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FOREIGN DIRECT INVESTMENT IN INDIA: ANALYSING THE TRENDS, PATTERNS, AND IMPACTS ON ECONOMIC GROWTH

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ABSTRACT

This paper intends to examine the trends of FDI inflow, degree of global countries participation, the sector-wise inflow of foreign capital and the recent initiatives of the government policy towards foreign direct investment. Indian economy is one of the fastest emerging economies of the world which attracts a remarkable amount of foreign direct investments every year. However, there have been reports for the past 21 years showing inconsistency in inflows of foreign direct investment in India and also the GDP of India is observed to be in decreasing trend. This gives rise to the need of studying multiple facets of such investments. This paper aims at studying the trends of FDI inflows in India, ascertaining the country-wise FDI inflows and sector-wise distribution of such investments in the country. This study is based on secondary data collected from websites like NSO, IBEF, Statistics Times, Department of Industrial Policy & Promotion (DIPP) & Reserve Bank of India (RBI). Simple statistical tools like are Compound Annual growth rate and Percentage have been used for purpose of study. The study reveals varying trends of FDI inflows in India in the recent years which is in line with the world economy but it is generally on a rising side. The study also reveals that Mauritius and Singapore has been the top investing nations in India and among all the sectors. The data collected for the purpose of study is limited to almost last two decades and is entirely based on Indian economy only.

Key words: *Foreign Direct Investment inflows, Trends, Indian Economy*

INTRODUCTION

With a view to attract higher levels of FDI, Government has put in place a liberal policy on FDI, under which, FDI up to 100%, is permitted, under the automatic route, in most sectors/activities. Significant changes have been made in the FDI policy regime in the recent times to ensure that India remains an increasingly attractive investment destination. The Department plays an active role in the liberalization and rationalization of the FDI policy. Towards this end, it has been constructively engaged in the extensive stakeholder consultations on various aspects of the FDI Policy.

FDI-related Institutions: There are three primary institutions in India that handle FDIrelated issues: the Foreign Investment Promotion Board (FIPB), the Secretariat for Industrial Assistance (SIA), and Foreign Investment Implementation Authority (FIIA). The Foreign Investment Promotion Board (FIPB), Department of Economic Affairs (DEA), Ministry of Finance is the nodal single-window agency for all matters relating to FDI as well as promoting investment in the country. It is chaired by the Secretary, Industry (Department of Industrial Promotion and Policy). Its objective is to promote FDI in India:

i) By undertaking investment promotion activities in India and abroad; ii) By facilitating investment in the country by international companies, nonresident Indians and other foreign investors;

iii) Through purposeful negotiations/discussions with potential investors; iv) Through early clearance of proposals submitted to it; and

v) By reviewing policies and putting in place appropriate institutional arrangements, transparent rules and procedures and guidelines for investment promotion and approvals.

Foreign Investment Policy: Foreign investment is permitted in virtually every sector, except those of strategic concern such as defence (opened up recently to a limited extent) and rail transport. Foreign companies are permitted to set up 100 per cent subsidiaries in India. No prior approval from the exchange control authorities (RBI) is required, except for certain specified activities. According to the current policy, FDI can come into India in two ways.

Automatic route: FDI in sectors/activities to the extent permitted under the automatic route does not require any prior approval either by the government or the Reserve Bank of India (RBI). The investors are only required to notify the concerned regional office of the RBI within 30 days of receipt of inward remittances and file the required documents with that office within 30 days of issue of shares to foreign investors.

Prior Government Approval route: In the limited category of sectors requiring prior government approval, the proposals are considered in a time-bound and transparent manner by the Foreign Investment Promotion Board (FIPB) under the Department of Economic Affairs, Ministry of Finance. Approvals of composite proposals involving foreign investment/ foreign technical collaboration are also granted on the recommendations of the FIPB.

Legal Framework: Foreign Direct Investments under Automatic Approval and Government Approval are regulated by the Foreign Exchange Management Act, 1999 (FEMA vide Reserve Bank's Notification FEMA. 20/2000-RB dated May 3, 2000 as amended from time to time).

