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INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESES

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

SCOPE FOR FURTHER RESEARCH

ACKNOWLEDGMENTS

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APPENDIX/ANNEXURE

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CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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IMPACT OF FOREIGN DIRECT INVESTMENT (FDI) ON INDIAN ECONOMY: A SECTORAL ANALYSIS

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ABSTRACT

Invest in India is an initiative to market, India as an investment destination all over the globe, to provide a networking platform to the Indian businesses at a global level and to provide information to the international investors about investment opportunities in India. It is the policy of the Government of India to attract and promote productive Foreign Direct Investment (FDI) from non-residents in activities which significantly contribute to industrialization and socio-economic development. Foreign investment is a subject of topical interest. Countries of the world, particularly developing economies, are vying with each other to attract foreign capital to boost their domestic rates of investment and also to acquire new technology and managerial skills. The wave of liberalization and globalization sweeping across the world has opened many national markets for international business. It is stated that FDI has to play a vital role in the world economy. The role of FDI has now transformed from a tool to solve the financial crises to a modernizing force. In past liberalization regime India has experienced tremendous growth in FDI inflows from an average of US $5-6 billion during previous five years; it has crossed the level of US$30 billion. Foreign Direct Investment (FDI) has grown dramatically as a major form of international capital transfer over the past decade. Between 1980 and 1990, world flows of FDI-defined as cross-border expenditures to acquire or expand corporate control of productive assets-have approximately tripled. Foreign direct Investment (FDI) has made a dynamic surge into the world economy in the last fifteen years by growing strongly at rates well above those of global foreign trade. FDI has become a major form of net international borrowing for Japan and the United States (the world's largest international lender and borrower, respectively). In this research paper, Impact of FDI in India in terms of GDP growth rate and FDI inflows in different sectors has been analyzed and also explore the sector wise distribution of FDI inflows in order to point out the dominating sector which has attracted the major share. The paper also study the impact of FDI Inflows to different sectors on GDP (gross domestic product) of India Although, India is receiving FDI inflows from number of sources but large percentage of FDI inflows is invested with few major countries i.e. Mauritius, USA, UK, Japan, Singapore, Netherland constitutes 66% of the entire FDI inflows to India. This research paper state the significance as it shows the result of development in sectors that attracting highest FDI to the economy of the country. FDI plays a significant role in contributing to the different variables that affect the development of economy of the country. In this paper, impact of FDI on Indian economy is to be analyzed to know that to what extent it impacts to the economy and top sectors having highest attraction of FDI is to be analyzed. FDI has helped to raise the output, productivity and export in some sectors. Hence, India needs to have financial resources to accomplish double digit growth rate and overall development of the country. For the openness of trade and favorable environment, FDI play a significant role so as to achieve the desired goals of the economy.

KEYWORDS

FDI, GDP, export, GDCF, sectors.

INTRODUCTION

FOREIGN DIRECT INVESTMENT (FDI) means investment by non-resident entity/person resident outside India in the capital of the Indian company under Schedule 1 of FEMA (Transfer or Issue of Security by a Person Resident outside India) Regulations 2000 (Government of India, 2010). 'FDI' inflows into core sectors are assumed to play a vital role as a source of capital, management, and technology in countries of transition economies. It is a high level of indicator of economic health of a country. Foreign investment plays an important role in the long term economic development of a country by augmenting availability of capital, enhancing competitiveness of a domesting economy through transfer of technology, strengthening infrastructure, raising productivity, generating new employment opportunities and boosting exports. Developing countries like India need substantial foreign inflows to achieve the required investment to accelerate economic growth &development. India has increased labour productivity as enhances a faster rate of growth of output and argued that FDI can bring the technological diffusion to the sectors through knowledge spillover. This unprecedented growth of global FDI in 1990 around the world make FDI an important and vital component of development strategy in both developed and developing nations and policies are designed in order to stimulate inward flows.

There is a clear strong worldwide competition for attracting FDI. Generally, FDI means capital inflows or outflows from or to abroad those is invested in the production capacity of the host economy and are usually preferred over other forms of external finance because they are non-debt creating nonvolatile and their returns depend on the performance of the projects financed by the investors. FDI also highlights the modernization & employment generation. Host government policies benefits the FDI that triggers the technology spillovers, assists human capital formation, contributes to international trade integration & particularly exports. It enhances total factor productivity & improves the efficiency of resources use.

