ISBN: "978-93-87901-17-9" 10th, 11th, 12th December, 2020

FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH IN INDIA

Stanekzai Mohammad Omid
Dr. D.Y Patil Institute of Technology, Pimpri, Pune

Mahendra Yadav
Savitribai Phule Pune University

Abstract
In this project, it has been tried to provide a comprehensive picture about the Foreign Direct Investment (FDI) And Economic Growth in India ranging from its conception as a potent source of investment the world over, its various types, the methodology adopted, top FDI countries and agencies engaged, and other key aspects. A cumulative and thorough study of the overall scenario of FDI in India; starting from the introduction of FDI in the country, the share of top investing countries and sectors attracting the highest FDI flows.
We will also step in the determinants for attracting FDI in the country and the causes for the low flow of FDI and the mechanisms that can be undertaken to boost the nation attractive enough for investors. This research entirely relies on secondary data collected after a thorough and exhaustive study of various websites, textbooks, journals, newspapers, magazines, and great contributions of professors and professionals specializing in this field. The regression result indicates that FDI is positively correlated to the economic growth of India, though it has not been established as a significant determining factor for economic growth yet.
The objective of this Research Paper is to realize the conceptual background, its necessity and impact on the Indian economy, determinations for attracting FDI, equity inflows in the various states, the pattern of FDI inflows in different sectors, and causes for low FDI inflow within the country. Finding shows there is high Variation in the inflows of FDI equity. The results also revealed that maximum contribution (28%) of FDI inflows in the service sector and Maharashtra, Dadra, Nagar, Haveli, Daman & Diu got the highest inflows which are 32% of the total FDI. This study will help the government to make vigilant planning to manage & boost foreign direct investment.

Keywords - Foreign Direct Investment, Economic Growth, Top FDI investors.

Introduction:
Recently the world economy is passing through a global crisis. India is not free from its effect. India is also suffering from inflection and economic crisis. To overcome this situation and make to economy fast, the Indian Govt. has decided to do economic reforms, as a result, Indian Govt. has taken steps in this direction and make free Foreign Direct Investment in some sectors like Retail, Broad Casting, Airline etc.
Foreign Direct Investment (FDI) plays an important role in the economic development of a nation. A country's technology level and sector development are depending upon the level of FDI inflows. Foreign direct investment (FDI) is that investment which is done by a company of another country into the different business of a country either by acquiring and taking the control of a company in the country or by growing operations of an existing business in that country. With the help of FDI, the investors invest there to avail a lot of benefits such as to take advantage of cheaper wages, benefits in taxation, and some other privileges offered by the host country.
Thus, putting the money of your country in a company which is functioning in some other country is Foreign Direct Investment, if we invest this way then we are a foreign direct investor. Foreign Direct Investment plays an extraordinary and growing role in global business. It can provide a firm with new markets and marketing channels, cheaper production facilities, access to new technology, products, skills, and financing for a host country, which receives the investment. It can provide a source of new

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technologies, capital, processes, products, organizational technologies, and management skills, and as such can provide a strong impetus to economic development.

Such investments can take place for many reasons, including to take advantage of cheaper wages, special investment privileges (e.g. tax exemptions) offered by the host country. On the other hand, FDI is also beneficial to the host country like FDI help in employment generation and reduce poverty, capital formation, and increase the level of standard transfer of new technology, increase tax revenue, etc. Mainly, host countries provide privilege for FDI investment into infrastructure, information technology, research & development, and other projects to boost development. The concept of foreign investment comes from the Foreign Exchange Management Act (FEMA) in 1991 driven by the finance minister Manmohan Singh.

Types of Foreign Direct Investment

1.1.1. Inward:

Inward foreign direct investment is when foreign capital is invested in local resources and it is encouraged by tax breaks, subsidies, low-interest loans, grants, lifting of certain restrictions based on the conception of long term gain is worth short term loss of income.

1.1.2. Outward:

Outward foreign direct investment, sometimes called "direct investment abroad", is when local capital is invested in foreign resources. Yet it can also be used to invest in imports and exports from a foreign commodity country. Where it is encouraged by government-backed insurance to cover the risk.

