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FDI and Indian Economic Growth Factors - An Empirical Analysis-2014

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Abstract: **The role of FDI in the growth process has been a burning topic of debate in several countries including India. Investment provides the base and pre-requisite for economic growth and development. Apart from a nation's foreign exchange reserves, exports, government's revenue, financial position, available supply of domestic savings, magnitude and quality of foreign investment are necessary for the well being of a country. Economic growth - This is one of the major sectors, which is enormously benefited from foreign direct investment. A remarkable inflow of FDI in various industrial units in India has boosted the economic life of country. This study is entirely based on secondary data. The present study is limited to assess the determinants of Foreign Direct Investment flows and its impact on Indian economy. For this purpose empirical data are estimated for the period 1995 to 2014. We conclude that there is significant effect of FDI on India's economic Growth FDI can help to raise the output, production and export at the sectoral level of the Indian economy. The study tries to find out how FDI seen as an important economic catalyst of Indian economic growth by stimulating domestic investment, increasing human capital formation and by facilitating the technology transfers. The main purpose of the study is to investigate the impact of FDI on economic growth in India.**

Keywords: **FDI; Economic Growth; GDP; Economic Indicator; etc.**

I. INTRODUCTION

Global outward and inward FDI flows continued to be high in the 1990s despite the financial crisis and difficult economic scenario in most part of the world especially towards the developing countries. Foreign direct investment (FDI) is an investment in a business by an investor from another country for which the foreign investor has control over the company purchased. The Organization of Economic Cooperation and Development (OECD) defines control as owning 10% or more of the business. Businesses that make foreign direct investments are often called multinational corporations (MNCs) or multinational enterprises (MNEs). A MNE may make a direct investment by creating a new foreign enterprise, which is called a green field investment, or by the acquisition of a foreign firm, either called an acquisition or brown field investment.

FDI inflow helps the developing countries to develop a transparent, broad, and effective policy environment for investment issues as well as, builds human and institutional capacities to execute the same. Attracting foreign direct investment has become an integral part of the economic development strategies for India. FDI ensures a huge amount of domestic capital, production level, and employment opportunities in the developing countries, which is a major step towards the economic growth of the country. FDI has been a booming factor that has bolstered the economic life of India, but on the other hand it is also being blamed for ousting domestic inflows.

Some of the biggest advantages of FDI enjoyed by India have been listed as under:

Economic growth- This is one of the major sectors, which is enormously benefited from foreign direct investment. A remarkable inflow of FDI in various industrial units in India has boosted the economic life of country.

Trade- Foreign Direct Investments have opened a wide spectrum of opportunities in the trading of goods and services in India both in terms of import and export production. Products of superior quality are manufactured by various industries in India due to greater amount of FDI inflows in the country.

Employment and skill levels- FDI has also ensured a number of employment opportunities by aiding the setting up of industrial units in various corners of India.

Technology diffusion and knowledge transfer- FDI apparently helps in the outsourcing of knowledge from India especially in the Information Technology sector. It helps in developing the know-how process in India in terms of enhancing the technological advancement in India.

Linkages and spillover to domestic firms- Various foreign firms are now occupying a position in the Indian market through Joint Ventures and collaboration concerns. The maximum amount of the profits gained by the foreign firms through these joint ventures is spent on the Indian market.

Advantages for MNEs:

- **Access to markets.** FDI can be an effective way for you to enter into a foreign market. Some countries may extremely limit foreign company access to their domestic markets. Acquiring or starting a business in the market is a means for you to gain access.

- **Access to resources**. FDI is also an effective way for you to acquire important natural resources, such as precious metals and fossil fuels. Oil companies, for example, often make tremendous FDIs to develop oil fields.

- **Reduces cost of production.** FDI is a means for you to reduce your cost of production if the labor market is cheaper and the regulations are less restrictive in the target foreign market. For example, it's a well-known fact that the shoe and clothing industries have been able to drastically reduce their costs of production by moving operations to developing countries.

Advantages to Foreign Countries:

- **Source of external capital and increased revenue**. FDI can be a tremendous source of external capital for a developing country, which can lead to economic development.

For example, if a large factory is constructed in a small developing country, the country will typically have to utilize at least some local labor, equipment and materials to construct it. This will result in new jobs and foreign money being pumped into the economy. Once the factory is constructed, the factory will have to hire local employees and will probably utilize a least some local materials and services. This will create further jobs and maybe even some new businesses. These new jobs mean that locals have more money to spend, thereby creating even more jobs.

