Czech University of Life Sciences Prague
Faculty of Economics and Management

Department of Economics

Master's Thesis

Impacts of (FDI) foreign direct investment on the economic growth of India

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

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Impacts of (FDI) foreign direct investment on the economic growth of India

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Objectives of thesis

The aim of the research is to find out the impacts of foreign direct investment on the Indian economic growth and unemployment rate in India. This study examined the effect of Foreign Direct Investment (FDI) on both the economic growth of the country and the rate of unemployment in India over the period 2004-2019.

Methodology

The study uses both econometric and descriptive methods of data analysis. Descriptive statistical methods are used to investigate and analyze the significant indicators of the Indian economy. The econometrics analysis uses OLS regression analysis to model the linear relationship between Unemployment and FDI inflows.

The proposed extent of the thesis

60 – 80 pages

Keywords

India, Foreign Direct Investment, Unemployment, GDP, Economic Growth.

Recommended information sources

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Prague on 24. 11. 2022

Declaration

I state that I have worked on my diploma thesis titled **"Impacts of (FDI) foreign direct investment on the economic growth of India"** by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the proposition doesn't break the copyrights of any individual.

In Prague on: 30/11/2022 **Umang Mattar**

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I would like to convey my deepest gratitude to my supervisor **doc. Ing. Irena Benešová, Ph.D** for her supervision, patience, valuable advice, guidance, and profound belief in my abilities during my work on this thesis.

Impacts of (FDI) foreign direct investment on the economic growth of India

Abstract

The purpose of the thesis is to find out the impacts of foreign direct investment on the Indian economic growth and unemployment rate in India. This study investigated the effect of Foreign Direct Investment (FDI) on both the economic growth of the country and the rate of unemployment in India.

Developing countries face several challenges when it comes to generating income and promoting the economic growth or GDP of the country. There are two methods to address such critical issues, borrowing money. Which is a costly option or making positive changes in the country's economic policies to encourage foreign direct investment. For the past few years, the Indian government is striving to grow the economy and compete on a global scale. The most essential goal of this research is to quantify the inflow of foreign direct investment and its impacts on India's rate of unemployment and its impacts on Indian economic growth. In this thesis, I encountered through the analysis that FDI has a positive impact on the economic growth of India and mitigates the unemployment rate in the country which shows the overall growth of India's economy.

Keywords

Foreign Direct Investment, Economic Growth. , India, Unemployment, GDP

Dopady přímých zahraničních investic (PZI) na hospodářský růst Indie

Abstrakt

Cílem výzkumu je zjistit dopady předních přímých investic na indický hospodářský růst a míru nezaměstnanosti v Indii.

Rozvojové země čelí několika výzvám, pokud jde o vytváření příjmů a podporu hospodářského růstu nebo HDP země. Existují dvě metody, jak se s těmito zlomovými otázkami vypořádat, a to půjčování si peněz, což je nákladná varianta, nebo provádění pozitivních změn v hospodářské politice země na podporu přímých zahraničních investic. Indická vláda se v posledních několika letech snaží o růst ekonomiky a konkurovat v globálním měřítku. Nejzásadnějším cílem této diplomové práce je kvantifikovat příliv přímých investic a jejich vliv na míru nezaměstnanosti v Indii a její dopady na indický hospodářský růst. V tomto výzkumu jsem prostřednictvím analýzy zjistil, že přímé zahraniční investice mají pozitivní dopad na hospodářský růst Indie a zmírňují míru nezaměstnanosti v zemi, což ukazuje na celkový růst indické ekonomiky.

Klíčová slova

Přímé zahraniční investice, Ekonomický růst, Indie, Nezaměstnanost, HDP

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List of Abbreviations

FDI: Foreign Direct Investment

GDP: Gross Domestic Product

RBI : Reserve bank of India

MNCs: Multinational Companies

CAGR : Compound annual growth rate

USD: United States dollar

GDP: Gross domestic products

FY: Financial year

IT: Information Technology

FIPB: Foreign Investment Promotion Board

WB: World Bank

OECD : Organisation for Economic Co-operation and Development

FEMA: Foreign Exchange Management Act

OLS: Ordinary Least Squares regression

EXP: Exports

1. Introduction

The research aims to determine the impact of Foreign direct investment (FDI) on India's economic growth. (FDI) Foreign Direct Investment is a procedure to transfer or flow of money from one country to another in terms of assets purchasing, shares purchase and investments made to another country. FDI plays in the economy through direct or indirect investments, which motivate to increase in the flow of capital from foreign countries to other countries and induce market. FDI is modelled to induce development and growth in any country (Thomas, 2016). In the current scenario, it empowers developing countries in bringing new technology, innovations and development to the market. The impact of FDI on India has always been a topic of discussion in the world. As the country is diversified and developing on the verge of politics, it is an economic balance of FDI in the market.

The market of India is considered as highly penetrated for FDI as the consumers and groups are highly looking for options. The competition is a part of its impact. The increased competition comes with the high investment of foreign companies in India. Some of the variables that present FDI in a country are market size openness, infrastructure, return on investment, labour cost, political concerns, exchange rates, human resource availability, etc. Moreover, it is important to notice that India has low labour costs, substantial human capital, and an open market, making the FDI a more acceptable form of source of development in the country (Thomas, 2016). The collected information is provided with a complete understanding of the relevancy and importance of the correct information. As the data is useful for the nation's government officials, it is provided with a complete concentration of the validity of the information. Further, the research ethics form has been filled where the information collected in respect of the research is not under any error and does not falsify information is shown (Iphofen and Tolich, 2018). Lastly, the survey collected from the sample population has been collected after taking consent on the consent form from the population, and no personal information will be leaked or used for any other purpose is assured. No individual or living being has been hurt or misled while conducting research.

FDI has been growing in India since British rule and UK has always been the highest investor in India. The government has liberalised foreign policies to make trade easy for companies. Many foreign collaborations and foreign companies are planning to expand their market in India and induce growth and development in the country.

The research scope depends on resolving a problem statement of the research. The research to be presented for the past 10 years, i.e., 2010-2020 as shown in Figure 1, shows the impact of FDI on the Indian economy and determines the various objectives of the research. The research scope will interlink the collected information from the past year's data with the importance of FDI in the Indian economy and its benefits. The future upcoming FDI prospects and FDI focused investments in India will be presented to deliver the research motive (Hooda, 2011).

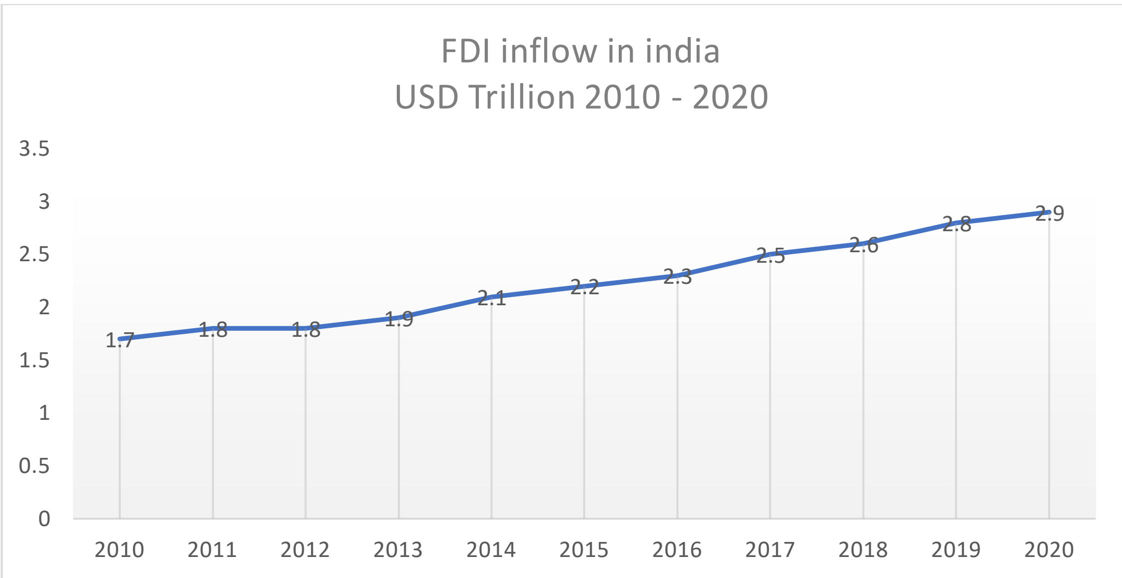


Figure 1 : FDI impact on Indian economy in USD Trillion

Source: (Geopolitical Intelligence Services, 2021)

Figure 1 showed the FDI impact on the Indian economy from 2010-2020 in which the foreign direct investment positively showed the result. In the year 2010, the FDI result was not up to the mark, but after 2014 till 2020, the result continuously increased, even during the peak time of COVID-19.

The research will focus on the various determinants of FDI and the importance of FDI for an Indian economy. The future FDI prospects in India and the interests of foreign companies in investing in the country will be covered in the research to provide an understanding of investment in India by foreign companies (Sultana et al. 2019). FDI benefits countries by establishing new and innovative technology and bringing career opportunities for unemployed people. These benefits and factors will be covered in the research to understand the scope of this investment for the Indian economy.

The study is important as it delivers the various determinants and factors of FDI that induce growth and development. The study will be helpful to the people of India and foreign investors in learning about FDI's importance to business, local communities, foreign competition, and market development in the country. The data for FDI impact on India for 10 years will be presented in this research to understand FDI's comparison and major developments. This study will study all the positive aspects of FDI's impact on India and its planning for future growth in economic development.

The study is significant to develop future studies based on the collected information to understand the further arguments of the negative impact on the Indian Economy of FDI. This will allow learning and expanding the knowledge on a particular perspective of benefits and disadvantages for a specific area of a country's economy (Malhotra, 2014).

The problem statement in the research is presented to determine the issues or hurdles in presenting the information. The study's problem statement is based on a collection of information, giving information, correct and evidenced information, and other problems related to the incompetence of the research. This research directly indicates to identify the information on the impact of Foreign Direct Investment on the Indian economy. As the research identified, various determinants of FDI induce the Indian economy to enable FDI in the country (Hooda, 2011). The problem identified is to present the data for the past 10 years as the topic ascertained for this research demands the impact of FDI on the Indian economy.

Research ethics are significant for the research as they verify the research validity and norms based found on which research is conducted. The research is looking to present information on the benefit and impact of FDI on the Indian economy, specifically with the data of the past 10 years. The research will require to adhere to truth and valid information on the topic to present the evidence of the information collected (Iphofen and Tolich, 2018). Research ethics will determine that the collected information is free of errors and includes truthful information in the research. The study's research ethics prohibit the fabrication, falsification, or misinterpretation of data. This is done to minimise and eliminate the possibility of inaccuracy in the research and the data it contains.

Information is provided with a complete understanding of the relevancy and importance of the correct information. As the data is useful for the nation's government officials, it is provided with a complete concentration of the validity of the information. Further, the research ethics form has been filled where the information collected in respect of the research is not under any error and does not falsify information is shown (Iphofen and Tolich, 2018). Lastly, the survey collected from the sample population has been collected after taking consent on the consent form from the population, and no personal information will be leaked or used for any other purpose is assured. No individual or living being has been hurt or misled while conducting research.

To sum up, the overall impact on the Indian economy is not possible accurately by showing 15 years of data but, the research will deliver the information based on this data; therefore, the relevancy may get impacted. However, the research will provide evidence and theoretical information from the past year's sources of information collection for better relevancy of the research paper.

2. Objectives and Methodology

2.1 Objectives

The thesis aims at understanding **“the impact of foreign direct investment (FDI) on the economy of India”** where the developed research objectives are:

- To understand the basis of FDI and its significance.
- To explore the positive impacts of FDI on the Indian economy and its effects on the Unemployment Rate in India.
- To access the current prospects (trends and patterns) related to foreign direct investment in India.

2.2 Methodology

Methodology in the research represents the methods and techniques used to provide and present the information. The methodology in this research will be used for summarising the data and increasing the overall effectiveness of the research. The research methods will deeply collect and present the information which is to determine the objective of the research (Bairagi and Munot, 2019). Using the method, the research will show the better engagement of information collected and its analysis method will determine the data simplest-to understand information. The secondary method is considered to collect information from the previous research, which is previously analysed and filtered as per the requirement of the research. Secondary research methodology is a fast procedure as data is already available. The investigator or researcher should know where to investigate to get the most relevant data. This method is quite fast and easy, which aims to gain a broad understanding of the particular subject matter which processes the data and explores the appropriate data for collecting the information from the available data of FDI on the Indian Economy. Moreover, a secondary source of data collection will be used to collect the information from the existing datasheets, journals and articles which present the research and data about the Indian economy and FDI impact. Thus, this information will be presented through various sources, and all the evidence will be provided in the research (Bairagi and Munot, 2019). Using these methods, the data depends upon the scale data objectives needed.

