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Research Article

OPTIMUM UTILIZATION OF INFLOWS OF FOREIGN DIRECT INVESTMENT FOR GROWTH OF INDIAN ECONOMY

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A R T I C L E I N F O

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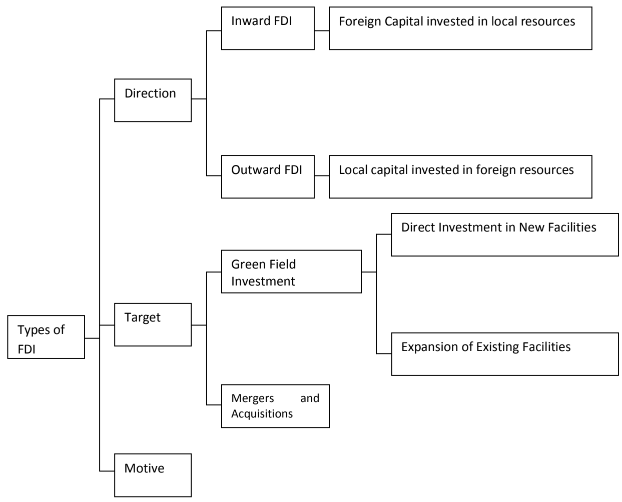
A B S T R A C T

The main objectives of this paper are to know the impact of different variables of FDI to the pointers of financial development and also know whether there is any huge contrast between variables of FDI to the monetary development markers. Besides that to inspect the inflows of FDI in different divisions and distinguish whether they are impacted the Indian securities exchange also to inspect the inflows of FDI and its effect on arrangement of "Make in India."The study found that there was an immediate relationship between remote direct speculation and financial development. The concentrate likewise watched that inflows of FDI in a portion of the divisions were impacted the Indian Stock business sector. To have a more inflows of FDIs the accompanying proposals were prescribed Encourage PPPs, SEZs for colossal venture, fortify the managing an account framework, give administrative and physical foundation, coordinate exercises of bury organization and intra office, keep up the dependability of government and further, viable control is required at the level of structure and different areas.

INTRODUCTION

Remote Direct Investment makes a work, build up the human capital, business visionary abilities .The aggregate FDI got by the Government of India in the year 2004-05(Rs580billion),2005-06(Rs688billion),2007-08(Rs1744billion), 2008-09(Rs349billion) 2009-10 (Rs2398billion),2010-11(Rs1935 billion),2011-12(Rs1872billion) and 2012-13(Rs2545 billion). Financial development demonstrates augmentation of genuine yield on general premise and it is synonymous with higher yield. The financial development infers the expansion in estimation of the merchandise and administrations created by an economy and it is measured as the percent rate of increment in genuine total national output or genuine GDP. The development rate of genuine GDP is the rate change in genuine GDP starting with one year then onto the next year.

Schematic Representation of Types of FDI



Source: Self: Based on Existing Literature

Literature

Review of Literature: The Sensex of the business sector has a moderate level of connection with money related institutional speculators, Sumit Goyal and Vikrant Vikram Singh (2011), Gitanjali Gupta and Anand Gupta (2010), Positive relationship between remote direct venture and financial development, Pabitra kumar Jena and D.S. Hegde (2010), causal relationship amongst Nifty and FIIs (2010), positive connection between's FIIs net streams to India and Stock business sector return, Mishra (2009), FIIs don't build the stock unpredictability, Ravi.V, Anshuman (2008), outside financial specialists put more in organizations with a higher volume of shares, Krishna Prassanna (2008), liquidity and in addition instability was exceedingly impacted by FIIs streams, Reddy (2008),F II streams have upgraded the liquidity of Indian securities