Additionally, tax revenue is generated from the products and activities of the factory, taxes imposed on factory employee income and purchases, and taxes on the income and purchases now possible because of the added economic activity created by the factory. Developing governments can use this capital infusion and revenue from economic growth to create and improve its physical and economic infrastructure such as building roads, communication systems, educational institutions and subsidizing the creation of new domestic industries.

- **Development of new industries.** Remember that a MNE doesn't necessary own all of the foreign entity. Sometimes a local firm can develop a strategic alliance with a foreign investor to help develop a new industry in the developing country. The developing country gets to establish a new industry and market, and the MNE gets access to a new market through its partnership with the local firm.

- **Learning.** This is more of an indirect advantage. FDI exposes national and local governments, local businesses and citizens to new business practices, management techniques, economic concepts, and technology that will help them develop local businesses and industries.

Disadvantages to MNEs:

- **Unstable economic conditions.** Much of FDI takes place in the developing world, which is just developing its economic systems. The market conditions in the developing world can be quite unstable and unpredictable.

- **Unstable political and legal system.** A bigger problem may be unstable or underdeveloped political and legal systems. A company may have to deal with a corrupt or unstable political system. Additionally, the legal system may be underdeveloped. Contracts and property rights may not be easily enforced, for example.

Disadvantages to the Foreign Countries:

- **Race to the bottom.** Some have argued that developing nations are forced into a race to the bottom regarding labor and regulations in order to attract foreign investors who seek cheap labor and non-existent or lackadaisical regulation to maximize its profit potential. Such a race could result in severe environmental damage to the foreign country, the stripping of natural resources and abusive labor practices that are not acceptable in the developed world.

- **Crowd out local development.** Foreign investment may also crush the local competition, resulting in problems in long-term economic development.

- **Undue political influence.** MNEs can theoretically exert a huge amount of power in a developing country because of the capital it brings into the country. This influence may be compounded if a corrupt government is in place willing to acquiesce to deals that may not be in the best interests of its citizens.

Economic Growth and Factors:

Economic Growth is a narrower concept than economic development. It is an increase in a country's real level of national output which can be caused by an increase in the quality of resources (by education etc.), increase in the quantity of resources & improvements in technology or in another way an increase in the value of goods and services produced by every sector of the economy. Economic Growth can be measured by an increase in a country's GDP (gross domestic product). A positive change in the level of production of goods and services by a country over a certain period of time. Nominal growth is defined as economic growth including inflation, while real growth is nominal growth minus inflation. Economic growth is usually brought about by technological innovation and positive external forces. Economic factors that contribute to the success or failure of companies, business ventures, and individual products. These factors may include the rate of inflation, interest rates, stock market performance, the level of unemployment, demographic changes, and fiscal policies or changes made by the government. Growth relates to a gradual increase in one of the components of Gross Domestic Product: consumption, government spending, investment, net exports. Quantitative measurement and effects quantitative changes in the economy and increases in real GDP. Economic growth is a more relevant metric for progress in developed countries. But it's widely used in all countries because growth is a necessary condition for development and scope is growth concerned with increase in the economy's output.

II. REVIEW OF LITERATURE

Balasubramanyam.V.N and Vidya Mahambre (2003) concluded that FDI is a very good means for the transfer of technology and knowhow to the developing countries.Laura Alfaro (2003) finds 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 have a negative effect on growth, whereas FDI inflows in the manufacturing sector a positive one. Evidence from the foreign investments in the service sector is ambiguous. Sebastin Morris (2004) has discussed the determinants of FDI over the regions of a large economy like India. He argues that, for all investments it is the regions of metropolitan cities that attract the bulk of FDI. Peng Hu (2006) analyses various determinants that influence FDI inflows in India which include economic growth, domestic demand, currency stability, government policy and labour force availability against other countries that are attracting FDI inflows. Analyzing the new findings, it is observed that India has some competitive advantages in attracting FDI inflows, like a large pool of high quality labour force which is an absolute advantage of India against other developing countries like China and Mexico. Chandana Chakraborty and Peter Nunnenkamp (2008) said that booming foreign direct investment in post-reform India is widely believed to promote economic growth. Chew Ging Lee (2009) has pointed out that GDP per capita has a positive effect on FDI inflows in the long run. Krishna Chaitanya Vadlamannatia, Artur Tamazianb and Lokanandha Reddy Iralac (2009) analyses about the determinants of FDI in Asian economies. The determinants are analyzed under four heads, viz. economic and policy factors, socioeconomic factors, institutional factors and political factors. The findings in the baseline models show that poor socioeconomic conditions and labour-related issues are the major determinants. Shiralashetti.A.S and S.S.Huger (2009) have made a comparison of FDI inflows during pre and post liberalization period, country-wise, sector-wise and region-wise. Subash Sasidharan and Vinish Kathuria (2011) examine the relationship between FDI and R&D of the domestic firms in the post-liberalization regime. John Andreas32 (2004) in his work “The Effects of FDI Inflows on Host Country Economic Growth” discusses the potential of FDI inflows to affect host country economic growth. The paper argues that FDI should have a positive effect on economic growth as a result of technology spillovers and physical capital inflows. Performing both cross-section and panel data analysis on a dataset covering 90 countries during the period 1980 to 2002, the empirical part of the paper finds indications that FDI inflows enhance economic Growth in developing economies but not in developed economies. Basu P., Nayak N.C, Vani Archana (2007) in their paper “Foreign Direct Investment in India: Emerging Horizon”, intends to study the qualitative shift in the FDI inflows in India in –depth in the last fourteen odd years as the bold new policy on economic front makes the country progress in both quantity and the way country attracted FDI. It reveals that the country is not only cost-effective but also hot destination for R&D activities. The study also reveals strong negative influence of corporate tax on FDI inflows and R.Anitha*Foreign Direct Investment and Economic Growth in India, vol.1 issue 8, August 2012 though this is not an exhaustive survey of the literature that has gone into this area, we feel that it does provide analytical framework for enabling us to undertake the present study.