According to a recent survey by the United Nations conference on Trade and development (UNCTAD), responses from transnational corporations placed India as the second most attractive global business location. (UNCTAD 2005: 34) India rose from being ranked sixth in 2003 to second in 2005 on the FDI confidence index, 2004, 2006. (Kearney 2003; 2005),only China is ahead of India. India has experienced tremendous growth in FDI inflows in the last few years, from an average of US$ 5-6 billion during previous five years to around US$ 30 billion in 2008-09. With strong governmental support, FDI has helped the Indian economy grow tremendously. But with $34 billion in FDI in 2007, India gets only 25% of the FDI in China.

India has been a major recipient of FDI inflows in the majority of sectors. There has been an unnerving upsurge in the economic developments of the country. India has among the most liberal & transparent policies on FDI emerging economies. FDI up to 100% is allowed under the automatic route in the sectors except that requires prior approval of government.

Globally, FDI inflows remained stagnant in 2010 at an estimated $1,122 billion compared with $ 1,114 billion in the previous year with flows to developing & transition economies surpassing the 50% mark of global FDI flows.

REVIEW OF LITERATURE

This section reviews the empirical studies on the FDI in India and sectoral analysis which could study the positive impact of FDI on growth of the countries and the flows of FDI in sectors in regards to GDP.

Blomstrom and kokko (2003), they said in their paper that least developed economies attracting less FDI. It suggests that the existence of threshold level of development is necessary for FDI. Having more attraction of FDI inflows in least developed economies that results in boosting the economy of a country.

DrMaathaiK. Mathiyazhagan (2005), This paper studied the annual period data from 1990-91 to 2000-01 as to examine the long run relationship of FDI with Gross Output, Export and Labour Productivity at sectoral level in the Indian Economy. FDI Inflows into the sectors is to boost the output, labour productivity and export in some sectors and it is to be tested by the panel co-integration (PCONT) test. This results as that there is no significant cointegration and hence, concluded that FDI has not able to hold a positive impact at the sectoral level on the Indian economy. And the whole study suggests that to expand export oriented sectors and the higher growth of the economy could be achieved through the growth of these sectors.

Bose, Jayashree (2007), the book studied the sectoral analysis of India & China related to FDI Inflows. In his book, he lights on the emerging issues on FDI inflows in India & China comparatively and also on the globalization, foreign factors, trends & issues on FDI outflow from India and China.

Khan A.Q. and Siddiqui Ahmad Taufeeque (2011), studied the impact of FDI on Indian economy and a comparison with China & USA. The paper have also been ventured into carving out set of strategies to deal with the issues & problems in attracting FDI for promotion & growth of international trade. The double log model has been used to find elasticity between different factors in this paper. They also highlight the impact of FDI on employment. In this research paper, the discussion between FDI and GDP as to asses that FDI helps in boosting growth of a country.

Bhanagade D.B, Shah A. Pallavi (2011), they said in their paper that the impact of FDI on Indian Economy where they also emphasize on the investments, sectors attracting highest FDI inflows and FDI leads to Generation of Employment opportunities. Therefore the growth of inflow of FDI would lead to positive growth of Gross capital formation. In India, the growth of GDP is largely influenced by FDI.

Chaturvedi Ila (2011), In this paper, analyze the FDI inflows with special reference to sector wise inflows in India. This paper also explore the sector wise distribution of FDI in order to know the dominating sector which has attracted the major share of FDI in India. And to find out the correlation between FDI and Economic Development, It reveals that there is high degree of significance between FDI and economic development.

