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FOREIGN DIRECT INVESTMENT (A BOOSTER DOSE FOR INDIA'S ECONOMIC GROWTH)

Dr. Dilip Gupta*

ABSTRACT

Foreign Direct Investment (FDI) is one among the most engines of globalization. During this globalized era, foreign capital has assumed lots of significance in accelerating trade and business activities of a nation and for increasing the share of a rustic in international trade. In recent decades the expansion of FDI has served as a catalyst for investment in developing countries. FDI brings the foremost needed capital, improved managerial skills, modern marketing techniques, access to modern technology and global links. Since 1980 both developed and developing countries are trying to draw in FDI through providing incentives by adopting better deregulation policies and reliance on economic process in the economies. Foreign Direct Investment is a necessary tool for the economic process and development. Most of the governments improve FDI as first priority, mostly in low income and transition economies. Foreign Direct Investment not only promotes capital formation but also because it can attract the massive value of the capital stock. On the opposite hand economic process is the permanent development in the capacity to satisfy the demand for goods and services, resulting from improved production scale and increased productivity (innovation in products and processes). Economic process is when the general level of production by an economy increases. The concept of overall level of production is a very important one. This implies that the economy is usually producing more of all goods and services. Theoretically, the whole production of an economy should be roughly adequate to the full income like wages, rent, interest and profit earned by the economy.

Keywords: *Foreign Direct Investment, Economy, International Rewards, Management, Enterprises.*

Introduction

Foreign Direct Investment (FDI) acting an incredible and growing role in international business. For a number country or the foreign firm which receives the investment, it can provide a source of innovative technologies, new market and marketing channels, organizational techniques, capital, products, cheaper production facilities, management skills and financing and in and of itself can provide a powerful economic development. FDI is appraising of foreign ownership of domestic productive assets like lands, factories and organizations. Foreign Direct Investments became the most economic driver of globalization, accounting for over head of each cross border investments. Foreign Direct Investment could be a fundamental part of an open and effective international economic structure and a significant catalyst to economic development. The advantages of FDI don't build up automatically and evenly across sectors, countries and native communities. National policy and also the international investment structural design for attracting FDI to a bigger number of developing countries and gathering the total benefits of Foreign Direct Investment for development. IMF define Foreign Direct Investment as "Investment that's made to amass a long-lasting interest in an enterprise operating in an economy apart from that of the investor, the investor's purpose being to possess a good voice in the management of the enterprise".

* Chartered Accountant & Former Research Scholar, Department of ABST, University of Rajasthan, Jaipur, Rajasthan, India.

Objective of Study

Foreign Direct Investment has been recognized because the most captivating and interesting topics among researchers in international business. The foremost different feature of the emerging world financial set-up is the globalization of production, logistics and consumption. The planet has reduced in size to become a world village, resulting in greater interdependence of economies. The concept of multinational investment has gained more importance because of internationalized production and growth. Even when India was prying strong times, it had been still a decent financial procreation ground for all foreign investors. This study will try and explore the results of FDI in Indian economy, as advanced by the proponents of globalization in the shape of increased FDI at world level. a shot has been made to quantify the results of FDI on economic process. It's hoped that the results, are helpful for the govt. and policy makers similarly to review their policies regarding FDI and its impact on the economic process.

Review of Literature

Muawya Ahmed Hussein (2009), he has done a groundwork study entitled "Impacts of Foreign Direct Investment on economic process in the Gulf Cooperation Council (GCC) Countries", investigated the information regarding FDI in the six countries consisting the Cooperation Council for the Arab States countries. The planning of this study was to see whether the what range of those countries have identified the importance of FDI in the method of growth and so what are the events attracting Foreign Capital and encourage FDI. The research study identified the determinants of FDI. This study supported current economic process Theories and Statistical Techniques to look at the association among FDI and Growth. This paper revealed that the negative association among FDI and GDP in GCC countries. These findings of the study supported the endogenous economic process hypothesis, a minimum of for these GCC countries.

Mahmoud Abdallah AL - Habees and Sami Nizar Khasawneh (2011), their research article will practically discover the impact of the FDI on Jordanian Economy by utilizing GDP as a continuing variable to guage the link between FDI and therefore the Jordanian Economy. The study period from 1976 – 2009 examined for the current analysis. Further, the sources of knowledge are Jordanian Department of Statistics and United National Conference on Trade and Development. During this analysis, Simple simple regression has been employed to calculate impact of the FDI on GDP. The findings of this study indicated that there exist a positive relationship among the FDI and therefore the GDP.