III. STATEMENT OF THE PROBLEM

The present study tries to assessing the determinants and impact of FDI in Indian economic factors. Thus, the present study is an endeavor to discuss the trends and patterns of FDI, and its impact of FDI on Indian economy.

Objectives of the study:

- To identify the factors which influence the flow of FDI in India.
- To investigate empirically the role and effect of Foreign Direct Investment (FDI)) on economic growth factors and their causality using annual data of Indian Economy over the post reforms period 1995 to 2014.

IV. RESEARCH METHODOLOGY

The study carried out is analytical and empirical in nature in which it explores the relationship between the Inflows of FDI and their impact on Indian economic growth. Further, in order to show the position of FDI in we selected different economic growth factors i.e., GDP, Stock Market, Export, Currency, Production, Foreign Exchange Reserves, Interest Rate, Unemployment Rate.

Sources of data collection:

Data for the study is collected from Secondary sources. The study is based on published sources of data collected from journals, magazines, websites likes i.e., www.tradingeconomics.com/charts/india-foreign-exchange-reserves. indiaforexcres, www.tradingeconomics.com/india/foreign-direct-investment and the data was extracted from the following sources: RBI, various issues Economic Survey, Government of India, various issues Department of Industrial Policy and Promotion (DIPP) Secretariat of Industrial Assistance (SIA), Central Statistical Organization (CSO) Handbook of Statistics on the Indian economy were used.

Period of study:

The magnitude of FDI inflows is analyzed for a period from 1995 to 2014. The factors which influence the flow of FDI into the country is analyzed during post period i.e., 1995 to 2014.

Hypothesis:

The study has been taken up for the period from 1995 to 2014.
* Flow of FDI shows a positive trend over the period from 1995 to 2014.
* FDI has a positive impact on economic growth of the country.

Limitations of the study:

The various limitations of the study are:
At various stages, the basic objective of the study is suffered due to inadequacy of time series data from related agencies. There has also been a problem of sufficient homogenous data from different sources.

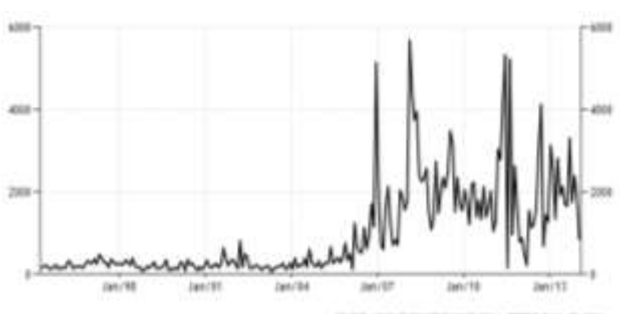
Impact of FDI Inflows on the Indian Economy:

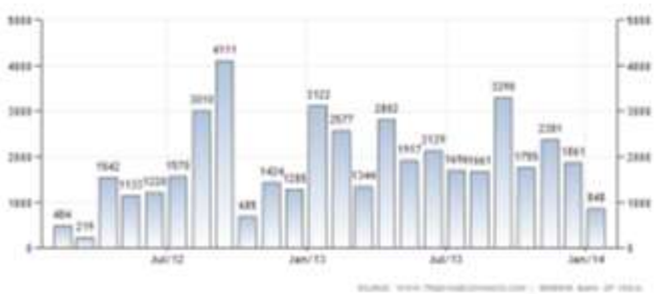
The impact of FDI on the Indian economy is hypotheses as per the economic factors the included in the analysis are GDP, Currency, Stock Market, Foreign Exchange Reserves, Interest Rate, Current Account, Exports, Imports, and Unemployment Rate are used to assess the relationship between these economic factors and FDI inflows India.
The result for which could be summarized below:

V. EMPIRICAL ANALYSIS

(Graph No. 1 to 10.These data taken from India Foreign Direct Investment - actual values, historical data, forecast, chart, statistics, economic calendar and news: on 17-03- 2014)

GRAPH – 1 : India Foreign Direct Investment

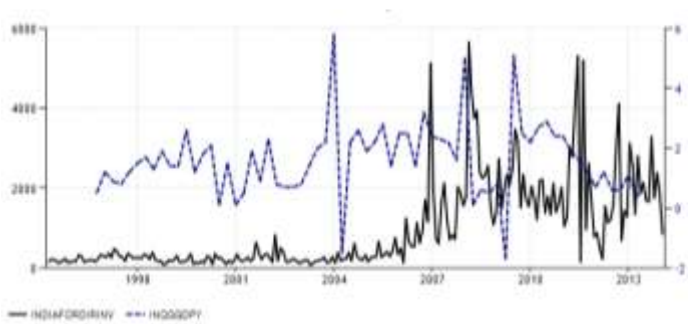




Foreign Direct Investment in India decreased to 848 USD Million in January of 2014 from 1861 USD Million in December of 2013. Foreign Direct Investment in India is reported by the Reserve Bank of India.

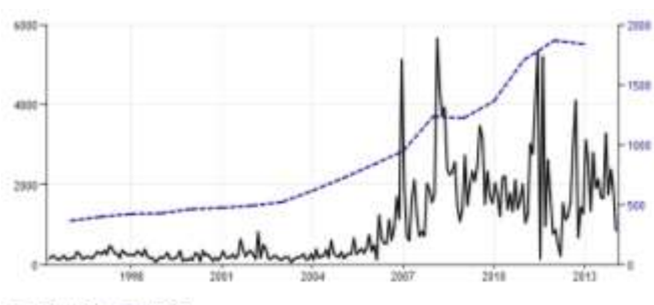
Foreign Direct Investment in India averaged 960.45 USD Million from 1995 until 2014, reaching an all time high of 5670 USD Million in February of 2008 and a record low of 58 USD Million in April of 2003.

GRAPH – 2(a): India GDP Growth Rate



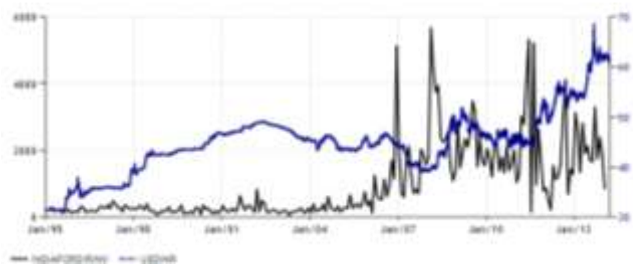
The Gross Domestic Product (GDP) in India expanded 0.60 percent in the second quarter of 2013 over the previous quarter. From 1996 until 2013, India GDP Growth Rate averaged 1.6 Percent reaching an all time high of 5.8 Percent in December of 2003 and a record low of -1.7 Percent in March of 2009. In India, the growth rate in GDP measures the change in the seasonally adjusted value of the goods and services produced by the Indian economy during the quarter. India is the world's tenth largest economy and the second most populous. The most important and the fastest growing sector of Indian economy are services. Trade, hotels, transport and communication; financing, insurance, real estate and business services and community, social and personal services account for more than 60 percent of GDP. Agriculture, forestry and fishing constitute around 12 percent of the output, but employs more than 50 percent of the labor force. Manufacturing accounts for 15 percent of GDP, construction for another 8 percent and mining, quarrying, electricity, gas and water supply for the remaining 5 percent. In the fourth quarter of 2013, Indian economic growth slowed to 4.7 percent over a year earlier, down from a 4.8 percent expansion in the previous period, hurt by a contraction in manufacturing and mining output.