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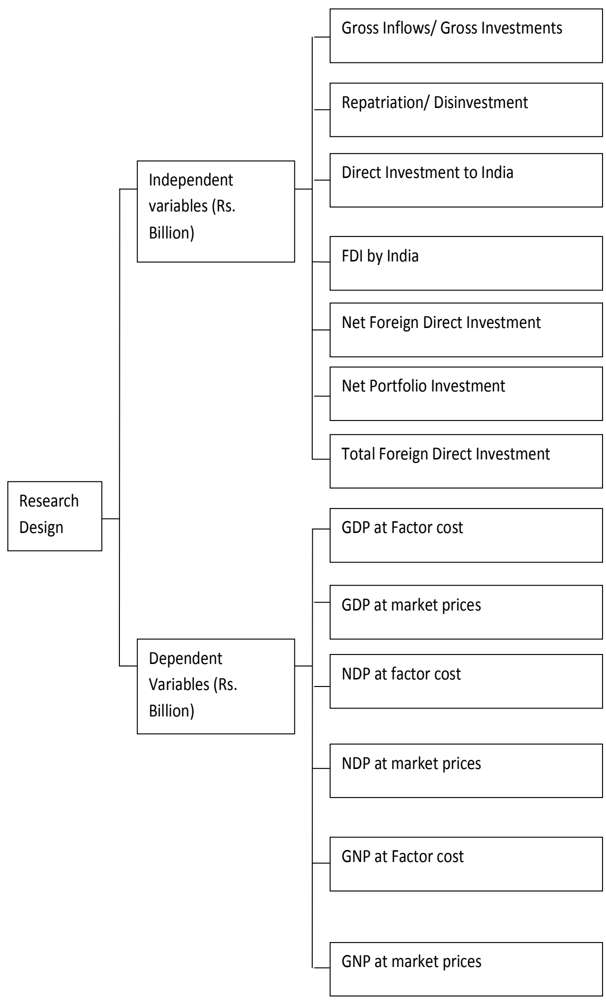
exchange, mazumdar (2004), general causality of FDI and GDI is bi-directional Choe (2003), causality keeps running from GDP to FDI Chakraborty and Basu (2002), adversely associated with Portfolio speculation as FIIs, Kumar (2002), a converse causality from monetary development to FDI Zhang (2001), development in FDI was emphatically corresponded with the relative interest for gifted work, Robert, C Feenstra, Gordan H Hanson (1997).

Objectives of the Study: The study conveyed with the accompanying destinations.

1. To know the impact of different variables of FDI to the pointers of financial development.
2. To test whether there is any huge contrast between variables of FDI to the monetary development markers.
3. To inspect the inflows of FDI in different divisions and distinguish whether they are impacted the Indian securities exchange.
4. To inspect the inflows of FDI and its effect on arrangement of "Make in India."

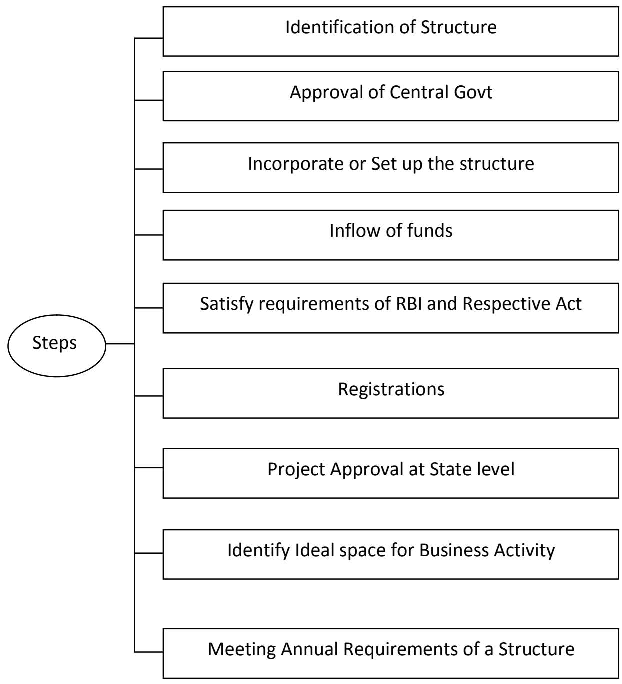
Methodology of the Study

The information got from the optional sources, SEBI, Hand Book Statistics of 2013, and from the Hand Book of RBI. The SPSS 16.0 rendition was utilized to dissect the information. The relapse, ANOVA, t-test connected to infer the required results.