1.1.3. Greenfield Investment:

Direct investment in new facilities or the expansion of existing facilities. Greenfield investments are the primary target of a host nation's promotional efforts because they create new production capacity and jobs, transfer technology and know-how, and can lead to linkages to the global marketplace. The Organization for International Investment cites the benefits of Greenfield investment (Insourcing) for regional and national economies to include increased employment (often at higher wages than domestic firms); investments in research and development; and additional capital investments. Criticism of the efficiencies obtained from Greenfield investments includes the loss of market share for competing domestic firms. Another criticism of Greenfield investment is that profits are perceived to bypass local economies, and instead flow back entirely to the multinational's home economy. Critics contrast this to local industries whose profits are seen to flow back entirely into the domestic economy.

1.1.4. Mergers and Acquisitions:

Mergers and acquisitions (M&A) are defined as the consolidation of companies. Distinguishing the two terms, Mergers is the combination of two companies to form one, while Acquisitions is one company taken over by the other. M&A is one of the major aspects of the corporate finance world. The reasoning behind M&A generally given is that two separate companies together create more value compared to being on an individual stand. With the objective of wealth maximization, companies keep evaluating different opportunities through the route of merger or acquisition

1.1.5. Market-Seeking:

Investments that target either penetrating new markets or maintaining existing ones. FDI of this kind may also be employed as a defensive strategy; it is argued that businesses are more likely to be pushed towards this type of investment out of fear of losing a market rather than discovering a new one. This type of FDI can be characterized by the foreign Mergers and Acquisitions in the 1980s by Accounting, Advertising and Law firms.

1.2. Needs for Foreign Direct Investment

Foreign Direct Investment is necessary for a developing country like India for the following reasons:

ISBN: "978-93-87901-17-9" 10th, 11th, 12th December, 2020

1.2.1. Development of Basic Infrastructure:
Increment in infrastructure facilities is necessary for economic development. But there is a lack of capital for infrastructure development in a developing country. By receiving foreign capital investment such a country can build-up such a facility and can push up economic development.

1.2.2. Total Economic Development:
For totally economic development and to keep balance in the development of various sectors of the country, foreign direct investment and foreign aid are necessary. Due to inadequate development excluding the agricultural sector, the population was fully dependent on agriculture. On the other hand, foreign investment and aid, it has been possible development in the industry and service sector and India has been able to be overall developed.

1.2.3. Speeding up Economic Activity:
In a developing country like India, there may be potential saved, but this may come forward only with a higher level of economic activity, where foreign capital can prove to be relatively helpful.

1.2.4. Inadequate Domestic Capital:
Since in India the domestic capital is inadequate for economic growth, it becomes necessary to invite foreign capital for investment. Developing countries are not able to mobilize adequate savings for their development. Therefore, foreign capital becomes indispensable to fill the gap between actual capital formation out of domestic sources and the amount of capital necessary for accelerating the process of development.

1.2.5. Creation of Wealth and Jobs:
FDI provides the perfect opportunity for foreign institutions to invest in the Indian economy by opening new companies or buying a large stake in existing Indian companies. This is important because domestic firms are not capable enough to provide large economic investment that can result in the creation of jobs and wealth.

1.2.6. Accessing Foreign Funds:
India's domestic financial market cannot afford to lend for the long term due to a shortage of funds. Foreign funds can therefore provide the necessary support to generate impetus in the domestic economy.

1.2.7. The Inflow of Technical Know-How:
The underdeveloped or developing countries have a low level of technology, which creates a need for import of technology from the developed countries. Such technology comes with foreign capital investment.

1.2.8. The exploitation of Natural Resources:
In a developing country, it cannot make optimum use of natural resources due to a lack of knowledge and capital. With the assistance of foreign capital investment, maximum use and speedy economic development can be possible.

1.2.9. Controlling Inflationary Pressures:
With the help of foreign capital investment and foreign aid, it can possible the speedy growth in production in various economic sectors. It increases the number of goods of consumption, which results in the stability of price level which controls the inflationary pressures.

1.2.10. Decrease Deficit in Balance of Payment:
A developing country must import plant, machinery, equipment, raw material, technology, etc. in large amounts, to balance it, it cannot do export in equivalent amounts. So there is arising a deficit in the balance of payment. Foreign capitals help to decrease such deficit.