The data collection is also processed from different factual resources like RBI (Reserve Bank of India), WB (World Bank) and IMF about the unemployment rate and uncertainty in India. The data and information collected in order to understand the basis of FDI and its significance within India which can provide support to the development of the nation. The research uses both econometric and descriptive methods of data analysis to get accurate results. The analysis of the data and figures which are provided by the World Bank are effectively useful in analysing the growth structure of FDI. Such data and information are supportive for analysis and also for exploring the benefits to the economy from FDI in India. With the help of secondary data and information about the factual figures of FDI are provide access to the current and prospects related to foreign direct investment in India. The data and information collected through different resources like literature reviews, articles, previous notes, and research reports are evaluated by using evaluating tools quantitative or qualitative data both approaches deliver important information for evaluation, and both can improve community engagement.

3. Literature Review

3.1 Introduction to FDI and sources of Investment in India:

According to Lee et al. (2020), FDI is the investment of funds by any institution or corporation from one country to another. The fund's acquisition or management in the foreign country is the process of FDI. FDI is also categorised as FDI to re-investment of profits from overseas business operations and organisational loans and borrowings. FDI is restricted to explaining the movement of funds or capital from one country to another, but it is also an investment in skills, processes, management, technology, services, etc. Foreign Direct investment plays a crucial role in boosting the country's economy (Wang & Lee, 2021). The FDI in a developing nation like India delivers a massive asset to the country in the form of various goods, skills, technology, etc., especially to the manufacturing sector. In the interest of technology, FDI is the main source of innovation and productivity in India's manufacturing sector, as mentioned in figure 2. FDI enhances productivity and improves the infrastructure as a whole for the manufacturing sector (Malhotra, 2014). If considered, the enhancement of trade and commitment of money to the privatisation of the economies is all because of FDI.

FDI induces cash flow on large scale in the economy, which brings good opportunities to earn. Investment benefits the economy, but there are various individual and corporation benefits to the country.

Sector wise highest FDI Equity inflows in USD Mill. In India (Financial Year 2020)

Sectors	Sector wise FDI in India (mil. $)
Services	55,43
Computer and technology	54,25
Trading	32,41
Telecome	30,94
Hotels & Tourism	21,07
Auto Industries	19,80
Infrastucture	14,51
Chemicals	7,49
Construction	43,51
Pharma	36,52

Table 1: Sector-wise FDI in India.

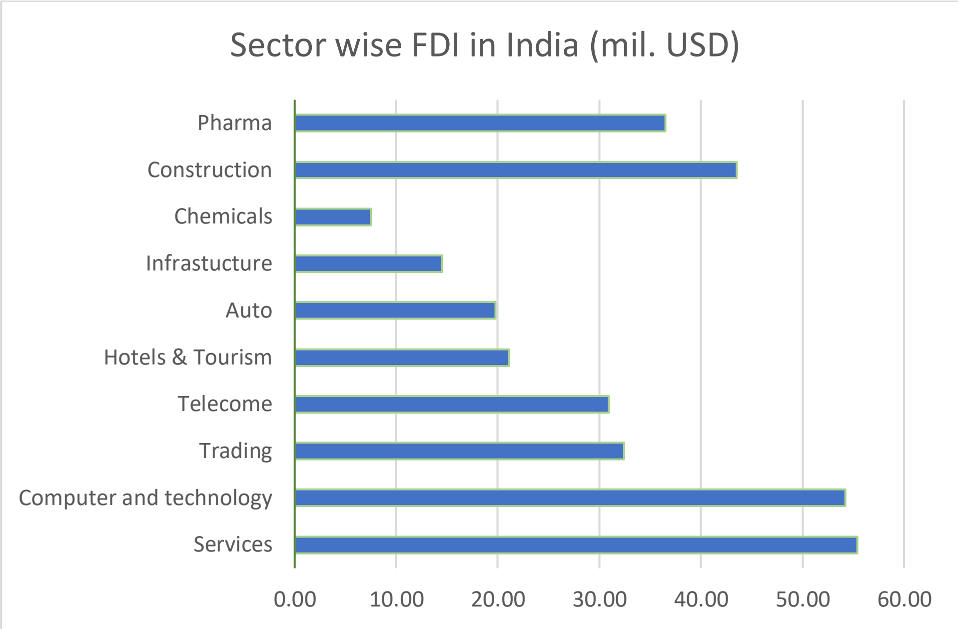


Figure 2: Sector-wise FDI inflows into India.

Source: (Finshots, 2021)

Financial Year 2020, India received inflows in many different service sectors, which are the major numbers and sector-wise it was the highest FDI equity inflows. IT and technology sector is also growing with the second highest recipient of foreign investments where the pharma and construction fields are also in increasing states as shown in the figure.

There are various sources of FDI as well in the economies. FDI from different countries in India ensures investment. The sources involve the countries like USA, UK, and Germany also. The highest FDI investment in the year 2021 in India is received from Singapore with 17.42 million $ till mentioned date, as stated in figure 3. The USA invested 13.82 million and emerged as the second-highest investor in India. Where Mauritius emerged as the third highest with 5.64 billion. In 2021, the UK showed an investment of 2.7 billion USD in the list, and Germany as a country invested in India showed 0.67 billion as mentioned in below figure 3.

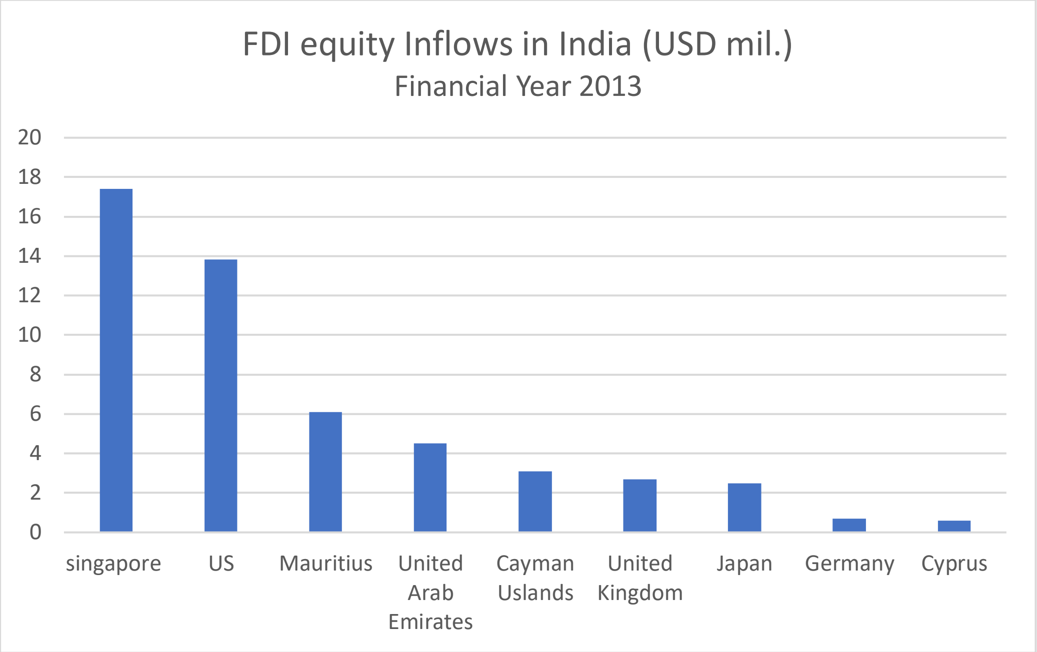


Figure 3: Foreign direct investment equity inflows to India in the FY 2021

Source: (Statista, 2021)

Figure 3, states that foreign direct investment equity inflows to India in the FY 2021. It has been assessed that countries investing in India emerging as a foreign investment have various inflow industries. Singapore and US are major investors whereas the Arab Emirates and Mauritius are in a moderate state of inflow.

3.2 Macroeconomic variables and impact on FDI flows

Foreign direct investment (FDI) is critical for developing countries since it stimulates economic growth while also providing capital to underdeveloped nations. The amount of foreign direct investment (FDI) that a nation receives is influenced by several macroeconomic variables. The pace of GDP growth, the balance of payments, and the volume of exports and imports all have a considerable positive effect on FDI entry into the country, according to Pattayat (2016). This study focuses on disseminating knowledge about how to improve employment prospects through innovation and technology, introducing new management styles inside an organisation, and assisting in expanding job chances in the host nation. All of this illustrates the possibility of excellent consequences (Mitra & Giri, 2016). In addition, the research looked at how boosting the country's competitiveness may inspire local investors to invest more in the country.

Inflows are influenced by many macroeconomic factors, including the rate of inflation. Because these factors are dispersed throughout the country, developing-country governments have begun to offer a variety of incentives and facilities in order to attract foreign investment. In addition to supplying affordable labour and resources, India, China, and Brazil are attempting to develop a robust market infrastructure. Foreign direct investments (FDIs) have been crucial to the globalisation of the economy. FDI inflows have boosted industrialization, modernization, and economic development in underdeveloped nations. These investments were made largely to attract investors and establish a worldwide organisational framework (Luo et al., 2010).

Every country's political stability helps to maintain macroeconomic qualities that are attractive to foreign direct investment. These countries are still establishing their political balance, which has ramifications for economic stability, inflation, exports and imports, and payment balances. This negative impact on growth and foreign direct investment (FDI) reduces the motivation to invest in such countries (Vijayakumar et al. 2010). The numerous facets of a country's economic and political insecurity, as well as the consequences of these factors on foreign direct investment, are investigated in this study. As a result of these circumstances, countries have tried to entice investors by giving attractive incentives and packages. Between 1991 and 2011, the amount of foreign direct investment into the country expanded dramatically. In the previous two decades, political and economic factors have altered several foreign direct investment (FDI) circumstances throughout the world.

As research was looked at to see how much FDI-related factors contribute to a country's net foreign direct investment (GDP). Foreign direct investment (FDI) inflows and GDP development are positively connected. The GDP growth rate of a country is crucial when it comes to attracting foreign investment. According to Agrawal and Khan (2011), a higher GDP expansion rate shows that a country's industrial production has grown. The research also looked at how the country's revenue influences investors' decisions to invest in the stock market. The rate of GDP growth, the amount of output and consumption, and the level of economic amenities in a country all influence income. This shows that GDP growth has a positive connection with FDI attractiveness and that the faster a country's GDP grows, the more FDI it attracts.

Export and import are the third elements that influences FDI inflows. Exports and imports have also been shown to have a positive relationship with foreign direct investment (FDI). Exports are crucial to the country's economic development and the improvement of the balance of payments. They have unquestionably grabbed the country's foreign currency. Increased export volume boosts the currency's exchange rate. As a consequence, investors will be motivated to invest in the country and its infrastructure right away. Exports help to enhance economic forces, which in turn stimulates further investment in developing countries. As a result of its exports and imports, India has been a major receiver of foreign direct investment (FDI).

Another factor that determines an investor's decision to invest in a nation is its balance of payments. Inflows of foreign direct investment (FDI) can help a country's balance of payments. Inflows of foreign direct investment (FDI) have had a major negative impact on the balance of payments, according to the report. The difference between the amount of money that enters and leaves a nation during a given time period is known as the balance of payments (usually one year). The overall income of a country is a reflection of a foreign investor's investment decisions in the country where the investment is made (Hanousek et al. 2011).

3.3 Trends of FDI in India

In the following years, India becomes one major attraction for a significant target for engaging foreign direct investment (FDI), which secured the 9th position from 12th in the year 2019 as per the United Nations Conference on Trade and Development’s (UNCTAD) in their statement (UNCTAD, 2021). Over the years in 2020, India's FDI rose by 13% in 2019, which crossed the specular remark on achieving such heights globally.

As indicated by Indian government information, FDI inflows received USD 67.54 billion in April and December 2020 – the total amount recorded for the initial nine months of a financial year, and up 22% from a similar period in 2019. FDI value inflows recorded it high: at USD 43.85 billion in the period April to November, which addresses an expansion of third compared and the initial eight months of the 2019 financial year (BNP Paribas, 2021). Further, India secured remarkable achievements over the year and was affected by the government's policies to enhance FDI operations. Also, India's relative is rising with time and has several inward investment data. While talking about the case of India and China, the inflow of funds from the state-owned investors (SOIs), which surpassed China in the past six years (as mentioned in the figures) and the sum of SOI will exceed India, that going to fluctuate with significant time. Now, India's share in the FDI has risen steadily.