Vijayakumar et al. (2011), in their article topic "Determinants of FDI in BRICS Countries: A panel analysis", investigated that the study using Panel Data Analysis from the amount 1975 - 2007. The research study found that the elected variables Market Size, Infrastructure Amenities, Labour Charge Currency Value and GCF because the possible determinant of Foreign Direct Investment inflows. Furthermore, the results of the study revealed that the Economic Stability and Growth Prospects, Trade Openness are seems to be the insignificant determinant of FDI inflows. The study result suggested that there's robust generally for alternative variables determining Foreign Direct Investment flows.

Reza Ahmadi and Mojtaba Ghanbarzadeh (2011), they conducted a study titled "Openness, economic process and FDI: Evidence from Iran", measured the impact of Openness and FDI in influencing economic process. The study is predicated on the years from 1970 to 2008, utilized Bounds Testing Approach. The author revealed that the Openness is positive related and statistically significant impact on EG, equally in brief term and future. They provided FDI is positively related in brief term but negatively related in future. The study used one new variable namely rate of exchange is included as a sway variable. They revealed that rate of exchange have positive effect briefly and long run.

Prof. Mitesh Patel and Prof. Ritesh Patel (2012), in their study on titled "A study on FDI economic process in selected associations: evidence from Granger Causality Test", dispensed a relationship among FDI and Growth in various relations by having evidence from Granger Causality Test. This study was done by used data on GDP and FDI from year 1970 to 2008. This study found that a range of analytical tools like Descriptive Statistics, Correlation among GDP and FDI of assorted associations, ADF Test and Granger Causality Test is predicated to found that's there's any granger cause or not. The study gives results that there's somewhat positive and somewhat negative relationship among GDP and FDI of assorted associations. ADF test was employed to analysis whether data is stationary or not. Moreover, FTAA and APTA member nations, found FDI granger cause to GDP where as both ASEAN and NAFTA member nations, FDI can granger cause to GDP and GDP can granger cause to FDI.

Prof. A. Jayakumar and L.Kannan (2014), analyzed in their research article entitled "An analysis of Foreign Direct Investment in property Sector", analyzed the Foreign Direct Investment in assets Sector in India. The research article evaluated the Foreign Direct Investment in Housing & assets Sector name of the Indian Company and name of Foreign Collaborators. This text used statistic data during the years for 2007 to 2013. These research study used for statistical tools are Mean, Median, variance, Maximum, Minimum and Coefficient of Variance. The finding showed that the expansion Rate of Foreign Direct Investment inflow of Housing & assets Sector is positive growth was observed during the years for 2007 to 2013. The paper recommended that sector specific policies, import substitution development strategy, incentives to existing investors and potential overseas investors so on enhance the event of the country.

Rational of Study

India's relatively poor performance in attracting FDI inflows compared to several other developing economies raise questions regarding the determinants of FDI in India. It also attracts attention to the constraints impeding FDI inflows into India, given the low level of ratios between approved and actual investment. Recently the government's liberal and open policy reform in FDI aims to integrate the Indian economy to the present world economy. FDI helps to overtaken the matter of low capital, low rate, available natural and human resources, high rate of inflation, unemployment, balance of payment and other structural and administrative inflexibility. Its ability to cope with the foremost obstacles namely shortages of economic resources and technology & skills has made from the centre of attention for developing countries. It's the rationale most of the countries especially developing countries like India are attracting more and more FDI. A little number of studies have focused on hypothetically positive impact of FDI on economic process. Considering the numerous nature of the results and various analyses of the consequences on FDI are lack of empirical evidence in the case of small and developed countries, there's an lively need for a stronger and deeper analysis of FDIs.

Hypothesis for Study

H_{01} **Null Hypothesis:** There is favorable impact of Foreign Direct Investment on Economic Growth.

H_{01} **Alternative Hypothesis:** There is No favorable impact of Foreign Direct Investment on Economic Growth.

Research Methodology

Research design may be a framework of blueprint for conducting the Thesis. It details the procedure necessary for obtaining information needed to structure to unravel problem. "A research design is the arrangement of conditions for collection and analysis of knowledge during a manner that aims to mix relevance to the research purpose with economy in procedure". Methodology is the theory of how research should be undertaken, including the theoretical and philosophical assumption upon which research is predicated and therefore the implications of those for the methods adopted. The methodology role is to clarify during which way the research question is answered and what are tools utilized in this process. Since there are many aspect of research methodology, the road of action has got to be chosen from a range of alternatives. The selection of suitable method are often fell upon through the assessment of objectives, hypotheses and comparison of varied alternatives. The methodology of this study is empirical; so there are different complicated econometric models are wont to evaluate the effect of foreign capital inflows on economic process. The study tries to empirically estimate the effect of FDI on economic process in India.