Literature Review:
The vast literature on foreign direct investment and multinational corporations has been surveyed.

Some literature about this study is presenting herein –under.

Haussmann and Fernandez- Arias (2000) explored the limitation attach to FDI. The study recommended that foreign companies would bring minimize new technology because of fear of acceptance and also do not want to leakage their technology.

Lapse (2002) discovered the effect of inward FDI on the economic growth of the host country. If foreign firms at the expense of lower productivity in domestic firms achieve higher productivity, there might be no implications for aggregate output or growth.

Alfro (2003) explored the effect of FDI in the primary, manufacturing, and services sectors. The study concluded that FDI flows into the different sectors of the economy (namely primary, manufacturing, and services) exert different effects on economic growth. FDI inflows into the primary sector tend to harm growth, whereas FDI inflows in the manufacturing sector have a positive one.

Hillman et.al (2005) analyzed the impact of regulation of a country on its FDI inflows. In this study, the author has divided host countries into two parts, i.e. developed countries and less developed countries. The finding of the study revealed that regulations played a significant and positive role in mobile FDI. It was also depicted that in less developed countries, FDI was affected by the opinion of MNC's about the governance and regional predisposition towards corrupt practices.

Read (2007) studied the effect of the factors on foreign direct investment in small island developing states. The study revealed that the middle-income group and pollution size found a negative but insignificant relationship with FDI inflows. Openness to trade and location found positive as well as a significant relationship with FDI inflows.

Andraz and Rodrigues (2009) find out the causes of economic growth in Portugal export or inward FDI. A three-stage procedure has been used to analyze the possible causal relationships between exports, inward foreign investment and economic growth in Portugal and identify their direction. In the long run, there is a relation between FDI and exports but in the short run there is a bio direction causal relationship between FDI, growth, and univariate relation between FDI to export.

Jiang et.al (2010) conducted a study to know the impact of FDI on Chinese culture. To give the results, data has been collected from the major Chinese cities and found that FDI has significant effects on the degree of future orientation, performance orientation and group collectivism. It was found that FDI from Japan, Singapore, USA and UK has significantly negative effects on the degree of performance orientation. The study has concluded that FDI from Japan and Singapore has a significantly positive effect on the degree of in-group collectivism.

Ramasamy and Yeung (2010) examined the relation between FDI, wages and productivity in China. Data had been collected from a panel of provinces for 20 years (1988-2007). For analyzing the data, provinces had been divided into coastal and inland provinces. It was found that FDI inflow influenced the wage rates and has a positive effect on productivity.

FDI plays an important role in the economic development of a nation. A country's technology level and sectoral development are depending upon the level of FDI inflows. The purpose of this study is to analyze the trend of FDI equity inflows in different sectors and regional offices. This paper also helps to know the share of top investing countries in FDI equity inflows in India. To obtain the objectives of this study, we used secondary data for the periods of 2000-2013. The secondary data has been collected from various journals, books, Newspapers and websites etc.

The Maximum FDI inflows can be seen in the service and construction sector while the telecommunication, computer hardware and drugs sector attract equal FDI equity inflows i.e. 6 % of total FDI inflows. The results also presented that India has received maximum FDI inflows from Mauritius and followed by Singapore. The detailed discussion about Foreign Direct Investment is an original contribution of this paper.

3.1. Research Methodology:

Research Methodology is a way to systematically solve the research problem. It may be understood as a science of studying now Research is studying systematically. Those various steps are generally adopted by a researcher in studying his problem along with the logic behind them. The researcher needs to know not only the research method but also know methodology. "The Procedures by which researchers go about their work of describing, explaining and predicting phenomenon is called Methodology" Method comprise the procedures used for generating collecting and evaluating data.

All this means that the researcher must design his methodology for his problem as the same may differ from problem to problem. Data collection is an important step in any project and the success of any project will largely depend upon how much accuracy you will be able to correct and how much time, money and effort will be required to collect that necessary data, this is also an important step.