RESEARCH GAP, SCOPE AND OBJECTIVES

Literature review illustrate that number of studies have been conducted to assess the FDI in India. There are several research papers, articles highlights the impact of sectoral analysis in India. As stated that the numerous studies have been conducted related to FDI in different aspects of areas. The **Blomstrom & kokko (2003), A.Q Khan (2011), D.B. Bhanagade, Dr. Pallavi A. Shah (2011)** directed the study towards the impact of FDI on Indian Economy. **DrMaathaiK. Mathiyazhagan (2005), Jayashree Bose (2007), Ila Chaturvedi (2011)** emphasized on sectors. But none of the studied reviewed by the researchers is in context to the FDI in India and shows that how FDI affecting India's growth and impact of FDI inflows on growth of the economy in terms of different variables like GDP, Export and GDCF (gross domestic capital formation) and altogether discuss the sector's impact in India. Further, in the research paper double log model has been used to find out the elasticity between the different factors.

THE FOLLOWING OBJECTIVES HAVE BEEN PURSUED IN THIS PAPER:-

- To study the FDI in India as to know the growth and development of the country.
- To study the impact of FDI in India in terms of GDP, EXPORT, and GDCF.
- To explore the sector distribution of FDI inflows in order to know the dominating sector.
- To rank the sectors based upon highest FDI Inflows.
- To analyze the impact of sectors attracting highest FDI on GDP in India.

HYPOTHESES AND METHODOLOGY OF THE STUDY

1. **H_o**- The Null Hypothesis assumes that there is no significant impact of FDI on Indian economy in term of **GDP.**
   H_a- The Alternative Hypothesis accepts that there is significant impact of FDI on Indian economy terms of **GDP**.
2. **H_o** – The Null Hypothesis presumes that there is no significant impact of FDI on **EXPORT** in India.
   H_a – The Alternative Hypothesis assumes that there is significant impact of FDI on **EXPORT** in India.
3. **H_o –** The Null Hypothesis assumes that there is no significant impact of FDI on **GDCF (GROSS DOMESTIC CAPITAL FORMATION)** in India.
   Ha - The Alternative Hypothesis presumes that there is significant impact of FDI on **GDCF (GROSS DOMESTIC CAPITAL FORMATION)** in India.
4. **H_o**- The Null Hypothesis presumes that there is no significant impact of FDI Inflows to the sectors on GDP in India.
   H_a- The Alternative Hypothesis assumes that there is significant impact of FDI Inflows to sectors on GDP in India.

FOLLOWING STATISTICAL TOOLS HAVE BEEN USED TO TEST THE HYPOTHESIS:

A **log linear regression** function has been applied to know the impact of FDI in India in terms of GDP, EXPORT, GDCF and the impact of sectors attracting highest FDI Inflows on GDP in India. The degree of significance of coefficient of regression verify by the application of **'T' test**. The strength of linear relationship between the dependent variable and independent variable measured by the coefficient of determination. The data analyzed in this paper has been collected from the reliable sources i.e. journals, articles, research papers, economic survey, Ministry of commerce, Handbook of Statistics by the RBI. The data collected is compiled in the form of tables from the dipp fact sheets 2011 and scrutinized through statistical tools & techniques.

ANALYSES AND INTERPRETATIONS

This research paper examine the impact of FDI in India and seeks to discuss the impact of FDI on GDP in order to assess whether FDI is causing growth or growth rate is prerequisite for attracting FDI in India. For examining the impact, a log-linear regression model has been used to find out the level of significance. In order to test the hypothesis the following statistical tools have been used .i.e. log linear regression functions. Table-1 explains that the flow of FDI in respect of the GDP growth rate during the year 2000 to 2011 in India. According to the data of DIPP illustrate that FDI was US$ 4029 million in the year 2000-01 that increased to US$ 6130 million with growth rate of 52 % in the year 2001-02. The investment amounted to US$ 5035 million and US$ 4322 million with negative growth rate of 18 % and 14 % respectively as it was noticed the downward trend in years i.e. 2002-03 and 2003-04. The reason for negativity was the unfortunate event of 9/11 attack in US leading to cascading effect on almost all the countries of the world. In most of the economies even including India the stock market went into bearish mode. Then the recovery begins from2004-2005 and2005-2006 with growth rate of 40%and 48% and investment amounted to US$ 6051 million and US$ 8961 million.