Government initiatives: In recent years, India has become an attractive destination for FDI because of favourable government policies. India has developed various schemes and policies that have helped boost India's FDI. These schemes have prompted India's FDI investment, especially in upcoming sectors such as defence manufacturing, real estate, and research and development. Some of the major government initiatives are: The Government of India increased FDI in the defence sector by increasing it to 74% through the automatic route and 100% through the government route. The government has amended rules of the Foreign Exchange Management Act (FEMA), allowing up to 20% FDI in insurance company LIC through the automatic route. The government is considering easing scrutiny on certain FDIs from countries that share a border with India. The implementation of measures such as PM Gati Shakti, single window clearance and GIS-mapped land bank are expected to push FDI inflows in 2022.The government is likely to introduce at least three policies as part of the Space Activity Bill in 2022. This bill is expected to clearly define the scope of FDI in the Indian space sector.

In September 2021, India and the UK agreed for an investment boost to strengthen bilateral ties for an 'enhanced trade partnership'.

NEED AND IMPORTANCE OF THE STUDY

Foreign Direct Investment (FDI) plays a critical role in the economic growth of India. FDI is an investment made by a foreign company in the economy of another country, with the aim of establishing a lasting interest and controlling the management of the enterprise. Here are some of the key reasons why FDI is important for India: **Increased Capital Inflow:** FDI is a significant source of capital inflow in India. It allows foreign investors to invest in the Indian economy, thereby increasing the availability of capital for businesses and spurring economic growth. **Technological Advancement:** FDI often brings advanced technologies and managerial expertise to India. This helps to improve the quality of goods and services, increase productivity, and enhance competitiveness in the global market. **Employment Generation:** FDI creates employment opportunities in India. As foreign companies set up businesses, they hire local talent, which helps to reduce unemployment in the country. **Improved Balance of Payments**: FDI also helps to improve India's balance of payments position by boosting exports, reducing imports, and increasing foreign exchange reserves. Sectoral Growth: FDI can help to promote the growth of specific sectors in the Indian economy, such as manufacturing, infrastructure, and services.

Overall, FDI is crucial for India's economic development, as it brings in much-needed capital, technology, employment opportunities, and sectoral growth. The Indian government has taken several steps to encourage FDI inflows, such as liberalizing foreign investment policies, simplifying procedures, and offering various incentives to foreign investors

STATEMENT OF THE PROBLEM

The impact of foreign direct investment (FDI) on host countries is a complex and multifaceted issue that has been studied extensively. Despite the widespread recognition of the potential benefits of FDI, there is still a lack of consensus on its overall impact, and the effectiveness of FDI policies in different contexts. Therefore, the research problem for a study on FDI could be framed as follows:" To what extent does foreign direct investment (FDI) contribute to economic growth, employment creation, and technological transfer in host countries, and what are the factors that influence its effectiveness?" This research problem aims to explore the multifaceted impact of FDI on the host country and to identify the factors that influence its effectiveness in achieving its intended outcomes.

LITERATURE REVIEW

Kanika Dhingra (2022) examined that fundamental driver of technological advancement and economic growth, FDI offers numerous prospects for increasing economic development. Exports are directly influenced by FDI, and increased export opportunities help host economies thrive by easing demand-side restrictions on economic expansion. By evaluating the degree of correlation between FDI inflow in India and various economic indicators including exchange rate, GDP, openness of trade, etc., the current study contributes to the body of literature on the factors that determine FDI. **S. Sahoo and A. Kumar (2022**) attempt his paper provides an overview of the trends and policies of FDI in India. The study finds that India has been successful in attracting FDI, but there are challenges in sustaining FDI inflows due to regulatory and policy issues, lack of infrastructure, and bureaucratic hurdles. **R. K. Singh and P. N. Mishra (2022)** observed that the determinants of FDI in different sectors of the Indian economy using panel data from 2000 to 2020. The study finds that market size, labor cost, and infrastructure are significant determinants of FDI in most sectors of the Indian economy. **S. Singh and S. Singh (2022)** This paper provides a review of literature on the impact of FDI on employment in India. The study finds that FDI has led to the creation of new jobs and has also contributed to skill development and technology transfer in the Indian economy. "Foreign Direct Investment in India: Challenges and Opportunities" by **A. Roy and S. Choudhury (2022)** This paper discusses the challenges and opportunities of FDI in India. The study finds that the Indian government needs to address the challenges of bureaucratic hurdles, policy uncertainties, and infrastructure constraints to sustain FDI inflows. At the same time, the study suggests that there are opportunities for FDI in sectors such as ecommerce, manufacturing, and renewable energy. **R. Singh and A. Singh (2021)** observed that investigates the long-run relationship between FDI and economic growth in India using the autoregressive distributed lag (ARDL) bounds testing approach. The results suggest that there is a positive and significant relationship between FDI and economic growth in India. **S. Kumar and A. Singh (2021)** This paper provides a comprehensive review of literature on the impact of FDI on economic development in India. The study finds that FDI has a positive and significant impact on economic development in India, contributing to employment generation, technology transfer, and export growth. **Dr. P. Sai Rani and Sourav Kumar Ghosh (2020)** reveal that the top two nations investing directly in India over the past 19 years were discovered to be Mauritius and Singapore, accounting for almost 52 percent of the total FDI inflows among the top ten nations. With 18 percent of all FDI inflows over the past 19 years, the service sector leads the top ten industries attracting the most FDI, followed by the computer hardware and software and telecommunications sectors with 9 and 8 percent, respectively. **S. Sankaran and S. Balachandran (2019)** provides an empirical analysis of the impact of FDI on economic growth in India using time series data from 1991 to 2017. The study finds that FDI has a positive and significant effect on economic growth in India, with a one percent increase in FDI leading to a 0.36 percent increase in GDP. **Banga, (2018)** found that one of the major challenges in attracting FDI in India is the lack of policy stability and bureaucratic hurdles. Frequent changes in policies and regulations create uncertainty among foreign investors and discourage them from investing in the country. **Sharma, (2018)** pointed out that Market fragmentation and lack of scale: India's domestic market is highly fragmented and lacks scale, which can make it difficult for foreign companies to achieve economies of scale and profitability. This is particularly true for companies operating in sectors such as retail and consumer goods.

RESEARCH GAP

Despite the significant amount of research conducted on foreign direct investment (FDI) in India, there are still some gaps in the literature that could be addressed by future studies. Some of the potential research gaps on FDI in India are: Limited focus on the regional distribution of FDI: Most of the existing studies on FDI in India have focused on the nationallevel impacts of FDI, while the regional distribution of FDI has received limited attention. Future research could explore how the distribution of FDI across regions within India impacts economic development and identify the factors that influence the spatial distribution of FDI. Insufficient attention to the environmental and social impacts of FDI: While the economic impacts of FDI have been widely studied, there is limited research on the environmental and social impacts of FDI in India. Future research could explore the environmental and social impacts of FDI in different sectors and regions, and identify strategies to mitigate negative impacts and promote sustainable FDI. Lack of longitudinal studies: Most of the existing studies on FDI in India are cross-sectional, which limits their ability to establish causal relationships and track changes over time. Future research could explore how domestic institutions and policies impact FDI attraction and effectiveness, and identify strategies to improve the effectiveness of FDI policies. By addressing these research gaps, future studies could provide a more nuanced and comprehensive understanding of the impact of FDI in India and inform policy decisions related to FDI attraction and management.

OBJECTIVES OF THE STUDY

(i) To study the trends of FDI inflows in India.

(ii) To identify the country-wise flow of FDI into India.

(iii) To ascertain the sector-wise distribution of FDI inflows in India.

HYPOTHESES

Here are some potential hypotheses that could be framed for a study on foreign direct investment (FDI) in India:

H01: There is no positive relationship between FDI inflows and economic growth in India.

H02: There is no FDI inflows into India are influenced by economic, political, and institutional factors

PERIOD OF THE STUDY

(i) To evaluate the trends of FDI inflows into India, data have been collected for the period 2000-01 to 2021-22.
(ii) To study the country-wise flow of FDI and its sector-wise distribution in India, data have been collected for the period 2000-01 to 2021-22.

RESEARCH METHODOLOGY

Data Collection: This study is based on Primary and secondary data. Primary data was collected from the respondents through the structured questionnaire. Randomly selected the respondents i.e., 100. And the secondary data is constructed by pooling information and data from various reliable sources like NSO, Department of Industrial Policy and Promotion (DIPP), Reserve Bank of India, statisticstimes.com amongst many others. Online database of Indian economy, Journals, articles, newspapers, etc. have also been referred.

STATISTICAL TOOL: To evaluate the trend of FDI inflows into India, CAGR (Compound Annual Growth Rate) and percentage have been used. To study the country-wise flow of FDI and its sector-wise distribution in India, simple calculation using Percentage has been done for easy understanding. Finally, I have employed the chi-square test for testing of the above two hypotheses.

Table 1: TRENDS OF FDI INFLOWS IN INDIA DURING 2000-01 TO 2021-22

S. No.	Financial Year 2000-01 to 2021-22(April - March)	FOREIGN DIRECT INVESTMENT (FDI)					
		Equity		Re-invested Earnings	Other capital	FDI INFLOW INTO INDIA	
		FIPB Route/RBI/ Automatic/ Acquisition Route	Equity Capita of Unincorporated bodies			Total FDI inflow	% Growth
1	**2000-01**	2,339	61	1,350	279	**4,029**	-
2	**2001-02**	3,904	191	1,645	390	**6,130**	**(+) 52 %**
3	**2002-03**	2,574	190	1,833	438	**5,035**	**(-) 18 %**
4	**2003-04**	2,197	32	1,460	633	**4,322**	**(-) 14 %**
5	**2004-05**	3,250	528	1,904	369	**6,051**	**(+) 40 %**
6	**2005-06**	5,540	435	2,760	226	**8,961**	**(+) 48 %**
7	**2006-07**	15,585	896	5,828	517	**22,826**	**(+) 155 %**
8	**2007-08**	24,573	2,291	7,679	300	**34,843**	**(+) 53 %**
9	**2008-09**	31,364	702	9,030	777	**41,873**	**(+) 20 %**
10	**2009-10**	25,606	1,540	8,668	1,931	**37,745**	**(-) 10 %**
11	**2010-11**	21,376	874	11,939	658	**34,847**	**(-) 08 %**
12	**2011-12**	34,833	1,022	8,206	2,495	**46,556**	**(+) 34 %**
13	**2012-13**	21,825	1,059	9,880	1,534	**34,298**	**(-) 26%**
14	**2013-14**	24,299	975	8,978	1,794	**36,046**	**(+) 5%**
15	**2014-15**	30,933	978	9,988	3,249	**45,148**	**(+) 25%**
16	**2015-16**	40,001	1,111	10,413	4,034	**55,559**	**(+) 23%**
17	**2016-17**	43,478	1,223	12,343	3,176	**60,220**	**(+) 8%**
18	**2017-18**	44,857	664	12,542	2,911	**60,974**	**(+) 1%**
19	**2018-19**	44,366	689	13,672	3,274	**62,001**	**(+) 2%**
20	**2019-20**	49,977	1,757	14,175	8,482	**74,391**	**(+) 20%**
21	**2020-21 P**	59,636	1,452	16,935	3,950	**81,973**	**(+) 10%**
22	**2021-22 P**	58,773	1052	18,647	5,100	**83,572**	**(+) 2%**
CUMULATIVE TOTAL (from April, 2000 to March, 2022		**591,286**	**19,722**	**189,875**	**46,517**	**847,400**	-
CAGR						**+14.09%**	

(US $ MILLION)

Source: i. RBI's Bulletin for May, 2022 dt.17.05.2022 (Table No. 34 – FOREIGN INVESTMENT INFLOW).

ii. Data in respect of 'Re-invested earnings' & 'Other capital' are estimated as average of previous two-year INR.

'#' Figures for equity capital of unincorporated bodies are estimates.

(P)All figures are provisional

TRENDS OF FDI INFLOWS IN INDIA DURING 2000-01 TO 2021-22 ON A CHART

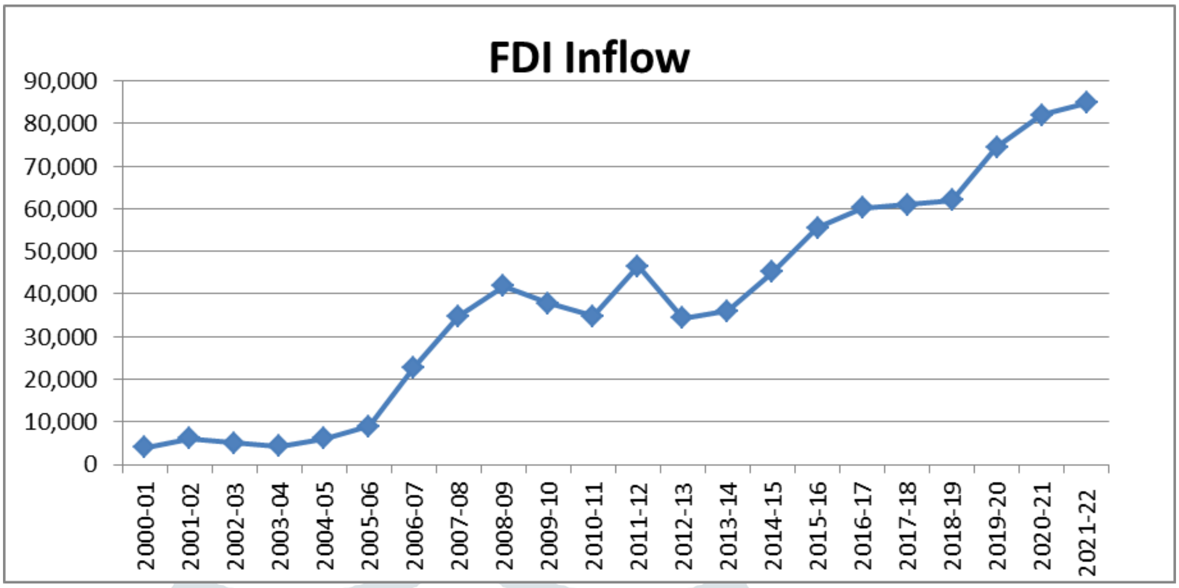


Table 2: TOTAL FDI EQUITY INFLOWS

(As per DPIIT's FDI database–equity capital components only):

S.No.	**FINANCIAL YEAR 2000-01 To2022-23 (April to March)**	**Amount of FDIE equity inflow**		**% growth over previous year (in terms of USD)**
		In INR Crores	***In USD Million***	
1	2000-01	10,733	2,463	-
2	2001-02	18,654	4,065	(+)65%
3	2002-03	12,871	2,705	(-)33%
4	2003-04	10,064	2,188	(-)19%
5	2004-05	14,653	3,219	(+)47%
6	2005-06	24,584	5,540	(+)72%
7	2006-07	56,390	12,492	(+)125%
8	2007-08	98,642	24,575	(+)97%
9	2008-09	142,829	31,396	(+)28%
10	2009-10	123,120	25,834	(-)18%
11	2010-11	97,320	21,383	(-)17%
12	2011-12	165,146	35,121	(+)64%
13	2012-13	121,907	22,423	(-)36%
14	2013-14	147,518	24,299	(+)8%
15	2014-15	181,682	29,737	(+)22%
16	2015-16	262,322	40,001	(+)35%
17	2016-17	291,696	43,478	(+)9%
18	2017-18	288,889	44,857	(+)3%
19	2018-19	309,867	44,366	(-)1%
20	2019–20	353,558	49,977	(+)13%
21	2020-21	442,569	59,636	(+)19%
22	2021-22	437,188	58,773	(-)1%
CUMULATIVETOTAL (fromApril,2000to March, 2022)		3,612,202	588,528	

Source: dipp.nic.in

Note: All figures for financial years 2014-15 to 2018-19 are provisional subject to reconciliation with RBI.

TRENDS OF FDI EQUITY INFLOWS IN INDIA DURING 2000-01 TO 2021-22 ON A CHART

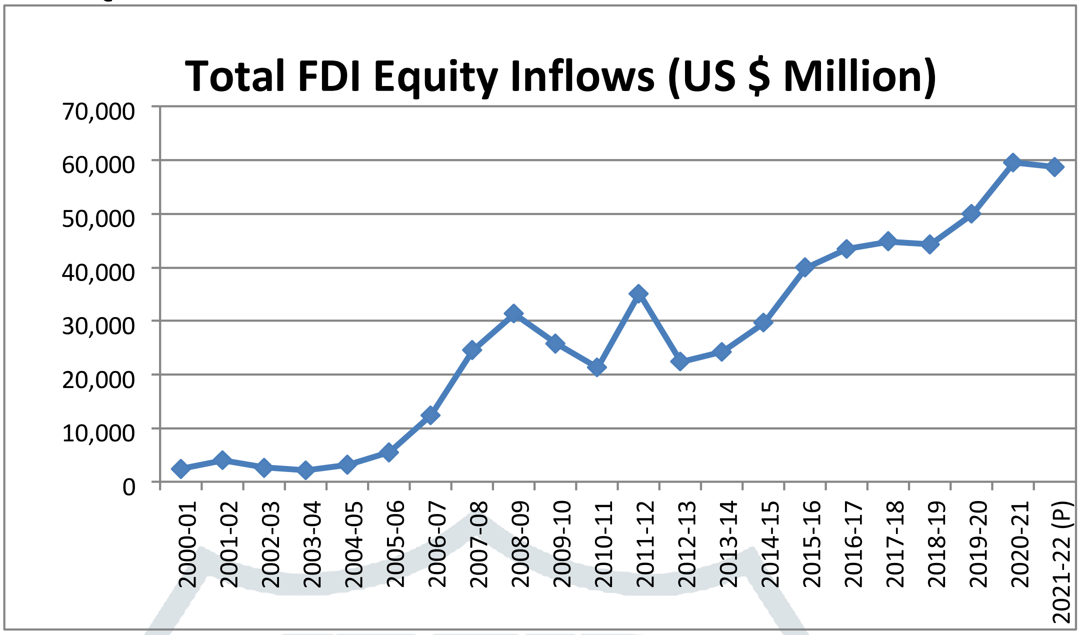


Table I and II demonstrate cumulative amount of foreign direct investment inflows in India from 2000-01 to 2021-22. Since 2000, the Indian government has brought about vital amendments to FDI policies to ensure that the nation is transforming into an immensely attractive destination for investing capital. The inflows of FDI into India have increased dramatically following the 1991 reforms. However, ever since these reforms took place, India has witnessed ups and downs in the FDI inflows over the years, especially during the period of study, that is, 2000-01 to 2021-22. Many a times it has been evident that India has seen sudden or gradual decrease in the percentage of FDI inflows as compared to the previous year, like during 2001-02 to 2003-04 citing reasons like Gujarat earthquakes, pathetic attack on World Trade Centre (now WTO) and Indian Parliament by the terrorists in the year 2001 or during 2008-09 to 2012-13 due to decline in global economy following the 2008 US Subprime Crisis and the 2012-13 Euro Crisis. Consequently, the investor confidence declined globally.

However, India's FDI equity inflows have declined over the last few years and have even hit the lowest level in 2018-19 with a steep decline in foreign investments in telecom, power and pharmaceuticals sectors. Another reason for such a decline may be the slowing down of Indian economy in the recent past due to demonetization, implementation of GST, job crisis, poor consumer demand, farmer crisis and NPA burden among others. It is, however, to be noted that the new government has alleviated 87 FDI rules across as many as 21 sectors over the past three years. For example, it has opened up historically conservative sectors like railway and defence for foreign direct investment.

As a matter of fact, FDI comprises Equity Capital, Reinvested Earnings and Other Capital. This other capital component further comprises amount remitted through RBI's NRI schemes.

Table I indicates cumulative amount of FDI inflows (constituting Equity Capital, Reinvested Earnings and Other Capital) as US$ 847,400 Million showing a positive growth of 2% in the financial year 2021-22 over the previous financial year 2020-21.

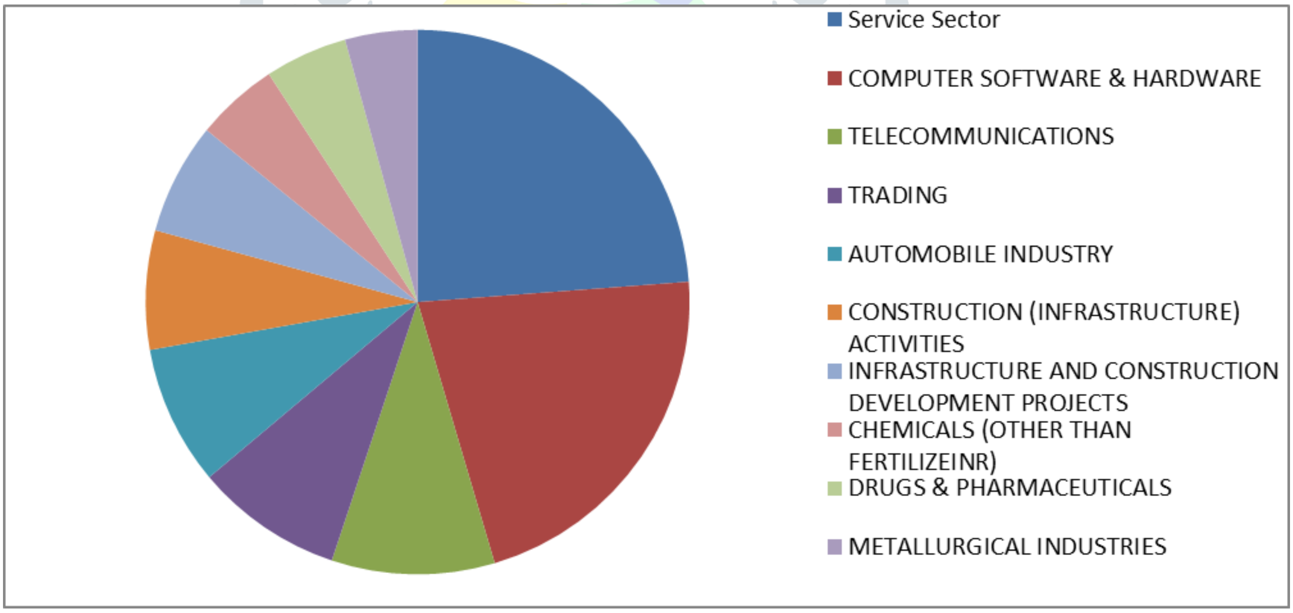
On the contrary, Table II indicates cumulative amount of FDI equity inflows (excluding amount remitted through RBI's NRI schemes) as US$ 588,528 Million showing a negative growth of 1%.

Table 3: Sectors Attracting Highest FDI Equity Inflows from April 2000 To March 2022

S.No	Sector	Amount of FDI inflow		% of Total inflow
		(In INR crore)	(In USD million)	
1	SERVICES SECTOR (Fin., Banking, Insurance, Non Fin/Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other)	5,62,437.5075	94,194.6218	16.0084
2	COMPUTER SOFTWARE & HARDWARE	5,78,059.6447	85,517.2578	14.5337
3	TELECOMMUNICATIONS	2,27,053.0637	38,331.2023	6.5144
4	TRADING	2,29,131.9222	34,740.7602	5.9042
5	AUTOMOBILE INDUSTRY	2,07,480.3173	32,841.6784	5.5815
6	CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	1,90,800.6072	27,968.9367	4.7533
7	INFRASTRUCTURE AND CONSTRUCTION DEVELOPMENT PROJECTS	1,28,012.6049	26,209.4130	4.4543
8	CHEMICALS (OTHER THAN FERTILIZEINR)	1,12,056.7734	19,452.3355	3.3059
9	DRUGS & PHARMACEUTICALS	1,09,382.0691	19,405.3450	3.2979
10	METALLURGICAL INDUSTRIES	1,01,380.6254	17,014.6036	2.8916

Source: dipp.nic.in

Note: Figures are provisional.



The above Table and Figure shows India's FDI inflows have increased 20 times from 200001 to 2021-22. Among the top ten sectors attracting the most FDI inflows, it is observed that the service sector of our country received the maximum investments constituting almost 16% of the total investments from these countries over the last 21 years, followed by Computer Hardware & Software and Telecommunication sectors with 14% and 6.5% respectively. It is because of the fact that among all the sectors the service sector has been the fastest growing sector of Indian economy over a longer period of time. The contribution of various components of this service sector like trade, financing, hotels, insurance, transport and communication, real estate and business services, social and personal services exceed 60% of India’s GDP.