3.2. Definition:

Clifford Wodov "Research comprises defining and redefining problems formulating hypothesis is suggested solution collecting, organizing & evaluating data making deduction reaching to conclusion & at least carefully testing the conclusion to determine whether they fit formulation hypothesis"

3.3. Types of Data Collection:

Data refers to information or facts. It is not only referred to as numerical figures but also includes descriptive facts. While deciding about the method of data collection to be used for the study, the researcher should keep in mind two types of data such as

3.3.1. Primary Data Collection

3.3.2. Secondary Data Collection

3.4. Secondary Data Collection Method:

The Secondary data are those, which have already collected and stored, secondary data easily get those secondary data from a specified book of Income Tax and other government publications etc. It will save time, money and effort to collect the data it is thus possible to gather more data this way. The following are some ways of collecting secondary data.

- Websites
- Annual Reports
- Research report
- World Bank Report
- Press note of government of India
- Asian Development Bank's Report
- Fact sheet on foreign direct Investment
- Publications from Ministry of commerce

3.5. Importance of the Study:

It is apparent from the above discussion that FDI is a predominant and vital factor in influencing the contemporary process of global economic development. The study attempts to analyze the important dimensions of FDI in India. The study workout the trends and patterns, main determinants and investment flow to India. The study also examines the role of FDI on economic growth in India for the period 2007-2011. The period under study is important for a variety of reasons. First, it was during July 1991 India opened its doors to the private sector and liberalized its economy. Secondly, the experiences of Southeast Asian Countries by liberalizing their economies in the 1980s became the start of economic growth and development in the early 1990s. Thirdly India's experience with its first-generation economic reforms and the country's economic growth performance were considered safe havens for FDI which led to the second generation of economic reforms in India in the first decade of this century.

Fourthly, there is a considerable change in the attitude of both the developing and developed

ISBN: "978-93-87901-17-9" 10th, 11th, 12th December, 2020

countries towards FDI. They both consider FDI as the most suitable form of external Finance. Fifthly, an increase in competition for FDI inflows particularly among the developing nations. The shifts of the power Centre from the western countries to the Asia sub– continent is yet another reason to take up this study FDI incentives, removal of restrictions, bilateral and regional investment agreements among the Asian Countries and the emergence of Asia as an economic powerhouse (with China and India emerging as the two most promising economies of the world) develops new economics in the world of industrialized nations. The study is important from the viewpoint of the macroeconomic variables included in the study as no other study has included the explanatory variables which are included in this study. The study is appropriate in understanding inflows during 2014-2015.

3.6. Objectives of the Study:

The objective of this Research paper is to understand the conceptual background, its necessity and its impact on the Indian economy. The design of the study is descriptive. This is secondary database research. The relevant information is collected from various sources like the internet, books, magazines, newspapers etc.

To presenting the objectives of this study which are herein –under

1. To study the impact of FDI in India.
2. To study the position of FDI in India.
3. To know the trend of FDI inflows in India.
4. To study the determinants for attracting FDI.
5. To Study the equity inflows in the various state of India.
6. To give some suggestions for developing sectors in India.
7. Study the pattern of FDI inflows in different sectors of India.
8. To Study the share of top investing countries in FDI equity inflows.
9. Data in one secondary source do not match with that of another source.
10. To study the causes and reasons for low FDI inflow within the country.

3.7. Hypothesis:

The study has been taken up for the period 2000-2015 with the following hypothesis

1. The flow of FDI shows a positive trend over the period 2000-2015.
2. FDI has a positive impact on the economic growth of the country

3.8. Foreign Direct Investment and the Indian Economy:

The results of the foreign Direct Investment Model show that all variables included in the study are statistically significant. Except for the two variables i.e. Exchange Rate and Research and Development expenditure (% GDP) which deviates from their predicted signs. All other variables show the predicted signs. The exchange rate shows a positive sign instead of the expected negative sign. This could be attributed to the appreciation of the Indian Rupee in the International market which helped the foreign firms to acquire the firms' specific assets at cheap rates and gain higher profits. Research and Development expenditure shows an unexpected negative sign as of the expected positive sign. This could be attributed to the fact that the R&D sector is not receiving enough FDI as per its requirement, but this sector is gaining more attention in recent years.

Another important factor that influenced FDI inflows is the Trade GDP. It shows the expected positive sign. In other words, the elasticity coefficient between Trade GDP and FDI inflows is India continued to attract a substantial amount of FDI inflows. India due to its flexible investment regimes and policies proves to be the horde for foreign investors in finding investment opportunities in the country.