In the year 2006-2007, FDI registered skyrocketed growth rate of 146 % with investment amounting to US$ 22826 million. During this period tremendous growth can be ascertained in Indian economy. This trend of growth goes continued with investment amounting to US$ 34835 at growth rate of 53% in the year2007-2008. In the succeeding year i.e. 2008-2009, the growth rate declined to the level of 9%. This is all because of global financial recession but it is satisfactory for India in compare to other countries at least it is positive. Strong economic fundamentals and controlled privatization are able to maintain positive growth rate. The impact of crises adversely affect the Indian economy as it is noticed that in the year 2009-2010 and 2010-2011, the growth rate goes negative at -0.2% and -28% with investment amount of US$ 37763 millions and US$ 27024 millions. As in Appendix-2 the financial year wise FDI inflows data as per international practices and the Export data shows not much flexibility but a bit more or less increase in the export in India except aircraft. The data of export based on the results of CEA 2007, 2010-2011 year data is the revised data with 172440 million rupees. Appendix-3 shows the GDCF (Gross Domestic Capital Formation) with 29981 million rupees in 2000-2001 and it increasing year by year that is 79305 million rupees in the year 2010-2011.

TABLE – 1: FOREIGN DIRECT INVESTMENT IN INDIA[1] (2001-2011)

S No	Year	Total FDI Flows (million US$)	Growth rate (%)
1	2000-01	4029	
2	2001-02	6130	52
3	2002-03	5035	-18
4	2003-04	4322	-14
5	2004-05	6051	40
6	2005-06	8961	48
7	2006-07	22826	146
8	2007-08	34835	53
9	2008-09	37838	09
10	2009-2010	37763	-0.2
11	2010-2011	27024	-28

SOURCE: DIPP (Department of Industrial Policy & Promotion) Fact sheet 2011, Federal Ministry of Commerce and Industry, Government of India.

TABLE- 2: RANKING OF SECTOR WISE FDI INFLOWS IN INDIA SINCE APRIL 2000 – DEC 2010

INDUSTRIAL SECTORS	RANK	SHARE OF FDI
Service Sector	1	32%
Electrical Equipments	2	!4%
Telecommunications	3	12%
Real Estate and Housing	4	11%
Construction Activities	5	11%
Power	6	6%
Automobile Industry	7	6%
Metallurgical Industry	8	4%
Petroleum and Natural Gas	9	3%
Chemicals	10	1%

Source: DIPP (Department of Industrial Policy & Promotion) Fact sheet 2011

SECTOR WISE ANALYSES OF FDI INFLOWS IN INDIA

The Sector wise Analysis of FDI in India reveals that maximum FDI has attracted in the service sector including the telecommunication, information technology, travel and many others with 32%. The service sector is followed by the manufacturing sector in terms of FDI. High volumes of FDI take place in electronics and hardware, automobiles, pharmaceuticals, cement, metallurgical and other manufacturing industries. The IT industry is one of the booming sectors on India. At present India is the leading country pertaining to IT industry in the Asia-Pacific region. The telecom industry is of the fastest growing industries in India with 12% FDI inflows as it has the highest growth rate in the world, with a growth rate of 45%. The FDI in Automobile Industry has experienced huge growth in the past few years. Electronic hardware is the major component of several industries such as information as attracting FDI inflows of 14%. The increased FDI inflow to Metallurgical Industries has helped to bring latest technology to the industries that led to the development, expansion and growth of the industries in India with 4% of FDI Inflows. Chemical Industry has helped in the development of the sector in India as ranks 10_{th} with FDI Inflows of 1%. The cumulative FDI inflows reveal that service sector attracts maximum FDI Inflows amounting to Rs. 106992 crores that followed by the Computer Software and Hardware amounting Rs. 44611 crores in India. These both sectors attract more than 30% of the total FDI Inflows in India. As the Real Estate and Housing and the Construction industry are among the new attracting large share of FDI in India.

Thus the Sector wise Inflows of FDI in India shows varying trends but act as a catalyst for growth, development and quality maintenance of Indian Industries to the huge and greater extend. Though the sectors are the major sources of mobilizing FDI in India, plenty of scope exists.