Source: Self

Schematic Representation of Steps Involved in Foreign Direct Investment



Source: Self

Analysis: Input Table 1: This table discloses theinformation regarding various variables of FDI of year 2004-05 to 2012-13 (Rs billion). The information is projected as follows

Direct Investment to India = Gross Inflow/Gross Investments – Repatriation/Disinvestment
Net Foreign Direct Investment = Direct Investment to India – FDI by India.
Total FDI = Net Foreign Direct Investment + Net Portfolio Investment.

Input Table 2: This table discloses the information regarding various dependent variables from the year 2004-05 to 2012-13 (Rs billion) at current prices (Base year 2004-05). Here the dependent variables are GDP at factor cost, GDP at market prices, NDP at factor cost, NDP at market prices, GNP at factor cost and GNP at market prices.

Analysis: The above table indicates that the variation in BSE index was highly influenced by the construction, followed by the real estate activities, business services, electricity and trading. The study also evident that statistically there was no prominent difference from the all the sectors to the BSE index except construction, in such a case, there was significant difference prevailed. The variation in CNX nifty was highly influenced by the electricity, followed by the construction, real estate activities, business services, financial services, trading and retail and whole sale trade. Finally, it can be concluded that theflow of FDI through the various sectors of an economy influenced the Indian Stock market.

Input table 1 Information Regarding Independent Variables from the Year 2004-05 to 2012-13 (Rs Billion)

Year 1	Gross Inflows/Gross Investments 2	Repatriation / Disinvestment 3	Direct Investment to India 4 = 2-3	FDI by India 5	Net Foreign Direct Investement 6 = 4-5	Net Portfolio Investment 7	Total 8 = 6+7
2004-05	272	3	269	102	167	413	580
2005-06	397	3	394	260	134	554	688
2006-07	1,030	4	1026	677	349	319	688
2007-08	1,399	5	1394	756	638	1106	1744
2008-09	1,914	7	1907	907	1000	(651)	349
2009-10	1,796	218	1578	720	858	1540	2398
2010-11	1,643	319	1324	783	541	1394	1935
2011-12	2,199	650	1549	527	1021	851	1872
2012-13	1,865	399	1466	387	1079	1466	2545

Source: RBI: Handbook Statistics of SEBI 2013.

Input table 2 Information Regarding Dependent Variables from the Year 2004-05 to 2012-13 (Rs Billion At Current Prices) Base Year: 2004-05

Year	Dependent Variables					
	GDP at factor cost (1)	GDP at market price (2)	NDP at factor cost (5)	NDP at market price (6)	GNP at factor cost (3)	GNP at market price (4)
2004-05	29,714.64	32,422.09	26,515.73	29,223.18	29,490.89	32,198.34
2005-06	33,905.03	36,933.69	30,267.82	33,296.48	33,643.87	36,672.53
2006-07	39,532.76	42,947.06	35,345.47	38,759.77	39,200.42	42,614.72
2007-08	45,820.86	49,870.90	40,973.90	45,023.94	45,615.74	49,665.78
2008-09	53,035.67	56,300.63	47,383.70	50,648.66	52,706.44	55,971.40
2009-10	61,089.03	64,778.27	54,491.04	58,180.28	60,709.03	64,398.27
2010-11	72,488.60	77,841.15	64,886.41	70,238.96	71,670.53	77,023.08
2011-12	83,916.91	90,097.22	75,117.95	81,298.26	83,148.61	89,328.92
2012-13	93,888.76	1,01,132.81	83,727.44	90,971.49	92,721.10	99,965.15
2013-14	1,04,728.07	1,13,550.73	92,993.45	1,01,470.01	1,03,445.07	1,11,919.63

Source: RBI: Hand Book Statistics of 2013

Out PutTable1 Test of Variationin Dependent Variables through the Independent Variables

