



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

IMPACT OF FDI IN INDIAN ECONOMY

¹Abhay Pratap Singh (Assistant Professor), ²Deepti Pandey (Assistant Professor), ³Mandavi, ⁴Suraj Kumar

¹KIPM – College of Management, ²KIPM – College of Management, ³KIPM – College of Management, ⁴KIPM – College of Management

¹Department of Business Administration

¹KIPM – College of Management, Gida, Gorakhpur

I. Abstract

Investment is a basic requirement of every country. Without investment, no economy will prosper. Investment in the form of FDI is necessary for every country. The investment flow will allow us to invest in different sectors such as agriculture, industry and services. By foreign direct investment, it is possible to convert different types of benefits to the country such as investment, technology, employment, know-how, human resources, skills, knowledge, capabilities from the country. from one country to another. FDI will make the economy stronger. The growth rate of the economy can be determined by the GDP of the country. If the GDP of the country increases, the per capita income of the country will increase, so the living standard of the people will gradually increase, the investments must be by industry and there should be a clear analysis of the investment in the industry., their impact on the unorganized and organized retail sectors as well as on R&D investment and multi-brand retail. There can be inward investment and outward investment, the end result is that the country's economy is expected to grow, in addition to this environmental pollution, the amount of CO2 emissions is also increasing due to this process. industrial. This article was developed based on the existing literature, AND explained the positive and negative aspects of FDI in the Indian economy.

Keywords: FDI, Indian Economy, Foreign Investments, Environmental Pollution, GDP, etc.

II. INTRODUCTION

There are different schools of thought that prove that FDI is a harmful factor for the economy, some schools of thought that prove that FDI is a boon for the economy. The economic policy of the Indian government was implemented in 1991. In 1991, the LPG policy was introduced. LPG policies in India have moved our economy in a positive direction. Analyzing several schools of thought, FDI inflows into India are shifting the economy in a positive direction. Investments made in the past 10 decades, the economy is moving in a positive direction due to investments through FDI. Foreign direct investment is necessary for the progress of every nation. Investment must be made systematically. In India, there are three regions like agricultural sector, industrial sector, service sector etc. field. In India, big investments are happening in the service sector, that's why investments are happening through FDI, on a priority basis. Investing in the retail sector, having single and multi-brand retail sectors, the investments are expected to happen without harm to the Indian economy. Through this FDI, many benefits such as technology transfer, skills transfer, knowledge transfer, financial capital flow, workforce transformation can be brought from country to country other.

- **Gross Domestic Product**

The gross domestic product of a nation will gradually increase as investments are made through FDI, facilitating the establishment of new organizations, industries, and businesses that will increase a country's income family.

- **Per capita Income**

The number of occupations will increase gradually, job opportunities will gradually increase, leading to a gradual increase in income, thus increasing the standard of living, leading to an increase in the per capita income of the whole country.

- **Exchange Rate**

The appreciation and/or depreciation of a currency depends on the import and export of that country. An exchange value Sometimes the value of the host currency can increase, sometimes the value of the national currency can increase, it depends on market forces.

- **Technology**

Western and Japanese technologies may be feasible for investment in the form of FDI. Not only investments, but also technology can be transferred from one country to another. It allows a country to become technologically powerful. Because in this competitive world, companies have to stand in the international competition, so there is a need for technological upgrades that should happen in every country.

- **Exports**

Every country should increase its exports, because it must be strong enough in technology, skills and knowledge, which can be done by investing in the form of FDI.

- **Human Capital**

Labor transition can also happen through FDI, where highly skilled labor can move from one country to another, in the world of co-operative business. The transfer of human capital from one country to another, facilitates stronger business as skills and knowledge transfer from one country to another. Because people from different countries are quite strong in different skills, knowledge, talents and these can be shared globally.

III. REVIEW OF LITERATURE

Several schools of thought interpret foreign direct investment as a strategic tool to stimulate a nation's economic growth, to create new jobs and expand existing manufacturing industries by providing financial support. financing and developing R&D to introduce new methods, processes, techniques and products and services. The government needs to take certain measures not only to attract FDI inflows, but to distribute them to all sectors in a systematic way. If the disbursement of the amount is done systematically, the country's exports will gradually increase. If the country's exports increase, balance of payments problems can be avoided. It would be better and ideally to think that investments should be made in such a way as to facilitate an increase in the country's exports.

One researcher explained that FDI affects two directions, one is investment in India through FDI, the other is due to FDI, as the number of industries increases, these industries create air, water, and noise pollution. noise, etc. when FDI increases, the pollution rate (Co2) also increases. When FDI allows a country, the government must try to estimate the long-term impact on the economy and the environment, which is also significant, because we live in this country. Pollution is known to increase due to rapid industrialization. When investments are made in the form of FDI, their impact on the environment should also be considered.

The results of the Foreign Direct Investment (FDI) analyzer can be seen as a strategic tool, helping a country become economically strong by providing jobs, increasing output by providing better methods, procedures, processes and techniques. When investing in manufacturing sectors, complex technologies and techniques can be applied in operations management. The government should formulate FDI policy in such a way that it is not only introduced but properly implemented to strengthen the economy. The government should focus on export-related production to avoid balance of payments problems. However, it can be seen that exports and productivity are very low due to low FDI inflows into India at both the micro and macro levels. Investment must be equal in all areas, but not in priority areas. India is an agriculturally based society, most of the people of India are dependent on the agricultural sector. If investment is increased in the agricultural sector, it can create huge job opportunities. The per capita income of the people will gradually increase.

There is a resource that explains single and multi-brand retailers in India. Several studies prove that allowing one brand and multiple brands in India will not become a threat to kirana stores in India. Having strategic alliances with multinational corporations, the country's economy will step up step by step. The government should make sure to introduce single- and multi-brand retail stores in India.

Basically, FDI will have a lasting impact on a country not only to gain competitive advantage but also to become a source of finance and technology that can be transferred from one country to another, some projects that improve a country's infrastructure that develop a country's transportation system. India ranks 5th among the recipients of foreign direct investment in the world and 2nd among developing countries (World Investment Report 2010).

According to sources, FDI will increase GDP growth rate in India. The country's exports will gradually increase, which could protect the value of the rupee; can avoid balance of payments problems. The country's per capita income will gradually increase; population's standard of living increases. Job opportunities will increase.

IV. IMPORTANCE OF STUDY

Economic growth is necessary for every country, the country's economic growth depends on supervisory policies and instruments, financial services, financial instruments and FDI (foreign direct investment). into this country. When a country develops well economically, the standard of living of its people will automatically increase. This is why foreign direct investment in India is of great importance. Currently, India is investing a lot in the form of FDI, in India. Investments made in the form of FDI are limited to priority sectors such as services, infrastructure and telecommunications. It is extremely important to develop the remaining sectors such as pharmaceuticals, drugs and chemicals, agriculture and industrial sectors in India. This is why there is importance for FDI in India.

V. STATEMENT OF PROBLEM

In India, FDI is uneven, investments are made in a preferred manner where huge returns can be generated. India is a country dependent on agriculture, most of the people depend on the agricultural sector, but the investments in the agricultural sector are very few, it is very important to invest in the agricultural sector and related fields.

VI. OBJECTIVES OF THE STUDY

- Know the impact of FDI on the Indian economy.
- Know the impact of investments in the form of FDI on the country's exports.
- Know the investments made in the form of FDI, in different sectors.
- Perform analysis based on investments made in the form of FDI.
- Suggest the best factors to help improve the economic condition of the country?

VII. RESULTS AND DISCUSSIONS

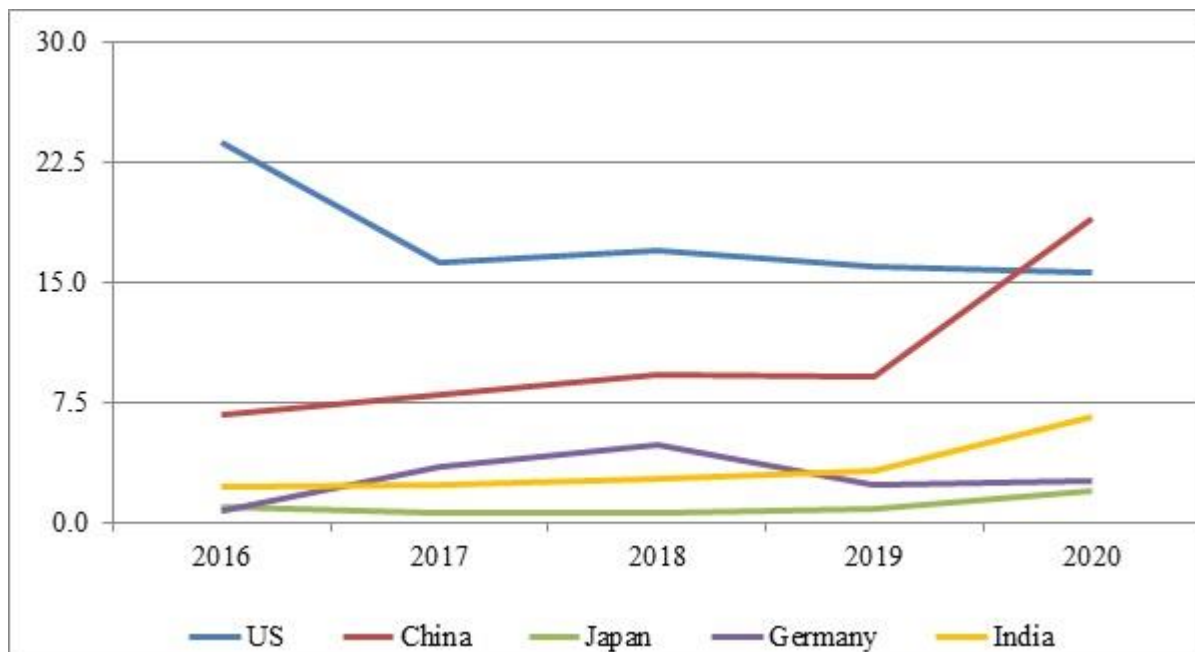
The role of foreign direct investment (FDI) in economic growth is multidimensional and recognized in both developed and developing countries. FDI also plays an important role in facilitating global value chain integration between countries. However, FDI inflows are not automatic but depend on many factors, including regulatory policies, investment environment, competitiveness, market size and political stability of the host country. The shift in focus of the world economy and very active policies to encourage FDI by key countries in the Asian region have had the effect of redirecting FDI flows to Asia, especially towards the developing countries. major economies like China and India. In 2020, as most Western economies struggle to cope with the COVID-19 pandemic, the shift in global FDI flows to Asia will intensify.

According to the "Investment Trends Monitor" released by the United Nations Conference on Trade and Development (UNCTAD) in January 2021, global FDI dropped sharply in 2020 due to the COVID-19 pandemic. In 2020, global FDI fell by more than 42%, from about \$1.5 trillion in 2019 to about \$859 billion in 2020. India and China are the only major destination economies with capital investment. Foreign direct investment (FDI) goes against the trend and attracts positive FDI growth. flow of the previous year. While FDI inflows into India increased 13% to about \$57 billion, FDI into China increased 4% to about \$163 billion. However, FDI inflows into most other major economies, including the United States, Germany, France, the United Kingdom, and Brazil, have fallen sharply.

The United States has been the world's top recipient of foreign direct investment for decades, but a steeper 49% decline in 2020 has pushed it to second place while China, which has long been come in second, displacing the United States in the top spot in the world. destination of FDI inflows in 2020. Although the gap between the US and China in terms of FDI inflows has narrowed over the past 5 years in recent years, the US's fall from the leading position in 2020 mainly due to the handling of the covid-19 pandemic. However, the United States should regain its footing once the pandemic is contained and pre-pandemic economic growth is restored, at least for the next few years. According to the IMF's January 2021 World Economic Outlook Update, the US economy is expected to grow 5.1% in 2021 and 2.5% in 2022.

