of India was a mere 0.07%, reflecting earlier

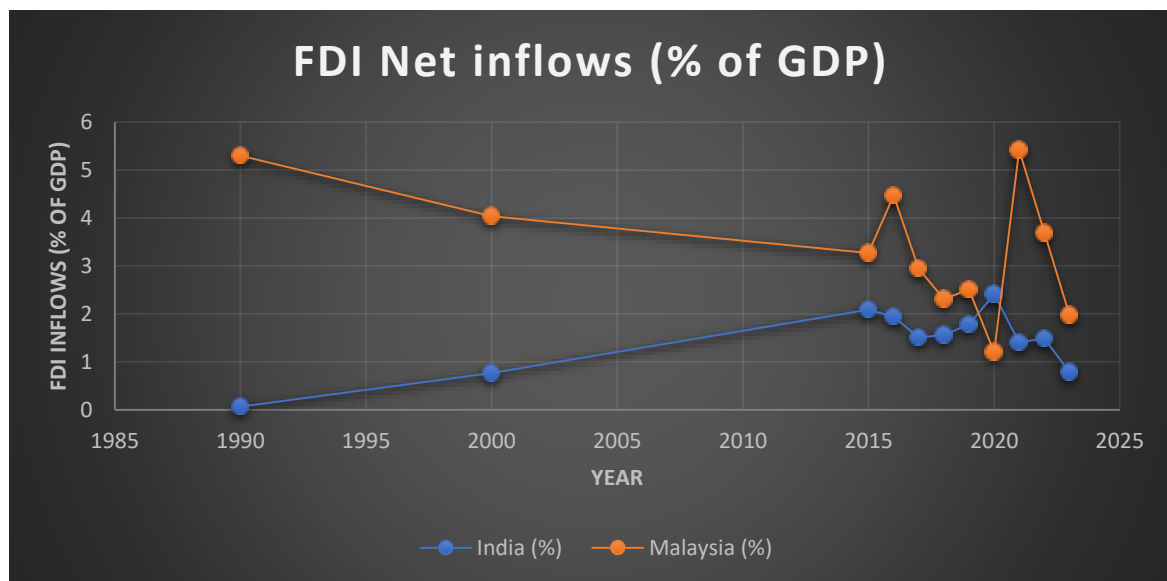
integration of Malaysia into the global investment network compared to India. This was before the liberalisation policy (**World Bank, 2024**).

Following India's liberalisation in the early 1990s, its FDI-to-GDP ratio rose steadily to 2.09% in 2015 and 2.41% in 2020. Malaysia, while higher earlier, was more fluctuating, reaching a high of 5.42% in 2021 but falling to 1.98% in 2023.

Throughout the timeline, Malaysia's FDI-to-GDP ratio was higher than India's each year, aside from 2020, when India temporarily surpassed Malaysia (India: 2.41%; Malaysia: 1.20%). The implication is that while India's absolute FDI magnitude is enormous, Malaysia's economy is more investment-intensive in proportion to its size, and this is an indicator of more intensive use of foreign capital.

Figure 1

FDI Net inflows (% of GDP)



(Source - World Development Indicators)

However, both countries declined in 2023 to 0.79% in India and 1.98% in Malaysia, possibly because of uncertainty in the global economy, tensions in geopolitics, and caution among investors. This volatility necessitates that both countries reassure investor confidence and ensure a stable investment climate during the post-pandemic recovery cycle.

VII. Suggestions

The following suggestions are given based on the findings of the study.



- Overall FDI equity inflow from Malaysia during the period 2000–2025 continued to be meagre at USD 1,272.30 million compared to ASEAN counterparts such as Singapore (USD 174,886.88 million). The implication is that India should put Malaysia at the top of its bilateral investment outreach through concerted engagement under CECA and India–ASEAN forums to realise untapped potential.
- Since sectoral Malaysian FDI statistics are not broken down, the present research was unable to determine Indian recipient industries. This implies that India needs to encourage sector-specific collaborations (e.g., renewable energy, healthcare, infrastructure) and keep sector-wise inflow statistics by country in order to attract desirable investments from Malaysia.
- Malaysia's relative proportion of India's FDI is consistently low despite being economically and geographically close to the ASEAN countries. India is recommended in the report to establish Special Investment Zones (SIZs) or corridors for ASEAN countries.
- Malaysia is consistently higher in terms of FDI-to-GDP ratio compared to India (e.g., 5.42% compared to 1.41% in 2021), reflecting higher capacity for capital absorption. India needs to better internalise FDI flows with domestic growth by connecting them with employment, technology transfer, and MSME development.

VIII. Conclusion

The current research focused on analysing the trends and patterns of Foreign Direct Investment (FDI) equity inflows into India with a specific reference to Malaysia in the post-liberalisation period. The research confirmed that even with huge and consistent FDI inflows into India between FY2014 and FY2025, the Malaysian proportion is relatively low in comparison to some of the other ASEAN countries, such as Singapore, Thailand, and Indonesia. Despite bilateral historical trading and strategic relationships, Malaysia's FDI equity presence with India has been lagging behind the regional neighbours, and hence, the investment potential of Malaysia might not be tapped to the same level.

The study also determined that, per capita in terms of GDP, Malaysia has, for the past three decades, maintained a higher FDI intensity compared to India. This also means that although India gets more FDI, in proportion to the size of the economy, Malaysia's economy is



more foreign-capital embedded. The gap, therefore, reflects the need for India to enhance its investment climate and bilateral relations with under-represented partners like Malaysia.

Overall, the findings underscore the importance of India diversifying the sources of its FDI, broadening policy outreach to mid-cap investors like Malaysia, and building sectoral transparency in AEI. By bridging these gaps, India cannot just raise the quantum of its FDI intake, but also possess a diversified and sustainable investment base in its ASEAN ties.

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