FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH IN INDIA-WITH REFERENCE TO TRADING SECTOR-SPECIFIC ANALYSIS

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Abstract

Purpose: Inconclusive results from a slew of earlier empirical research on the link between foreign direct investment (FDI) and economic development inspired the present inquiry. The paper acknowledges that past research has relied most heavily on the shaky premise that a correlation between FDI inflows and economic development can be drawn without treating the inflows separately according to sectors. **Design/Methodology/Approach:** The purpose of the study is based on Trading Sector (Top 10 Sectors) in India and the data is secondary data collected from the DPIIT website for the period 2022-2023. We are Using stalactitical tools like ADF Stationarity, VECM, VAR, MIDAS **Originality/Value**: Utilizing a period shifting boundary model with a vector autoregressive particular, this study explores the expected effect of FDI on the extension of explicit businesses in India, a non-industrial country. The study's findings are supported by da number of econometric tests, including the Johansen's cointegration test, the vector blunder rectification model, the Granger causality test, the fluctuation disintegration examination, and the drive reaction investigation. **Findings:** Growth and investment from outside the country, both now and in the future. According to the report, in order to attract and absorb more FDI and maintain sustained economic development, economic policymakers in India should revitalize the primary sector. Furthermore, the agricultural sector may be more dependent on the government's economic growth policies than the more volatile Trading sector.

Keywords: FDI, Sectoral Growth, Sustainable Economy Growth, Time Series Model.

JEL Codes: E0, E1, E2, E3, E4, E5.

1. INTRODUCTION

The role of FDI in spurring economic development has been the subject of heated discussion in a number of nations, India included. Unfamiliar direct speculation is a fundamental component of the worldwide financial undertaking. The expansion of global output is being pushed forward by economic and technical factors. One reason is the continuous advancement of unfamiliar direct speculation and exchange strategy. Confidential capital streams as foreign direct investment (FDI) have been a characteristic of the global economy, especially in developing nations, since the 1990s. The 1980s saw the rise of multinational corporations as key players in the globalization process.

Trade and investment opportunities are expanded for emerging nations like India as a result of globalization. Since the 1970s, international commerce has grown at a faster rate than FDI, and it now constitutes the bulk of economic activity in international collaboration. Unfamiliar direct speculation (FDI) has been on the increment since the mid-1980s, while promoting and overall stock organizations for Assembling and Dissemination started to grow quick. Direct or indirect investment from outside a country's borders into a business with the expectation of a higher return and a voice in the company's management is foreign direct investment (FDI).

Foreign investors increase their stakes in firms in the host nation in line with the percentage of their stock portfolios invested there. A. Prachi Arora, Neither the IMF nor the UNCTAD WIR use the same definition of FDI that India used before; the IMF definition includes ECBs. Capital creation, new company development in the same plant, an increase in foreign equity owned by existing enterprises, mergers and acquisitions, and other types of inward FDI are all desirable. The relationship between FDI and economic expansion has remained baffling and inconclusive throughout development economics research conducted prior to and following liberalization.

Endogenous development hypothesis, one of the earliest in this field, predicts a positive relationship among's FDI and financial extension. However, actual outcomes have not always been consistent with this theoretical postulation. The connection between GDP growth and FDI can't be predicted with any degree of accuracy. (FDI) because it is so fluid (Herzer & Klasen, 2008). When comparing results from different countries, development economists from both developed and developing countries have recently come to realize the significance of taking into account the sectoral mix of inward FDI.

2. REVIEW OF LITERATURE

❖ **Kornai, (1986)[1]**: - The review, "Unfamiliar Interest in South Asia: Effect on Nearby Venture and Monetary Development included data from five host nations in the region between 1995 and 1996, with India playing a significant role. The ratio of gross domestic product to foreign direct investment showed a negative co-efficient that was not statistically significant. However, this method disregarded the fact that FDI was a homegrown phenomenon.

❖ **Lavigne, (1990)[2]**: - The review named: "Effect of FDI in India: A sectoral level survey" shows that India opened in the early 1990s as part of a reform process. In the years 1991-2010 economic growth was seen, based primarily on private and changed economies. The findings indicate a strong association between FDI (except exchange rates) and all macroeconomic variables. The FDI inflows and overall explanatory capacity for the regression model influence all economic variabilities included in the article (except the exchange rate). Johansen's test for co-insertion indicates that the FDI and IIP have a long-lasting causal relationship, the Equity, the FDI and Market Openness as well as FDI and WPI S&P CNX 500. The VAR and Impulse Reaction Function Analysis demonstrate that FDI's lagging values are more affected by its own than by other macroeconomic factors.

❖ **Kurup (1993)[3]**: - The research analysed the role of foreign banks in India's financial system. The New Channel (EPW, January 30) was hypnotizing, and he concurs with the maker's choice that the phenomenal advantages of new banks in India and, even more fundamentally, the quick responsibility of government procedure to the production of such advantages ordinarily gather an agreed with the "channel" during the trailblazer time frame. Banks, whether they are foreign or Indian, have the right to pursue profit. The state must guarantee that the goal is accomplished using lawful methods by the banks.

❖ **Charvaka (1993)[4]**: - This paper focuses on the good governance metrics that are closely correlated with the Fund's monitoring and microeconomic policy observations. Therefore, the IMF noted that government accounts accountability, efficient public fund and resources management, and the creation of a responsive

and stable private sector environment are crucial to all stages of growth. In addition, the Economic Co-operation and Development Organization is based as the core components of good governance in terms of accountability, openness, efficiency and efficiency, transparency, forward-thinking and rule of law. In addition, the Committee agreed that its infrastructure should be developed, natural resources efficiently used, the workforce strengthened, a emphasis on developing the private sector and equal and lenient regulations focused on monetary policies, taxation and international trade for foreign investment attraction should be adopted.

❖ *Kurup (1994)[5]: -* This paper looked at the mess that is partial bank privatization and made the case that the only banks that should consider going to the market to raise capital are those that have as of now met regulatory requirements for their capitalization levels. Moreover, despite the fact that laws have been passed to allow banks to offer shares to the public, several logistical challenges have emerged.

❖ **Kurup (1996)[6]**: - Reforms and openness in the banking industry were studied. He contended that the social obligations of the banking industry were weakened by the changes, even if the system was not substantially disrupted. It remains to be seen whether or not such changes will be well received by the general public. This article emphasises the need of high-quality information in the context of the changes being made.

❖ **Government of India constituted second Narasimhan Committee under the leadership of Mr. M. Narasimhan in (1998)[7]**: - Phase two of banking reforms encouraged financial institution expansion via new lines of activity. Since 1999, when the second banking sector reform began, we have seen an uptick in bank performance and, at the same time, a number of shifts as a result of banks expanding their operations into new international markets. Overall, the results show that changes in the banking sector have been successful in raising the sector's productivity, profitability, efficiency, and competitiveness.

❖ **Urjit R. Patel (1997)[8]**: - The paper highlighted the necessity for certain crucial reforms to be executed to place Indian relying upon a solid groundwork for extending worldwide joining of the Indian economy, both in genuine and money related terms, and addressed developing reforms in Indian banking from an international viewpoint. preserving a greater capital adequacy ratio; formulating a strategy for privatization and exit to facilitate sector restructuring; and arguing that the advantages of a strong domestic banking system with regards to compelling homegrown monetary intermediation are undeniably significant are all policy objectives and measures based on international experience.

❖ **Mirza, (1998)[9]**: - The article "Fixed Expenses and FDI, The Clashing Impacts of Productivity Shocks" includes the two-sided nature of adventure choices. The initial investment was a factor in making this choice. However, when there are permanent initial outlays, the company may reap the benefits of the investments they need to make in order to turn a profit. Negative situations in terms of marginal productivity are possible. The research found that a company has two options when deciding whether or not to invest: should they invest at all, and if so, how much.

❖ **Kidwai (1998)**[10] made a point to contrast the economies of India with China. In the 1990s, as the Chinese growth train picked up speed, an influx of international finance started. In 1995, China was second just to the US regarding unfamiliar direct speculation. To get the Indian tale moving quicker, investment in India needs be boosted by more than 90%; yet, this cannot be accomplished just via Indian efforts.

3. STATEMENT OF PROBLEM:

Recent years have seen massive influxes of foreign direct investment (FDI) into developing economies. Growing economies tend to have significant influence on attracting FDIs through concentrating on promising industries, institutional arrangements, and policy reforms, thanks to their economic and social growth. India has been slow to attract the large quantity of FDI despite regulatory liberalization, investor assurances, incentives, concessions, etc. China's FDI has quadrupled over the last decade, while India's have increased dramatically in general. Despite being one of the world's fastest-growing countries (together with the other BRICS nations), and despite the fact that foreign direct investment (FDI) into the country is becoming more important, FDI inflows have fallen short of expectations. The data on Indian FDI flows from the year 2000 shows a steady upward trend. However, India's influx of foreign direct investment (FDI) has lagged below the worldwide average. Although many researchers have examined this topic, the impact that institutional determinants sector-by-sector play in the expansion of FDI flows has received surprising little attention. Because of obstacles like the influence of Indian institutional factors and economic forces, not all industries are able to attract FDI flows substantially.

4. RESEARCH GAP

India is falling behind in luring high-quality FDI investments. India still isn't in the top spot, despite all the government's and industry's best efforts. The influence of policy on incoming FDI is largely unexplored. Investment choices, technical challenges, and economic difficulties connected to the mobilization of capital via FDI have received very little academic attention. India's government has been keeping an eye on this area of innovation as a means of luring foreign direct investment. The majority of research efforts have focused on examining the obstacles posed by regulations to FDI. Overall, while research on unfamiliar direct speculation have been led on a worldwide, public, and local level, with the aid of relatively large samples, they have not done the increase of flows, problems, and concerns associated with FDI full justice.

5. OBJECTIVES OF THE STUDY

- The purpose of this research is to analyse the impact of FDI on India's commercial sector.

- To analyse the effect of FDI on the expansion of India's commercial trading industry.

6. HYPOTHESES OF THE STUDY

HO: There is no impact of Foreign Direct investment on the Trading sector growth.

H1: There is an impact of Foreign Direct investment on the Trading Sector factors

7. RESEARCH METHODOLOGY

Study period:

The period of the study is between the financial year 2022-23. And the data collected from DPIIT website.

Sample Size:

Basically, my study is secondary data from I find one of the sector (Trading) out of top 10 sectors in India.

Stalactitical tools to be used:

- ADF
- JCI
- PPF
- VAR
- VECM

8. SCOPE OF THE STUDY

In this study is base for stock market volatility of Trading sector in India. We take various yearly data from Indian stock Market.

9. NEED FOR THE STUDY

The importance of India's FDI to the global economy has been highlighted in the research. The study's primary emphasis was on the role of sectoral investments in driving development in the Indian economy. Foreign direct investments from 2004 to 2015 were analysed in this research. Sectors, economic variables, and institutional characteristics were all taken into account in the research. Industries with consistently high levels of foreign direct investment (FDI) from 2004 forward were prioritized for inclusion.

10. LIMITATIONS OF THE STUDY

The ongoing review depended exclusively on optional information, and since the vital information from respectable sources was inconsistent, the statistical analysis may have yielded inaccurate conclusions. For instance, it's not easy to assess the relevance of potential factors of FDI at the national level. In addition, it was challenging to apply the raw data to issues related to the business environment, such as the efficacy of government, the availability of technology, etc Data from India's Reserve Banks on incoming Foreign Direct Investment (FDI) does not line up with numbers from the UN Conference on Trade and Development (UNCTAD), and the same holds true for the International Monetary Fund (IMF), the World Bank, and the UNCTAD.

11. RESULT AND DISCUSSION

❖ **To study the Role of Foreign Direct investment (FDI) inflows in India reference to Trading Sector.**

Factors Affecting Foreign Investment:

Foreign investment has far-reaching effects on the host country. Because no firm wants to end up with a loss after making an investment, overseas investors are looking into the challenges posed by host nations. According to Boopath, D. (2013)6. Many factors work against a foreign corporation making an investment in the host nation.

❖ **Rate of Interest/ Foreign Exchange Rate:** One of the primary causes of worldwide capital streams is the distinction in loan costs between various countries and regions. The flow of money from a nation with a low financing cost to one with a higher one is consistent with earlier periods. When the value of the currency is uncertain and there is a chance that it could drop in the near future, foreign investment flows extremely slowly.

❖ **Speculation:** Speculation about future interest rate adjustments may affect the swiftness of changes in short-term capital. investing in the company's stock host nation is a sort of gambling. Foreign investors tend to pull back if they see a high level of speculation in the market of the host nation. Therefore, there has been little change in the amount of foreign investment in the host nation.

❖ **Profitability:** Private, international money flows are driven by a desire for profit. Consequently, private money will move to nations offering greater returns. However, because of their penchant for big returns, international financial backers are less inclined to place cash into a nation where they accept they have less of a chance of making a profit in the near future.

❖ **Costs of Production:** Private capital flows are stimulated by lower manufacturing costs in other nations. There are two distinct investments that reduce expenses. The first reason is that primary resources have to be sourced from the outside globe. These components are crucial to the production and distribution of final goods in both domestic and international markets, yet they are either unavailable in or prohibitively expensive in the domestic market. Without them, there would be a lot of untapped earning potential. Enormous interests in the extractive businesses truly drive the way that capital will enter the resource, the thing's second most prominent expense cutting cost later resources and especially labour.

❖ **Economic Conditions:** The economic climate, especially the size of available markets and the quality of existing infrastructure, affects the level of private foreign investment. The number of the population and the wealth of the nation are two major factors that influence the availability of markets.

❖ **Government Policies:** Whether or whether a nation attracts foreign investment depends in large part on the policies of that country's government, notably those policies that deal with unfamiliar speculation, unfamiliar participation, move installments, incomes, charges, trade control, levies, and financial motivators, among other things.

❖ **Political Factors:** Capital flows are influenced by numerous policy factors, such as political stability, the composition of political parties, and international relations. However, political interference in economic practices, including tax reforms and industrial policies, has a negative influence on the progression of unfamiliar interest into the nation.

❖ **To analyse the effect of FDI on the expansion of India's commercial trading industry.**

An Enhanced Dickey Fuller Unit Root Test

Sectoral Investment Factors	Level	1st Difference	2nd Difference
Trading Sector	0.0036*	-	-

Interpretation:

The table shows that the 5% threshold of significance for the unit root test of FDI sectoral investment variables under the Augmented Dickey Fuller test was observed. Observe a 0.0036 in the Stock Market.

Phillip Parron's Unit Root Test

Sectoral Investment Factors	Level	1st Difference	2nd Difference
Trading Sector	0.2365	0.0398*	-

Interpretation:

Foreign direct investment (FDI) sectoral investment variables were shown to be using the Unit Root test in conjunction with the Phillip Parron test, statistically significant at the 5% level, as shown in the table below. The Trading sector observe 0.2365 in Significance level it shows 0.0398* in 1st Difference.

Foreign Direct Investment and the Johansen Integration Test

Sample (adjusted): 5 24				
Included observations: 20 after adjustments				
Trend assumption: Linear deterministic trend				
Series: TRADING- FDI				
Lags interval (in first differences): 1 to 3				
Unrestricted Co-integration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None	0.375238	11.00550	15.49471	0.0012
At most 1	0.076783	1.597814	3.841466	0.00062
Trace test indicates 1 Cointegration at the 0.05 level				
* Denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None	0.375238	9.407682	14.26460	0.0038
At most 1	0.076783	1.597814	3.841466	0.02062
Max-eigenvalue test indicates 1 Cointegration at the 0.05 level				
* Denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Interpretation:

Since the p-esteem is more noteworthy than 0.05 for both follow and Max-Eigen values, there is just a single co-incorporating condition or blunder; this infers that the invalid hypothesis has been excused and the elective hypothesis has been acknowledged, i.e., factors are co-incorporating, and hence we can continue with running the VECM (vector mistake revision model). Since neither test found any co-integration between the variables (p0.00000.05), the null hypothesis must be correct.

Analysis of Foreign Direct Investment and the Trading Sector Using Vector Auto Regression

Vector Error Correction Estimates		
Sample (adjusted): 5 24		
Included observations: 20 after adjustments		
Standard errors in ( ) & t-statistics in [ ]		
Co-integrating:	CointEq1	
TRADING (-1)	1.000000	
FDI(-1)	-0.964512	
	(0.28125)	
	[-3.42936]	
C	-1.134617	
Error Correction:	D(TRADINGS)	D(FDI)
CointEq1	-0.665920	-0.928564
	(0.33469)	(0.37144)
	[-1.98965]	[-2.49992]
D(TRADING (-1))	0.101928	0.214294
	(0.36614)	(0.40634)
	[0.27838]	[0.52738]
D(TRADING (-2))	0.022984	-0.202072
	(0.17983)	(0.19958)
	[0.12781]	[-1.01250]
D(TRADING (-3))	-0.107256	0.025828
	(0.18764)	(0.20824)
	[-0.57162]	[0.12403]
D(FDI(-1))	-0.654089	-2.098128
	(0.50102)	(0.55603)
	[-1.30552]	[-3.77343]
D(FDI(-2))	0.275167	-1.279605
	(0.54642)	(0.60641)
	[0.50358]	[-2.11013]
D(FDI(-3))	-0.050433	-0.461561
	(0.42919)	(0.47631)
	[-0.11751]	[-0.96903]
C	-0.368106	-2.034472
	(0.83791)	(0.92991)
	[-0.43931]	[-2.18782]
R-squared	0.907671	0.874259
Adj. R-squared	0.853813	0.800910
Sum sq. resids	111.0321	136.7510
S.E. equation	3.041821	3.375783
F-statistic	16.85290	11.91914
Log likelihood	-45.51964	-47.60306
Akaike AIC	5.351964	5.560306
Schwarz SC	5.750257	5.958599
Mean dependent	-0.334919	-0.574239
S.D. dependent	7.955708	7.565704
Determinant resid covariance (dof adj.)		84.52498
Determinant resid covariance		30.42899

Interpretation:

In addition to the t-statistic and standard error, the above table also includes the value of the VECM coefficient. The outcomes show that the coefficients are measurably critical at the 5% level. One co-integrating vector is computed, with coefficients representing the long-run link between DI and the Trading sector logarithmically expressed. The consistent outcome was achieved by the estimated model, which predicted that a drop in trade sector investment would lead to a reduction in Indian FDI flows. That example, a drop of 1% in trading sector investment is expected to lead to a drop of 0.964512 (96%) in Indian FDI flows. The co-antiquation result was considered to be accurate in terms of indications in most cases. Investment in the trading sector is negatively correlated with FDI into India.

VAR Lag Order Selection Criteria					
Endogenous variables: TRADING- FDI					
Exogenous variables: C					
Sample: 1 24					
Included observations: 19					
Lag	LogL	LR	FPE	AIC	SC	HQ
0	-114.6854	NA	740.3419	12.28267	12.38209	12.29950
1	-112.5057	3.671032	901.3188	12.47428	12.77253	12.52476
2	-94.65834	26.30137*	214.0640	11.01667	11.51374	11.10079
3	-88.11161	8.269562	171.6627*	10.74859	11.44449*	10.86636*
4	-86.55315	1.640478	243.3116	11.00560	11.90033	11.15702
5	-82.25735	3.617519	277.6680	10.97446	12.06802	11.15953
* Indicates lag order selected by the criterion					
LR: sequential modified LR test statistic (each test at 5% level)					
FPE: Final prediction error					
AIC: Akaike information criterion					
SC: Schwarz information criterion					
HQ: Hannan-Quinn information criterion					

VAR Lag Order Trading Sector and FDI Sector Selection Criteria

Interpretation:

The lag order decided upon by the parameters listed in the VAR lag order table. The LR test statistic at the "lag2" seems to be significant at the 5% level, as seen in the above table. On the other hand, the third lag is where the final prediction error (FPE) is revealed. At lag3, the Akaike information criterion (AIC), Schwarz information criterion (SC), and Hanna Quinn information criteria (HQ) all seem to have lower values (lower values suggest better model fit). According to the table's overall findings, lag3 order selection is the best match for the ARDL model.

Least Square Method for Trading Sector and FDI

	Coefficient	Std. Error	t-Statistic	Prob.
System: UNTITLED				
Estimation Method: Least Squares				
Sample: 5 24				
Included observations: 20				
Total system (balanced) observations 40				
C(1)	-0.665920	0.334691	-1.989655	0.0581
C(2)	0.101928	0.366140	0.278385	0.7831
C(3)	0.022984	0.179833	0.127806	0.8994
C(4)	-0.107256	0.187635	-0.571617	0.5729
C(5)	-0.654089	0.501019	-1.305516	0.2041
C(6)	0.275167	0.546419	0.503583	0.6191
C(7)	-0.050433	0.429192	-0.117506	0.9074
C(8)	-0.368106	0.837912	-0.439314	0.6644
C(9)	-0.928564	0.371437	-2.499920	0.0197
C(10)	0.214294	0.406338	0.527377	0.6028
C(11)	-0.202072	0.199577	-1.012503	0.3214
C(12)	0.025828	0.208236	0.124034	0.9023
C(13)	-2.098128	0.556026	-3.773431	0.0009
C(14)	-1.279605	0.606411	-2.110129	0.0455
C(15)	-0.461561	0.476313	-0.969029	0.3422
C(16)	-2.034472	0.929907	-2.187824	0.0387
Determinant residual covariance	30.42899			

Equation: D(TRADINGS) = C(1)*(TRADINGS(-1)- 0.964512045001*FDI(-1) -1.13461654718)+C(2)*D(TRADINGS(-1) + C(3)*D(TRADINGS(-2)) +C(4)*D(TRADINGS(-3)) + C(5)*D(FDI(-1)) + C(6)*D(FDI(-2)) + C(7)*D(FDI(-3)) + C(8)

Observations: 20				
R-squared	0.907671	Mean dependent var		-0.334919
Adjusted R-squared	0.853813	S.D. dependent var		7.955708
S.E. of regression	3.041821	Sum squared resid		111.0321
Durbin-Watson stat	1.912095			

Equation: D(FDI) = C(9)*(TRADINGS(-1) - 0.964512045001*FDI(-1) - 1.13461654718) + C(10) *D(TRADINGS(-1)) + C(11)*D(TRADINGS(-2)) + C(12)*D(TRADINGS(-3)) + C(13)*D(FDI(-1)) + C(14)*D(FDI(-2)) + C(15)*D(FDI(-3)) + C(16)

Observations: 20				
R-squared	0.874259	Mean dependent var		-0.574239
Adjusted R-squared	0.800910	S.D. dependent var		7.565704
S.E. of regression	3.375783	Sum squared resid		136.7510

Interpretation:

The above table displays the results of the least square test that was gotten from the framework condition; all the coefficient likelihood values for condition 1 seem, by all accounts, to be non-huge at the 5% level, and C (1) is the coefficient of the co-integrated model (short run) with Trading district hypothesis as the dependent variable, while C (2) to C (7) are moreover seen to be short run coefficients. C (1) is the speed of return to the short-run balance, and its negative and immaterial worth suggests that the interest in the Trading sector is unrelated to FDI inflows in the long run.

Trade Sector and Foreign Direct Investment Wald Test

Wald Test:			
System: %system			
Test Statistic			
Chi-square			
Null Hypothesis: C (5) =C(6) =C(7)=0			
Null Hypothesis Summary:			
Normalized Restriction (= 0)			
C(5)			
C(6)			
C(7)			
Restrictions are linear in coefficients.			

Interpretation:

To determine whether or not FDI inflows have a long-run influence on investment in the Trading sectors, a Wald test was conducted. The data suggests that the probability value is altogether not the same as zero at the 5% level, thus the invalid speculation is dismissed and C5=C6=C(7)= 0. In this way, it could be derived that there is a drawn out relationship between's FDI flows and investment in the trading industry.

12. CONCLUSION

While permitting foreign direct investment in India's infrastructure, India must also require that the funds be used to construct back-end infrastructure, logistics, or agro-processing plants in the host nation. In our analysis, we zeroed in on the trading industry, as it has drawn the most foreign direct investment. Hence the study suggests the process of economic liberalization must be strengthened and increasing numbers of sectors open to domestic inflows. To attract different types of flows, policymakers should be careful. Foreign investment policies should be aimed at boosting domestic production, savings or exports, promoting technology development and dissemination, and providing external market access. There should be a level playing field in terms of receiving foreign direct investment, and the federal government should be allowed to pursue its own efforts to increase FDI. Also, in nations with a low rate of foreign direct investment (FDI), governments should do more to entice private capital to set up shop there.

13. FUTURE SCOPE OF THE STUDY

Maintaining a conducive climate requires continuous, substantial FDI inflows. Therefore, it required policymakers to make a prudent and long-term choice to encourage more foreign firms to invest in India and therefore shape the future of the Indian economy. To include additional nations, it would be helpful to analyse FDI inflows on a yearly basis, while also focusing on each nation's government and its respective industries. Since FDI is a business that is conducted by foreign corporations in a particular state and in a particular industry, the research might also find critical drivers for each. When calculating how different macroeconomic factors affect Indian FDI. Another promising line of inquiry would be to examine the directionality (or lack thereof) of the link between FDI and other exogenous (self-taking) factors.

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