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RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
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IMPACT OF ANNUAL INFLOW OF FOREIGN DIRECT INVESTMENT WITH SELECTED ECONOMIC GROWTH FACTORS

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ABSTRACT
After liberalisation, India attracts more investments from foreign countries for almost all the sectors of business. This study makes an attempt to analyse the relationship between inflow of Foreign Direct Investment with selected economic growth factors like Gross Domestic Product, export and Foreign Exchange Reserve of India. Data were collected for ten years from 2004-05 to 2013-14. Statistical tools correlation and t-test were used to find the relationship between them. The research finally concluded that inflow of Foreign Direct Investment plays key role for the development of economy.

KEYWORDS
Foreign Direct Investment, Gross Domestic Product, Export, Foreign Exchange Reserve.

INTRODUCTION
Economic development of every country is based on the growth of corporate entities of that country. Corporate companies need larger amount of investment to meet their large scale business operations. There are two ways to raise the investment either from domestic or from foreign investor. Foreign investment also classified as Foreign Direct Investment and foreign portfolio investment. The above two have a main difference that first one has the direct control over the investment. But latter have only focus on return on investment .it doesn't control over the investment. This paper makes an attempt to study Foreign Direct Investments, its determinants, advantages of Foreign Direct Investment to the host country and relationship between Foreign Direct Investment and economic variables of host country

FOREIGN DIRECT INVESTMENT
An investment made by a company or entity based in one country, into a company or entity based in another country. Foreign Direct Investments differ substantially from indirect investments such as portfolio flows, wherein overseas institutions invest in equities listed on a nation's stock exchange. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made. Open economies with skilled workforces and good growth prospects tend to attract larger amounts of Foreign Direct Investment than closed, highly regulated economies.

FORMS OF FOREIGN DIRECT INVESTMENT
a) Setting up a subsidiary or associate company in the foreign country,
b) Acquiring shares of an overseas company,
c) Through a merger or joint venture

FDI AND INDIA
The economic liberalisation in India refers to ongoing economic reforms in India that started on 24 July 1991. After Independence in 1947, India adhered to socialist policies. Attempts were made to liberalize economy in 1966 and 1985. The first attempt was reversed in 1967. Thereafter, a stronger version of socialism was adopted. Second major attempt was in 1985 by Prime Minister Rajiv Gandhi. The process came to a halt in 1987, though 1966 style reversal did not take place. In 1991, after India faced a balance of payments crisis, it had to pledge 20 tons of gold to Union Bank of Switzerland and 47 tons to Bank of England as part of a bailout deal with the International Monetary Fund (IMF). In addition, the IMF required India to undertake a series of structural economic reforms. As a result of this requirement, the government of P. V. Narasimha Rao and his finance minister Manmohan Singh started breakthrough reforms, although they did not implement many of the reforms the IMF wanted. The new neo-liberal policies included opening for international trade and investment, deregulation, initiation of privatization, tax reforms, and inflation-controlling measures. The overall direction of liberalisation has since remained the same, irrespective of the ruling party, although no party has yet tried to take on powerful lobbies such as the trade unions and farmers, or contentious issues such as reforming labour laws and reducing agricultural subsidies. Thus, unlike the reforms of 1966 and 1985 that were carried out by the majority Congress governments, the reforms of 1991 carried out by a minority government proved sustainable. After 1991 there were so many liberalisation steps taken by the government to initiate foreign direct inflows

STATEMENT OF THE PROBLEM
Since 1991 India has make so many changes in industrial policies to attract Foreign Direct Investment. Investment is the only way to expand the business activities of a country. Effective utilisation of investment results increases the growth of economy. Hence Foreign Direct Investment is considered as a developmental tool for growth and development of the country. Therefore, this study is undertaken to analyze the flow of Foreign Direct Investment into the country identifying the various set of factors of economy which increase due to flow of Foreign Direct Investment.This paper analyse the growth of three macro economic variables such as Gross Domestic Product of India, Export of India and Foreign Exchange Reserve reserve of India in relation with inflow of Foreign Direct Investment.