4.1. Limitations of the Study:

All the economic/scientific studies are faced with various limitations and this study is no exception to the phenomena. The various limitations of the study are:

1. Non-availability of accurate data.

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2. The study is conducted in a short period, which was not detailed in all aspects.
3. At various stages, the basic objective of the study is to suffer due to the inadequacy of the time-series data from related agencies. There has been a problem of sufficient homogenous data from different sources.
4. The assumption that FDI was the only cause for the development of the Indian economy in the post liberalized period is debatable. No proper methods were available to segregate the effect of FDI to support the validity of this assumption.

5.1. The Regulatory Framework for FDI in India

Indian companies can receive FDI under two routes:

5.1.1. Automatic Route:

It does not require prior approval either of the Reserve Bank of India (RBI) or government. It is allowed in all activities/sectors except where the provisions of consolidated FDI policy paragraph as – Entry route for investment issued by the government of India from time to time are attracted.

5.1.2. Government Route:

'Government Route' means that investment in the capital of resident entities by non- resident entities can be made only with the prior approval from FIPB, Ministry of finance or SIA, DIPP as the case may be FDI in sectors, not covered under the automatic route requires prior approval of the government which is considered by foreign investment Promotion Board (FIPB), Department of Economic Affairs, and Ministry of Finance. The following sectors require prior approval of the Government of India.

7.2. Who can invest in India?

There are the following categories of a person resident outside India who may invest in the capital of an Indian Company:

- A non-resident entity.
- An FLL under the Portfolio Investment Scheme.
- SEBI registered Foreign Venture Capital Investor.
- A citizen or entity of Bangladesh under Govt. Route.
- Erstwhile OBCs as incorporated non-resident entities.
- NRI residents as well as a citizen of Nepal and Bhutan on repatriation basis.
- SEBI registered FLLs or NRIs through a registered broker on the recognized India Stock Exchange.

7.3. Foreign Direct Investment (FDI) is Permitted as Under the Following Forms of Investments:

1.Through financial collaborations.
2.Through capital markets via Euro issues.
3.Through joint ventures and technical collaborations.
4.Through private placements or preferential allotments.

7.4. Type of Instruments:

An Indian company arrange fund from a person resident out of India by the issue of the following type of instrument which is given below:

1. Debentures.
2. Equity Shares.
3. Preference Shares.
4. Depository Receipts.
5. Foreign Currency Exchangeable Bonds.
6. Issue of Foreign Currency Convertible Bonds.

7.5. Impact of Foreign Direct Investment

7.5.1. Farmers:

One of the current problems of the Indian economy is a fiscal deficit which is mostly caused by subsidy

ISBN: "978-93-87901-17-9" 10th, 11th, 12th December, 2020

give to the farmers which are considered unproductive. One way to cut such a subsidy is to make the farmers independent by making the system securing them to be paid a good price for the commodity. The organized retailers that are capital giants can purchase directly from the farmers paying a good price. So, the govt. should be ensuring that the farmers are getting paid the price of what they are eligible to.

7.5.2. Infrastructure:

The players are imposed with the restriction of investing 50% of their investment on the Back-end infrastructure. The ruling party in India where the economic development is suffered by lack of infrastructure is very cautious about investing in such an area. It would become a base for the economy in many ways, say transportation.

7.5.3. Employment:

The more employment would be created in the country either directly or indirectly where youth pass out is increasing as much as the creation of employment. It would be generated in the agriculture, manufacturing, service industry which, consists of GDP. The more people get employed would rehabilitate the economic cycle.

7.5.4. Distribution:

The distribution system is one of the factors determining the cost of a product. As they are invested in the infrastructure, they could follow JIT. Say Wal-Mart, they are not interested in expending in the stock maintenance.

7.5.5. Food Wastage:

With poverty on one side, the wastage of food is on another side in the same country. It requires an effective distribution system to avoid food wastage. With the good back end infrastructure, they can be able to serve the goods in an optimization way.

7.5.6. Retail Industry:

Allowing FDI in multi-brand retail would infuse the new blood into the industry that has potential. Foreign players that are competitively oriented would implement a new strategy.