S.no	Independent Variables	Dependent Variables							
		GDP at FC				GDP at MP			
		R^2	F	ust_β	st_β	R^2	F	ust_β	st_β
1.	Gross Inflows / Gross Investment	0.688	15.455*	27.319	0.830	0.675	14.565*	28.854	0.822
2.	Repatriation / Disinvestment	0.787	25.797*	84.886	0.887	0.788	26.061*	90.603	0.888
3.	Direct Investment to India	0.423	5.139@	26.608	0.651	0.410	4.871@	27.930	0.641
4.	FDI by India	0.048	0.356@	18.489	0.220	0.044	0.322@	18.777	0.210
5.	Net Foreign Direct Investment	0.660	13.612*	49.649	0.813	0.648	12.907*	52.452	0.805
6.	Net portfolio Investment	0.262	2.487@	16.359	0.512	0.267	2.556@	17.619	0.517
7.	Total FDI	0.608	10.855*	20.737	0.780	0.610	10.932*	22.141	0.781

Source: SPSS Output Tables * significant @Non-Significant

Out Put Table 2 Test of Variation in Dependent Variables through the Various Independent Variables

S.no	Independent Variables	Dependent Variables							
		BSE Index				CNX Nifty			
		R^2	F	ust_β	st_β	R^2	F	ust_β	st_β
1.	Manufacture	0.001	0.003@	0.029	0.034	0.002	0.007@	0.13	0.048
2.	Construction	0.864	19.111*	-1.484	-0.930	0.720	7.716@	-0.406	-0.849
3.	Financial Services	0.350	1.614@	-1.204	-0.591	0.471	2.667@	-0.419	-0.686
4.	Real Estate Activities	0.729	8.083@	-1.561	-0.854	0.654	5.668@	-0.443	-0.809
5.	Electricity	0.696	6.880@	-5.219	-0.834	0.824	14.012*	-1.702	-0.908
6.	Communication Services	0.202	0.758@	-1.069	-0.449	0.076	0.248@	-0.197	-0.276
7.	Business Services	0.712	7.406@	-2.409	-0.844	0.595	4.403@	-0.660	-0.771
8.	Miscellaneous Services	0.030	0.092@	-1.367	-0.172	0.007	0.022@	-0.202	-0.085
9.	Computer Services	0.000	0.000@	0.006	0.001	0.032	0.098@	0.301	0.178
10.	Restaurants α Hotels	0.002	0.005@	-0.052	-0.040	0.050	0.158@	-0.088	-0.224
11.	Retail α wholesale trade	0.316	1.384@	3.033	0.562	0.335	1.510@	0.936	0.579
12.	Mining	0.034	0.106@	-1.282	-0.184	0.009	0.029@	-0.203	-0.097
13.	Transport	0.091	0.302@	5.628	0.302	0.189	0.698@	2.425	0.435
14.	Trading	0.562	1.384@	-9.627	-0.562	0.381	1.850@	-3.173	-0.618
15.	Education Research	0.006	0.019@	0.005	0.002	0.006	0.018@	-1.080	-0.078
16.	Others	0.033	0.101@	-1.592	-0.181	0.000	0.000@	-0.001	0.000

Source: SPSS output Table: * Significant @ Non-Significant

Findings of the Study: The study found that the following findings.

1. Inflows of foreign direct investment were the cause of variation in the indicators of economic growth.
2. The study also found that variation in BSE index was highly influenced by the construction and the inflows of FDI in the sector of electricity was the highly influenced the CNX Nifty Index.

CONCLUSION AND SUGGESTIONS

The study found that there was an immediate relationship between remote direct speculation and financial development. The concentrate likewise watched that inflows of FDI in a portion of the divisions were affected the Indian Stock business sector To have a more inflows of FDIs the accompanying recommendations were recomended empower open, private associations, extraordinary monetary zones for gigantic speculation, reinforce the keeping money foundation, give administrative and physical base, coordination in entomb and intra organization, keep up the solidness of government and further powerful control is required at level of structure and area

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