OBJECTIVES OF THE STUDY
1. To study about various determinants which increase the inflow of Foreign Direct Investment
2. To study about the benefits utilized by host country with highest inflow of Foreign Direct Investment

3. To study the relationship between inflow of Foreign Direct Investment with Gross Domestic Product of India
4. To study the relationship between inflow of Foreign Direct Investment with the Export of India
5. To study the relationship between inflow of Foreign Direct Investment with Foreign Exchange Reserve of India

DETERMINANTS OF FOREIGN DIRECT INVESTMENT

The first and foremost factor is government policies, favourable government policies to foreign investor attract more investment from abroad. Government policy includes the following important components

1. Liberal industrial policies of government increase the percentage of foreign investment to a country. It may be in the form of easy licensing system for commencement of business, divestment of government share holding in the PSUs etc are increase percentage of foreign inflow to the country
2. Free entry or liberalised rule for entering the foreign companies to host country for trade will increase the inflow of Foreign Direct Investment
3. Tax policy of the government is also plays vital role for inflow of Foreign Direct Investment. Minimum amount of tax rate for foreign investors on their dividend, royalty and capital gain attracts higher rate of Foreign Direct Investment inflow to host country
4. Gross Domestic Product is the economic reflector of every country. A country which has highest growth rate normally attracts more Foreign Direct Investment from other countries
5. A country which has wider market is also attract more Foreign Direct Investment due to the expectation of higher dividend
6. Rate of interest prevailing in the country is also one of the deciding factors of Foreign Direct Investment. The country which has highest interest rate can automatically receives high amount of Foreign Direct Investment
7. Availability of cheep cost labour comparing with the labour cost of home country is also an important factor
8. Stable government is also one of the main factor which gives confidence to foreign investor about consistency in policy making
9. Legal protection given to intellectual property rights(IPR) is also expected by foreign investors before entering new business deal to particular country
10. Amount of foreign reserve maintained by a country is also noted by investing country to meet their liquidity requirements

BENEFITS OF FOREIGN DIRECT INVESTMENT TO HOST COUNTRY

1. Foreign Direct Investment not only supply the capital but also transfer technology and management sources to host country
2. More investment from Foreign Direct Investment will create more employment opportunities to the peoples of host country
3. Inflow of foreign money resolve the problem of balance of payment, it reduces current account deficit
4. Inflow of foreign investment will increase the economic growth of country by means of increasing Gross Domestic Product of host country
5. Profits earned by Foreign Direct Investment is also generate corporate tax income to the government of host country

METHODOLOGY

SOURCES OF DATA COLLECTION

The study is based on published sources of data collected from various sources. The data was extracted from the sources. Data were collected from Foreign Direct Investment statistics- department of industrial policy and promotion, Data tables of planning commission, ExportImport data of bank ministry of commerce and Foreign Exchange Reserve data from reserve bank of India.

PERIOD OF STUDY

The study is undertaken for a period of 10 years from 2004-05 to 2013-14.

TOOLS USED FOR ANALYSIS

1. Mean is used to identify average inflow of Foreign Direct Investment, growth rate of Gross Domestic Product, export and Foreign Exchange Reserve
2. Standard deviation is used to identify the variance between each year inflow of Foreign Direct Investment, growth rate of Gross Domestic Product,export and Foreign Exchange Reserve
3. The Annual Growth Rate (AGR) and Compounded Annual Growth Rate (CAGR) are used to analyze the Foreign Direct Investment inflows with the Gross Domestic Product, Export and Foreign Exchange Reserve of India
4. Correlation is used to identify the relationship of inflow of Foreign Direct Investment with Gross Domestic Product, Export and Foreign Exchange Reserve of India
5. T test is used to identify the impact of inflow of Foreign Direct Investment with growth rate of Gross Domestic Product, export and Foreign Exchange Reserve of India

DATA ANALYSIS AND FINDINGS

TABLE 1.1: ANNUAL INFLOW OF FDI AND ANNUAL GROSS DOMESTIC PRODUCT OF INDIA (in crores)

