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An Econometric Study of Net FDI Inflows Across BRICS Economies: Trends, Determinants, and Policy Implications

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ABSTRACT

This paper addresses the factors that drive Foreign Direct Investment (FDI) inflows in a sample of other BRICS economies (Brazil, Russia, India, China and South Africa) from 2008 to 2023 with special attention to such variables as: GDP, capital formation, economic growth and inflation. Based on time series data from WDI and UNCTAD, the paper uses regression analysis to assess the impact of political risk, trade openness, inflation, stability, and labour on FDI stocks and flows. The results are expected to show a positive and significant impact on FDI for large GDP size and gross capital formation, as they indicate a good potential for the market and infrastructure. Higher economic growth is expected to influence FDI positively, adding to the high-growth appeal of the BRICS! Inflation will have a subtler role—some inflation is good in that it reveals demand is increasing, but too much price predictability can drive away long-term investment. The findings of the paper should especially interest policymakers who want to improve FDI inflows. Smaller-GDP economies like those in South Africa may thrive with more sectoral and targeted incentives to offset their lack of size in this regard. Capital formation via infrastructural development is highlighted as a central approach towards attracting efficiency-seeking FDI in this regard. Continued macroeconomic stability — a combination of growth and low inflation — is also vital for sustaining investor confidence. It can also identify different determinants of FDI across the BRICS and this may imply that the same policy context may not work the same within the BRICS. Furthermore, by exploring these determinants, the research highlights tangible insights on how to optimize investment promotion strategy in emerging markets, in the context of a global economy that is witnessing quick changes in FDI patterns following the pandemic. This study has implications for both theory and policy related to FDI in dynamic emerging economies.

Keywords: BRICS, GDP, Capital Formation, Exchange Rate, Trade Openness

1. INTRODUCTION

Foreign Direct Investment (FDI) has emerged as a vital component of economic growth, particularly in developing and emerging markets. Beyond serving as a source of external capital, FDI facilitates technology transfer, enhances productivity, and strengthens global value chain participation. The BRICS countries – Brazil, Russia, India, China and South Africa – have more and more established themselves as investment destinations, albeit with diverging trends in FDI over time. As per UNCTAD (2023), FDI flows have been highly volatile since the 2008 global financial crisis, and the global south is resilient to these vagaries thanks to policy liberalization, macroeconomic stability, and geopolitical stability alongside targeted sector-specific reforms, where India and China have led the way. FDI is especially important for India in addressing the savings-investment gap and strengthening industrial competitiveness. We review the literature to identify potential macroeconomic determinants of FDI, including GDP, inflation, trade openness, and gross capital formation. GDP reflects market size and growth potential (Borensztein et al., 1998), inflation indicates price stability (Jordaan, 2004), trade openness captures ease of market access and regulatory transparency (Balasubramanyam et al., 1996), and capital formation relates to domestic infrastructure and investment climate. However, the relationship between these variables and FDI is context-dependent and often nonlinear, necessitating empirical exploration across specific countries and timeframes. This study holds significance as it focuses on understanding how these key variables influence net FDI inflows in BRICS economies from 2008 to 2023. Net FDI, which accounts for disinvestment and repatriation, provides a more realistic measure of foreign investment retained in the economy. While past research has addressed FDI

determinants, much of it either focuses on gross inflows or lacks country-specific time series analysis, particularly for India within the BRICS framework. Moreover, the cumulative effect of GDP, inflation, trade openness, and capital formation has seldom been jointly examined in a long-term context. This research contributes to the existing body of knowledge by applying time series regression analysis to identify the impact of macroeconomic variables on net FDI inflows, with special attention to India. The findings aim to inform policymakers and investors about the macroeconomic conditions that best support sustained foreign investment in emerging economies.

2. LITERATURE REVIEW

The extant literature on FDI inflows presents mixed empirical evidence regarding its key determinants and patterns across regions and economic structures. In the context of developing Asian economies, variables such as market size, human capital, interest rate, and trade openness have consistently emerged as significant drivers of FDI **(Adhikary, 2017; Kumari & Sharma, 2017)**. In China, market size, trade openness, labor quality, and infrastructure level have been identified as important factors influencing FDI **(Na & Lightfoot, 2006). Zhang (2011)** further disaggregates this analysis, showing that at the regional level, factors like labor cost, tax rate, market size, and geography matter, while at the sectoral level, wage rate, employment structure, state ownership, and exchange rate play dominant roles in attracting FDI.

Similar patterns are observed in Russia, where market size and favorable tax policies stimulate FDI, whereas trade barriers act as significant constraints **(Gurshev, 2019)**. In Brazil, trade liberalization and domestic market scale are major FDI pull factors **(Castro et al., 2013)**, with productivity growth enhancing FDI inflows domestically but declining U.S. productivity growth playing a dampening role **(Dias et al., 2014)**. In the broader BRICS context, determinants such as market size, infrastructure, labor cost, gross capital formation, exchange rate, trade openness, GDP growth, and macroeconomic stability have been found to be significant **(Asongu et al., 2018; Maryam & Mittal, 2020; Shah & Ali, 2016; Vijayakumar et al., 2010)**. Additionally, economic, social, and financial factors were identified as key contributors to fluctuations in net FDI inflows **(Elfakhani & Mackie, 2015; Jadhav, 2012). Malik and Savadatti (2018)**, in an analysis of FDI growth in BRICS, highlighted China as the leading recipient, followed by India and Brazil, while South Africa remained the least attractive and Russia showed stagnation over time.

Several studies also investigate FDI motives using the horizontal and vertical frameworks based on the Knowledge-Capital (K-C) model. **Nguyen and Cieslik (2020)** observed that earnings potential and market size similarity encouraged horizontal FDI between Europe and Asia, whereas differences in skilled labor availability promoted vertical FDI. **Nguyen et al. (2019)** added that factors such as common language, GDP differences, trade costs, and geographical distance significantly affected FDI in Asian nations. In transition economies, market potential and low labor costs encouraged both horizontal and vertical FDI **(Anghel, 2007)**. In contrast, for Poland, FDI inflows from OECD nations were driven by human and physical capital endowments and market size, while high investment costs served as deterrents **(Cieslik, 2020)**. While most studies focus on inward FDI, **Cieslik and Tran (2019)** examined FDI outflows, emphasizing the role of skilled labor, market size, and investment cost. **Xiaolong and Shuhui (2016)** similarly found that labor skills and market size were critical to U.S. outward FDI.

The impact of crises on FDI inflows has also been examined. The global financial crisis of 2008 negatively affected both horizontal and vertical FDI, as well as cross-border mergers and acquisitions **(Stoddard & Noy, 2015).** Other crises, such as currency and banking crises, were shown to reduce FDI stocks and Greenfield investments **(Liu, 2012)**. However, inflation-related crises showed minimal impact on FDI **(Moon et al., 2011)**. Interestingly, during the Asian financial crisis, FDI flows helped stabilize economic recovery rather than trigger immediate upswings. In South Korea, the post-crisis investment strategy of foreign firms shifted from passive to active, reflecting enhanced risk awareness due to exchange rate volatility **(Min, 2010)**. In the BRICS context, literature addressing the effects of economic shocks remains limited. However, **Gupta (2018)** found that FDI inflows to China, India, and Brazil rose in the post-2008 period, while South Africa and Russia experienced declines. Notably, **Nandi (2012)** observed that India failed to recover to pre-crisis levels in terms of FDI inflows and outflows. **Molano (2009)** argued that BRICS countries' recovery was partly contingent on economic revival in Western Europe and the United States.