TESTING OF HYPOTHESIS

HYPOTHESIS -1

Ho- The Null Hypothesis assumes that there is no significant impact of FDI in India. **Ha-** The Alternative Hypothesis accepts that there is significant impact of FDI in India. In order to test the hypothesis, the variables have been converted into natural log where FDI has been taken as independent variable and natural log of GDP as a dependent variable. It is stated that independent variable is significant at any level of significance with T value of 7.9 and on the other hand constant i.e. dependent variable is significant at any level of significance with T value of 17.8. It shows that there is clear impact of FDI on GDP and some other unknown factors also plays significant role. In **Table 3**, the 'B' value is 0.34 % which indicates that the elasticity between FDI and GDP is 0.34 %. It resulted that 1 % increase in FDI leads to 0.34 % increase in GDP that helps in boosting growth rate of India. If FDI increases 10 % then it may increase the GDP growth rate by 3.6 %. Therefore Ho is rejected and Ha is accepted as there is significant impact of FDI on GDP in India.

TABLE – 3: IMPACT OF FDI ON GDP

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.452	.473		17.859	.000
	LNFDI	.344	.043	.936	7.967	.000

Dependent Variable: LNGDP

Source: Through SPSS, Based on Appendix 1

HYPOTHESIS – 2

Ho- The Null hypothesis is assumes that there is no significant impact of FDI on Export. **Ha-** The Alternative hypothesis is presumes that there is significant impact of FDI on Export. In Table 2, Testing of hypothesis is resulted that T value is 10.182 for independent variable i.e. log of FDI at any level of significance that is more than the 5% level of significance. It shows that there is significant impact of FDI on Export. The B value is 0.26 which shows the elasticity between the FDI and EXPORT is 0.26%. It resulted that 1 % increase in FDI leads to 0.26 % increase in Export that helps in boosting growth rate of India via investment FDI in Export.

TABLE – 4: IMPACT OF FDI ON EXPORT

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.831	.275		32.060	.000
	LNFDI	.256	.025	.959	10.182	.000

Dependent Variable: LNEX

Source: Through SPSS, Based on Appendix-2

HYPOTHESIS - 3

TABLE – 5: IMPACT OF FDI ON GDCF (GROSS DOMESTIC CAPITAL FORMATION)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.757	.456		14.818	.000
	LNFDI(Rs crores)	.372	.042	.948	8.949	.000

Dependent Variable: LNGDCF (Rs million)

Source: Through SPSS, Based on Appendix-3

Ho- The Null hypothesis is assumes that there is no significant impact of FDI on GDCF (gross domestic capital formation). **Ha-** The Alternative hypothesis is presumes that there is significant impact of FDI on GDCF (gross domestic capital formation). Testing of hypothesis is resulted that T value is 8.95 for independent variable i.e. log of FDI at any level of significance in Table 5 that is more than the 5% level of significance. It shows that there is significant impact of FDI on GDCF (gross domestic capital formation). The B value is 0.37 which shows the elasticity between the FDI and GDCF is 0.37%. It resulted that 1 % increase in FDI leads to 0.37 % increase in GDCF that helps in increasing growth rate of India.

HYPOTHESIS – 4

H_o- The Null hypothesis assumes that there is no significant impact of FDI Inflows to service sector on GDP in India where as **Ha-** the Alternative Hypothesis that there is significant impact of FDI Inflows to service sector on GDP in India. In order to test the hypothesis Natural Log of FDI Inflows to service sector has been taken as independent variable and Natural Log of GDP as dependent variable. The value of 'T' is 2.45 at 40% level of significance which is less than the significant value in Table 4. The value is beyond the level of significance states that null hypothesis is accepted. It resulted that there is no impact of FDI Inflows to service sector on GDP.