GRAPH – 2(b): India GDP



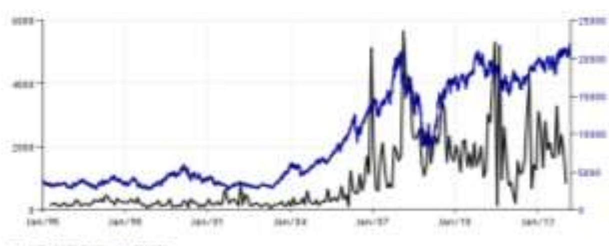
The Gross Domestic Product (GDP) in India was worth 1841.70 billion US dollars in 2012. The GDP value of India represents 2.97 percent of the world economy. GDP in India is reported by the The World Bank Group. From 1970 until 2012, India GDP averaged 485.7 USD Billion reaching an all time high of 1872.9 USD Billion in December of 2011 and a record low of 63.5 USD Billion in December of 1970. The gross domestic product (GDP) measures of national income and output for a given country's economy. The gross domestic product (GDP) is equal to the total expenditures for all final goods and services produced within the country in a stipulated period of time.

GRAPH – 3: Indian Currency



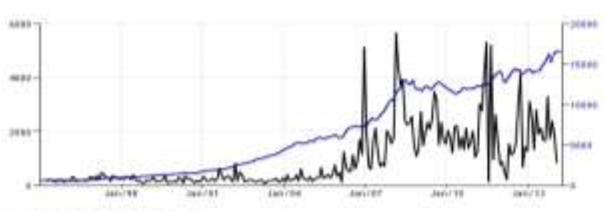
The Indian Rupee decreased to 61.14 in March from 62.10 in February of 2014. Indian Rupee averaged 32.49 from 1973 until 2014, reaching an all time high of 68.61 in September of 2013 and a record low of 7.19 in March of 1973. The USDINR spot exchange rate specifies how much one currency, the USD, is currently worth in terms of the other, the INR. While the USD INR spot exchange rate is quoted and exchanged in the same day, the USDINR forward rate is quoted today but for delivery and payment on a specific future date.

GRAPH – 4: India Stock Market (SENSEX)



The India Stock Market (SENSEX) increased to 21809.80 Index points in March from 21120.12 Index points in February of 2014. Stock Market in India averaged 6057.07 Index points from 1979 until 2014, reaching an all time high of 21934.83 Index points in March of 2014 and a record low of 113.28 Index points in December of 1979. The SENSEX (BSE30) is a major stock market index which tracks the performance of 30 major companies listed on the Bombay Stock Exchange. The companies are chosen based on the liquidity, trading volume and industry representation. The SENSEX, is a free-float market capitalization-weighted index. The Index has a base value of 100 as of 1978-79.

GRAPH – 5: India Foreign Exchange Reserves



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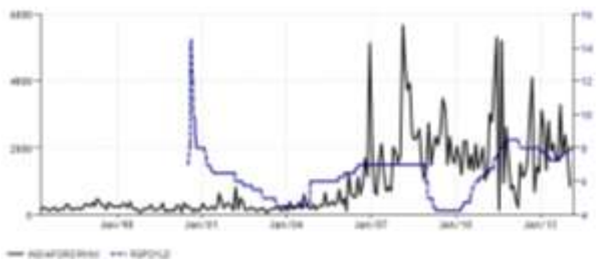
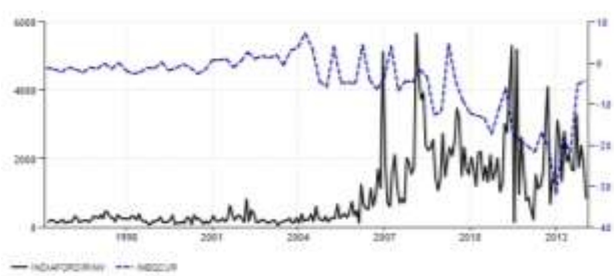
Foreign Exchange Reserves in India decreased to 16565.50 INR Billion in February of 2014 from 16659.90 INR Billion in January of 2014. Foreign Exchange Reserves in India is reported by the Reserve Bank of India. Foreign Exchange Reserves in India averaged 5169.16 INR Billion from 1990 until 2014, reaching an all time high of 16659.90 INR Billion in January of 2014 and a record low of 23.86 INR Billion in June of 1991. In India, Foreign Exchange Reserves are the foreign assets held or controlled by the country central bank. The reserves are made of gold or a specific currency. They can also be special drawing rights and marketable securities denominated in foreign currencies like treasury bills, government bonds, corporate bonds and equities and foreign currency loans.

GRAPH – 6: India Interest Rate



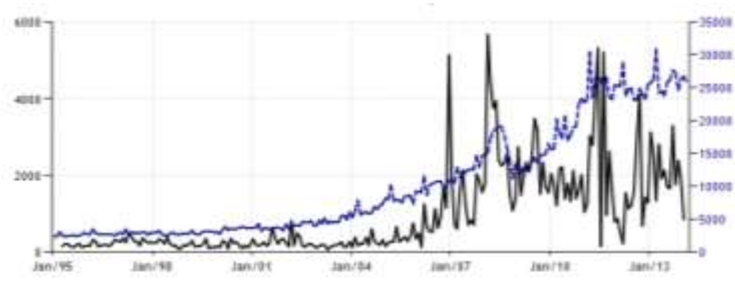
The benchmark interest rate in India was last recorded at 8 percent. Interest Rate in India is reported by the Reserve Bank of India. From 2000 until 2014, India Interest Rate averaged 6.6 Percent reaching an all time high of 14.5 Percent in August of 2000 and a record low of 4.3 Percent in April of 2009. In India, interest rate decisions are taken by the Reserve Bank of India's Central Board of Directors. The official interest rate is the benchmark repurchase rate.

GRAPH – 7: India Current Account



India recorded a Current Account deficit of 4.20 USD Billion in the fourth quarter of 2013. Current Account in India is reported by the Reserve Bank of India. Current Account in India averaged -1.63 USD Billion from 1949 until 2013, reaching an all time high of 7.36 USD Billion in the first quarter of 2004 and a record low of -31.86 USD Billion in the fourth quarter of 2012. Current Account is the sum of the balance of trade (exports minus imports of goods and services), net factor income (such as interest and dividends) and net transfer payments (such as foreign aid).

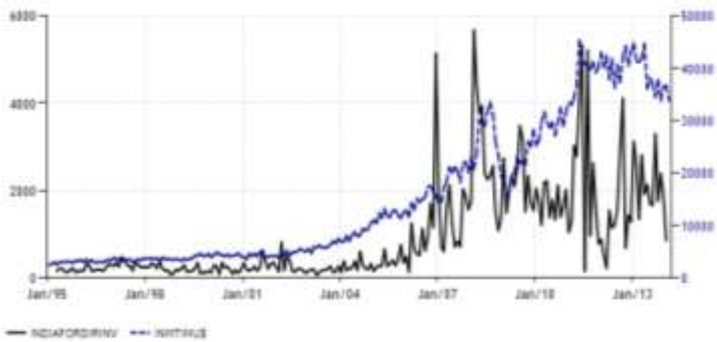
GRAPH – 8: India Exports



Exports in India decreased to 25688.94 USD Million in February of 2014 from 26752.36 USD Million in January of 2014. Exports in India is reported by the Ministry of Commerce and Industry, India.

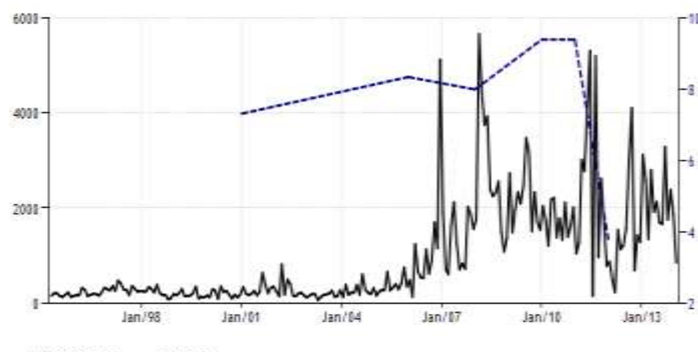
Exports in India averaged 3867.22 USD Million from 1957 until 2014, reaching an all time high of 30849.65 USD Million in March of 2013 and a record low of 59.01 USD Million in June of 1958. India's main exports are engineering goods (19 percent of total exports), gems and jewelry (15 percent), chemicals (13 percent), agricultural products (9 percent) and textiles (9 percent). India is also one of Asia's largest refined product exporters with petroleum accounting for around 18 percent of total exports. India's main export partners are United Arab Emirates (12 percent of total exports) and United States (11 percent). Others include: China, Singapore, Hong Kong and Netherlands.

GRAPH – 9: India Imports



Imports in India decreased to 33819.10 USD Million in February of 2014 from 36665.90 USD Million in January of 2014. Imports in India is reported by the Ministry of Commerce and Industry, India. Imports in India averaged 5676.27 USD Million from 1957 until 2014, reaching an all time high of 45281.90 USD Million in May of 2011 and a record low of 117.40 USD Million in August of 1958. India is heavily dependent on coal and foreign oil imports for its energy needs. Other imported products include: machinery, gems, fertilizers and chemicals. India's main import partners are China (12 percent of total imports), United Arab Emirates, Switzerland, Saudi Arabia, United States, Iraq and Kuwait.

GRAPH – 10:India Unemployment Rate



Unemployment Rate in India decreased to 3.80 percent in 2011 from 9.40 percent in 2010. Unemployment Rate in India is reported by the India Ministry of Labour. From 1983 until 2011, India Unemployment Rate averaged 7.6 Percent reaching an all time high of 9.4 Percent in December of 2010 and a record low of 3.8 Percent in December of 2011. In India, the unemployment rate measures the number of people actively looking for a job as a percentage of the labour force.

Indian Economic Indicators:

This data taken from India Foreign Direct Investment - actual values, historical data, forecast, chart, statistics, economic calendar and news: on 17-03- 2014.

Markets	**Last**	**Previous**	**Average**	**Unit**	**Reference**	**Frequency**
GOVERNMENT BOND 10Y	8.74	8.86	9.24	Percent	2014-03-13	Daily
CURRENCY	61.51	62.10	32.48		2014-03-14	Daily
STOCK MARKET	21774.61	21120.12	6055.10	Index points	2014-03-13	Daily
GDP	**Last**	**Previous**	**Average**	**Unit**	**Reference**	**Frequency**
GDP CONSTANT PRICES	15952.93	14609.34	11727.80	INR Billion	2013-11-15	Quarterly
GROSS FIXED CAPITAL FORMATION	4971.20	4910.58	3531.97	INR Billion	2013-11-15	Quarterly
GROSS NATIONAL PRODUCT	99965.15	89328.92	13945.09	INR Billion	2013-06-30	Yearly
GDP PER CAPITA	1106.80	1085.73	448.91	USD	2012-12-31	Yearly
GDP PER CAPITA PPP	3340.60	3277.01	1698.33	USD	2012-12-31	Yearly
GDP ANNUAL GROWTH RATE	4.70	4.80	5.84	Percent	2013-12-31	Quarterly
GDP GROWTH RATE	0.60	0.40	1.59	Percent	2013-06-30	Quarterly
GDP	1841.70	1872.90	485.65	USD Billion	2012-12-31	Yearly
Labour	**Last**	**Previous**	**Average**	**Unit**	**Reference**	**Frequency**
POPULATION	1233.00	1217.00	736.52	Million	2013-12-31	Yearly
EMPLOYED PERSONS	28999.00	28708.00	25060.23	Thousand	2011-12-31	Yearly
UNEMPLOYED PERSONS	39974.00	41466.00	36801.26	Thousand	2007-12-31	Yearly
UNEMPLOYMENT RATE	3.80	9.40	7.57	Percent	2011-12-31	Yearly
Prices	**Last**	**Previous**	**Average**	**Unit**	**Reference**	**Frequency**
INFLATION RATE	8.10	8.79	9.76	Percent	2014-02-15	Monthly
CONSUMER PRICE INDEX (CPI)	237.00	239.00	57.80	Index Points	2014-01-15	Monthly
EXPORT PRICES	284.00	268.00	171.20	Index Points	2013-06-30	Yearly
GDP DEFLATOR	171.30	159.30	130.27	Index Points	2013-12-31	Yearly
IMPORT PRICES	459.00	425.00	224.87	Index Points	2013-06-30	Yearly
PRODUCER PRICES	178.90	178.90	133.35	Index Points	2014-02-15	Monthly
PRODUCER PRICES CHANGE	4.68	5.05	7.70	Percent	2014-02-28	Monthly
Money	**Last**	**Previous**	**Average**	**Unit**	**Reference**	**Frequency**
CENTRAL BANK BALANCE SHEET	3151.90	3205.10	730.24	INR Billions	2014-02-28	Monthly
FOREIGN EXCHANGE RESERVES	16565.50	16659.90	5169.16	INR Billion	2014-02-28	Monthly
INTERBANK RATE	9.15	8.90	7.55	Percent	2014-02-15	Monthly
LOAN GROWTH	14.70	14.60	18.25	Percent	2014-01-31	Monthly
MONEY SUPPLY M1	20113.67	19873.10	3911.05	INR Billion	2014-02-28	Monthly
MONEY SUPPLY M2	20164.07	19923.53	7128.49	INR Billion	2014-02-28	Monthly
MONEY SUPPLY M3	93489.32	92847.75	14914.19	INR Billion	2014-02-28	Monthly
INTEREST RATE	8.00	8.00	6.61	Percent	2014-02-28	Monthly
Trade	**Last**	**Previous**	**Average**	**Unit**	**Reference**	**Frequency**
CURRENT ACCOUNT	-4.20	-5.15	-1.63	USD Billion	2013-12-31	Quarterly
CURRENT ACCOUNT TO GDP	-4.60	-4.20	-1.44	Percent	2012-12-31	Yearly
EXTERNAL DEBT	390048.00	345819.00	150725.00	USD Million	2013-12-31	Yearly
FOREIGN DIRECT INVESTMENT	848.00	1861.00	960.45	USD Million	2014-01-15	Monthly
REMITTANCES	10010.16	9194.86	8076.29	USD Million	2013-11-15	Quarterly
TERMS OF TRADE	62.00	63.00	81.53	Index Points	2013-06-30	Yearly
TOURIST ARRIVALS	738000.00	720000.00	382031.46		2014-02-15	Monthly
BALANCE OF TRADE	-8130.20	-9913.60	-1809.03	USD Million	2014-02-15	Monthly
EXPORTS	25688.94	26752.36	3867.22	USD Million	2014-02-15	Monthly
IMPORTS	33819.10	36665.90	5676.27	USD Million	2014-02-15	Monthly