Figure 1.1 shows the weighting. changes in the five major economies in global FDI flows over the past five years. While the share of the US in global FDI flows has continuously decreased, from 24% in 2016 to 16% in 2020, the share of India and China has decreased from 2.2% and 6.7 respectively. % Down 6.6% and 19% during the same period. However, it is important to note that the gap between India and China remains remarkably high. Japan has seen a steady increase in its share of FDI since 2017,

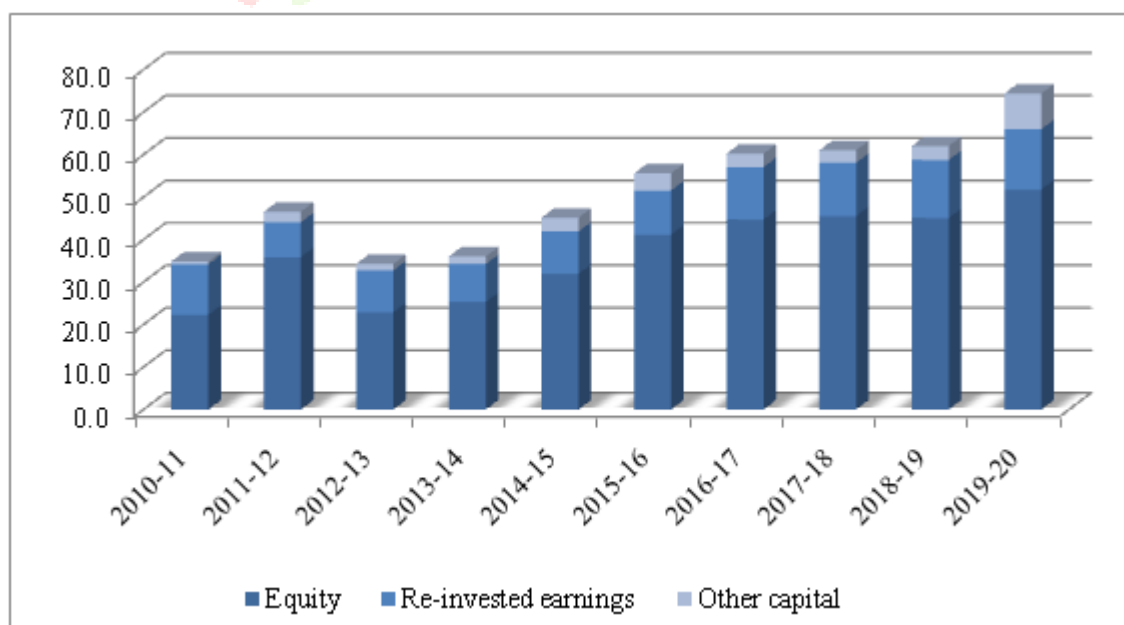
while FDI inflows into Germany have been volatile. While FDI inflows into Japan have always been lower than inflows to India over the past five years, Germany has also recorded lower FDI inflows than India over the past two years.



Source: World Investment Report 2020 and UNCTAD’s Investment Trend Monitor, January 2021

According to the "FDI Information Sheet" of the Department for Industrial Promotion and Internal Trade (DPIIT), Ministry of Trade and Industry, FDI inflows into Vietnam in the past 5 years have grown significantly compared to the previous 5 years. many years. The cumulative amount of FDI received by India from 2015 -2016 to 2019 - 20 is about \$312 billion, about 59% more than the total FDI of around \$197 billion received between 2010-11 and 2014 - 15. Figure 2 indicate FDI inflows in the country. Degrees since 2010 - 11. While annual FDI inflows fell below 50 billion USD before 2015-16, but remained above 55 billion USD after that, this indicates a significant increase in capital inflows. FDI into this country in the past 5 years. In 2019 - 20, the total foreign direct investment (FDI) in India exceeded 74 billion USD; this number is expected to increase further in 2020 - 21, as the data available for the first six months (April-September 2020) shows foreign direct investment (FDI) inflows at around \$40 billion. dollars, the highest level ever recorded in the year-over-year period. The latest increase is mainly due to the software and hardware sector, which alone attracted FDI inflows of 17.55 billion USD in the first half of 2020 - 21. Another positive aspect that should be emphasized is the FDI inflow into India mainly by equity, which accounts for about 70% of the total FDI received by India in 2019 - 20.