TABLE – 6: IMPACT OF FDI INFLOWS TO SERVICE SECTOR ON GDP

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	10.792	.604		17.879	.000
	LNFDI	.169	.069	.655	2.454	.040

a Dependent Variable: LNGDP

Source: Through SPSS, Based on Appendix-4

TABLE – 7: IMPACT OF FDI INFLOWS TO TELECOMMUNICATION SECTOR ON GDP

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.599	.574		20.198	.000
	LNFDI	.086	.074	.382	1.168	.276

a Dependent Variable: LNGDP

Source: Through SPSS, Based on Appendix-5

TABLE – 8: IMPACT OF FDI INFLOWS TO REAL ESTATE ON GDP

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	12.023	.130		92.608	.000
	LNFDI	.056	.017	.830	3.327	.021

Dependent Variable: LNGDP

Source: Through SPSS, Based on Appendix-6

H_0- The Null Hypothesis presumes that there is no significant impact of FDI Inflows to telecommunication sector on GDP in India. **H_a**- The Alternative Hypothesis accepts that there is significant impact of FDI Inflows to telecommunication sector on GDP in India. The hypothesis is to be tested as taking Natural Log of FDI Inflows to Telecommunication as independent variable and the Natural Log of GDP as dependent variable. Table-5 illustrates the result of hypothesis that impact of FDI Inflows to Telecommunication sector on GDP is significant at any level of significance with 'T' value of 1.2 at 27% significance level. The value of 'B' is 0.086 which implies that 1% increase in FDI Inflows to Telecommunication sector leads to 0.086 % increase in GDP. Therefore there is no significant impact of FDI inflows to telecommunication sector on GDP it means null hypothesis is accepted.

H_o- The Null Hypothesis assumes that there is no significant impact of FDI Inflows to Real Estate on GDP in India. **H_a-** The Alternative Hypothesis presumes that there is significant impact of FDI Inflows to Real Estate on GDP in India. In Table 6, the hypothesis is to be test on the impact of FDI Inflows to Real Estate on GDP at 'T' value of 3.33 which is less than the level of significance. It resulted the null hypothesis is accepted and it is clear that there is no impact of FDI Inflows to Real Estate sector on GDP in India. 'B' value is 0.056 which indicates that 1 % increase in FDI Inflows to Real Estate sector increases the GDP to 0.056 %

TABLE – 9: IMPACT OF FDI INFLOWS TO CONSTRUCTION SECTOR ON GDP

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.346	.637		17.818	.000
	LNFDI	.127	.079	.550	1.613	.158

Dependent Variable: LNGDP

Source: Through SPSS, Based on Appendix-7

H_o- The Null Hypothesis is assumes that there is no significant impact of FDI Inflows to Construction sector on GDP in India**. H_a**- The Alternative Hypothesis accepts that there is significant impact of FDI Inflows to Construction sector on GDP in India. As stated in Table-7, the impact of FDI inflows to the construction sector on GDP is to be tested at 5% level of significance with T value 1.613 which is less than the significant value. Therefore the null hypothesis is accepted and clearly proved that there is no significant impact of FDI inflows to construction sector on GDP.

Table- 10: IMPACT OF FDI INFLOWS TO COMPUTER HADRWARE AND SOFTWARE SECTOR ON GDP

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	12.902	1.007		12.811	.000
	LNFDI	-.079	.123	-.221	-.641	.540

Dependent Variable: LNGDP

Source: Through SPSS, Based onAppendix-8

Ho- The Null Hypothesis assumes that there is no significant impact of FDI Inflows to Computer hardware and software sector on GDP in India. **H_a-** The Alternative Hypothesis presumes that there is significant impact of FDI Inflows to Computer hardware and software sector on GDP in India. In Table 6, the hypothesis is to be test on the impact of FDI Inflows to Computer Hardware and software sector on GDP at 'T' value of -0.641 at 54% significance level which is less than the level of significance. It resulted the null hypothesis is accepted and it is clear that there is no impact of FDI Inflows to Computer hardware and Software sector on GDP in India with 'B' value is -0.079.