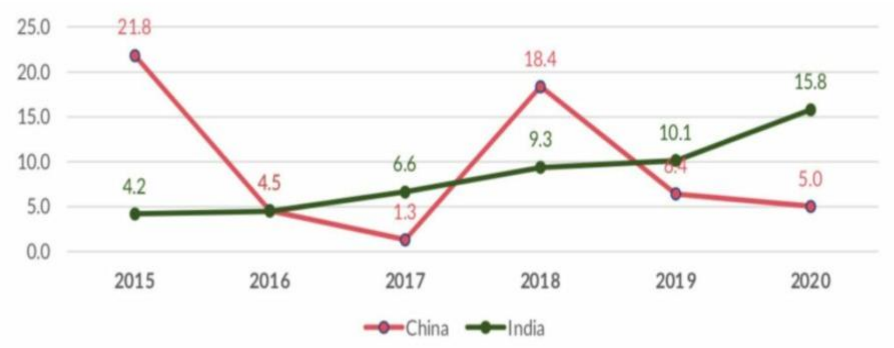


Figure 4: Private investment by SOIs into China and India (US$ billion), 2015-2020

Source: (SWF's, 2020)

As the above figure 4 mentioned, private investment by state-owned investors was quiet from 2015 till 2020, and continuously showed a positive result, and marked the highest, i.e., 15.8 billion, while China performed good 2015, but later the performance rise. In 2018, it was high and marked as 18.4 bill., while in the next two years, it was recorded as 10.1 in 2019 and 5.0 billion in 2020. The overall structure of FDI here as showed that India's FDI inflow is in a constantly increasing mode whereas china's FDI inflows have fluctuations.

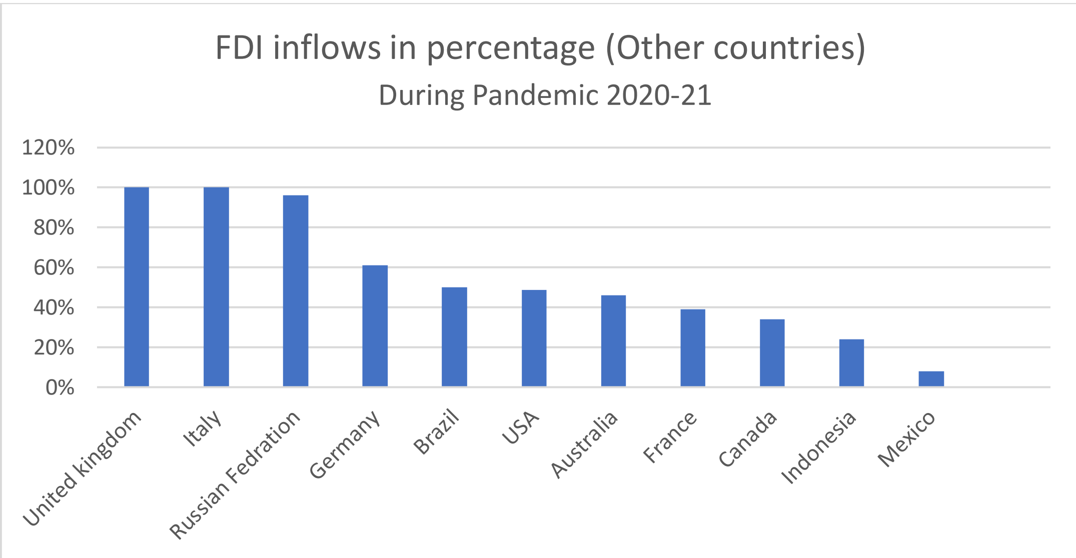


Figure 5: Changes in FDI inflows

Source: (UNCTAD, 2021)

As found in research and mentioned in previous explanations, India also record a high FDI even in the peak time of the COVID-19 pandemic as previously mentioned in. While other countries like the UK, Italy and Russia saw FDI come around 100% (or more), China and India avoided the pattern – with India recording its 13% expansion to USD 57 billion in the 2020 schedule year as India is keenly interested in innovation, infrastructure and energy sectors.

Further, some policies are differentiated state-wise and have some incentives which attract FDI for improvising the entire business climate. The federal fabrication in India empowers the states to design things and owns the investment policies that attract the FDI and institute precise incentives in certain sectors. Also, the states have some tax concessions, capital subsidies, interest rates, and reductions in power tariffs (IMF, 2006). Karnataka is one leading state in India which attracts foreign direct investment that outlined a series of policies and exemptions for exporting the oriented units and refunded fiscal policies in specified industries, i.e., biotechnology, information technology, business process outsourcing (BPO) (Jain-Chandra, 2006). Thus, the incentives make business activities easy and likely to determine the location of FDI. This is understood from the experience of the states like Haryana, Himachal Pradesh, and West Bengal, which deliver incentives but also attracts FDI.

According to Aggarwal & Singla (2012), India is a centre-attractive investment point where the government is highly engaging in FDI policies and considered key aspects for the country's future drive that modify the financial values and non-obligation assets to substitute the economy. It has undertaken some changes to eliminate blocks that recently eased back FDI. Large changes began with the 2014 "*Make in India*" drive, which arranges FDI in more than two-dozen areas for railroads, insurance, medical and flight (BNP Paribas, 2021). Further, it incorporates in 2020 to bring funds for the defence sector from 49 to 74%, with a comparative increment declared in mid-2021 for the insurance sector. Also, India moved to World Bank to ease the business in which India secured 63rd place in 2019 compared with the last place, i.e., 142nd, which helped India get a boost in foreign direct investment.

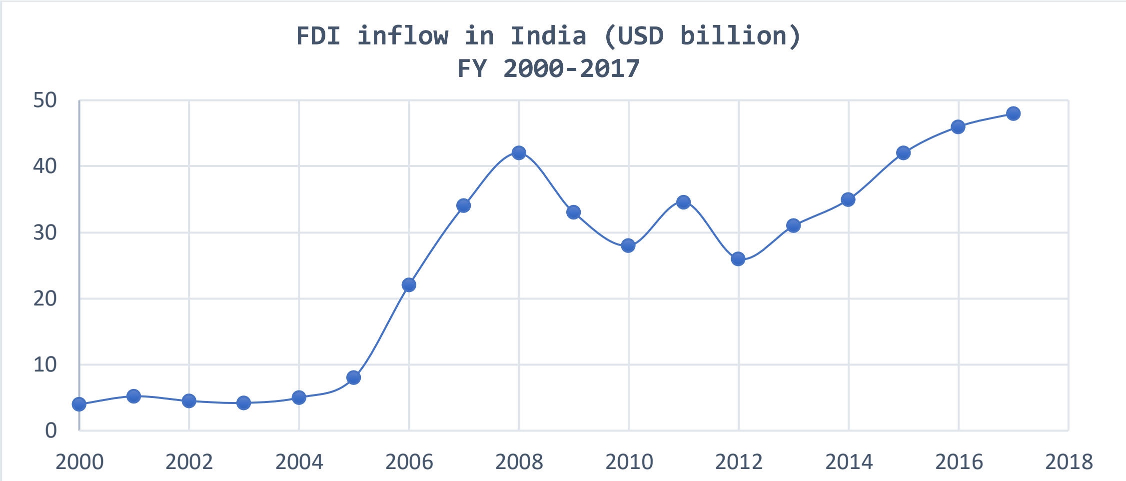


Figure 6 FDI in India (USD billion)

Source: (The Companion, 2017)

Figure 6 explains that the FDI spread its roots in India over the years. Over time, India showed a positive result, and in 2006-2008, it was grown remarkably after that, the FDI inflow secured a positive position in India.

Further, Vyas mentioned in his study (2015), The success India is getting is Phenomenal, which remains positive with great FDI results and undertakes passive results with its local partners and invests the amount solely. Reaching on top, 2020 was a difficult time to look over the investment from other countries which entitles the most in other countries and other citizens that needs FDI approval that protects the organisation which struggling the most due to the pandemic effect and from being bought cheaply (Jain-Chandra, 2006). Thus, it was expected that India's general FDI policies help other countries invest huge amounts. They are friendly to raising money and likely to benefit from the consequences and other nations. India's estimation expects that FDI is a vital aspect of the country's recovery, use it in a significant manner to become reliant the time and pulled back with the expansion (BNP Paribas, 2021). Hence, the FDI policies have strong continuation that abundance of talent, generate trust, have attractive incentives, better corporate governance, and modified infrastructure that vibrant the investors to enjoy the international capital market and have clearly positioned FDI destination in 2021 and so far.

3.4 Benefits of FDI on Recipient country

FDI interest the country in many ways as the investment in the country is beneficial in many monetary and non-monetary ways. FDI in various ways can be greenfield and brownfield. FDI in the greenfield is when the organisation constructs a subsidiary situation in another country. It is to build its business operation in another country from scratch. FDI in brownfield is when an organisation from another country plans to expand its business through acquisitions, mergers, and joint ventures.

In the study of Kumar (2014), as explained, increased employment and economic growth are the most important benefits of FDI in India or any country. Unemployment has been one of the major problems of India in the past years. FDI has effectively impacted the country's unemployment problem, and many people got jobs of various types in India. FDI enables economic growth by inducing opportunities, jobs, education, skills, development, and lifestyle. This enhances the buying power of the people and an educated population willing to work. Economic growth is boosted by the FDI in India (Kumar, 2014).

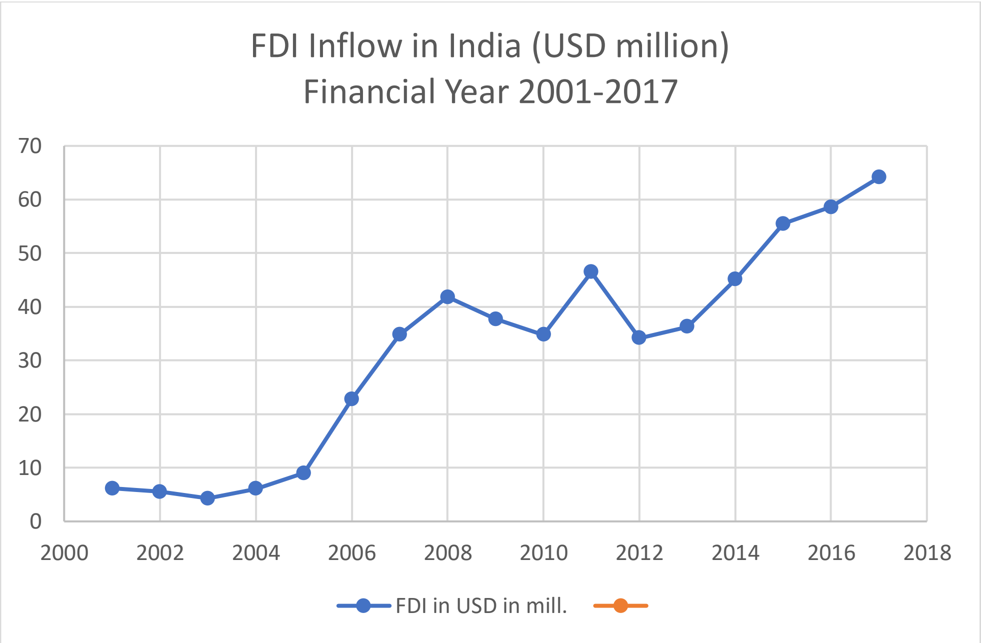


Figure 7: India's Historical FDI inflows across the different years

Source: (Invest Yadnya, 2019)

In the mentioned figure 7, foreign direct investment showed an overall critical drive that is a major source for India's economic development and was found to be the preferred and constructive factor for high economic growth, foreign capital, employment, etc. The Indian economy has consistently built its strong infrastructure by taking slow moves, the growth in FDI is the main reason of previous developments which can be visible in 2016 – 2017 of 60,220 US million and similar growth in the next financial year 2017-2018 64,168 US million.

In Bose (2012), this is one of the vital benefits of FDI in India, which helps develop the backward or rural areas of the country by FDI. As the companies investing from a foreign land come and start their business operations in the backward or rural areas gives the opportunity and means to the people of the society and area to develop. India has been dealing with rural populations since its formation, and with the help of FDI, many of the communities are getting better at their lifestyle, education, opportunities and jobs.

Bose (2012) also included that FDI in developing countries brings the benefit of upgrading with the latest technology and financing tools, which helps businesses and economies run smoothly and with the world. It helps in accessing the latest technology used in the world to the developing nation, which allows getting bigger results towards the economy and development of a country (Bose, 2012). The local community also benefits from the latest technology and its use, which enhances the efficiency and effectiveness of domestic companies.

FDI improves relations with foreign companies, and it enhances domestic business by inducing exports for the FDI companies. Not every company have to be in India for inducing FDI. Foreign Direct Investment can be stimulated with exports done by domestic companies and increase the country's cash flow (Malhotra, 2015). India is a great contributor to manufactured products and items in foreign countries of different items and many foreign investors invest in the country and its various industries.

As the increase in FDI stimulates the rate of foreign exchange in the country, it enables the central bank to maintain enough foreign currency for exchange and stabilise the exchange rates in the country. This helps businesses and tourists in getting foreign cash easily and at stable exchange rates. It is highly dependent on FDI in India every year (Malhotra, 2015).

As per the contribution of Mishra (2018), FDI improves the capital flow in countries with limited domestic resources and also helps the countries which are unable to raise funds in the capital market of the global world. India has been one of these countries in the past where the resources were limited (The World Bank, 2022). FDI has brought resources to notice, and companies started to use it to better the organisations and economy. The impact of FDI on India benefited the country in making the best use of resources and inducing capital flow (Mishra, 2018). Below is the figure showing India's Yearly FDI inflows in (US$ million). This shows the capital flow in the country from the developing years, which is from 2000-2019. It shows a continuous increase since 2015..

The competition in the economy fosters because of FDI. As the investment by foreign organisations and their processes starts within the country, the domestic monopolies are reduced, and a healthy competitive environment is increased, which induces competitiveness in the market. This competitiveness pushes the firms to frequently improve their processes and product offerings, resulting in innovation (Goyal, 2017). Thus, with the help of FDI, Healthy competition is induced in the economy. India has induced innovation after the competitive spirit in the economic market started rising. The companies are putting into R&D to put the MNCs and huge corporations on a competitive edge and provide customers with the best offerings. Below is the chart which shows India with other countries putting into R&D. India has improved highest in the past years from 2011 to 2020 (Goyal, 2017). The countries lagging including Eastern Europe and India are very close to beating China in upcoming years.

3.5 FDI inflow supplement domestic capital

According to Nedumaran and Manida (2019), investors these days bring more advanced practices in manufacturing activities, which reduces production costs. Technology enhancement can be the best way to bring some changes that enhance better understanding and increase marketing procedures. Investors combine different stages of production in several countries to reduce production costs (Nedumaran and Manida, 2019). As per Malhotra (2015), the investment from the domestic market has also increased to investment for getting advanced technology and involving in international activities. The agreement by the government on specific projects of FDI has been sanctioned through internal market analysis. The market has adopted different marketing strategies from different countries that support local suppliers and increase output. Some negative reflections are also there, which affect the local suppliers and market-oriented dealers. FDI directly impacts the business of local producers and suppliers, which affects the overall domestic market (Malhotra, 2015).

According to Kapoor and Sachan (2015), the growth in the inflow of capital provides more accurate opportunities for the development of the nation, which encourages others to invest in the country. Foreign direct investment is one of the major processes to attract more and better foreign investors to sponsor and invest in the country in different sectors like services, manufacturing, assembly line and others. The inflow of capital reduces inflation in the country and provides opportunities to increase their living standard (Kapoor and Sachan, 2015). There are multiple chances for domestic market holders to establish mergers and get more profit from the market like Reliance and Tata; such organisations are one of the world's largest companies and provide their products and series all over the world (Nayyar and Mukherjee, 2020)..

3.6 Gross Domestic Product (GDP)

The Gross Domestic Product (GDP) is refers to the monetary measures a cost of final goods and services of India in a given period of time. GDP usually refers to the final income and outcome generated within the borders of India. The role of foreign direct investment within India’s GDP is planning essential role and also addressing economy. GDP is most common economic measure used to count economic activity within the country and recognizes by moving towards growth of depleting the income. Here, World Bank and IMF playing essential role in analyzing data as per the external factors along with recognizing impact on growth like unemployment rate observation, and interest rate hiking. Gross domestic product are mentioned below which are uses ally required to recognizes actual output are:

Real GDP: Real GDP refers to the process of analyzing different process which can provide more accurate information about the total value of all goods and services produced within current constant prices in the country.

Nominal GDP: Nominal GDP calculated for recognizing the inflation. Nominal GDP is refers to the process of analyzing different process which can provide more accurate information about the total value of all goods and services produced within current constant prices in the country.

3.7 Adverse Effects of FDI

FDI impacts developing nations adversely in many cases. At the glance of benefits from FDI, the countries avoid some causes that the country has to deal with later with some real serious issues. These issues adversely impact the businesses, people, values, and origin of the recipient country. India is one of the countries that have adverse impacts of FDI, yet the country has to bring in some solutions for these problems.

According to Demena and Afesorgbor (2020), Industries have suffered the most from the FDI increase in the economy. As a result, the domestic and small-scale industries of the country have started to disappear and shut down. This is a result of high competition in the market. Above that, FDI introduces new industries with upgraded technology and exported products and items that have kicked out the small manufacturers and industries from the market. These export products are cheaper than the manufactured ones, which induces demand in the country for those. These factors have created a huge loss to India's industries and small-scale manufacturing businesses. Many industries have received support from FDI, and those sectors have fallen down the high road at times.

While many foreign companies are now going pollution-free and taking appropriate measures to control pollution in the recipient countries through their manufacturing units and industries, many industries have contributed to the pollution and hazardous environmental gases, which impacts the country and its people's health. FDI encourages firms to manufacture products in the country and brings many diseases and health issues (Demena and Afesorgbor, 2020).

Further, Demena and Afesorgbor (2020) provided that Cultural erosion is one of the major concerns affecting the country adversely because of FDI. Tas FDI brings MNCs from various countries, which increases the cultural differences in the companies. As many different cultural people work in MNCs, the tradition, values and lifestyles are mixed with the country's culture. This merges the culture of different countries in the developing country, and many people start to follow new cultures, visions, and traditions. This is good and bad for a society that could bring the discussion to a different road.

Political corruption is common in the countries implanting FDI as, without political support, foreign companies face many political and legal restrictions (Demena and Afesorgbor, 2020).

Companies prefer the easy way to success, and political assistance is one way these big brands easily enter the market. FDI influences political parties for their gains, which is why most countries face drug trafficking, money laundering, etc.

3.8 Liberalisation of FDI limits in India

As Masharu and Nasir (2018) mentioned, the contemporary market economies have tied vital links between the producers and consumers to build a sustainable relationship with them and offer a wide range of products and services to the consumers and provide satisfactory results and experiences to them. As a result, the retailing sector has emerged as one of the most significant pillars of the Indian economy, increasing steadily and at a fantastic rate. India has the potential to be more beneficial to the country as well as more established in the retail business. Many multinational corporations (MNCs) have spent money and received a significant amount of foreign direct investment for the future sections of their operations as a result of the liberalisation of foreign direct investment regulations that were introduced in the 1990s and was warmly welcomed by India (Goel, 2020). In recent decades, the retail and wholesale sectors have seen major transformations, resulting in a rapid expansion in the value of the retail and wholesale sectors' market capitalization, as well as a progressive shift in the formats utilised for the purchase and sale of items and services.

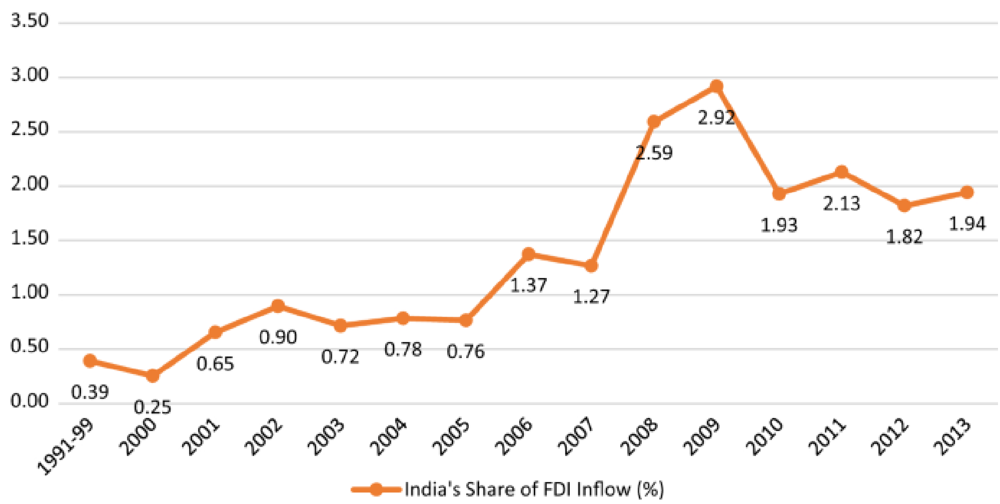


Figure 8 : Share of India in World FDI inflows (%)

Source: (Masharu and Nasir, 2018)

Figure 8 stated that the share of India in FDI world inflows marked as high as compared with the last years, i.e., from 2007 to 2013. The FDI showed a lower value between 1991 to 2006, which was around 0.39 to 0.76, but after 2006, the percentage crossed the mark of 1 and continued growing.

Further, with the global lockdown and pandemic hit, India is still bearing the balance payments of the trade complications regularly, and the FDI is one such way that finds a solution in a critical situation that removed the unnecessary hurdles and entered the foreign market to invest the financial resources and store multinational retail and wholesale brand (Goel, 2020). In recent times, India went through a market value which set the retail chain up to $500 million, which is considered the top retail and wholesale market under one umbrella and engaged the major population market. India is an emerging market where multinational corporations (MNCs) maintain long-lasting relations with the emerging economies and motivate the rest factors to initiate with India and reform friendly policies with FDI that attracts foreign investors (Bhattacheryay, 2020). Also, the retail chain is expanding with time and has a gradual shift anticipated with $900 billion at the last of 2017 and representing a compound annual growth rate (CAGR), which is more than 12%. The retail sector enables employment by 8%, which generates the total workforce and contributes to the GDP by 10%. Currently, India is carrying out two major sectors, i.e., organised and unorganised, which is at the promising stage whereas business is 92% is unorganised like vendors, street markets, roadside hawkers, etc. which categorised as controlling inventory, managing supply chain management, implementing government policies, regulate taxation in standardisation the products (Kulshreshtha, 2011). Also, the retail sector is organised by nearly 8%, which comprises licensed retailers like hypermarkets, supermarket chains, retail markets, and mega-stores.

Year 2015 State Wise	*FDI inflow in Mil. $*
NCR	10,645
Maharashtra	5,216
Tamil Nadu	4,268
Karnataka	3,396
Gujarat	1,477

Table 2: FDI inflow in Indian States (USD mil.)

Data Source: (Counterview, 2016)

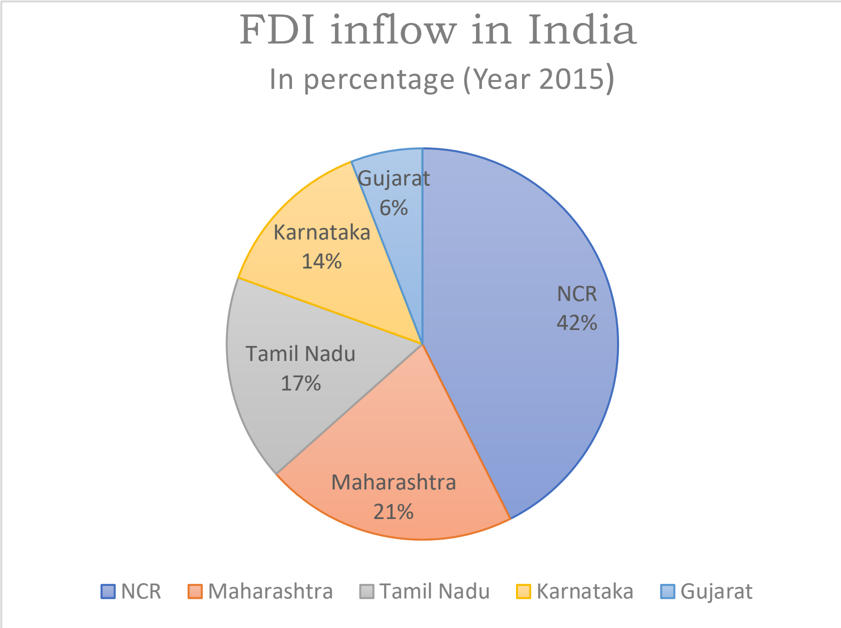


Figure 9 FDI inflow in the Indian States in Percentage

Source: (Counterview, 2016)

Figure 9 stated that Indian states inflow was rising, and Delhi NCR marked as 10,645 million which is 42% of FDI in USD secured the top rank among the rest four. While Gujarat was not so active in the FDI inflow and was marked as 1,477 million dollars which are 6%. Maharashtra is the 2nd highest in receiving funds with 21% of FDI.

3.9 FDI creates high-quality jobs and introduces modern production practices

States Kirti and Prasad (2016), investment in the world's second-largest populated market is one of the core opportunities for any country to invest and get a better outcome. India has one of the largest populations which supports the internal market to enhance the market strategies to adopt new changes. The combination of different investors in different projects supports the inflow of capital and better employment opportunities (Kirti and Prasad, 2016). The managerial activities lead to the inflow of indifferent capital sector; after 30% of FDI, many sectors are rapidly growing, like the services sector and manufacturing sector, due to the inflow of new technology and other essential strengths. Through MNCs, FDI increases employment opportunities and high-class jobs and provides better opportunities to their local organisations through mergers and acquisitions (Khandare, 2016). The consistency in the activities will result in the development of major procedures that directly involve the nation's development.