Figure1. 2: FDI flows to India, in US\$ million



Source: DPIIT, Ministry of Commerce and Industry

As a long way because the sectoral composition of FDI inflows is concerned, non-production sectors stay the maximum vital FDI recipients in India. As Table 1 demonstrates, offerings inclusive of finance, banking, insurance, outsourcing, R&D, courier, etc., constituted extra than 17% of the cumulative FDI fairness acquired through the country till March 2020. This turned into accompanied through pc software program and hardware (software program is the principle constituent), telecommunications, buying and selling and production improvement that encompass townships, housing etc. These pinnacle 5, specifically non-production sectors, attracted extra than 46% of the India overall cumulative FDI fairness till March 2020. The best production industries that had been ranked some of the pinnacle 10 FDI receiving sectors had been automobiles, chemicals, and drug and pharmaceuticals. Other production sectors which have regarded withinside the pinnacle 20 recipient sectors encompass the metallurgical, meals processing, electric system and commercial equipment industries.

In phrases of increase over the past 5 years, overall cumulative FDI fairness inflows have extended at a CAGR of 13.6%, growing from US\$248.6 billion in March 2015 to extra than US\$470 billion in March 2020. FDI fairness influx to infrastructure production has visible the most increase at a CAGR of 37.4%, growing from US\$3.4 billion to US\$16.8 billion for the duration of the identical period. This turned into accompanied through buying and selling (27.9%), pc software program and hardware (24.5%), non-traditional energy (20.6%), data and broadcasting (18.3%), hospitals and diagnostic centers (18%), electric system (17.3%), telecommunications (16.9%) and consultancy offerings (15.4%). Other foremost sectors that attracted FDI inflows at increase costs better than overall FDI fairness encompass automobiles (14.4%), lodges and tourism (14.1%) and offerings (13.9%). As withinside the case of the amount of FDI flows, in phrases of increase withinside the closing 5 years too, it's miles once more non-production industries which have ruled FDI inflows. Despite an extensive step up in typical FDI inflows withinside the latest past, flows into production are nonetheless under the preferred level, however the big coverage recognition on improving the capability and competitiveness of Indian production. Automobiles and electric system are the best production industries which have attracted FDI inflows at a charge better than that for overall FDI inflows.

VIII. FINDINGS

- From 2002-2003 and 2009-2010, the investments made in the form of FDI, is gradually increased.
- Investments Made in the form of FDI, it is prioritized to certain areas only like Service, Infrastructure, and Telecommunication.
- When foreign Direct Investments are increasing, the GDP of the Country is also increasing gradually.
- When FDI, increasing from 2002-2003 to 2009-2010 the exports also increased.
- Inflation rate also increasing, the current rupee Value gradually decreased

IX. RECOMMENDATIONS

I would like to suggest that, the investments made in the form of FDI; it was happened in certain areas only. That is why those areas only developed, whereas remaining areas like Agriculture, Drugs & Chemicals, Power, Automobile, and Hotel & Tourism still in underdeveloped sectors. These Sectors also plays a prominent in the economies like India. There should be considerable, investments in Agricultural sector.

When FDI, increasing the exports of the country should gradually increase. Nation should be free from balance of payment problem. This can be removed through decreasing imports and increasing exports.

Economists should look after that Rupee Value should not decrease. This will take place only by increasing exports.

REFERENCES

1. Rangappa, E. (2013, August). Impact of Foreign Direct Investment on Indian Economy. *Advances in Management*, 6(8).
2. Joysri, Acharyya. (2009, June). FDI Growth and the environment: Evidence from India on Co2 emission during the last two decades. *Journal of economic development*. 34(1), 43.
3. Mahanta, Devajit. (2012, September). Impact of Foreign Direct Investment on Indian economy. *Res. J. Management Sci*, 1(2), 29-31. ISSN 2319-1171.
4. Lina, M. Fernandes, Ruksana, Banu, & Simon, A. Simi. (2012, November). In Multi-Brand Retail: Issues and Implications on Indian Economy. *Pacific Business Review International*, 5(5).
5. Anitha, R. (2012, August). Foreign Direct Investment and economic growth in India. *International Journal of Marketing, Financial Services & Management Research*, 1(8). ISSN 2277-3622.
6. Caves, R. (1996) *Multinational Enterprise and Economic Analysis*. Cambridge, England: Cambridge University Press.