

## IMPACT OF FOREIGN DIRECT INVESTMENT ON ECONOMIC GROWTH IN INDIA

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### ABSTRACT

*The present research aims to the impression of foreign direct investment on Indian economic development and growth of the Indian economy. The foreign direct investment has established with more deep rooted and long term impact on the economic growth of India. With the representative of globalisation, developing countries especially in Aisa, a huge progress in FDI inflows have been seen in last two decades. Even though India is a late entrant to the FDI scene compared to other Asian countries, its considerable market possibility and a liberal policy regime have retained its attractiveness as a favorable destination for foreign investors. The objective of this research paper is to examine the effective impact of FDI on the Indian economy, especially after two decades of economic reforms, analyze the global competition for FDI and the challenges to position itself favorably. The paper concludes that while FDI is necessary for the economy, FDI is more important for the economy and is therefore called an "engine of growth".*

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**Keywords:** Foreign Direct Investment, Economic Development and Growth.

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### Introduction

In India the important of investment in foreign capital is essential for rapid development of economic growth. The path to economic development was to some extent dependent on foreign investment for most parts of the world. Since independence, India has begun to mobilize foreign investment, especially after the significant economic liberalization of 1991. Attracting FDI inflows towards a country and strengthening and enhancing its global trade network and finance development path. Foreign investment plays a important role in development of Indian economy.

Foreign Direct Investment acts as a bridge to bridge the gap between investment and savings. In the process of economic development foreign capital helps to cover the domestic savings constraint. Foreign investments are not only contribute to increasing economic activity and jobs, but also it promotes flow of technology into the nation and helps the sector become more competitive. (Verma & Saluja, 2018) A foreign country that invests in and refers to the productive capacity of the economy in FDI. FDI promotes the transfer of international trade, knowledge, skills and technology. On the other hand, FDI refers to an investment that is registered in a country other than the nation where the investment is being made. FDI not only provides finance but also improves methods of management and governance as well as knowledge transfer in many cases. Generally, information transferred with FDI is more important and substantial than capital.

The aim of the present paper is establish the fact that, Foreign Direct Investment plan become more influential in the investments coming into the country and it is developing deep and strong roots in India's economy.

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### FDI Investment in India

FDI in India can be traced back to the establishment the historical background of Britain's East India Company. British capital came from Britain in India during the colonial era. After World War II, Japanese companies entered the Indian market and increased their trade with India, with the UK remaining the most prominent investor in India. Issues related to overseas capital operations of multinational companies attracted the attention of policy makers after independence. The national interest are Keeping in mind and the policy maker formulated the policy which aims at FDI as a means of acquiring advanced technology and raising foreign exchange resources.

According to 1965 industrial policy of allowed to multinational companies for venture into India through technical collaboration, so the government have become more liberal by allowing more frequent equity. In the critical face of Indian economy by the government of India introduced the macro economic stabilization and structural adjustment program. With economies in recession and transition, developing countries increasingly view FDI as a source of economic growth and modernization, income growth and employment. Countries have liberalized their FDI regimes and followed other policies and modernization to attract investment. They have addressed how best to pursue domestic policies in order to maximize the benefits of foreign presence in the domestic economy. The study of FDI primarily seeks to highlight on development, largely by directing on the overall affect of FDI on economic processes, growth and welfare that means by which these benefits are effected.

The generally benefits of FDI to developing countries for economies are well substantiated. Looking at the appropriate host country's policies and levels of development fundamentals, it turns out that FDI develops enterprises to aid human capital formation and contribute to international business integration and promote a more competitive business environment. In developing countries all of these contribute to higher economic growth, and the most powerful tool for reducing poverty in growthful countries. Furthermore, FDI can help improve environmental and social conditions in the host country, beyond strictly economic benefits, for example, by transferring to "clean" technologies and leading to more socially responsible corporate policies. The report does not focus only on the positive effects of FDI for development but also addresses concerns about potential drawbacks for host economies, economic and non-economic.

### Data Analysis of Inflow of FDI on Indian Economy

There has been unprecedented increase in foreign investment in India during last decades. it is evident from the below table that total for an investment in India in 1990 - 1991 to that only 101 million US \$, but it increased to 60,788 millions \$ in 2018 -19. These investment is just like a fair weather friend. In other words, it increases when National and international conditions are favourable but decreases drastically when these conditions are unfavourable. So the necessary step have been taken by the government to make India a most favourable destinations for FDI.

### Data Analysis of FDI Inflows in India

Year	FDI	Portfolio Investment	Total
1990-91	97	6	103
2000-01	3,272	2,590	5,860
2008-09	22,372	(-) 14,030	8,344
2009-10	17,966	32,392	50,361
2010-11	11,834	30,294	42,128
2011-12	22,061	17,171	39,230
2012-12	19,819	26,891	46,712
2013-14	21,564	4,821	26,387
2014-15	16,182	22,203	38,386

The research describes the methodology adopted, the tools to be used, the sample of the study, the data to be collected, the tools of analysis used, and the conclusions to be drawn. This research is naturally based on conceptual and descriptive findings hence secondary data has been used in the research study collected from reviews of previous research papers, national journals and other data. The present exploration was undertaken keeping in view the objectives to find out the relationship between the inflow of FDI and its impact on the Indian economy.

**Conclusion**

Thus it can be said that FDI is more essential for the evolution of any economy because it has a more profound impact on the development of the country's economy. There are many reasons that make FDI a more useful and acceptable form of investment.

India has also been shown as the country's "engine of growth" in the form of FDI, as it accounts for a large percentage of investments in Indian markets and stocks, with FDI inflows and outflows fully returning the market and sentiment is dependent on investment and its inflows boost stock market indices, while their exits tend to drive down market indices, leading to large-scale changes in the host country's stock market, resulting in volatility and volatility. Policy makers in particular tend to increase.

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