According to Sengupta and Puri (2020), the internal assumption of the Indian market that is directly related to the procedure involves the major process of multiplying different activities to enhance growth. Several modern production procedures are introduced in FDI, which supports local manufacturers in enhancing their activities and better futuristic processes (Sengupta and Puri, 2020). Many activities support consistency in a process that reflects on the identical process. The major sources of investment in India came from FDI and taxes; the government also permitted foreign investors to invest in defence activities, increasing the inflow of investment in the deference sector to increase the quality of weapons and other equipment. India's foreign relations are providing a different spark in the international market, which is one of the significant ways to invite tremendous FDI opportunities in the Indian market (Nedumaran and Manida, 2019)

3.10 FDI'S Impacts On Gross Domestic Products And Unemployment Rate

Every country needs eternal support to get the better business-oriented opportunity and foreign direct investment provide the best process for the country and meet the opportunities (Nelson, 2012). the current finding are indicating that FDI helps in dropping the unemployment rate and increasing the gross domestic product of India. The factual data and information say that there is a 1% increase in FDI caused a reduction of 0.008% in the unemployment rate and an increase of 1.318% in the GDP of India which are better for the growth of the nation and also support reducing unemployment (Nelson, 2012). The analysis has recognised that the GDP has transition economies experienced positive effects on growth and labour development. as per the current formation of FDI inflows in the country are responsible for reducing several activities which are slow down the growth and providing fast and preventive activities that can encourage labour management also (Malhotra, 2014). FDI inflows were associated with higher levels of GDP and lower unemployment for some periods. It helps in lessening the unemployment rate and, an upturn in exportation, surge in production of goods and services along with upsurge in tax collected and growth within investment etc.

3.11 Impact of FDI on Indian Economy

According to Nelson (2012), foreign direct investment (FDI) is a matter of interest renewed in different years and has several reasons that avail rapid expansion in global FDI inflow and the possibility to offer channelising resources for developing nations. Also, the FDI is one significant component that sums up the capital inflows in the ongoing market across the developing nations and directs the economies to attract more FDI and quite limit the access through financing. Further, India is a developing country that initiates globalisation and has witnessed a surge in FDI inflows in the last two decades. Even in India, FDI is compared with other Asian countries considered a market approach that liberalised policies and regimes as sustainable with direct foreign attraction. Thus, in the critical phase, the Indian economy introduced the macro factors with stabilisation and reforming the structures which result to offer opportunities for FDI inflows and adapted to be more liberal for the foreign policies constituted by the FIPB (Foreign Investment Promotion Board), which allocate operations and facilitate foreign investments (Malhotra,2014)

India's FDI has more outcomes from outward, which started from $119 in 1995 and reached $ 42286 mil. USD in 2018. India's FDI is working and positively showing up results. While the inwards started at $2985.5 in 2005 and last showed as $11097 in 2018. Further, foreign direct investment (FDI) allocates funds from one country to another to establish resources and development. OECD (Organisation for Economic Co-operation and Development), demonstrates when an organisation acquires reinvestment of profits from overseas economy operations and allows intra-organisational loans and borrowings from external subsidiaries witnessed as FDI (Invest India 2019). For the Indian economy, the international movement isn't restricted but also encompasses the international movement that elements the complementary capital like skills, processes, management, and technology, which are major aspects of impacting India's economy and across the world. Well, there are investors in the foreign market who mean to equities equity infusion and imply lasting interest. Also, the organisation in India was created to build business functioning and provide regulation among the Indian organisation. Thus, it constructs specifications, employs human resources as per national regulations, and designs and monitors functional processes (Malhotra, 2014).

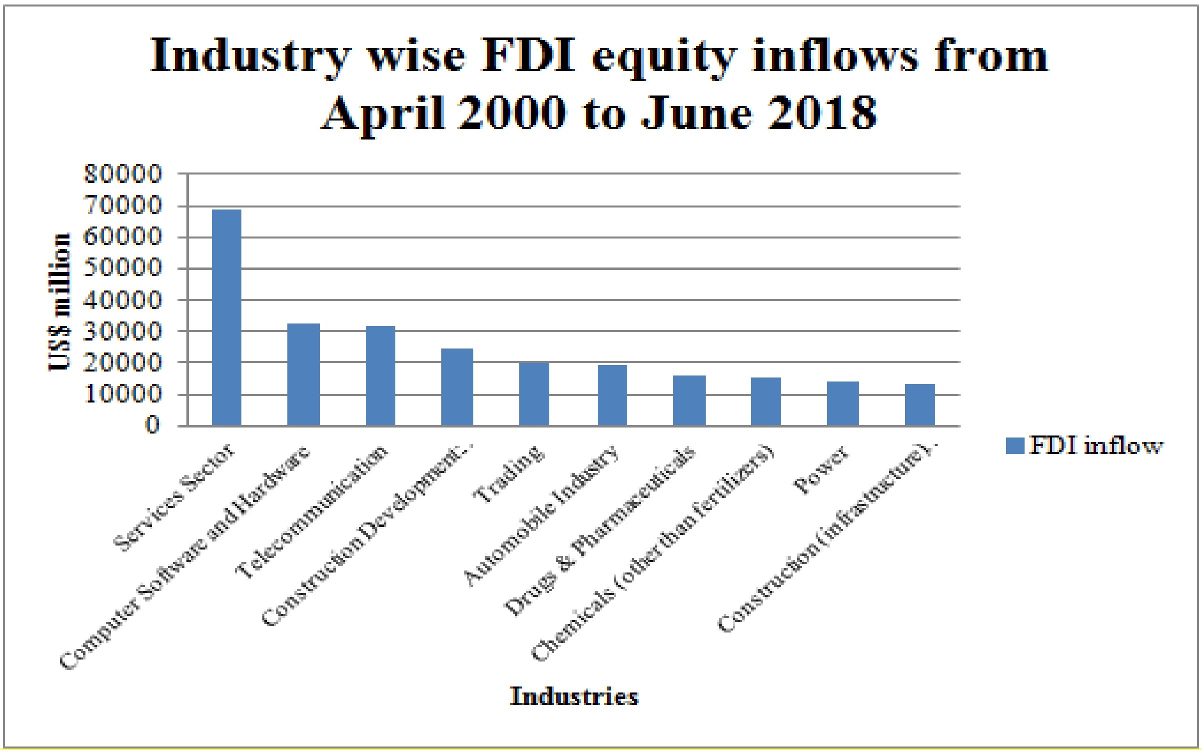


Figure 10: Monthly FDI in India (USD million)

Source: (Financial Express, 2020)

Figure 10 explained the equity inflows of FDI in different sectors of India. The figure shows that the services sectors are getting the highest inflows where the computer software and hardware or technical fields are the second recipients. Constructions and buildings or infrastructures are in the lowest position as shown in the graph.

That the monthly FDI in India in the year 2019 was grown and showed a positive result. After November 2019, the result was upgraded and showed a value of $5,668, and in February, it fall to $2,000 With this alternative, the organisation in India can expand its roots and operate its business operations across borders, acquisitions, and joint ventures, which lease and purchase the facilities for production and serving the services. Thus, it advantages the investment, saving cost and time for engaging the construction activities and the retail sector. Further, India has international competitiveness, which has a crucial role towards the growth and technological aspects and adopts the dynamics (Invest India, 2019). Well, it reforms the policies, attracts foreign investors for FDI, and has a high level that is viewed as a catalyst for the country's economic growth. Hence, the most vital factors are linked with FDI inflows for host-driven countries like India, which unites export promotion and GDP growth.

3.12 FDI generally has a strong impact on average wages

According to Nayyar and Mukherjee (2020), every action has a reverse reaction; the admin wants to convey that several action plans exist for FDI but with the possibility of diminishing the local market, which directly affects the local associations in India. There are more opportunities for youth through increasing private jobs, but there are exploiting and not providing them better recompense. The consistency in the activities which are directly referred to the major procedure and their need to focus on the activities that bring more consistency to provide managerial process (Roy and Narayanan, 2019). The FDI is one of the major sources of different activities that are directly related to inflation. People buy cheaper goods from other countries with low materialistic quality, which impacts the local market. The number of businesses in the market is more than in any other country, but due to FDI, the process's impact reduces and negatively impacts overall growth (Nayyar and Mukherjee, 2020).

The inflation rate is consistently increasing and purchasing power of people is reducing which directly affects the standard of living and internal investment. The development of the process brings more support to the development and provides more opportunities to develop the proceeds. The FDI plays an essential role in increasing inflation and other lacking areas that directly involve the local market and other procedures (Roy and Narayanan, 2019). With the high involvement of capital through FDI, the government is also not taking strict action, which is the major negative aspect of developing the Indian market

4. Practical Part

The Foreign Exchange Management Act governs foreign investment in India, 1999 (FEMA) and the Foreign Exchange Management (Transfer or Issue of a Security by a Person Resident Outside India) Regulations, 2017, as well as the Foreign Exchange Management (Transfer or Issue of a Security by a Person Resident Outside India) Regulations, 2017 (Statista, 2021). The FDI foreign direct investment in India is defined as an investment made via capital instruments by a person residing outside of India in an unlisted Indian company with 20% or more of a listed Indian firm's post-issue paid-up equity capital on a fully diluted basis.

FDI FLOWS TO INDIA: COUNTRY-WISE

In (USD$ million)					
Source/Industry	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19 P**
year	**1**	**2**	**3**	**4**	**5**
Total FDI	**24 748**	**36 068**	**36 317**	**37 366**	**38 744**
Country-wise Inflows					
Singapore	5 137	12 479	6 529	9 273	14 632
Mauritius	5 878	7 452	13 383	13 415	6 570
USA	1 981	4 124	2 138	1 973	2 823
Japan	2 019	1 818	4 237	1 313	2 745
Netherlands	2 154	2 330	3 234	2 677	2 519
United Kingdom	1 891	842	1 301	716	1 211
South Korea	138	241	466	293	982
Cayman Islands	72	440	49	1 140	863
UAE	327	961	645	408	853
Germany	942	927	845	1 095	817
Hong Kong	325	344	134	1 044	598
Canada	153	52	32	274	548
Ireland	11	8	12	108	427
France	347	392	487	403	375
British Virgin Islands	30	203	212	21	290
Switzerland	292	195	502	506	280
Luxembourg	204	784	99	243	251
Others	2 846	2 476	2 012	2 464	1 959

Table 3: FDI Inflows in India (RBI).

Data source: (Reserve Bank of India) 2021

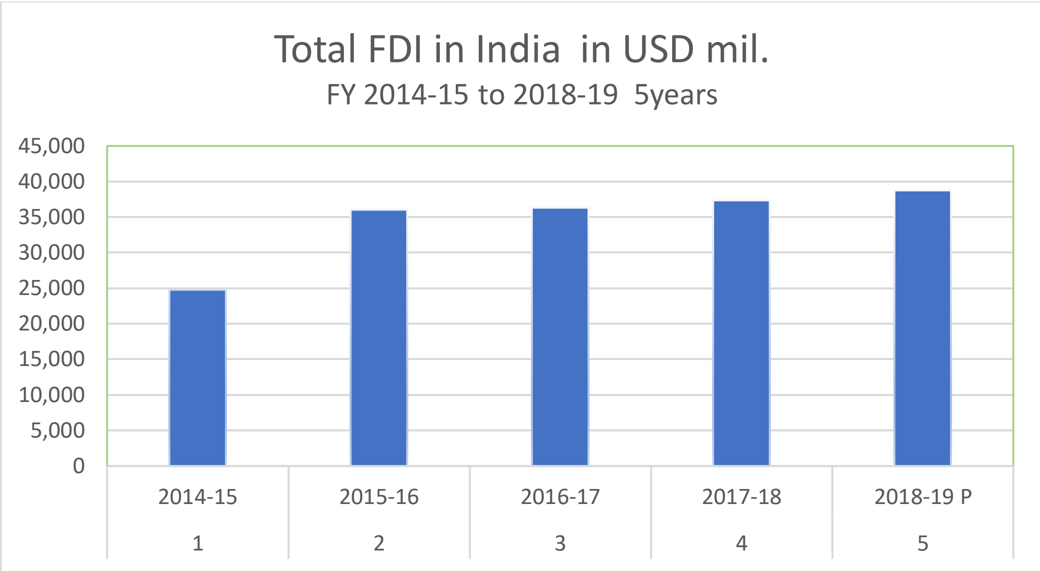


Figure 11: FDI inflow in India

Source: RBI, Reserve Bank of India (2021)

Figure 11 shows the total amount of FDI received by India as per the Reserve bank of India where the Flow of FDI is constantaly increasing between the Financial year 2014-2019.