CONCLUSION

Analysis in this research paper illustrate that there has been positive impact of FDI on overall growth of the economy. India has registered tremendous growth in FDI inflows during last decade and total inflows crossed the level of US$ 30 million. But when it is compared with other countries and continents the figure of FDI inflows are not encouraging. It can be observed from above analysis that sectoral level of the Indian economy, FDI has helped to raise the output, productivity and export in some sectors. In this paper emphases given on the impact of FDI on Indian economy in terms of variables are GDP, EXPORT and GDCF. It resulted that there is significant impact of FDI on GDP, Export and GDCF in India. As the investment in the form of FDI inflows can boost efforts for the development in many ways, for instance boosting export, creating new employment opportunities, increasing technological capabilities and increasing total financial resources for overall development of the economy of the country. The paper also analyzes the impact of FDI inflows to the sectors on GDP in India. The tested hypothesis highlight that there is no impact of FDI inflows to sectors on GDP. There are the sectors having highest attraction of FDI inflows are Service, Telecommunication, Real Estate, Construction and Computer Hardware & Software sector instead of this FDI inflows to sectors are not very much impacting GDP in India. Hence, India needs to have financial resources to accomplish double digit growth rate and overall development of the country. For the openness of trade and favorable environment, FDI play a significant role so as to achieve the desired goals of the economy. This is a wide topic to be researched on. There are many more variables and sectors that can also be analyze as to know the impact of FDI on Indian Economy. And significance relevant toward the economy.

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APPENDICES

APPENDIX 1: FOREIGN DIRECT INVESTMENT (FDI) AND GROSS DOMESTIC PRODUCT (GDP)

Year	FDI (Rs crores)	GDP (RM)	LNFDI	LNGDP
2000-01	18406	122410	9.820432	11.71513
2001-02	29235	134392	10.28312	11.80852
2002-03	24376	145055	10.10135	11.88487
2003-04	19860	162291	9.896463	11.99715
2004-05	27188	180908	10.21053	12.10574
2005-06	39674	191393	10.58845	12.16208
2006-07	103367	213444	11.54604	12.27113
2007-08	140180	274316	11.85068	12.52204
2008-09	173741	282003	12.06532	12.54967
2009-10	179059	299129	12.09547	12.60863
2010-11	138462	325228	11.83835	12.69228

Source: Compiled by the Authors from Economic Survey of 2010-2011 & CSO and FDI fact sheet of DIPP from September, 2005 to April, 2011.

LNFDI = Natural Log of FDI Inflow of sector, LNGDP = Natural Log of GDP

APPENDIX 2: FOREIGN DIRECT INVESTMENT (FDI) AND EXPORT

Years	FDI (Rs crores)	Export (Rs million)	LNFDI	LNEX
2000-2001	18406	91369	9.820432	11.42266
2001-2002	29235	89366	10.28312	11.4005
2002-2003	24376	90895	10.10135	11.41746
2003-2004	19860	96466	9.896463	11.47695
2004-2005	27188	112969	10.21053	11.63487
2005-2006	39674	128994	10.58845	11.76752
2006-2007	103367	141187	11.54604	11.85784
2007-2008	140180	145204	11.85068	11.88589
2008-2009	173741	138168	12.06532	11.83623
2009-2010	179059	156945	12.09547	11.96365
2010-2011[1]	138462	172440	11.83835	12.0578

Source: Same as Appendix-1, Figures of export based on results of CEA 2007, 1- revise data

APPENDIX 3: FOREIGN DIRECT INVESTMENT (FDI) AND GROSS DOMESTIC CAPITAL FORMATION (GDCF)

Years	FDI (Rs crores)	GDCF (Rs million)	LNFDI	LNGDCF
2000-2001	18406	29981	9.820432	10.30832
2001-2002	29235	31075	10.28312	10.34416
2002-2003	24376	36508	10.10135	10.50529
2003-2004	19860	39271	9.896463	10.57824
2004-2005	27188	41111	10.21053	10.62403
2005-2006	39674	51695	10.58845	10.85312
2006-2007	103367	61240	11.54604	11.02256
2007-2008	140180	67529	11.85068	11.12031
2008-2009	173741	74430	12.06532	11.21761
2009-2010	179059	74395	12.09547	11.21714
2010-2011	138462	79305	11.83835	11.28106

Source: Same as Appendix-1

LNFDI=Natural Log FDI, LNGDCF=Natural Log of GDCF

APPENDIX 4: SERVICE SECTOR'S FDI INFLOWS AND GDP OF INDIA

YEARS	FDI INFLOWS (in croreRs)	GDP (RM)	LNFDI	LNGDP
2001-02	1551	122410	7.346655	11.80852
2002-03	1235	134392	7.118826	11.88487
2003-04	1986	145055	7.593878	11.99715
2004-05	2399	162291	7.782807	12.10574
2005-06	21047	180908	9.954513	12.16208
2006-07	10313	191393	9.241161	12.27113
2007-08	28516	213444	10.25822	12.52204
2008-09	20776	274316	9.941554	12.54967
2009-10	15539	282003	9.651108	12.60863
2010-11	2922	299129	7.980024	12.69228