Government	Last	Previous	Average	Unit	Reference	Frequency
GOVERNMENT DEBT TO GDP	67.57	68.05	74.56	Percent	2012-12-31	Yearly
GOVERNMENT BUDGET VALUE	-5328.42	-5163.90	-1352.00	INR Billion	2014-01-31	Monthly
GOVERNMENT SPENDING	1907.13	1503.10	1298.33	INR Billion	2013-11-15	Quarterly
CREDIT RATING	47.12					Monthly
GOVERNMENT BUDGET	-5.30	-5.80	-3.86	Percent of GDP	2012-12-31	Yearly
Business	**Last**	**Previous**	**Average**	**Unit**	**Reference**	**Frequency**
CAR REGISTRATIONS	216491.00	209826.00	91152.03	Cars	2014-02-15	Monthly
CHANGES IN INVENTORIES	266.92	560.74	372.85	INR Billion	2013-11-15	Quarterly
MANUFACTURING PMI	52.50	51.40	52.13		2014-02-15	Monthly
MANUFACTURING PRODUCTION	-0.70	-1.20	6.94	Percent	2014-01-15	Monthly
SERVICES PMI	48.80	48.30	51.58	Index Points	2014-02-28	Monthly
INDUSTRIAL PRODUCTION	0.10	-0.16	6.79	Percent	2014-01-31	Monthly
BUSINESS CONFIDENCE	54.90	45.70	59.32		2013-12-31	Quarterly
Consumer	**Last**	**Previous**	**Average**	**Unit**	**Reference**	**Frequency**
BANK LENDING RATE	10.25	10.25	14.10	Percent	2014-02-15	Monthly
CONSUMER SPENDING	9814.63	8737.14	6914.42	INR Billion	2013-11-15	Quarterly
DISPOSABLE PERSONAL INCOME	80663730.00	71787870.00	11464052.03	INR Million	2012-06-29	Yearly
PERSONAL SAVINGS	22124.14	20547.37	3121.11	INR Billion	2013-06-30	Yearly
CONSUMER CONFIDENCE	115.00	112.00	118.28		2013-12-31	Quarterly
Taxes	**Last**	**Previous**	**Average**	**Unit**	**Reference**	**Frequency**
CORPORATE TAX RATE	33.99	32.45	33.56	percent	2013-01-01	Yearly
PERSONAL INCOME TAX RATE	30.00	30.00	30.00	percent	2013-01-01	Yearly
SALES TAX RATE	13.00	12.50	12.56	percent	2013-01-01	Yearly

VI. CONCLUSION

Foreign direct investment occurs when a business invests in a foreign country by either acquiring a foreign business that it controls or starting a business in the foreign country. Even though global economies are suffering with financial crisis and other economic hurdles, India still stands as a global investment destination. Keeping in view of current requirements and benefits of the nation the government of India comes up with new policies from time to time. Government should design the FDI policy such a way where FDI inflow can be utilized as means of enhancing domestic production, savings and exports through the equitable distribution among states by providing much freedom to states, so that they can attract FDI inflows at their own level. Further the study shows the share of FDI in different economic growth factors from 1995 to 2014. From the above discussions of the study, It is observed from the results of above analysis that Trade, GDP, Reserves GDP, Exchange rate, are the main determinants of FDI inflows to the country. In other words, these economic growth factors have a profound impact on the inflows of FDI in India.

FDI plays a significant role in enhancing the level of economic growth of the country. This analysis also helps the future aspirants of research scholars to identify the main determinants of FDI at sectoral level. Finally, the study observes that FDI is a significant factor influencing the economic growth in India. It provides a sound base for economic growth and development by enhancing the financial position of the country. It also contributes to the GDP and foreign exchange reserves of the country.

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