India received a total of US$ 17.56 billion in foreign direct investment between April 2018 and June 2019. Karnataka obtained the most foreign direct investment (FDI) equity inflows of US$ 8.45 billion over the exact time, behind by Maharashtra ($ 4.09 billion), Delhi ($ 1.95 billion), and Gujarat ($ 765 million). Singapore got the most amount of FDI equity inflows into India in fiscal year 2019, reaching more than 13 trillion Indian USD.

The United States was close behind, at almost 2.9 billion USD. Foreign companies invest in India to take benefit of lower wages and other specific investment advantages such as tax breaks. Foreign money has continued to pour into India as a result of the Indian government's favourable policy framework and the country's rich economic climate (Statista, 2021). continued to pour into India as a result of the Indian government's favourable policy framework and the country's rich economic climate (Statista, 2021).

Table 4: Industry-Wise FDI Inflow in India (Source: Reserve Bank of India)

INDUSTRY-WISE Inflows (US$ million)	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Manufacturing	9 613	8 439	11 972	7 066	7 919
Financial Services	3 075	3 547	3 732	4 070	6 372
Communication Services	1 075	2 638	5 876	8 809	5 365
Retail & Wholesale Trade	2 551	3 998	2 771	4 478	4 311
Computer Services	2 154	4 319	1 937	3 173	3 453
Business services	680	3 031	2 684	3 005	2 597
Electricity Distribution	1 284	1 364	1 722	1 870	2 427
Construction	1 640	4 141	1 564	1 281	2 009
Miscellaneous Services	586	1 022	1 816	835	1 226
Transport	482	1 363	891	1 267	1 019
Restaurants and Hotels	686	889	430	452	749
Education, Research	131	394	205	347	736
Mining	129	596	141	82	247
Real Estate Activities	202	112	105	405	213
Trading	228	0	0	0	0

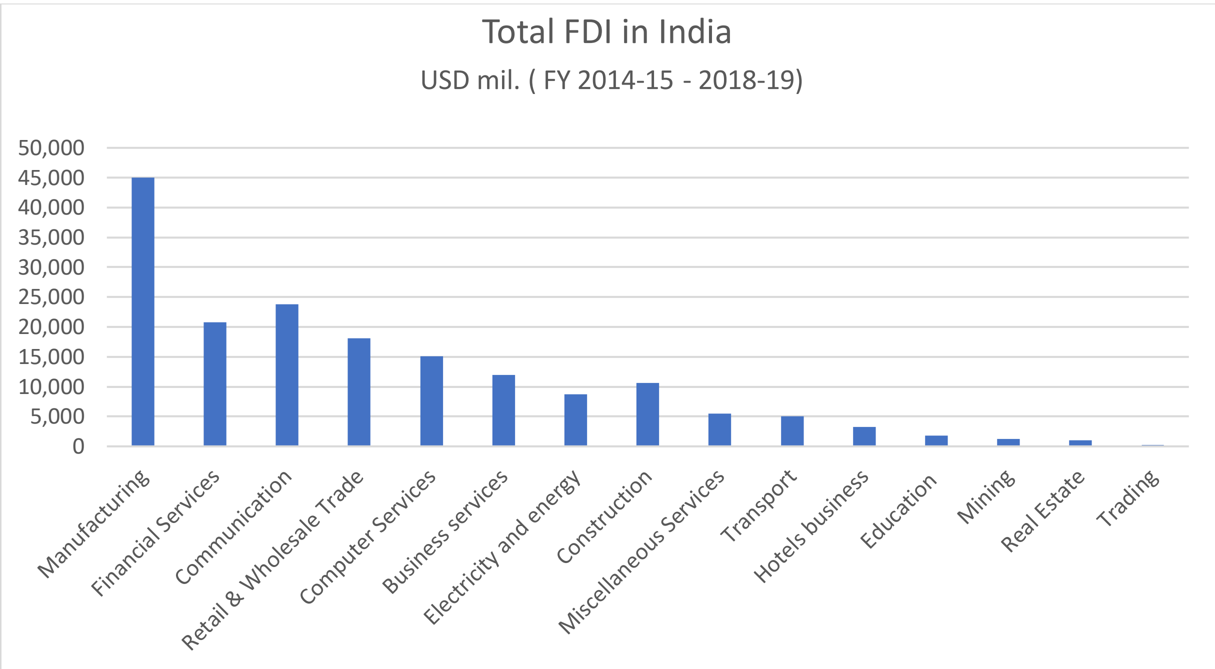


Figure 12: DATA Source Reserve Bank of India (FDI inflow industry wise) $ mill.

Note: Includes FDI through approval

Figure 12 shows a visual situation of industry-wise inflows of total 5 years of FDI inflows as given in table 4 in $ mill. where the manufacturing and telecommunication sectors are the main recipients and the financial sectors are 2nd highest recipients of FDI.
In India, foreign companies take benefit from lower wages and other specific investment advantages such as tax breaks. There are large numbers of projects undergoing by different nations and providing more assistance to the development of different activities that will support India in their development. The major benefits of FDI in the infrastructure sector are that it enhances economic changes and provides employment, which increases the employment rate and purchasing power of the public. Foreign Direct Investment is majorly from Singapore, Mauritius, Japan and USA in the service sector, manufacturing area, communication services, restaurants, and hotels. Several big brands in the world have costly products that came to India due to the large base population and low labour charges (Sultana et al. 2019).

According to BusienssTodays, limited states are getting efficient FDI and growing very fast in India. In this fast-moving business world, multiple states with low living standards directly reflect on the development of different activities and support consistency in the activities. After Covid-19 Pandemic, people face multiple challenges in re-establishing their businesses, but some states recognised after the pandemic are getting better business opportunities to establish better business lines (SWF, 2020).

4.1 FDI’S Impacts On Gross Domestic Products And Unemployment:

Each nation needs timeless help to get better business situated an open door and unfamiliar direct venture give the best cycle to the nation and meet with the open doors (Nelson, 2012). the current finding are showing that FDI helps in dropping the joblessness rate and expanding the GDP of India. The real information and data say that there is a 1% expansion in FDI caused a reduction of 0.008% in the joblessness rate and an increment of 1.318% in the GDP of India which are better for the development of the country and support lessening joblessness. The investigation has perceived that the GDP has changed economies and experienced beneficial outcomes on development and work advancement. according to the current arrangement of FDI inflows the nation is mindful of lessening a few exercises which are delayed down the development and giving quick and preventive exercises that can empower work for the board likewise (Malhotra, 2014). FDI inflows were related to more elevated levels of GDP and lower joblessness for certain periods. It helps in decreasing the joblessness rate and, an upswing in exportation, flood underway of labour and products alongside upsurge in charge gathered and development inside the venture and so on.

Unfamiliar venture implies the progressions of capital starting with one country and then onto the next. The unfamiliar venture is mostly considered to be a facilitator for the future financial development of nations. With globalisation, most organisations put resources into different branches all over the planet (Thomas, 2016). Streams of capital from abroad (as portfolio venture, unfamiliar direct speculation (FDI), advances taken from cross-line to home-grown branches, unfamiliar obligation) are considered central elements of the win-fail cycle in the economy. Notwithstanding, unfamiliar interest in the land and lodging area has been filled altogether in a large portion of the nations. The author gives the case of the inflows of unfamiliar interest from 1990 to 2009 that which was 10-15% of the all-out FDI in the world (United, 2021). Accordingly, the costs of products and services rose rapidly in these arising economies. Here is the data were gotten from Global Market information that shows the real patterns of house costs in a portion of the rising economies, including big countries.

For quite a long time, the topic of investment in different foreign countries' costs has been questionable among various sociology analysts. Unfamiliar interest in this area has now turned into a significant column in the public economy, becoming an occupation of residents just as go about as food for social government assistance (Vyas, 2015). The unfamiliar venture can be named as the progression of capital starting with one country and then onto the next, permitting the unfamiliar financial backers' far and wide proprietorship stakes in the home-grown resources and organisations. The investment in the land area becomes significant for individuals' lives and social economy just as different areas related to this industry (Wang & Lee, 2015). Subsequently, evaluating the effect of investment on the world economy acquires consideration from individuals inside and outside the business. Certain elements increment the inflows of capital inland (1) financial expansions, (2) liquidity, and (3) direct requirement for resources. To start with, the inflows of capital are planned to foster periods of prosperity in the country, which increment the costs of resources. The subsequent element is liquidity as it allows the capital inflows to influence an expanded stockpile of cash and liquidity which builds the costs of resources. The third explanation is higher inflows of unfamiliar capital in the real estate market would build interest in the property (Nedumaran and Manida, 2019).

There is no direct impact of FDI on falling GDP even if it supports business generation within the country along with several benefits like employment by multinational companies. FDI has a negative impact only in some saturated departments FDI breaks the unemployment rate of India) as FDI increases and unemployment or labour force is decreasing in the country as a result GDP is increasing (Nedumaran and Manida, 2019).

According to the current analysis of the RBI annual report, the consistency in foreign investment supports the development of the different areas that bring more capital inflow. Managerial activities and organisational development are also major aspects of enhancing investment activities in the nation. India is one of the leading manufacturing sectors globally, which attracts more and more foreign investors towards the investment that reflects the identical representation to the development of the economy (Nedumaran and Manida, 2020).

Foreign direct investment into India is consistently increasing since 2007; after the recession period in 2008, the world economy faced multiple challenges but India, with the support of FDI in a different sector, was a supporting economy. It has been recognised that consistent growth in the nation's development supports the development of the activities directly related to the operations that are saturated as per the nation's processing (Shekhar et al. 2021). The RBI and other financial institutions are providing extensive support to the development of the activities and also support in the development phase of the activities that bring more support in managing operations from foreign countries. In 2018-19, it analysed that the FDI in the services and manufacturing sector is more than 46%, which was beneficial for the nation's development. The high rate of FDI in India is denoted in 2019, but it could be more if the pandemic did not affect the world economy (Shekhar et al. 2021). It has been analysed that the FDI in India plays an essential role in creating employment, providing sources of capital, and generating new business through advanced technology. The process of sharing business technology is one of the major outsourcing by the country to avail better resources and facilities.

The FDI in India alludes that the individual republic of India has driven the real estate market universally; however, a few angles are influencing the development of the area. The unfamiliar venture of India has quickly developed however, the new Foreign Investment (Lakshmi and Chowdappa, 2021)

- Law seeks to talk about normal grumblings from unfamiliar organizations and state-run administrations aggregate protests from unfamiliar organizations and legislatures.

- A few regions influence the hierarchical activities inside the real estate market; associations are moving from that point, and it turned into the principal justification for decreasing the costs of properties, technologies and services in India (Roy and Narayanan, 2019).

- The Law on Foreign Investments of the People's Republic of India acknowledged the extra get together of the thirteenth National People's Congress on 15 March 2019, which has been started since the beginning day of 2020 (Sinha, 2021).

- India is holding monopolistic business sectors of assembling items, unrefined substances, computerized industry, and numerous others which draw in unfamiliar ventures.

- Every company from a far-off country needs to make a deliberate arrangement with the Republic of India's authorities and tolerate every one of the guidelines.

Lingaiah (2021), states that the real estate market of India has getting delayed down because of the Covid pandemic, which influences the entire world, business exchanges, fabricating, unfamiliar ventures, the travel industry, vehicle areas, and different areas are dialling back because of lockdown in various nations that straightforwardly affected on the real estate market of India (Lingaiah, 2021). At the beginning period of 2020, Coronavirus was first found in Quite a while which addresses that the development of this pandemic starts in India to different nations that took many lives.

The current circumstance is better; the second influx of Covid has not impacted the market seriously when contrasted with the primary wave (Nayyar and Mukherjee, 2020). Every one of the key areas car, fabricating area, data and correspondence innovation, flight, the travel industry, medical services offices, finance, progressed agribusiness, and mining extraction and India has the greatest web-based deals market which draws in the increasingly more unfamiliar venture from the world. The essential commitment of such unfamiliar organizations is to catch the land for the framework. The unfamiliar venture is straightforwardly capturing property to assemble structures and other foundations. Backhanded unfamiliar speculation draws in financial backers to infer in various areas like assembling, online deals, data and innovation, and more. The significant income of the economy is begun from expenses and obligations which support different areas for the development and improvement of the real estate market (Shekhar, 2021).

4.2 Econometric Procedure

Econometrics is the quantitative utilization of factual and numerical models using the information to foster speculations or test current theories in financial matters and to figure out future patterns from recorded information. It subjects genuine information to factual preliminaries and afterwards looks into the consequences against the hypothesis or assumptions being tested. Through this econometric procedure, I will analyse the data to prove research that FDI has positive impacts on the Indian economy and unemployment rate in the country.