7.5.7. Middleman:

The middleman in the supply chain including non-hoarders shall get affected. In the long run, they will be deprived of trade business that causes unemployment. So it could be matched with the need of employees by the organized sector by appropriate policy by the govt.

7.5.8. Dependability:

The country may depend on another country as FDI inflow is increasing where the country's independence is decreasing. Economic growth may become more endangered depending on another country's economy. The capital giant may dominate the industry exceeding the domestic player. The revenue would outflow abroad affecting Forex reserve.

8.1. Data Analysis and Interpretation:

To achieve the objective of this study we analyze based on collected data. The results based on secondary data are following as

Table 1: FDI inflow in India (Amount US$ in Millions)

Financial Year (April- March)	Total FDI Inflow	Percentage growth over Previous Year
2002-2003	4029	
2003-2004	6130	+52
2004-2005	5035	-18
2005-2006	4322	-14
2006-2007	6051	+40
2007-2008	8961	+48
2008-2009	22826	+146
2009-2010	34843	+53

ISBN: "978-93-87901-17-9" 10th, 11th, 12th December, 2020

2010-2011	41873	+20
2011-2012	37745	-10
2012-2013	34847	-08
2013-2014	46553	+34
2014-2015	36860	-21

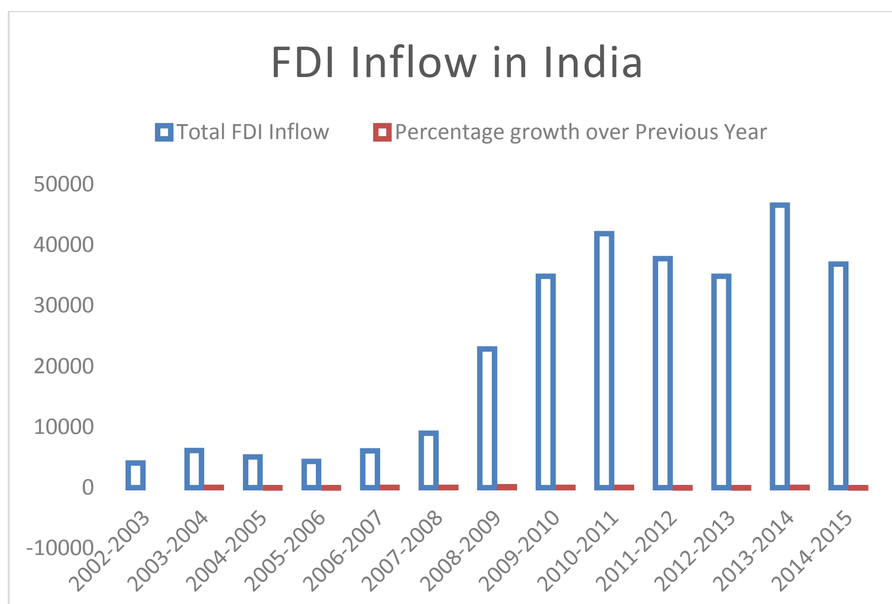

Figure 1: Foreign Direct Investment Inflow in India

8.2. Interpretation (Table 1):

Figure 1. FDI inflow in India; Table represents the inflows of FDI for the period of 2002-2015. The results show that there is a large fluctuation in the pattern of FDI inflows. In the year 2002-03, there is a positive increase in the value of FDI inflows due to various reasons such as the heavy demand of Indian consumers, liberalized government policy, communication facilities but after this period the value of FDI is decreased. The value of FDI is increased from the period of 2006-2011 but after this value of FDI is decreased due to a decline in the money value of rupees

Table 2: Sectors Attracting Highest FDI Equity Inflows (Amount in Rs. crores)

SN	Sectors	FDI inflow	PercentageofTotalFDI Inflow
1	Service	178046	19
2	Construction	103140	11
3	Telecommunication	58797	6
4	Computer Hardware & Software	54019	6
5	Drugs & Pharmaceuticals	54333	6
6	Chemicals	42567	5
7	Automobile Industry	42746	4
8	Power	37336	4
9	Metallurgical Industries	35904	4
10	Hotel & Tourism	33954	3

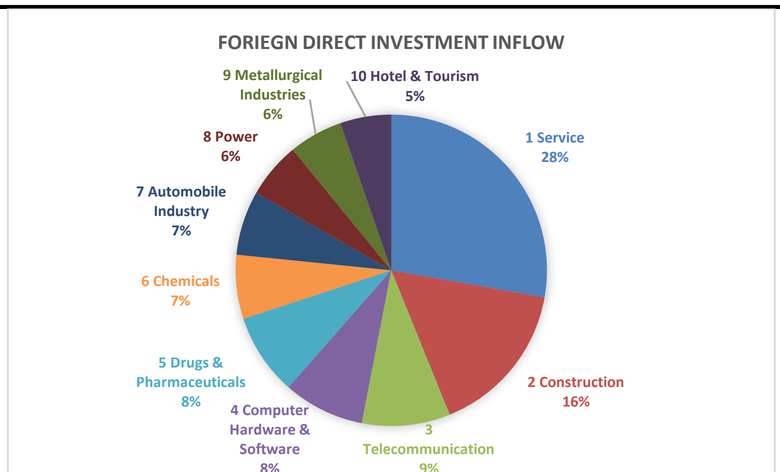

Figure 2: Sectors Attracting Highest FDI Equity Inflows

8.3. Interpretation (Table 2):

The table shows the Trend of FDI equity Inflows in a different sector from the period of April 2000-2013 in India. The result revealed that maximum contribution (28 %) of FDI inflows in the service sector. After these investors prefer to invest in the construction industry (16%), telecommunication (9%), computer software & hardware (9%) and drugs & Pharmaceuticals (9%) because these sectors are more profitable as compared to others. Services Sector includes Financial, banking, insurance, Non- Financial, outsourcing, R&D, courier, tech, testing and analysis.

Table 3: FDI Equity Inflows Received According to state wise (Amount in Rs. crores)

SN	RBI – Regional Offices	FDI inflow	Amount of % of Total FDI inflow
1	Maharashtra, Dadra& Nagar Haveli, Daman& Diu	301553	32
2	Delhi, Part of UP & Haryana	172599	18
3	Tamil Nadu, Pondicherry	58397	6
4	Karnataka	53215	6
5	Gujarat	40469	4
6	Andhra Pradesh	38551	4
7	West Bengal, Sikkim, Andaman & Nicobar Islands	11092	1
8	Chandigarh, Punjab, Haryana, Himachal Pradesh	5654	1
9	Madhya Pradesh, Chhattisgarh	5480	0.6
10	Kerala, Lakshadweep	4589	0.5

8.4. Interpretation (Table 3):

Table 3 depicts the region-wise FDI inflows for the period of April 2000 to July 2016. The results reveal Maharashtra, Dadra & Nagar, Haveli, Daman and Diu got the highest inflows which are 32 % of total FDI. Delhi, Part of UP & Haryana got the second position by taking 18% of total FDI Followed by Tamilnadu & Karnataka by taking 6% of total FDI. There is only 0.5 % of FDI contribution in the state of Kerala, Lakshadweep

Table 4: Share of Top Investing Countries in FDI Equity Inflows in India (Amount Rs. In Crores)

Ranks	Country	Inflows	Percentages to Total Inflows
1	Mauritius	351,754	38%
2	Singapore	102,585	11%
3	U.K	80,874	9%
4	Japan	71433	7%
5	U.S.A	53,013	6%
6	Netherlands	45,346	5%
7	Cyprus	33,133	4%
8	Germany	28,377	3%
9	France	17,503	2%
10	U.A.E	11,679	1%

ISBN: "978-93-87901-17-9" 10th, 11th, 12th December, 2020

8.5. Interpretation (Table 4):

The table presents the FDI equity inflows from the top ten countries like India received maximum FDI from Mauritius, followed by Singapore, U.K, and Japan & U.S.A by securing rank first, second, third, fourth & fifth respectively. The main reason for higher levels of investment from Mauritius was that the fact India entered into double taxations avoidance agreement (DDTA) with Mauritius was protected from taxations in India.