YEAR	FDI INFLOWS	AGR	ANNUAL GROSS DOMESTIC PRODUCT	AGR
2004-05	14653		2,971,464	
2005-06	24584	72.10	3,253,073	9.48
2006-07	56390	125.50	3,564,364	9.57
2007-08	98642	96.70	3,896,636	9.32
2008-09	142829	27.80	4,158,676	6.72
2009-10	123120	-17.70	4,516,071	8.6
2010-11	97320	-17.20	4,918,533	8.91
2011-12	165146	64.20	5,247,530	6.67
2012-13	121907	-36.10	5,482,111	4.47
2013-14	147518	8.30	5,741,791	4.74
CAGR	**25.98**		**6.81**	
MEAN	**99,211**	**32.36**	**4,375,025**	**7**
STDEV	**51883.47**	**54.47**	**962164.37**	**3.07**
CORRELATION	**0.84**			

Source: Foreign Direct Investment statistics

The 1.1 shows the inflow of Foreign Direct Investment and annual growth rate of Gross Domestic Product for the ten years from 2004-05 to 2013-14. Average inflow of Foreign Direct Investment for the above ten year is 99,211 crores with compound annual growth rate of 25.98%. Highest annual growth rate of 64.20% received during the year 2011-12.lowest annual growth rate of -36.10% received during the year 2012-13. standard deviation of 51883.47 shows the variance of Foreign Direct Investment inflow for the above ten years. At the same time, average annual Gross Domestic Product shows 4375,025 crore for the above ten years with compound annual growth rate of 6.81%. In case of annual growth rate, Gross Domestic Product achieved maximum annual growth rate of 9.57%

during the year 2006-07, and lowest annual growth rate of 4.47% during the year 2012-13. Standard deviation of Gross Domestic Product 962164.37 shows the variance of Gross Domestic Product of India for the above ten years

Correlation between inflow of Foreign Direct Investment and Annual Gross Domestic Product of India 0.84 shows that a positive relationship exists between inflows of Foreign Direct Investment with annual Gross Domestic Product of India

TABLE 1.2: ANNUAL INFLOW OF FDI AND ANNUAL EXPORT OF INDIA (IN CRORES)

YEAR	FDI	AGR	EXPORT	AGR
2004-05	14653		375339.52	
2005-06	24584	72.1	456417.87	21.60
2006-07	56390	125.5	571779.28	25.28
2007-08	98642	96.7	655863.52	14.71
2008-09	142829	27.8	840755.05	28.19
2009-10	123120	-17.7	845533.64	0.57
2010-11	97320	-17.2	1136964.26	34.47
2011-12	165146	64.2	1465959.4	28.94
2012-13	121907	-36.1	1634318.29	11.48
2013-14	147518	8.3	1905011.08	16.56
MEAN	**99210.90**	**35.96**	**988794.19**	**20.20**
CAGR	**25.98**		**17.64**	
CORRELATION	**0.77**			
STDDEV	**51883.47**	**56.50**	**526279.43**	**10.47**

Source: Foreign Direct Investment statistics

The table 1.2 shows the inflow of Foreign Direct Investment and annual Export of India for the ten years from 2004-05 to 2013-14. Average inflow of Foreign Direct Investment for the above ten year is 99,211 crores with compound annual growth rate of 25.98%. Highest annual growth rate of 64.20% received during the year 2011-12. Lowest annual growth rate of -36.10% received during the year 2012-13. Standard deviation of 51883.47 shows the variance of Foreign Direct Investment inflow for the above ten years. At the same time, average annual Export OF India shows 988794.19 crore for the above ten years with compound annual growth rate of 17.64 %. In case of annual growth rate, annual Export of India achieved maximum annual growth rate of 34.47% during the year 2010-11, and lowest annual growth rate of 0.57% during the year 2009-10. Standard deviation of annual Export of India 526279.43 shows the variance of Export of India for the above ten years.

Correlation between inflow of Foreign Direct Investment and Annual Export of India 0.77 shows that a positive relationship exists between inflows of Foreign Direct Investment with annual Export of India

TABLE 1.3: ANNUAL INFLOW OF FDI AND ANNUAL BALANCE OF FOREIGN EXCHANGE RESERVE OF INDIA (IN CRORES)