This study is especially undertaken with the item to check the connection of foreign direct investment and economic process in India. The information for the study collected for the amount 2015 to 2020. The required data of Foreign Direct Investment and Gross Domestic Product and economic process has been collected from secondary sources. The Data Bank of World Bank has been used for data of Foreign Direct Investment and economic process whereas the other data was collected form Economic survey of India and using the web site of Ministry of Labor and Employment, the Director General of Employment and training et al. For the aim of research of Data, the multiple correlation method and karl's pearsons correlation Method has used. At the identical time two regression equations won't to make a correlation between role of Foreign Direct Investment in role of Gross Domestic Production and employment generation.

Results and Analysis

By using the various data related to Economic Growth, Employment and Foreign Direct Investment, for the period 2015 to 2020, the following Correlation and Regression analysis has been done. The below Table 1 indicates the results of Correlation and Table 2 indicates the results of Regression analysis.

Table 1

Variables		GDP	FDI	Employment
Economic Grwoth	Correlation	1	0.9755	0.8356
	Sig.(2-tailed)	--	3.1563	0.0018
	N	12	12	12
FDI	Correlation	0.8156	0.9951	0.8756
	Sig.(2-tailed)	4.2561	--	0.0004
	N	12	12	12
Employment	Correlation	0.8156	09132	.9545
	Sig.(2-tailed)	0.0001	0.0003	--
	N	12	12	12

Table no. 1 reveals the pearsons coefficient of correlation between Foreign Direct Investment, Economic Growth and Employment in India during 2015 to 2020. The pearsons coefficient correlation between Economic Growth and employment is found to be 0.8356 with significance level of 0.01 percent. The coefficient of correlation 0.8356 shows the Economic Growth has very strong correlation with employment in India during the period of 2015 to 2020. The low level of significance (0.0001) shows the coefficient Economic Growth variable is highly significant. Same as the coefficient of correlation between foreign direct investment and employment is also shows strong correlation i.e. 0.8756 percent during the period of 2015 to 2020. The significance level of 0.0003 indicates the coefficient of Foreign Direct Investment, variable is also highly significant. It is found form the coefficient of correlation result that the significance level of Gross Domestic Production with employment (0.01%) is higher than the significance level of Foreign Direct Investment 0.03 percent.

Table 2: Regression Results (Linear Model)

Multiple R	R-square	Adjusted R Square	Std. Error if Estimates
0. 9156	0.6976	0.7581	5.15656

Table no. 2 depicts the regression result of Foreign Direct Investment, and Employment. The regression analysis shows the accuracy between dependent and independent variables. The results are analysed as If the R-square value is more than fifty percent the used model is significant and if the R-square is less than fifty percent the model is insignificant. The regression coefficient value is 0.9156 between foreign Direct Investment and Employment. This indicates that the 91.56 percent change in dependent variable employment due to change in independent variable Foreign Direct Investment during the study period. The R value 0.9156 and R square value 0.6976 is higher than the level of sixty percent. It means the independent variable foreign direct investment influences highly, the dependent variable Employment during the selected period.

Table 3: Results of ANOVA

	Sum of Square	Degree of Freedom	Mean Square	F-Test	P-Value
Regression	715.326	1	756.32	26.843	0.0004
Residual	251.653	9	26.008		
Total	1042.633	10			

The table no. 3 depicting the analysis of variance between Foreign Direct Investment and Employment in India during our study period. The above analysis indicating the relationship between dependent variable and independent variable. As per our analysis the F value is 26.84 is larger than the p-value 0.0004. Hence the null hypothesis is rejected.

Conclusion

Economic development of any country is especially influenced by the expansion of the Foreign Direct Investment inflows. The health of the economy is closely associated with the soundness of its investment systems. This study has been conducted to analysis the Foreign Direct Investment and economic process in India during the period from 2015 to 2020. Hence, the researcher identified and implemented seven factors namely Economy, Trade, Prices, Money, Government, Consumer and Inflation. The money variables are positive impact on inviting Foreign Direct Investment. The money variables and Foreign Direct Investment are positive impact on development of Indian Economy. This study has been made to know the right correlation among FDI and GDP, Export, Import, Balance of

Trade. The whole study period the Services Sector is attract largest amount of Foreign Direct Investment inflows. Among all the countries Mauritius has been the biggest direct investor in India. Firms based in Mauritius invested over one third around of total Foreign Direct Investment inflows during the amount. A State/Region wise inflow of Foreign Direct Investment reveals that the Mumbai region has attracted largest amount of FDI inflow. Finally, the study observes that Foreign Direct Investment may be a major factor influencing the extent of economic process in India. It gives a robust support for economic process and attractive financial position of the country. It also contributes to the Gross Domestic Product and Gross National Product of the country. Researcher Suggests that the central government controls the most important part of Foreign Direct Investment Rules & Regulations. Through, a number of the principles & Regulations are varied across different states in India. The reform policy needs greater freedom to the states. It are often suggested that the state governments must be delegated with more powers. This can help better competition among the states to draw in more Foreign Direct Investment to their respective economics, which can result additional Foreign Direct Investment at the mixture level.

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