9.1. Findings:

The most important determinants for attracting FDI are the Cost Factors, Market Size, Real Exchange Rates, Macro-Economic Stability, Rate of Inflation, Overall Economic Stability, National FDI Policy, Investment Incentive, and Removal of Restrictions like Access to few industries, foreign ownership restrictions, ease of entry performance requirements.

The policy on Foreign Direct Investment has been reviewed continuously and several measures announced from time to time for rationalization/ liberalization of the policy and simplification of procedures.

As a result, several rationalization measures have been undertaken which, inter alia include, dispensing with the need for multiple approvals from Government and/or regulatory agencies that exist in certain sectors, extending the automatic route to more sectors and allowing FDI in new sectors.

The Government should take a series of steps to further liberalize and streamline the procedures and mechanism for approval of both domestic and foreign direct investment. In fulfillment of its commitment to provide greater transparency in decision making. It announces a set of guidelines for the consideration of foreign direct investment proposals by the Foreign Investment Promotion Board.

1. Maharashtra is the highest amount of equity Inflows in India.
2. Service Sector Attracting Highest FDI equity Inflows
3. It is also seen that cumulative inflows of FDI have been on a constant rise with sectors like services, construction proving to be the most attractive destinations for FDI.
4. It is also observed that major FDI inflows in India are concluded through the automatic route via RBI.
5. In the GDP model (Table 3) the variables under study proved to be statistically significant indicating that FDI and exports play a vital role in accelerating the GDP of the Indian Economy.

9.2. Suggestions:

The main objective of this study is to analyze the trend of FDI equity inflows in different sectors and regional offices. It is concluded from the results that there is high Variation in the inflows of FDI equity. The results also revealed that maximum contribution (28%) of FDI inflows in the service sector and the Maharashtra, Dadra, Nagar, Haveli, Daman & Diu got the highest inflows which are 32% of the total FDI. This study will help the government to make vigilant planning to manage & boost the foreign direct investment

On the other hand, FDI in Multi-brand retailing must be dealt with cautiously as it has a direct impact on a large chunk of the population. Foreign capital, if unchecked, may widen the gap between the rich & the poor. Thus, the entry of foreign capital into multi-brand retailing needs to be anchored in such a way that it results in a win-win situation both for India and global players. For example, FDI in multi-brand retailing can be allowed in a calibrated manner with social safeguards so that the effect of possible labour dislocation can be analyzed at regular intervals and policy fine-tuned accordingly.

To ensure that the foreign investors make a genuine contribution to the development of India's Infrastructure and Logistics, it can be stipulated that a percentage of FDI should be spent towards building up back end infrastructure logistics or agro process units and the claims must be critically evaluated. It can also be stipulated that at least 50% of the jobs in the retail outlet should be reserved

for rural youth.

9.3. Recommendation:

The study reveals that FDI not only acts as a vehicle for accelerating the pace of exports but it is also an important variable that alters the level of GDP of the host country. FDI can complement local developmental efforts by boosting export competitiveness, generating employment and strengthening the skill base, enhancing technological capabilities (transfer, diffusion and generation of technology), and increasing financial resources for development. It can also help plug a country in the international trading system, as well as promote a more enabling business environment to improve India's attractiveness as an investment destination.

But there have been a few elements of concern for India. According to the latest reports published by Economist Intelligence Unit (EIU, 2000-2013), FDI inflows in India are set to increase substantially but would remain well below potential. The report says that 'India's potential to attract increased FDI inflows is vast. Although poor infrastructure, excessive bureaucracy, labour market inefficiencies, and interdepartmental wrangling will slow the pace in many sectors. Therefore, it is highly recommended to the policymakers of India that drastic steps must be taken to improve infrastructural facilities and increase labour efficiencies which be a restructuring tool to increase FDI inflows in India. It is also recommended that focus should not be on the absolute amount of FDI inflows, but also the type of FDI inflows, it is seen that FDI inflow in India is mostly concentrated through M&A. There are hardly any Greenfield Investments being taken place so far. Finally, India should consciously work towards attracting greater FDI into R&D as a means of strengthening the country's technological capabilities.

Although policymakers are looking at FDI as the primary source of funds, it must be taken into consideration that FDI is not only the solution to rapid growth and development. India needs to put in place a comprehensive developmental strategy which includes being open to trade and FDI.

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