More recently, the COVID-19 pandemic emerged as a major disruptor of global FDI patterns. **Gujrati and Uygun (2020)** provided a theoretical assessment of policy responses in the U.S., UK, Australia, and the EU to facilitate foreign investment amidst the crisis. In India, FDI inflows dropped by 59% in Q1 of FY 2020 due to pandemic-induced economic contraction **(Aggarwal, 2020)**. Nevertheless, post-policy revisions and the launch of the self-reliance initiative led to a 16% increase in FDI in subsequent months. In neighboring Nepal, **Chaudhary et al. (2020)** found that FDI was negatively affected not only by the pandemic but also by persistent structural issues such as poor infrastructure, governance deficits, political instability, and natural disasters.

3. RESEARCH METHODOLOGY

This paper uses secondary data that targets the effects of various determinants of FDI on the inflow of FDI in BRICS nations specifical in reference to India. Data were obtained from the World Development Indicators (WDI) of the World Bank and the United Nations Conference on Trade and Development (UNCTAD), all international secondary data sources from 2008 to 2023. To analyze the trends and patterns of FDI inflows, some of the descriptive statistical tools such as

average, percentage and Compound Annual Growth Rate (CAGR) have been utilized. For the econometric analysis, a multiple linear regression model is used to determine the influence of selected macroeconomic variables on net FDI inflows.

$$FDIit=\beta0+\beta1GDPit+\beta2CFit+\beta3TOit+\beta4EXRit+\epsilon it$$

- FDIit = Net FDI Inflow for the country I in t year
- GDPit = GDP at the current price
- CFit= Gross Capital Formation (% of GDP)
- TOit = Trade Openness (Export + Import as % of GDP)
- EXRit = Exchange Rate (local currency per USD)
- β0= Intercept
- β1,β2,β3,β4= Coefficients of independent variables
- ϵit= Error term

The regression model aims to quantify the relationship between FDI and these economic indicators, thereby identifying the statistically significant determinants of FDI inflows in the BRICS context, with a particular emphasis on the Indian economy. SPSS statistical software was employed to carry out the regression modelling and related computations.

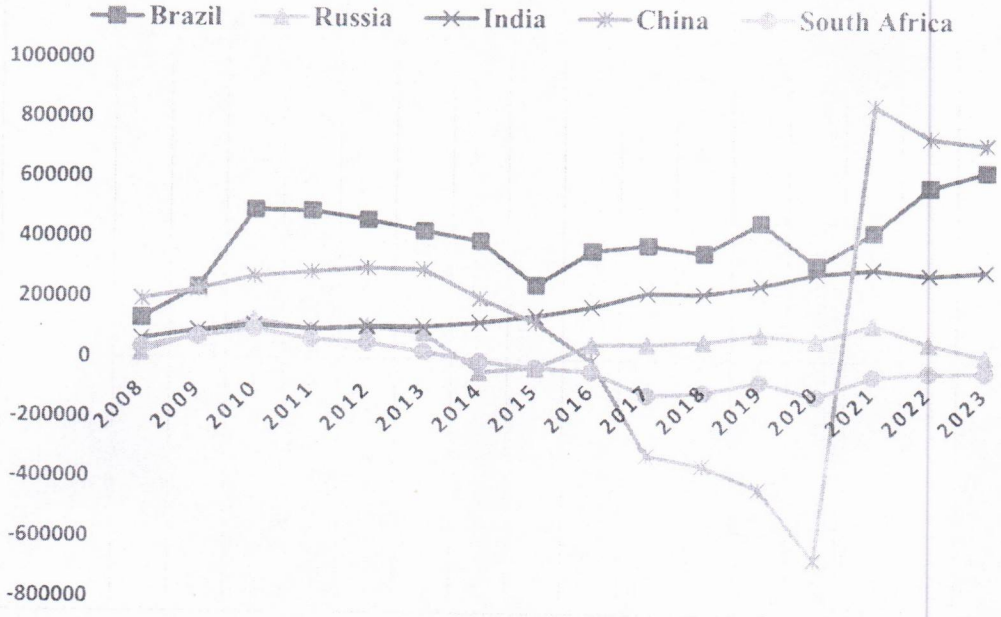
4. RESEARCH OBJECTIVE

This research paper seeks to analyze the trends of net Foreign Direct Investment (FDI) inflows in BRICS nations—Brazil, Russia, India, China, and South Africa—from 2008 to 2023, with a specific focus on India. The study attempts to capture the true retained foreign investment by economy using net FDI, which is the inflow of FDI minus any disinvestments and repatriation. The study also explores how selected macroeconomic variables feature Gross Domestic Product (GDP), inflation rate, trade liberalisation and gross capital formation response to influence net FDI inflows in these countries. The relevance of these indicators will be tested based on how they influence the investment climate and economic stability that motivate foreign investor choice. We use time series econometric methods to analyse the direction and size of these relationships over time. Application to India Highlights: There is a growing need for India to observe the precise nature of the dynamics and policy changes influencing its investment climate. The study will develop focused policy recommendations to enhance the capability to attract and retain FDI based on the results.

Net Foreign Direct Investment (FDI) Inflow Trends of BRICS Nations Table -1

Net FDI Inflow of BRICS Nations (In US $ Million)					
Year	**Brazil**	**Russia**	**India**	**China**	**South Africa**
2008	129901	15614	61874	194112	34211
2009	233660	79090	90379	226393	68455
2010	490997	127873	108679	269671	96316
2011	489317	93200	96845	286086	62339
2012	460311	105360	106913	299999	51731
2013	423990	86153	106711	295373	23442
2014	391497	-42922	121596	201711	-7118
2015	244934	-27344	143579	122065	-27928
2016	360353	51061	174234	-3749	-40182
2017	380057	52430	222070	-319081	-116632
2018	355480	61504	219575	-354005	-107877
2019	457426	85838	247225	-429395	-69752
2020	317410	67907	289270	-661830	-117837
2021	427325	123078	306034	848167	-49047
2022	578775	60851	288075	741570	-35744
2023	631757	20572	300974	720533	-33739
Average	**398324**	**60016.6**	**180252**	**152351**	**-16835.125**
Minimum	**129901**	**-42922**	**61874**	**-661830**	**-117837**
Maximum	**631757**	**127873**	**306034**	**848167**	**96316**
Standard Deviation	**127973**	**48587.2**	**86203.1**	**427628**	**67807.79101**
CAGR	**10.39%**	**1.74%**	**10.39%**	**8.54%**	**-0.09%**
Source: UNCTAD					

Figure 1



The figures highlight both the growth potential and structural volatility of FDI within the bloc, reflecting the impact of macroeconomic conditions, policy frameworks, and global economic disruptions. **Brazil** exhibits a consistent upward trend in net FDI inflows, starting at USD 129.9 billion in 2008 and reaching a peak of USD 631.8 billion in 2023. With a compound annual growth rate (CAGR) of 10.39% and an average inflow of approximately USD 398.3 billion, Brazil's FDI performance indicates resilience and sustained investor confidence. Despite occasional dips, particularly post-2014, inflows recovered sharply, highlighting the country's structural capacity to attract FDI. **Russia** presents a relatively unstable FDI inflow pattern. While it recorded a maximum of USD 127.9 billion in 2010, it also experienced negative inflows in 2014 and 2015. The average inflow of USD 60 billion and a modest CAGR of 1.74% suggest that investor sentiment has been inconsistent, likely influenced by geopolitical tensions, sanctions, and domestic policy shifts. **India** has demonstrated robust and accelerating FDI inflow trends over the study period. Net inflows rose from USD 61.9 billion in 2008 to over USD 300.9 billion in 2023, with a strong CAGR of 10.39%. India's average net inflow of USD 180.3 billion, along with a relatively lower standard deviation, reflects both growth momentum and increasing policy predictability. The consistent rise in net FDI, particularly after 2014, aligns with India's liberalization efforts, including reforms under initiatives like "Make in India." **China** displays a mixed trend. While net FDI peaked at USD 848.1 billion in 2021, several years (notably from 2016 to 2020) show negative net inflows, indicating high outflows or disinvestments. The average net inflow of USD 152.3 billion and CAGR of 8.54% suggest strong FDI activity overall, albeit with significant fluctuation. These trends may reflect structural transitions in China's economy and shifting global investment patterns, including capital repatriation and stricter regulatory environments. **South Africa** consistently recorded negative average net FDI inflows (−USD 16.8 billion), with a minimum of −USD 117.8 billion in 2020. It is the only BRICS nation with a negative CAGR (−0.09%), reflecting structural constraints, political uncertainty, and limited investor confidence. Although there were positive inflow years early in the period, the general trajectory indicates sustained net outflows, highlighting a need for substantial policy reform to enhance FDI attractiveness. Overall, India and Brazil stand out as the most consistent and high-growth destinations for net FDI inflows within BRICS, while Russia and China show volatility. South Africa faces persistent challenges in attracting net foreign investment. These divergent trends emphasize the importance of stable macroeconomic environments, investor-friendly regulations, and strategic reforms to sustain FDI growth across BRICS nations.

Impact of Macro Economics Variable on Foreign Direct Investment (FDI) inflowBrazil

Table -2

Year	Net FDI Inflow (In US $ Million)	GDP at CP (In US $ Million)	Exchange Rate (In US $)	Capital Formation (In %)	Trade Openness (In %)
2008	129901	1695855	1.833766667	14.22298679	27.26
2009	233660	1666996	1.999428173	-14.49749029	22.11
2010	490997	2208838	1.759226711	28.79455494	22.77
2011	489317	2616157	1.672828755	5.728983458	23.93
2012	460311	2465228	1.953068611	-2.5449094	25.11
2013	423990	2472819	2.156089151	5.877589739	25.79

2014	391497	2456044	2.352951963	-5.407957087	24.69
2015	244934	1802212	3.326904383	-19.1588427	26.95
2016	360353	1795693	3.491313422	-13.94511688	24.53
2017	380057	2063515	3.191389446	2.586921552	24.32
2018	355480	1916934	3.653825361	3.455897996	28.88
2019	457426	1881459	3.944471097	1.358961405	28.89
2020	317410	1476107	5.155178788	-4.138568024	32.30
2021	427325	1649623	5.39440079	21.80056413	37.66
2022	578775	1920095	5.163970291	4.740533989	38.82
2023	631757	2141882	4.994379763	-7.040631355	33.85
Source: World Development Indicators (WDI), UNCTAD					

Table -3

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.894[a]	.799	.725	67063.00219	.799	10.905	4	11	.001	1.512
a. Predictors: (Constant), Trade Openness, Capital Formation, GDP at Current Price, Exchange Rate										
b. Dependent Variable: Net FDI Inflow										

Table -4

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-499568.620	192013.902		-2.602	.025
	GDP at Current Price	.354	.061	.960	5.845	.000
	Capital Formation	2086.191	1589.195	.209	1.313	.216
	Exchange Rate	98097.097	33814.339	1.040	2.901	.014
	Trade Openness	-4930.556	8465.287	-.198	-.582	.572

*Confidence level- 95%

Russia

Table -5

Year	Net FDI Inflow (In US $ Million)	GDP at CP (In US $ Million)	Exchange Rate (In US $)	Capital Formation (In %)	Trade Openness (In %)
2008	15614	1677107	24.852875	10.49993335	53.38
2009	79090	1234615	31.74035833	-41.00004386	48.44
2010	127873	1539845	30.36791534	28.49973668	50.36
2011	93200	2045923	29.38234137	20.99997589	48.04
2012	105360	2208294	30.83983135	5.541933339	47.15
2013	86153	2292470	31.83714364	-5.154850269	46.29
2014	-42922	2059242	38.37820714	-6.384930915	47.80
2015	-27344	1363482	60.93765011	-11.74313147	49.36
2016	51061	1276786	67.05593333	-0.639176708	46.52
2017	52430	1574199	58.34280119	6.409621006	46.88
2018	61504	1657329	62.66813333	-1.591194251	51.58
2019	85838	1693115	64.73765833	2.34344248	49.23
2020	67907	1493076	72.10490833	-4.34713068	45.97
2021	123078	1836891	73.65435	-14.99475092	50.20
2022	60851	2240422	68.48494167	27.73109618	43.26
2023	20572	1983930	85.16200833	15.71417447	41.83
Source: World Development Indicators (WDI), UNCTAD					

Table -6

Model Summary[b]										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.199[a]	.040	-.310	55602.94087	.040	.113	4	11	.975	1.276
a. Predictors: (Constant), Trade Openness, Capital Formation, Exchange Rate, GDP at Current Price										
b. Dependent Variable: Net FDI Inflow										

Table -7

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-27847.117	380366.210		-.073	.943
	GDP at Current Price	.010	.052	.071	.192	.851
	Capital Formation	332.514	919.591	.119	.362	.725
	Exchange Rate	-179.954	864.311	-.074	-.208	.839
	Trade Openness	1646.902	6321.355	.099	.261	.799

*Confidence level- 95%

China

Table -8

Year	Net FDI Inflow (In US $ Million)	GDP at CP (In US $ Million)	Exchange Rate (In US $)	Capital Formation (In %)	Trade Openness (In %)
2008	194112	4594342	6.948655	13.7383096	57.61
2009	226393	5101695	6.831416052	20.65579385	45.18
2010	269671	6087188	6.770269029	15.74624767	50.72
2011	286086	7551543	6.461461327	8.763015488	50.74
2012	299999	8532186	6.312332827	7.45276483	48.27
2013	295373	9570467	6.195758346	9.310780112	46.74
2014	201711	10475623	6.143434094	7.43061406	44.91
2015	122065	11061570	6.227488673	3.541470115	39.46
2016	-3749	11233313	6.644477829	7.202675746	36.89
2017	-319081	12310492	6.758755086	6.289227579	37.63
2018	-354005	13894906	6.615957177	6.729353839	37.57
2019	-429395	14279966	6.90838501	3.967278475	35.89
2020	-661830	14687744	6.900767269	4.292295836	34.75
2021	848167	17820459	6.44897518	3.860035805	37.30
2022	741570	17963171	6.737158112	3.366731336	38.35
2023	720533	17769085	7.083998423	3.607332001	37.32
Source: World Development Indicators (WDI), UNCTAD					

Table -9

Model Summary[b]										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.794[a]	.630	.496	303558.76914	.630	4.692	4	11	.019	1.411
a. Predictors: (Constant), Trade Openness, Exchange Rate, Capital Formation, GDP at Current Price										
b. Dependent Variable: Net FDI Inflow										

Table -10

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1891788.530	2227387.942		-.849	.414
	GDP at Current Price	.182	.046	1.876	3.934	.002
	Capital Formation	74695.306	33003.061	.866	2.263	.045
	Exchange Rate	-566440.456	308382.612	-.389	-1.837	.093
	Trade Openness	73745.884	20895.791	1.171	3.529	.005

*Confidence level- 95%

South Africa

Table -11

Year	Net FDI Inflow (In US $ Million)	GDP at CP (In US $ Million)	Exchange Rate (In US $)	Capital Formation (In %)	Trade Openness (In %)
2008	34211	316131	8.261223333	8.798257207	65.97
2009	68455	329754	8.473674158	-8.421635857	49.59
2010	96316	417364	7.321221961	0.764004963	50.41
2011	62339	458199	7.261132132	11.73235673	54.64
2012	51731	434397	8.209968627	-0.715529289	55.58
2013	23442	400684	9.655056069	5.004439456	58.88
2014	-7118	380909	10.85265557	-3.22085533	59.50
2015	-27928	346486	12.75893088	4.00533113	56.73
2016	-40182	323568	14.70961089	-8.385812643	55.86
2017	-116632	380851	13.32380142	2.976410677	53.54
2018	-107877	405047	13.23392647	-1.214213312	54.49
2019	-69752	389330	14.44842705	-0.198528575	53.90
2020	-117837	338291	16.45910539	-24.56086671	50.69
2021	-49047	420118	14.77867821	7.513166446	56.08
2022	-35744	405271	16.35585348	14.69914594	65.06
2023	-33739	377952	18.45024418	0.161311572	65.72

Source:World Development Indicators (WDI) ,UNCTAD

Table -12

Model Summary[b]										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.832[a]	.693	.581	43895.21556	.693	6.199	4	11	.007	1.225
a. Predictors: (Constant), Trade Openness, GDP at Current Price, Exchange Rate, Capital Formation										
b. Dependent Variable: Net FDI Inflow										

Table -13

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-91472.389	259834.875		-.352	.731
	GDP at Current Price	.140	.351	.086	.398	.698
	Capital Formation	-713.552	2035.994	-.098	-.350	.733
	Exchange Rate	-16480.729	3641.553	-.881	-4.526	.001
	Trade Openness	3918.397	3261.378	.300	1.201	.255

*Confidence level- 95%

India

Table -14

Year	Net FDI Inflow (In US $ Million)	GDP at CP (In US $ Million)	Exchange Rate (In US $)	Capital Formation (In %)	Trade Openness (In %)
2008	61874	1267470	43.50518333	-2.592511743	53.37
2009	90379	1315230	48.40526667	13.58069269	46.27
2010	108679	1669620	45.72581212	15.40189946	49.26
2011	96845	1871918	46.67046667	5.474393128	55.62
2012	106913	1860877	53.43723333	4.294068965	55.79
2013	106711	1917054	58.59784542	-3.706654975	53.84
2014	121596	2042939	61.02951446	7.693622226	48.92
2015	143579	2146759	64.15194446	4.729523541	41.92
2016	174234	2290591	67.19531281	3.674568078	40.08
2017	222070	2624329	65.12156865	10.83628978	40.74
2018	219575	2763197	68.38946709	10.95473368	43.62
2019	247225	2854814	70.42034054	-2.589427987	39.91
2020	289270	2676119	74.09956688	-7.392369845	37.76
2021	306034	3175276	73.91801282	21.11890077	45.42
2022	288075	3465541	78.60449058	5.524237936	49.97
2023	300974	3581560	82.59927645	10.20019791	45.85

Source:World Development Indicators (WDI) ,UNCTAD

Table -15

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.972[a]	.945	.924	23701.87637	.945	46.853	4	11	.000	.991

a. Predictors: (Constant), Trade Openness, Capital Formation, GDP at Current Price, Exchange Rate

b. Dependent Variable: Net FDI Inflow

Table -16

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	120901.619	119426.886		1.012	.333
	GDP at Current Price	.116	.033	.954	3.512	.005
	Capital Formation	-146.007	904.555	-.013	-.161	.875
	Exchange Rate	-776.887	2083.667	-.110	-.373	.716
	Trade Openness	-3485.639	1437.688	-.238	-2.424	.034

*Confidence level- 95%

Macro Economics Variable Model Summary of BRICS Nations

Table -17

Model Summary

Country	GDP at Current Price	Capital Formation	Exchange Rate	Trade Openness
Brazil	Significant	Not Significant	Significant	Not Significant
Russia	Not Significant	Not Significant	Not Significant	Not Significant
China	Significant	Significant	Not Significant	Significant
South Africa	Not Significant	Not Significant	Significant	Not Significant
India	Significant	Not Significant	Not Significant	Significant

- **Brazil**, GDP at current price and exchange rate significantly influence FDI inflows, indicating that economic growth and currency value are key factors.
- **Russia**, none of the variables are significant, suggesting FDI is driven by other non-economic factors.
- **China** shows significance in GDP, capital formation, and trade openness, highlighting a strong, multi-dimensional FDI attraction model.
- **South Africa**, only the exchange rate is significant, implying currency movements play a dominant role in attracting FDI.
- **India**, both GDP at the current price and trade openness are statistically significant predictors of net FDI inflow. This underscores the importance of economic growth and liberalized trade policies in enhancing India's attractiveness as a foreign investment destination. However, capital formation and exchange rate do not show significant influence, suggesting limited short-run responsiveness of FDI to these factors.

5. INDIA-SPECIFIC POLICY RECOMMENDATIONS FOR INCREASE THE FDI INFLOW

To attract Foreign Direct Investment (FDI) inflows into India under current economic conditions, it is essential to bring about a multi-pronged policy approach that targets contingent structural, regulatory and macroeconomic type determinants. Now that the regression results have demonstrated that GDP and trade openness are major determinants of FDI inflow, the policy has to focus on maintaining GDP expansion and promoting trade openness accordingly. This is in conjunction with the need for the government to maintain macroeconomic stability, through its wise management of our fiscal position, ensuring inflation remains contained, and ensuring that interest rates remain predictable and follow economic logic. This would further strengthen investor confidence in the Indian economic landscape and is all the more critical as the world emerges out of the pandemic and global capital searches for safe and high-growth destinations. Continued reforms to reduce non-tariff barriers, streamline customs clearing processes, and negotiate comprehensive trade agreements with regional and major economies are therefore imperative. Greater trade openness, aided by better logistics and infrastructure through initiatives such as PM Gati Shakti, can lower entry barriers and integrate India into the global supply chains and make it a more favourable destination for investment. The major initiative the Government must pursue is regulatory simplification through digitizing the investment approval process and streamlining compliance costs alongside the timely implementation of the National Single Window System. By lowering the entry barriers for foreign investors, such reforms could facilitate investment in sectors with high growth potential like renewable energy, digital infrastructure and advanced manufacturing. The Production-Linked Incentive (PLI) schemes have introduced bold sectoral incentives but their scope and scale should be expanded and realigned with India's relative advantage to draw technology-driven and outward-looking FDI. Along with these incentives, there should be sustained investments in skills training to ensure a competitive workforce. A stronger focus on bilateral investment treaties with strong dispute resolution and protection provisions would improve the legal certainty and long-term confidence of investors. Even better ease of doing business rankings, coupled with sub-national investment competitiveness, can make India a destination of choice among foreign investors seeking sustainable and long-term investments.

6. CONCLUSION

This study provides a comprehensive empirical assessment of the determinants of Foreign Direct Investment (FDI) inflows in BRICS economies over the period 2008 to 2023, with a particular focus on India. The findings reveal that among the macroeconomic variables analyzed—GDP at current price, capital formation, trade openness, and exchange rate—the influence of each determinant varies significantly across countries. In India's case, both GDP and trade openness emerge as statistically significant, underscoring the importance of sustained economic growth and liberalized trade policies in attracting foreign capital. The study also highlights that while some BRICS economies, such as Brazil and China, exhibit a multi-dimensional FDI attraction model, others like Russia and South Africa display limited responsiveness to these macroeconomic indicators. India's consistent growth in FDI inflows, particularly after 2014, aligns with its policy efforts to improve the investment climate and infrastructure. However, the non-significance of capital formation and exchange rate in India's regression results suggests the need for deeper structural reforms to broaden the base of FDI determinants. These insights contribute meaningfully to policy discourse, emphasizing the role of tailored, country-specific strategies for enhancing foreign investment in emerging markets.

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