Table 5: World Bank DATA (Total FDI in India in $ billon)

Year	**FDI (Billion $)**	**Unemployment %**	**EXPORTS (Trillion $)**
2004	5 429 250 989,86	5,629000187	126 647 719 432,56
2005	7 269 407 225,61	5,612999916	160 837 835 640,20
2006	20 029 119 267,14	5,600999832	199 973 922 363,78
2007	25 227 740 886,68	5,572000027	253 077 318 576,18
2008	43 406 277 075,81	5,414000034	288 902 151 603,70
2010	35 581 372 929,66	5,544000149	273 751 836 387,13
2011	27 396 885 033,78	5,546000004	375 353 472 834,94
2012	36 498 654 597,86	5,426000118	447 383 950 836,26
2013	28 153 031 270,32	5,423999786	472 180 427 427,90
2014	34 576 643 694,14	5,43599987	468 346 037 554,22
2015	44 009 492 129,53	5,434999943	416 787 832 621,80
2016	44 458 571 545,80	5,422999859	439 642 787 829,50
2017	39 966 091 358,74	5,357999802	498 258 560 860,39
2018	42 117 450 737,26	5,329999924	538 635 201 541,98
2019	50 610 647 353,59	5,269999981	529 016 294 712,05

The DATA is gathered from the world bank as World Bank data set is a fundamental source for supporting basic administration options and giving key measurable data to Bank functional exercises. The DATA or information used from the period 2004-2019.

The variables are:

- Y1 = Unemployment rate in India (In %)
- X2 = FDI in (Billion USD),
- X3 = Total Exports in (Trillion USD)

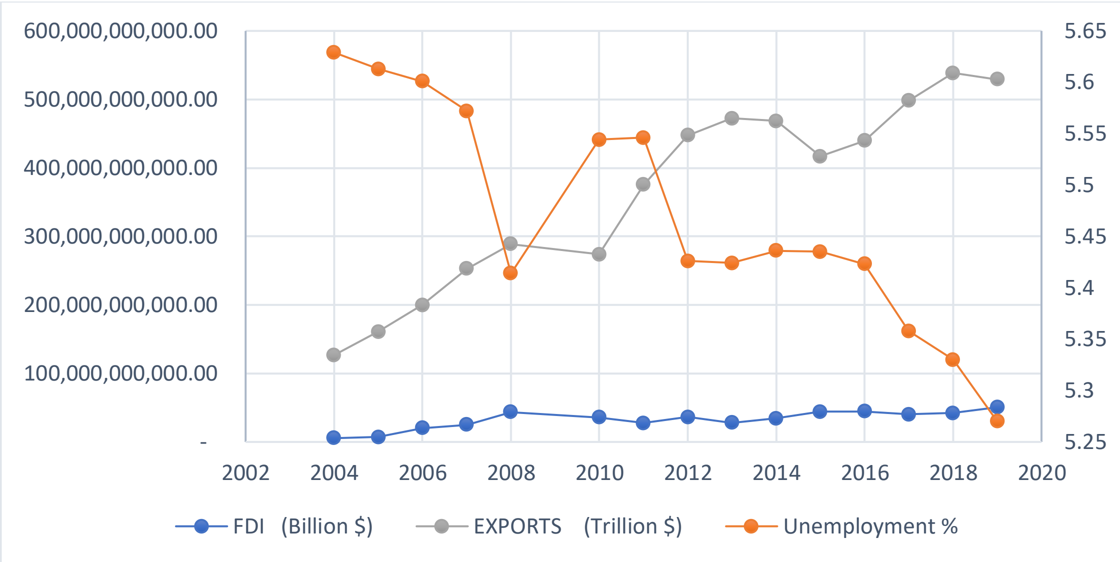


Figure 13: World Bank Data (FDI in India)

Source: World bank 2021

Figure 13 is showing 3 axes where the blue axis is describing the total FDI from 2004 to 2019. The grey axis describes the total export of India and the orange axis describes the rate of unemployment rate in the country. As we can see that FDI and country's Exports have positive impacts on employment growth in India as the unemployment is decreased compared to the past 10 years.

Table 6 : Average and variance logarithm of World bank data

	FDI (Billion $)	Unemployment %	EXPORTS (Trillion $)
Average	32 315 375 739,72	5,47	365 919 690 014,84
Median	35581372930	5,434999943	416 787 832 621,80
Standard deviation	13423583207	0,109679095	137 446 864 850,18
Variance	1,80E+20	0,012029504	1,89E+22
Variance logarithm	20,25573692	-1,91975228	22,27626968

For the analysis of the data collected and presented into (Table 6), further the OLS regression will be carried out.

Table 7 : OLS Regression analysis of World bank's FDI Data set

OLS, using observations 1905-06-26:1905-07-11
Dependent variable: Unemployment. (T = 15)

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
Const	5.74550	0.0314879	182.5	<0.0001	***
FDI	−3.27072e-012	1.34389e-012	−2.434	0.0315	**
EXPORTS	−4.69329e-013	1.31249e-013	−3.576	0.0038	***

Mean dependent var	5.468067		S.D. dependent var	0.109679
Sum squared resid	0.020182		S.E. of regression	0.041011
R-squared	**0.880162**		Adjusted R-squared	0.860189
F(2, 12)	44.06744		P-value(F)	2.96e-06
Log-likelihood	28.29840		Akaike criterion	−50.59680
Schwarz criterion	−48.47265		Hannan-Quinn	−50.61943
Rho	0.221280		Durbin-Watson	1.375825

The formulation of the model in stochastic form is as follows:

$Yt = \beta 0 + \beta 1\ X_{2t} + \beta 2\ X_{3t} + et$

$\mathbf{UNMt = 5.7455 - 3.27072e\text{-}012\ \ X_{2t} - 4.69329e\text{-}013 X_{3t} + et}$

In the above equation, X2t and X3t which are the FDI and Exports variables are zero the unemployment rate will be 5.7455.

It will obvious if there increase in FDI by 1% then the unemployment rate will be decreased and the same with an export that if it increases by 1% then the unemployment rate will also decrease. Based on the results of the OLS regression, a set of tests for the verification of the Linear Regression Model was performed.

4.3 Multicollinearity test :

Correlation Coefficients, using the observations 1905-06-26 - 1905-07-11

5% critical value (two-tailed) = 0.5140 for n = 15

Unemployment	FDI	EXPORTS	
1.0000	-0.8674	-0.9061	Unemployment
	1.0000	0.7943	FDI
		1.0000	EXPORTS

This correlation matrix shows that the independent variables are not highly correlated with one another; with the correlation coefficient between FDI and Exports rate equal to 0.7943 Thus, it can be concluded that there is no multicollinearity in the chosen model.

4.4 Autocorrelation model and Heteroscedasticity test result :

Hypothesis:

H0: $\boldsymbol{\partial} = 0$ → autocorrelation absence

H1: $\boldsymbol{\partial} \neq 0$ → autocorrelation presence

With significant level $\alpha = 0.05$

Breusch-Godfrey test for autocorrelation up to order 7

OLS, using observations 1905-06-26:1905-07-11 (T = 15) Dependent variable: uhat

Autocorrelation Model

	coefficient	std. error	t-ratio	p-value
const	0.000513269	0.0570214	0.009001	0.9932
FDI	7.32650e-013	2.03205e-012	0.3605	0.7332
EXSORTs	0.000000	2.83286e-013	−0.2461	0.8154
uhat_1	0.303228	0.583627	0.5196	0.6255

Unadjusted R-squared = 0.365054

Test statistic: LMF = 0.410669,
with p-value = P(F(7,5) > 0.410669) = 0.261

So, as per the P-Value nature if, it’s close to 5% may well decide that the research is worth pursuing and if a result is not significant ($p < 0.05$ ‘’less than 0.05’’) the null hypothesis is rejected. However, if a result is significant ($p > 0.05$ ‘’greater than or equal to 0.05’’ the null hypothesis is retained or not rejected.

From the above result of the Breusch-Godfrey test for the first-order autocorrelation, it is observed that p-value = 0.261 > 0.05, and the null hypothesis of autocorrelation absence is not rejected. There is no autocorrelation presence in the model.

4.5 Heteroscedasticity test result :

Hypothesis:
H0: $\boldsymbol{\partial} = 0$ → autocorrelation absence
H1: $\boldsymbol{\partial} \neq 0$ → autocorrelation presence
With significant level $\alpha = 0.05$

Breusch-Pagan test for heteroskedasticity
OLS, using observations 1905-06-26:1905-07-11 (T = 15)
Dependent variable: scaled uhat^2

	coefficient	std. error	t-ratio	p-value
const	0.951839	0.784818	1.213	0.2485
FDI	3.88641e-011	3.34957e-011	1.160	0.2685
EXPORTS	−3.30058e-012	3.27132e-012	−1.009	0.3329

Explained sum of squares = 1.42818

Test statistic: LM = 0.714090,

with p-value = P(Chi-square(2) > 0.714090) = 0.699741

The results shows that P-values is = to 0.699741 > 0.05, **thus the null hypothesis is not rejected, and it can be concluded that there is no heteroscedasticity in the model.**

4.6 Normality test result:

Hypothesis:

H0: normality presence of random variable

H1: normality absence of random variable

With significant level α = 0.05

Frequency distribution for residual, obs 1-15

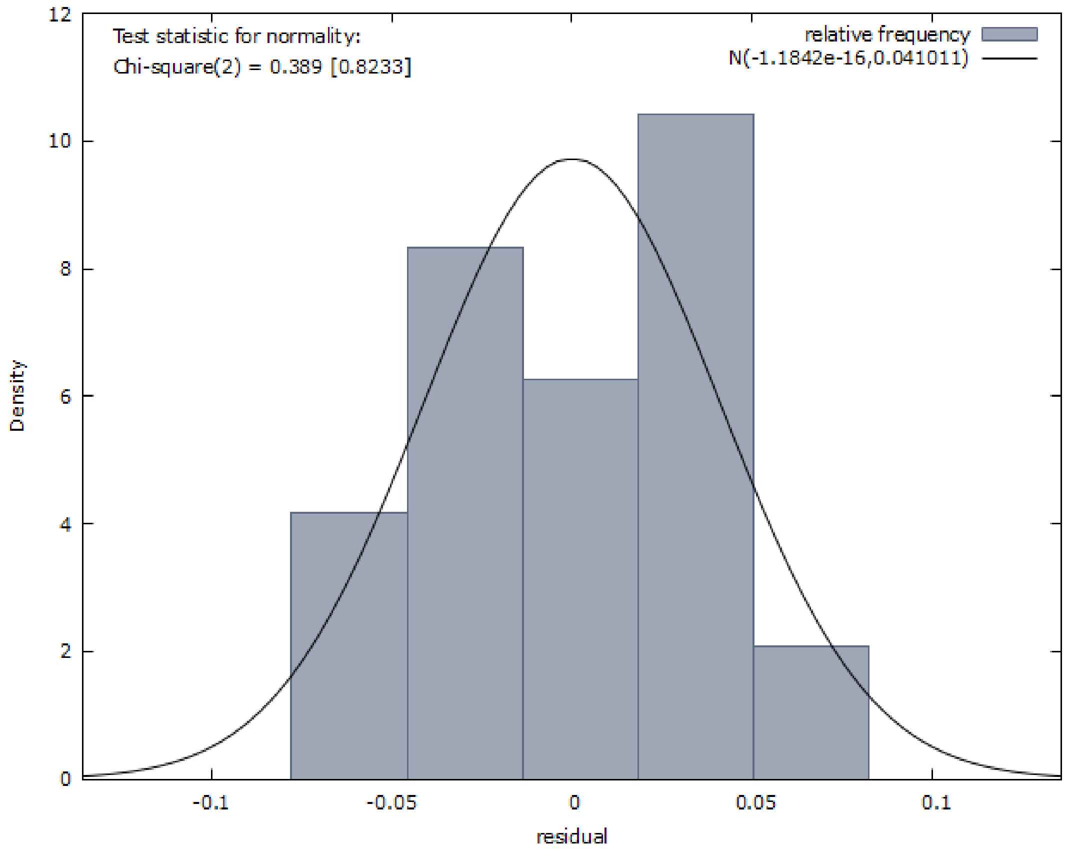
number of bins = 5, mean = -1.18424e-016, sd = 0.0410105

Normality test result

interval	midpt	frequency	rel.	cum.	
< -0.045688	-0.061682	2	13.33%	13.33%	****
-0.045688 - -0.013699	-0.029693	4	26.67%	40.00%	*********
-0.013699 - 0.018290	0.0022960	3	20.00%	60.00%	*******
0.018290 - 0.050279	0.034285	5	33.33%	93.33%	************
>= 0.050279	0.066274	1	6.67%	100.00%	**

Test for null hypothesis of normal distribution: Chi-square(2) = 0.389 with p-value 0.82327

Here the p-value = 0.82327 > 0.05, thus the null Hypothesis of normality presence of random variable is not rejected.



Normality test – residual

1. **Test of significance:** From the OLS results, it can be noticed that all P-values of the independent variables are lower significant level α = 0.05. It can be concluded that the estimated coefficients are all significant.

2. **R Squared:** Also, it is observed that: **R-squared = 0.880162**, which indicates that 88% of the variation in the unemployment rate is explained by the FDI and EXPORTS. Normally, a higher R-squared indicates a more suitable model.

4.7 Statistical result and interpretation of the model its economic propects:

From the statistical verification of this regression, we can conclude there is no autocorrelation, Heteroscedasticity**,** normality of random variable, and the significance of all estimated coefficients. From the result of those tests and observations, it can be concluded that the OLS coefficient estimate is BLUE (Best Linear Unbiased Estimate). The ordinary least squares (OLS) regression in this study has produced unbiased estimates that have the smallest variance of all possible linear estimators.

The OLS regression led to the obtention of the following equation :

Unemployment rate $\mathbf{UNMt = 5.7455 - 3.27072e\text{-}012 \quad X_{2t} - 4.69329e\text{-}013 X_{3t} + et}$.

It can be concluded that an increase of 1% in a year-to-year value of FDI leads on average to a 0.031 % decrease in a year-to-year value of the unemployment rate with that, an increase by 1% in a year-to-year value of Exports leads on average to a 0.046 % decrease in a year-to-year value of unemployment rate.

Economic propects:

As per this research, I can frame on the bases of the results from the analysis that FDI helps the manufacturing and services area which brings about the making of employment and help with decreasing joblessness rates in India. Extended work means higher wages and outfits the populace with extra purchasing powers, helping the general economy of a country. India needs FDI as it is a basic trigger for economic growth and development and further records for a major non-debt financial resource for an economic lift for any developing nation like India Like bringing financial assets for the economic turn of events and acquiring new advancements, abilities, information, and so on Creates greater work open doors for individuals. Brings in a more competitive business climate in the nation.

5. Results and Discussion

5.1 FDI creates high-quality jobs and introduces modern production practices

The country's financial stability has been impacted by the fluctuating foreign direct investment where MNCs play a major role in providing investment and capital to boost economic conditions and generate more employment (Lakshmi and Chowdappa, 2021). The analysis of the literature review and other formations has analysed that there are several steps taken to enhance FDI in different sectors. In India, the government started liberalising FDI during 1980-91 with the Industrial Policy Statements of 1980 and 1982, obeyed by the Technology Policy Statement in 1983. Since 1980, India's economy is somewhere dependent on the existing investment plan by FDI where other foreign investors bring large amounts of capital to invest in India. This could be one of the biggest problems for the nation to manage the self-investment ratio in economic development. With the help of the analysis of (Shekhar et al. 2021), It has been analysed that the Indian economy is somewhere underdeveloped without the support of FDI; there are several foreign countries that invested in India at a massive level and provide more financial support to the government, generate employment and other benefits to the public. FDI has some positive and negative aspects to the country's development, which are based on the ratio of investment in different sectors. it is also analysed that after the Covid-19 pandemic, foreign investors are taking back their capital and withdrawing their speculation from the Indian market, which directly leads to less employment, low purchasing power, inflation, and many more. The public-oriented activities directly refer to the major activities affecting organisational procedures and the organisational work structure (Nayyar and Mukherjee, 2020).

5.2 FDI introduces modern production practices and employment generation

As per the defined examination of Appiah et al (2015), the FDI provides more jobs and other activities which are directly affected by the major resources for human development and the generation of more income for their households. It is also analysed that FDI has many benefits in different sectors like retail, brands, private banks, public banks, insurance and pension, and other sectors. India is the second most populated country in the world, so this is the core plus point for the nation to attract more foreign investors from different continents (Appiah et al. 2015).

Table 8 : Sectoral Contribution to Employment in India

Year	Primary sector (In % of total Employment)	Secondary sector (in % of total Employment)	Tertiary Sector (In % of total Employment)
1991	63,04	15,31	21,65
1992	62,77	15,35	21,87
1993	62,48	15,57	22,16
1994	62,17	15,59	22,89
1995	61,75	15,61	23,15
1996	61,43	15,78	23,55
1997	61,07	16,23	23,95
1998	60,77	16,55	24,35
1999	60,43	16,89	24,75
2000	60,11	17,41	25,15
2001	59,77	17,88	25,53
2002	59,04	18,97	25,95
2003	58,01	19,65	26,33
2004	57,01	19,71	26,75
2005	56,13	19,89	27,16
2006	55,20	20,65	27,57
2007	54,27	21,12	27,96
2008	53,34	21,60	28,35
2009	52,41	22,08	28,75
2010	51,48	22,55	29,16
2011	50,54	23,03	29,54
2012	49,61	23,50	29,96
2013	48,68	23,98	30,38
2014	47,75	24,46	30,76
2015	45,55	24,93	31,17

Source: Appiah et al (2015)

The graphical representation has proven that employment in the primary sector is not effectively grown as in the secondary and tertiary sectors, the employment in the sector of extraction and production of raw materials, such as agriculture, logging, hunting, fishing, forestry and mining, is reduced due to population changing their working pattern and looking for better opportunities. The secondary and tertiary sector increases opportunities for employment after FDI in different areas; it can be seen that in 30 years, the growth implemented by FDI is just 50% which is also increasing consistently (Shekhar et al. 2021).

5.3 Liberalisation of FDI limits in India

The Indian economy is continuously developing and spreading its ways of opportunities in the business and employment sector. It is also analysed that there is some set of primary skills for different personalities that directly reflect identical processing. The enterprise is now well versed in the action to liberalise foreign direct investment ("FDI") in Indian insurance corporations to 74%, from the current cap of 49%. While the budget is offered by Finance Minister Ms Nirmala Sitharaman on 1st February 2021, they took the FDI expansion process to have large base capital in national banks for reducing inflation and other negative aspects of the market (Financial Express, 2020).

Multiple activities bring support to the development that brings more consistency in the activities that directly reflect the organisational formations to the development of employment and other benefits. It is concluded in the research that the FDI in the banking sector is better to make economic decisions, but it is also analysed that the decision taken for retail FDI is not good for the public (Finshots. 2021)

5.4 Adverse Effects of FDI

There are several benefits of FDI in the secondary and tertiary sectors by allowing other nations to enhance their investment in the country for better profit and also the concern of economic development, but somewhere the major sector of India got affected badly. The primary sector, economy's structure is based on the primary sector and has been affected badly. People are leaving their jobs and profiles from the primary market due to heavy marking competition with other FDI-based organisations (Geopolitical Intelligence Services, 2021). Walmart is one of the first retail stores in India, which affects the local retailers, and exploitation of farmers by buying large amounts of veggies at lower prices. Several formations are directly related to the adverse effect of FDI in different sectors. It is also analysed that several reformations consistently bring many changes in the process that affect ground-level employees and others. There are some reasons why the FDI can lead to the disappearance of cottage and small-scale enterprises, contribution to pollution, exchange crisis, cultural erosion, and political corruption.

5.5 Benefits to the economy from FDI in India

The growth of the economy based on the labour force decreases in a positive manner which shows an increase in GDP. The investigation completely covers every one of the assumptions for research and dissect the effect of the unfamiliar direct venture (FDI) on the economy of India furthermore cover all the goal to comprehend that there are a few positive results of the Foreign Direct Investment and some are negative where unfamiliar financial backers are taking out their capital from the Indian market which straightforwardly influences the entire market and increment expansion. It has been analysed that the Indian economy is somewhere underdeveloped without the support of FDI; several foreign countries invested in India at a massive level and provided more financial support to the government, generating employment and other benefits for the public. FDI has some positive and negative aspects to the country's development, which are based on the ratio of investment in different sectors. it is also analysed that after the Covid-19 pandemic, foreign investors are taking back their capital and withdrawing their speculation from the Indian market, which directly leads to less employment, low purchasing power, inflation, and many more.

5.6 Impact of FDI on Indian Economy

It has been analysed that Foreign Direct Investment (FDI) leads to the long-term development and growth of the Indian economy. Several resources combine with the continued activities and provide delivered attention to the market to capture more and more activities (Goel, 2020). The analyses in chapter 2 are based on FDI and its significance. It also supports the process that makes it better to understand the benefits to the economy from FDI in India. The impact on Indian economy involvement of the FDI in three different sectors is making positive and negative impacts, which can be understood through the above discussion in chapters 2 & 3

(Goel, 2020). The analysis fully covers all the expectations of research and analyses the impact of foreign direct investment (FDI) on the economy of India and also cover all the objective to understand that there is some positive outcome of Foreign Direct Investment and some are negative where foreign investors are taking out their capital from the Indian market which directly affects the whole market and increase inflation (IMF, 2006)..

5. Conclusion and Recommendations

It is concluded that FDI in India has the potential to impact the growth of the economy by providing economic support in the market. The analysis of the literature review and other formations has analysed that there are several steps taken to enhance FDI in different sectors. It has been analysed that the Indian economy is somewhere underdeveloped without the support of FDI; several foreign countries invested in India at a massive level and provided more financial support to the government, generating employment and other benefits for the public. The FDI provides more jobs and other activities which are directly affected by the major resources for human development and the generation of more income for their households. It is also analysed that FDI has many benefits in different sectors like retail, brands, private banks, public banks, insurance and pension, and other sectors.

As explained in this research FDI has increased employment and economic growth are the most important benefits of FDI in India or any country. Unemployment has been one of the major problems in India in the past years. FDI has effectively impacted the country's unemployment problem, and many people got jobs of various types in India. FDI enables economic growth by inducing opportunities, jobs, education, skills, development, and lifestyle. This enhances the purchasing power of the people and an educated population willing to work. Economic growth is boosted by the FDI in India.

The Indian economy is continuously developing and spreading its ways of opportunities in the business and employment sector. It is also analysed that some sets of primary skills for different personalities directly reflect identical processing. Employment in the primary sector is not effectively grown as in the secondary and tertiary sectors, the employment in the sector of extraction and production of raw materials, such as farming, logging, hunting, fishing, forestry and mining, is reduced due to population changing their working pattern and looking for better opportunities. The secondary and tertiary sector increases opportunities for employment after FDI in different areas, it can be seen that in 30 years, the growth implemented by FDI is just 50% which is also increasing consistently.

FDI impacts agricultural countries antagonistically much of the time. The look of advantage of FDI is that nations keep away from certain purposes that the nation needs to manage later for certain genuine difficult issues. These issues antagonistically sway the organisations, individuals, qualities, and beginning of the beneficiary nation. India is one of the nations that have unfavourable effects of FDI, yet the nation needs to get a few answers for these issues. FDI works on the relations with unfamiliar organisations, and it improves the home-grown business by prompting sends out for the FDI organisations. Few out of every odd organisation must be in India for inciting FDI. Unfamiliar Direct Investment can be animated with trades done by home-grown organisations and increment the nation's income. India is an extraordinary patron for made items and things in unfamiliar nations of various things and numerous unfamiliar financial backers put resources into the nation and its different enterprises.

Based on the results of the OLS regression, a set of tests for the verification of the Linear Regression Model was performed. From the OLS results, it can be seen that all P-values of the independent variables are higher, It can be concluded that the estimated coefficients are all significant. Also, it is observed that: R-squared = 0.8801, indicates that 88% of the variation in the unemployment rate is explained by the FDI and EX. Generally, a higher R-squared indicates a better fit for the model. The analysis of the current RBI and WB figures based on the economic observation has recognized that FDI increases economic advancement within India by providing cost-effective growth and also generating more employment by becoming a doorway to multinational companies. The role of RBI is earmarking to the fraction of foreign investment in India and allocates all the resources which will come back in different forms of development. Based on the research, I would highly recommend to the Indian government attract more FDI. India needs to open its markets. This will allow good FDI inflows. However, to support this certain supportive environment needs to be created. These include factors like Political stability, lesser restrictions on FDI, clear and trustworthy requirements for a broad range of companies whether foreign or domestic, ease of doing business, favourable and adaptable labour markets and security of intellectual property rights are essential to attract FDI. Second is political distress which can annihilate any economy. In political agitation companies can't rule their business appropriately; If India can't take any appropriate choices regarding the FDI policies then it will not bring stability into the FDI system plans. To work with a nation of origin business or to invite foreign direct investment in both points political stability or solidity is very essential. Assuming the world of politics is working out in a good way, and it is not in a rapidly changing mood and policies then it is great for business or society. Like, in African nations there are bunches of political issues, and that's why they can't foster their economy as well as their general public. In another hand, European nations are politically steady and they are monetarily solid as well as they are in a decent situation for social expectations for everyday comforts and overall economic growth.

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