Source: Central Statistical Organization (CSO) and FDI fact sheets of DIPP from September 2005 to April 2011

LNFDI = Natural Log of FDI Inflow of sector, LNGDP = Natural Log of GDP

APPENDIX 5: TELECOMMUNICATION SECTOR'S FDI INFLOWS AND GDP OF INDIA

YEARS	FDI INFLOWS (in croreRs)	GDP (RM)	LNFDI	LNGDP
2001-02	1058	122410	6.964136	11.80852
2002-03	532	134392	6.276643	11.88487
2003-04	570	145055	6.345636	11.99715
2004-05	2776	162291	7.928766	12.10574
2005-06	2155	180908	7.675546	12.16208
2006-07	4232	191393	8.35043	12.27113
2007-08	11727	213444	9.369649	12.52204
2008-09	12338	274316	9.420439	12.54967
2009-10	7546	282003	8.928773	12.60863
2010-11	205	299129	5.32301	12.69228

Source: Central Statistical Organization (CSO) and FDI factsheets of DIPP from September 2005 to April 2011.

LNFDI = Natural Log of FDI Inflow of sector, LNGDP = Natural Log of GDP

APPENDIX 6: REAL ESTATE SECTOR's FDI INFLOWS AND GDP OF INDIA

YEARS	FDI INFLOWS (in croreRs)	GDP (RM)	LNFDI	LNGDP
2004-05	0	162291	0	12.10574
2005-06	171	180908	5.141664	12.16208
2006-07	2121	191393	7.659643	12.27113
2007-08	8749	213444	9.076695	12.52204
2008-09	12621	274316	9.443117	12.54967
2009-10	13586	282003	9.516795	12.60863
2010-11	5149	299129	8.546558	12.69228

Source: Central Statistical Organization (CSO) and FDI fact sheets of DIPP from September 2005 to April 2011.

LNFDI = Natural Log of FDI Inflow of sector, LNGDP = Natural Log of GDP

APPENDIX 7: CONSTRUCTION SECTOR's FDI INFLOWS AND GDP OF INDIA

YEARS	FDI INFLOWS (in croreRs)	GDP (RM)	LNFDI	LNGDP
2003-04	696	145055	6.54535	11.99715
2004-05	667	162291	6.50279	12.10574
2005-06	4424	180908	8.3948	12.16208
2006-07	4214	191393	8.346168	12.27113
2007-08	8792	213444	9.081597	12.52204
2008-09	13516	274316	9.511629	12.54967
2009-10	5077	282003	8.532476	12.60863
2010-11	1381	299129	7.230563	12.69228

Source: Central Statistical Organization (CSO) and FDI fact sheets of DIPP from September 2005 to April 2011.

LNFDI = Natural Log of FDI Inflow of sector, LNGDP = Natural Log of GDP

APPENDIX 8: COMPUTER SECTOR's FDI INFLOWS AND GDP OF INDIA

YEARS	FDI INFLOWS (in croreRs)	GDP (RM)	LNFDI	LNGDP
2001-02	3075	122410	8.03106	11.80852
2002-03	2449	134392	7.803435	11.88487
2003-04	2441	145055	7.800163	11.99715
2004-05	6172	162291	8.727778	12.10574
2005-06	11786luk	180908	9.374668	12.16208
2006-07	4539	191393	8.420462	12.27113
2007-08	7329	213444	8.899594	12.52204
2008-09	4351	274316	8.378161	12.54967
2009-10	3571	282003	8.180601	12.60863
2010-11	425	299129	6.052089	12.69228

Source: Central Statistical Organization (CSO) and FDI fact sheets of DIPP from September 2005 to April 2011.

LNFDI = Natural Log of FDI Inflow of sector, LNGDP = Natural Log of GDP

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