YEAR	FDI	AGR	FOREIGN EXCHANGE RESERVE	AGR
2004-05	14653		619116	
2005-06	24584	72.1	676387	9.25
2006-07	56390	125.5	868222	28.36
2007-08	98642	96.7	1237965	42.59
2008-09	142829	27.8	1283865	3.71
2009-10	123120	-17.7	1259665	-1.88
2010-11	97320	-17.2	1361013	8.05
2011-12	165146	64.2	1506130	10.66
2012-13	121907	-36.1	1588420	5.46
2013-14	147518	8.3	1828380	15.11
MEAN	**99210.90**	**35.96**	**1189231.43**	**13.48**
CAGR	**25.98**		**11.44**	
CORRELATION	**0.95**			
STDDEV	**51883.47**	**56.50**	**476401.47**	**13.80**

Source: Foreign Direct Investment statistics

The table 1.3 shows the inflow of Foreign Direct Investment and Foreign Exchange Reserve of India for the ten years from 2004-05 to 2013-14. Average inflow of Foreign Direct Investment for the above ten year is 99,211 crores with compound annual growth rate of 25.98%. Highest annual growth rate of 64.20% received during the year 2011-12. Lowest annual growth rate of -36.10% received during the year 2012-13. Standard deviation of 51883.47 shows the variance of Foreign Direct Investment inflow for the above ten years. At the same time, average Foreign Exchange Reserve of India shows 1189231.43 crore for the above ten years with compound annual growth rate of 11.44 %. In case of annual growth rate, annual balance of Foreign Exchange Reserve of India achieved maximum annual growth rate of 42.59 % during the year 2007-08, and lowest annual growth rate of -1.88% during the year 2009-10. Standard deviation annual balance of Foreign Exchange Reserve of India 476401.47 shows the variance of annual balance of Foreign Exchange Reserve of India for the above ten years

Correlation between inflow of Foreign Direct Investment and annual balance of Foreign Exchange Reserve of India 0.95 shows that a positive relationship exists between inflows of Foreign Direct Investment with annual Gross Domestic Product of India.

TABLE 2: t TEST

Hypothesis

A) Testing the impact of annual inflow of Foreign Direct Investment with annual growth of Gross Domestic Product

H0: there is no impact of annual Foreign Direct Investment inflow on annual growth of Gross Domestic Product

H1: there is an impact of annual Foreign Direct Investment inflow on annual growth of Gross Domestic Product

B) Testing the impact of annual inflow of Foreign Direct Investment with annual Export of India

H0: there is no impact of annual Foreign Direct Investment inflow on annual Export of India

H1: there is an impact of annual Foreign Direct Investment inflow on annual Export of India

C) Testing the impact of annual inflow of Foreign Direct Investment with annual balance of Foreign Exchange Reserve of India

H0: there is no impact of annual Foreign Direct Investment inflow on annual balance of Foreign Exchange Reserve of India

H1: there is an impact of annual Foreign Direct Investment inflow on annual balance of Foreign Exchange Reserve of India

TABLE 2: t-TEST

	FDI & G D P	FDI &Export	FDI AND Foreign Exchange Reserve
Correlation	0.84	0.77	0.95
N(number of pairs)	10	10	10
Calculated t value	4.38	3.41	8.61
Table value	3.35	3.35	3.35
Level of significance	5%	5%	5%
Null hypothesis	**Rejected**	**Rejected**	**Rejected**
Alternative hypothesis	**Accepted**	**Accepted**	**Accepted**

Table 2 clearly shows that

1) calculated t value of Foreign Direct Investment & Gross Domestic Product is greater than table value, null hypothesis was rejected, so there is an impact of annual inflow of Foreign Direct Investment on annual Gross Domestic Product growth of India
2) calculated t value of FDI & Export is greater than table value, null hypothesis was rejected, so there is an impact of annual inflow of Foreign Direct Investment on annual Export of India
3) calculated t value of FDI & Foreign Exchange Reserve is greater than table value, null hypothesis was rejected, so there is an impact of annual inflow of Foreign Direct Investment on annual balance of Foreign Exchange Reserve of India

CONCLUSION

In past years, Foreign Direct Investment plays major role on the economic growth of developed countries. The reason behind that developments is Foreign Direct Investment not only brings capital to the host country, it also bring technology, material, technical knowhow and increase the market of product into global. This analysis clearly shows annual inflow of Foreign Direct Investment makes greater impact on major economical indicators of a country such as annual growth rate of Gross Domestic Product, Export and balance of Foreign Exchange Reserve.

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In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals