

# Factors Determining in Foreign Direct Investment (FDI) in India

R. Vijayalakshmi, V. Palanisingham, G. Lingavel, T. R. Gurumoorthy

**Abstract:** Foreign direct investment (FDI) has become an integral part of national development strategies for almost all the nations globally. The study global popularity and positive output in augmenting of domestic capital, productivity and employment; has made it an indispensable tool for initiating economic growth for countries. The FDI in India has contributed effectively to the overall growth of the economy in the recent times. The government adopted a New Economic Policy which promoted the policy of LPG (Liberalization, Privatization and Globalization). This has resulted in promoting more foreign direct investment into the country. The purpose of this study is to investigate the factors determining the foreign direct investment in India. This study also examines foreign direct investment in India. The main objectives of the study factors determining in foreign direct investment in India. The data mainly based on secondary data. The collected data were analysed by using trend analysis and growth rate of top ten sectors in India. This study also found that FDI in India has contributed effectively to the overall growth of the economy in the recent times. Thus, India can grow without FDI and in fact developed without or with very little FDI. Developing countries like India need substantial foreign inflows to achieve the required investment to accelerate economic growth and development.

**Keywords :** Foreign Direct Investment, Economic Growth, Foreign Direct Investment Sectors, Economic Policy, Developing Countries.

## I. INTRODUCTION

Foreign direct investment (FDI) has become a primary part of national development strategies for almost all the nations globally. It's global esteem and positive output in augmenting of domestic capital, production and service; has made it an crucial tool for initiating financial growth for countries. FDI in India has contribute efficiently to the overall growth of the financial system in the recent times. FDI inflow has an impact on India's transport of new technology and innovative ideas; improving infrastructure, thus makes a competitive business environment. Perhaps not, if we imagine entire world as a

one country, then the word is initial and growing without investment from any other planet.

Thus, India can develop without Foreign Direct Investment and in fact developed without or with very slight FDI till 1980s but pattern and rate of growth is exclusively different from the post 1990 years. Since, the Gross Domestic Product growth rate is falling now, export growth and Index of Industrial Production (IIP) abysmally low, need for big push is felt for the financial system and if domestic investment is unable to provide that movement, foreign investment can bridge that gap. The countries are directly interested in engaging FDI, because they benefit a lot from such type of investment. The 'home' country want to take the advantage of the vast markets opened by developed growth. On the other hand the 'host' countries want to acquire technical and managerial skills and addition domestic savings and foreign exchange. Moreover, the small number of all types of resources viz. financial, capital, entrepreneurship, technological know- how, skills and practices, access to markets- abroad- in their economic growth, developing nations accepted FDI.

## 1.2 CONCEPTUAL FRAMEWORK

**1.2.1 EMERGING MARKET IN FDI:** Foreign Direct Investment (FDI) is an asset made by a company in a country other than that in which is it based, and are investments in the country's domestic goods and services. This doesn't embrace foreign investments within the domestic exchange. Equity investments square measure additional volatile associate degreed have a bent to emanate of an economy at the primary sign of trouble; equally FDI's square measure invariably expected to be a relatively stable longer-term commitment on behalf of a transnational company.

**1.2.2 THE MACRO-ECONOMIC DETERMINANTS IN ATTRACTING FDI TO AN EMERGING ECONOMY**

- The human resources of a country play an important role in attracting foreign direct investors to a country. In such cases the investors square measure lured by the

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prospects of an enormous client base.

- A strong correlation exists between FDI and a country's market-size as measured by the gross domestic product per capita, in other words, a market with good spending capabilities offer is attractive to investors.
- The human resources of the country is powerfully instrumental in attracting direct investment from overseas. Countries like China have taken a full of life interest in up the standard of their unskilled employee force.
- The business method outsourcing (BPO) revolution, as well as the boom of the Information Technology companies in countries like India is proof of the fact that the educated labor force has contend a very important half in attracting foreign direct investment.
- Infrastructure facilities like quality telecommunications, electricity, roads and railways play an important part in attracting foreign direct investors to invest in a particular country. Other factors like the suitable restrictive setting and low company financial gain taxes attract FDIs.
- Governments of emerging markets tend to over regulate foreign companies to protect the local industry especially the micro, small and medium enterprises (MSME). Restrictions like venture and native sourcing necessities will limit the way during which the foreign corporations square measure allowed to control.

## II. REVIEW OF LITERATURE

Foreign Direct Investors look into various factors before making compact decision in a country. Foreign Direct Investment (FDI) is an investment made by a company in a country other than that in which is it based, and are investments in the country's domestic goods and services. The Foreign Direct Investment various factors are influencing and determining this study.

### 2.1 THE RELATIONSHIP BETWEEN THE FOREIGN DIRECT INVESTMENT IN INDIA

The link between country-level corporate governance and foreign direct investment in African economies. The examined of the economies over the period of the study and use the system generalized method of moments (GMM) to establish the relationship between

country-level corporate governance and foreign direct investment. The African economies characterized by firms with high ethical values tend to attract a great deal of foreign direct investment. In addition, they highlight that when an economy is associated with effective corporate boards, it tends to attract much foreign direct investment (Otuo Serebour & Christopher Gbetty 2019). "Domestic and foreign direct investment in Ghanaian agriculture" the effects of Foreign Direct Investment (FDI) into agriculture on domestic investment in agriculture. This study foreign direct investment into agriculture crowd-in domestic investment into agriculture. The relationship between foreign direct investment and domestic investment at the aggregate national and regional levels. However, the evidence for this relationship has been conflicting. That for agriculture is rare (Justice Gameli Djokoto & Francis Yao Srofenyoh 2014). Multinational Activity in Emerging Markets: How and When Does Foreign Direct Investment Promote Growth?" among the prominent economic trends in recent decades is the exponential increase in flows of goods and capital driven by technological progress and falling of restrictions. A key driver of this phenomenon has been the cross-border production, foreign investment, and trade both final and intermediate goods by multinational corporations. This study foreign direct investment (FDI) affects host economies. The mechanisms by which multinational activity might create positive effects and externalities to countries and the role of complementary local conditions, also known as "absorptive capacities," that allow a country to reap the benefits of FDI paying particular attention to the role of factor markets, reallocation effects, and the linkages generated between foreign and domestic firms. ( Laura Alfaro 2017). A new era for foreign direct investment?", to provide an updated broad assessment of the environment for foreign direct investment (FDI) in light of the referendum vote in the UK to exit the European Union (Brexit), and growing nationalist movements in Europe. This study set out the main issues linking recent political developments to FDI. (Steven Globerman 2017). Foreign Direct Investments (FDI) are important to policy-makers, investors, the banking industry and the public at large. FDI in Ghana has received increased attention in recent times because its relevance in the Ghanaian economy is too critical to gloss over. The study found a co integrating relationship between FDI and its determinants. The study found that both the long-run and short-run results found statistically significant negative effects of inflation rate, exchange rate and interest rate on FDI in Ghana while gross domestic product,

electricity production and telephone usage (TU) had a positive effect on FDI (Michael Asiamah & Daniel Ofori 2019).

(57970). The service sectors FDI inflow in India forecasting the future value of 2019-20 (60819) and 2020-21 the inflow of forecasting (105229).

### III. OBJECTIVES OF THE STUDY

- To study the Foreign Direct Investment (FDI) in India.
- To analyze the Sectors inflow in India.

### IV. RESEARCH METHODOLOGY

This study is based on secondary data. The required data have been collected from various sources i.e. World Investment Reports, various publications from Ministry of Commerce, Govt. of India, Economic and Social Survey of Asia and the Pacific, United Nations, Country Reports on Economic Policy and Trade Practice Bureau of Economic and Business Affairs, etc.. It is a time series data and the relevant data have been collected for the period 2016 to 2019.

#### 4.1 ANALYTICAL TOOLS

In order to analyse the collected data the following mathematical tools were used.

To work out the trend analyses the following formula is used:

a.) Trend Analysis i.e.  $\hat{y} = a + b x$

where  $\hat{y}$  = predicted value of the dependent variable

a = y – axis intercept,

b = slope of the regression line (or the rate of change in y for a given change in x),

x = independent variable (which is time in this case).

b.) Annual Growth rate is worked out by using the following formula:

$$AGR = (X_2 - X_1) / X_1$$

where  $X_1$  = first value of variable X

$X_2$  = second value of variable X

### V. ANALYSIS AND INTERPRETATION

#### 5.1 ANNUAL GROWTH RATE & TREND ANALYSIS

Table 1:SERVICE SECTORS EQUITY INFLOW IN INDIA

S. No.	Years	Amount in Rs. Crore	Growth rate	Trend	Forecasting
1	2016-17	58214	-	52276	-
2	17-18	43249	-25.71	55123	-
3	18-19	63909	47.77	57970	-
4	19-20	-	-	-	60819
5	20-21	-	-	-	105229

From the table 5.1 it is reveals that the Service Sector FDI inflows in the years from 2016-2019. In the years total amount of services FDI inflows are Rs. 165372 crores. The highest amount of service sector FDI inflows are Rs.63909 crores obtained for March 2019. The annual growth rate of FDI inflows in 2017-18 (-25.71) and 2018-19 FDI inflows (47.77). the trend for FDI inflows 2016-17 (52276) and 2017-18 FDI Inflows in (55123) and FDI inflows in 2018-19

Table 2:COMPUTER SOFTWARE & HARDWARE SECTORS EQUITY INFLOW IN INDIA

S.No.	Years	Amount in Rs. Crore	Growth rate	Trend	Forecasting
1	2016-17	24605	-	26178	-
2	17-18	39670	61.23	36524	-
3	18-19	45297	14.18	46870	-
4	19-20	-	-	-	57216
5	20-21	-	-	-	56551

From the table 5.2 it is report that the Computer Software & Hardware Sector FDI inflows in the years from 2016-2019. In the years total amount of services FDI inflows are Rs. 109572 crores. The highest amount of Computer sector FDI inflows are Rs.45297 crores obtained for March 2019. The annual growth rate of FDI inflows in 2017-18 (61.23) and 2018-19 FDI inflows (14.18). the Trend for FDI inflows 2016-17 (26178) and 2017-18 FDI Inflows in (36524) and FDI inflows in 2018-19 (46870). The Computer Software & Hardware sectors FDI inflow in India forecasting the future value of 2019-20 (57216) and 2020-21 the inflow of forecasting (56551).

Table 3:TELECOMMUNICATION SECTORS EQUITY INFLOW IN INDIA

S.No.	Years	Amount in Rs. Crore	Growth rate	Trend	Forecasting
1	2016-17	37435	-	36869	-
2	17-18	39670	5.97	40800	-
3	18-19	45297	14.18	44731	-
4	19-20	-	-	-	48662
5	20-21	-	-	-	56551

From the table 5.3 it is reveals that the Telecommunication Sector FDI inflows in the years from 2016-2019. In the years total amount of services FDI inflows are Rs. 122402 crores. The highest amount of Telecommunication sector FDI inflows are Rs.45297 crores obtained for March 2019. The annual growth rate of FDI inflows in 2017-18 (5.97) and 2018-19 FDI inflows (14.18). the Trend for FDI inflows 2016-17 (36869) and 2017-18 FDI Inflows in (40800) and FDI inflows in 2018-19 (44731). The Telecommunication sectors FDI inflow in India forecasting the future value of 2019-20 (48662) and 2020-21 the inflow of forecasting (56551).



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**Table 4: CONSTRUCTION SECTORS EQUITY INFLOW IN INDIA**

S. No.	Years	Amount in Rs. Crore	Growth rate	Trend	Forecasting
1	2016-17	703	-	1492	-
2	17-18	3472	393.88	1890	-
3	18-19	1503	-56.71	2292	-
4	19-20	-	-	-	2692.667
5	20-21	-	-	-	-2435

From the table 5.4 it is shows that the Construction Sector FDI inflows in the years from 2016-2019. In the years total amount of services FDI inflows are Rs.5678 crores. The highest amount of Construction sector FDI inflows are Rs.45297 crores obtained for 2017-2018. The annual growth rate of FDI inflows in 2017-18 (393.88) and 2018-19 FDI inflows (-56.71). the Trend for FDI inflows 2016-17 (1492) and 2017-18 FDI Inflows in (1890) and FDI inflows in 2018-19 (2292). The Construction sectors FDI inflow in India forecasting the future value of 2019-20 (2692) and 2020-21 the inflow of forecasting (-2435).

**Table 5: TRADING SECTORS EQUITY INFLOW IN INDIA**

S.No.	Years	Amount in Rs. Crore	Growth rate	Trend	Forecasting
1	2016-17	15721	-	17299	-
2	17-18	28078	78.60	24920	-
3	18-19	30963	10.27	32541	-
4	19-20	-	-	-	40162.67
5	20-21	-	-	-	36733

From the table 5.5 it is observed that the Trading Sector FDI inflows in the years from 2016-2019. In the years total amount of services FDI inflows are Rs.74762 crores. The highest amount of Trading sector FDI inflows are Rs.30963 crores obtained for March 2019. The annual growth rate of FDI inflows in 2017-18 (78.60) and 2018-19 FDI inflows (10.27). the Trend for FDI inflows 2016-17 (17299) and 2017-18 FDI Inflows in (24920) and FDI inflows in 2018-19 (32541). The Trading sectors FDI inflow in India forecasting the future value of 2019-20 (40162) and 2020-21 the inflow of forecasting (36733).

**Table 6 : AUTOMOBILE SECTORS EQUITY INFLOW IN INDIA**

S. No.	years	Amount in Rs. Crore	Growth rate	Trend	Forecasting
1	2016-17	10824	-	10455	-
2	17-18	13461	24.36	14197	-
3	18-19	18309	36.02	21681	-
4	19-20	-	-	-	21683
5	20-21	-	-	-	28005

From the table 5.6 it is observed that the Automobile Sector FDI inflows in the years from 2016-2019. In the years total amount of services FDI inflows are Rs.42594 crores. The highest amount of Automobile sector FDI inflows are Rs.18309 crores obtained for March 2019. The annual growth rate of FDI inflows in 2017-18 (24.36) and 2018-19 FDI inflows (36.02). the Trend for FDI inflows 2016-17 (10455) and 2017-18 FDI Inflows in (14197) and FDI inflows in 2018-19 (21681). The Automobile sectors FDI inflow in India forecasting the future value of 2019-20 (21683) and 2020-21 the inflow of forecasting (28005).

**Table 7: CHEMICALS (FERTILIZER) SECTORS EQUITY INFLOW IN INDIA**

S.No.	years	Amount in Rs. Crore	Growth rate	Trend	Forecasting
1	2016-17	9397	-	8358	-
2	17-18	8425	-10.34	10502	-
3	18-19	13685	62.43	12646	-
4	19-20	-	-	-	14790.33
5	20-21	-	-	-	24205

From the table 5.7 it is observed that the Chemical Sector FDI inflows in the years from 2016-2019. In the years total amount of services FDI inflows are Rs.38995 crores. The highest amount of Chemical sector FDI inflows are Rs.13685 crores obtained for March 2019. The annual growth rate of FDI inflows in 2017-18 (-10.34) and 2018-19 FDI inflows (62.43). The Trend for FDI inflows 2016-17 (8358) and 2017-18 FDI Inflows in (10502) and FDI inflows in 2018-19 (12646). The Chemical sectors FDI inflow in India forecasting the future value of 2019-20 (14790) and 2020-21 the inflow of forecasting (24205).

**Table 8: DRUGS & PHARAMACEUTICALS SECTORS EQUITY INFLOW IN INDIA**

S.No.	Years	Amount in Rs. Crore	Growth rate	Trend	Forecasting
1	2016-17	5723	-	6629	-
2	17-18	6502	13.61	4689	-
3	18-19	1842	-71.67	2749	-
4	19-20	-	-	-	808
5	20-21	-	-	-	-7478

From the table 5.8 it is observed that the Drugs & Pharamaceuticals Sector FDI inflows in the years from 2016-2019. In the years total amount of services FDI inflows are Rs.14067 crores. The highest amount of Drugs & Pharamaceuticals sector FDI inflows are Rs.6502 crores obtained for 2017- 2018. The annual growth rate of FDI inflows in 2017-18 (13.61) and 2018-19 FDI inflows (-71.67). The Trend for FDI inflows 2016-17 (6629) and 2017-18 FDI Inflows in (4689)



and FDI inflows in 2018-19 (2749). The Drugs & Pharmaceuticals sectors FDI inflow in India forecasting the future value of 2019-20 (808) and 2020-21 the inflow of forecasting (-7478).

Table 9: CONSTRUCTION SECTORS EQUITY INFLOW IN INDIA

S.No.	years	Amount in Rs. Crore	Growth rate	Trend	Forecasting
1	2016-17	12478	-	13600	-
2	17-18	17571	40.82	15324	-
3	18-19	15927	-9.36	17058	-
4	19-20	-	-	-	18774.33
5	20-21	-	-	-	12639

From the table 5.9 it is observed that the Construction Sector FDI inflows in the years from 2016-2019. In the years total amount of services FDI inflows are Rs.14067 crores. The highest amount of Drugs & Pharmaceuticals sector FDI inflows are Rs.6502 crores obtained for 2017- 2018. The annual growth rate of FDI inflows in 2017-18 (13.61) and

2018-19 FDI inflows (-71.67). The Trend for FDI inflows 2016-17 (6629) and 2017-18 FDI Inflows in (4689) and FDI inflows in 2018-19 (2749). The Drugs & Pharmaceuticals sectors FDI inflow in India forecasting the future value of 2019-20 (808) and 2020-21 the inflow of forecasting (-7478).

Table 10: POWER SECTORS EQUITY INFLOW IN INDIA

S.No.	Years	Amount in Rs. Crore	Growth rate	Trend	Forecasting
1	2016-17	7473	-	8496	-
2	17-18	10473	40.14	8425	-
3	18-19	7330	-30.01	8354	-
4	19-20	-	-	-	8282.333
5	20-21	-	-	-	1044

From the table 5.10 it is observed that the Power Sector FDI inflows in the years from 2016-2019. In the years total amount of services FDI inflows are Rs.25276 crores. The highest amount of Power sector FDI inflows are Rs.10473 crores obtained for 2017- 2018. The annual growth rate of FDI inflows in 2017-18 (40.14) and 2018-19 FDI inflows (-30.01). The Trend for FDI inflows 2016-17 (8496) and

2017-18 FDI Inflows in (8425) and FDI inflows in 2018-19 (8354). The Power sectors FDI inflow in India forecasting the future value of 2019-20 (8282) and 2020-21 the inflow of forecasting (1044).

**ECONOMIC GROWTH MODEL**

Table 11 : SERVICE SECTORS

Model	Unstandardized Coefficients		t	F change	Sig.
	B	Std. Error			
1 (Constant) year	52276.500	13276.654	3.937	.077	.158
	2847.500	10284.052	.277		.828

$R_2 = 0.710$ , Adjusted  $R_2 = .858$

In the Economic Growth Model (Table – 5.11), estimated coefficient on foreign direct investment has a positive relationship with Sector of inflow in India. It is revealed from the analysis that FDI is a significant factor determining the level of economic growth in India. The coefficient of determination, i.e. the value of  $R_2$  explains 0.710 level of economic growth by foreign direct investment in India. The

F-statistics value also explains the significant relationship between the level of economic growth and FDI inflows in India. Thus, the findings of the economic growth model show that FDI is a vital and there is no significant difference between factor determining the level of growth in India.

Table 12: COMPUTER SOFTWARE & HARDWARE SECTORS

Model	Unstandardized Coefficients		t	F-change	Sig.
	B	Std. Error			
(Constant) year	26178.000	3517.335	7.443	14.420	.085
	10346.000	2724.516	3.797		.164

$R_2 = .935$ , Adjusted  $R_2 = .870$

From the Table.5.12, estimated coefficient on foreign direct investment has a positive relationship with Sector of inflow in India. It is revealed from the analysis that FDI is a

significant factor determining the level of economic growth in India. The coefficient of determination,



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i.e. the value of R<sup>2</sup> explains 0.935 and Adjusted R<sub>2</sub>= .870 level of economic growth by foreign direct investment in India. The F-statistics value also explains the significant relationship between the level of economic growth and FDI inflows in India. Thus, the findings of the economic growth

model show that FDI is a vital and there is no significant difference between factor determining the level of growth in India.

Table 13:TELECOMMUNICATION SECTORS  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		t	F change	Sig.
	B	Std. Error			
1 (Constant)	36869.667	1264.124	29.166	16.117	.022
year	3931.000	979.186	4.015		.155

R<sub>2</sub>= .942, Adjusted R<sub>2</sub>= .883

From the Table.5.13, estimated coefficient on foreign direct investment has a positive relationship with Sector of inflow in India. It is revealed from the analysis that FDI is a significant factor determining the level of economic growth in India. The coefficient of determination, i.e. the value of R<sup>2</sup> explains 0.942 and Adjusted R<sub>2</sub>= .883 level of economic growth by foreign direct investment in India. The F-statistics

value also explains the significant relationship between the level of economic growth and FDI inflows in India. Thus, the findings of the economic growth model show that FDI is a vital and there is no significant difference between factor determining the level of growth in India.

Table 14:CONSTRUCTION DEVELOPMENT SECTORS  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		t	F Change	Sig.
	B	Std. Error			
1 (Constant)	1492.667	1765.748	.845		.553
year	400.000	1367.743	.292	.086	.819

R<sub>2</sub>= .790, Adjusted R<sub>2</sub>= .843

From the Table.5.14, estimated coefficient on foreign direct investment has a positive relationship with Sector of inflow in India. It is revealed from the analysis that FDI is a significant factor determining the level of economic growth in India. The coefficient of determination, i.e. the value of R<sup>2</sup> explains .790 and Adjusted R<sub>2</sub>= .842 level of economic

growth by foreign direct investment in India. The F-statistics value also explains the significant relationship between the level of economic growth and FDI inflows in India. Thus, the findings of the economic growth model show that FDI is a vital and there is no significant difference between factor determining the level of growth in India.

Table 15:TRADING SECTORS  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		T	F chance	Sig.
	B	Std. Error			
1 (Constant)	17299.667	3530.006	4.901	7.768	.128
year	7621.000	2734.331	2.787		.219

R<sub>2</sub>= .886, Adjusted R<sub>2</sub>= .772

From the Table.5.15, estimated coefficient on foreign direct investment has a positive relationship with Sector of inflow in India. It is revealed from the analysis that FDI is a significant factor determining the level of economic growth in India. The coefficient of determination, i.e. the value of R<sup>2</sup> explains .886 and Adjusted R<sub>2</sub>= .772 level of economic growth by foreign direct investment in India. The F-statistics

value also explains the significant relationship between the level of economic growth and FDI inflows in India. Thus, the findings of the economic growth model show that FDI is a vital and there is no significant factor determining the level of growth in India.

Table 16: AUTOMOBILE INDUSTRY SECTORS

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		t	F change	Sig.
	B	Std. Error			
1 (Constant)	10455.500	823.991	12.689	34.382	.050
year	3742.500	638.261	5.864		.108

$R_2 = .972$ , Adjusted  $R_2 = .943$

From the Table.5.16, estimated coefficient on foreign direct investment has a positive relationship with Sector of inflow in India. It is revealed from the analysis that FDI is a significant factor determining the level of economic growth in India. The coefficient of determination, i.e. the value of  $R_2$  explains .972 and Adjusted  $R_2 = .943$  level of economic growth by foreign direct investment in India. The F-statistics

value also explains the significant relationship between the level of economic growth and FDI inflows in India. Thus, the findings of the economic growth model show that FDI is a vital and there is no significant difference between factor determining the level of growth in India.

Table 17: CHEMICALS SECTORS

Model	Unstandardized Coefficients		t	F change	Sig.
	B	Std. Error			
1 (Constant)	8358.333	2322.529	3.599	1.420	.173
year	2144.000	1799.023	1.192		.444

$R_2 = .587$ , Adjusted  $R_2 = .174$

From the Table.5.17, estimated coefficient on foreign direct investment has a positive relationship with Sector of inflow in India. It is revealed from the analysis that FDI is a significant factor determining the level of economic growth in India. The coefficient of determination, i.e. the value of  $R_2$  explains .587 and Adjusted  $R_2 = .174$  level of economic growth by foreign direct investment in India. The F-statistics

value also explains the significant relationship between the level of economic growth and FDI inflows in India. Thus, the findings of the economic growth model show that FDI is a vital and there is no significant difference between factor determining the level of growth in India.

Table 18: DRUGS & PHARMACEUTICALS SECTORS

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		t	F change	Sig.
	B	Std. Error			
1 (Constant)	6629.500	2026.996	3.271		.189
year	-1940.500	1570.104	-1.236		.433

$R_2 = .604$ , Adjusted  $R_2 = .209$

From the Table.5.18, estimated coefficient on foreign direct investment has a positive relationship with Sector of inflow in India. It is revealed from the analysis that FDI is a significant factor determining the level of economic growth in India. The coefficient of determination, i.e. the value of  $R_2$  explains .604 and Adjusted  $R_2 = .209$  level of economic growth by foreign direct investment in India. The F-statistics

value also explains the significant relationship between the level of economic growth and FDI inflows in India. Thus, the findings of the economic growth model show that FDI is a vital and there is no significant difference between factor determining the level of growth in India.

Table 19: CONSTRUCTION(INFRASTRUCTURE) SECTORS

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		t	F change	Sig.
	B	Std. Error			
1 (Constant)	13600.833	2510.732	5.417	.786	.116
year	1724.500	1944.804	.887		.538

$R_2 = .440$ , Adjusted  $R_2 = .120$

From the Table.5.19, estimated coefficient on foreign direct investment has a positive relationship with Sector of inflow in India. It is revealed from the analysis that FDI is a significant factor determining the level of economic growth in India. The coefficient of determination, i.e. the

value of  $R_2$  explains .440 and Adjusted  $R_2 = .120$  level of economic growth by foreign direct investment in India. The F-statistics value also explains the significant relationship between the level of economic growth and

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FDI inflows in India. Thus, the findings of the economic growth model show that FDI is a vital and there is no significant difference between factor determining the level of growth in India.

Table 20:POWER SECTORS

Model		Coefficients <sup>a</sup>		t	F change	Sig.
		Unstandardized Coefficients				
		B	Std. Error			
1	(Constant)	8496.833	2289.361	3.711	.002	.168
	year	-71.500	1773.331	-.040		.974

$R_2 = .002$ , Adjusted  $R_2 = .997$

From the Table.5.19, estimated coefficient on foreign direct investment has a positive relationship with Sector of inflow in India. It is revealed from the analysis that FDI is a significant factor determining the level of economic growth in India. The coefficient of determination, i.e. the value of  $R_2$  explains .002 and Adjusted  $R_2 = .997$  level of economic growth by foreign direct investment in India. The F-statistics value also explains the significant relationship no difference between the level of economic growth and FDI inflows in India. Thus, the findings of the economic growth model show that FDI is a vital and there is no significant difference between factor determining the level of growth in India.

### VI. CONCLUSION

The FDI in India has contributed effectively to the overall growth of the economy in the recent times. This study also found that FDI in India has contributed effectively to the overall growth of the economy in the recent times. Domestic saving rate is not able to fuel the required investment to maintain the growth target of Twelfth Five Year Plan. Thus the gap between domestic saving rate and needed investment rate are stuffed by foreign capital coming back through FDI. Foreign investment isn't meant to switch the domestic investment however to strengthen the domestic investment. Services, telecommunications, construction, computers (software and hardware), real estate and housing, chemicals, drugs and pharmaceuticals, power, automobiles and metallurgical industries are certain sectors attracting highest FDI inflows across India. Among these sectors, financial, infrastructure sector including power, telecommunications, petroleum, metallurgy etc are the most vital for the future growth and development of the country. If domestic investment isn't bobbing up in these sectors, gap should be stuffed by the foreign investment.

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