The sectors that attracted the highest FDI equity inflows from April 2000 to March 2022 in India are services sector, computer software and hardware, telecommunications, trading, and automobile industry. The reasons for these sectors attracting the highest FDI equity inflows are as follows: **Services sector:** The services sector includes various segments such as financial, banking, insurance, non-financial business, outsourcing, R&D, courier, tech. testing and analysis, and others. This sector has been one of the key drivers of the Indian economy, contributing significantly to its GDP. The sector has a large and growing market, a skilled workforce, and favourable government policies, making it an attractive destination for foreign investors. **Computer software and hardware:** The computer software and hardware sector in India has been growing rapidly due to factors such as a large pool of skilled talent, a favourable business environment, and government support. The sector has seen significant investment in areas such as research and development, innovation, and technology, making it a lucrative area for foreign investors**. Telecommunications:** The telecommunications sector in India has seen significant growth in recent years due to the increasing demand for mobile and internet services. The sector has attracted investment from global players who see India as a major growth market for telecommunications services. **Trading:** The trading sector in India has been growing due to the country's large consumer base and increasing demand for goods and services. The sector has seen significant investment in areas such as logistics, warehousing, and supply chain management, making it an attractive area for foreign investors. **Automobile industry:** The automobile industry in India has been growing due to factors such as a large consumer base, increasing per capita income, and government policies aimed at promoting the sector. The sector has seen significant investment in areas such as research and development, manufacturing, and distribution, making it an attractive area for foreign investors.

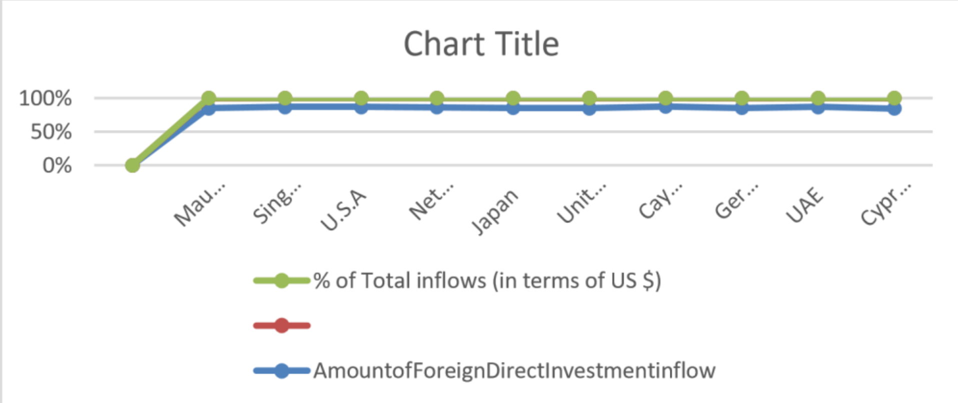
Table 4: STATEMENTONCOUNTRY-WISEFDIEQUITYINFLOW FROM APRIL 2000 TO March 2022

S.No.	Name of the Country	Amount of Foreign Direct Investment inflow		% of Total inflows (in terms of US $)
		(In INR crore)	(In USD million)	
1	Mauritius	9,07,547.0483	1,57,741.7650	26.8083
2	Singapore	8,57,023.8029	1,30,966.6568	22.2579
3	U.S.A	3,57,248.0004	54,151.4897	9.2031
4	Netherland	2,63,593.8856	41,260.8097	7.1023
5	Japan	2,21,733.1758	36,942.6395	6.2784
6	United Kingdom	1,77,847.7955	31,901.5593	5.4217
7	Cayman Islands	99,010.4732	14,152.4984	2.4052
8	Germany	79,275.5480	13,590.8554	2.3098
9	UAE	80,642.8907	12,225.1317	2.0777
10	Cyprus	62,567.3375	11,367.0421	1.9318

Source: dipp.nic.in

*Includes inflows under NRI Schemes of RBI.

Top 10 FDI Investing Countries



The above table shows the top 10 countries in terms of Foreign Direct Investment (FDI) inflows into India, along with the amount of FDI in USD million and their percentage share of the total FDI inflows. As per the data, Mauritius was the largest source of FDI inflows into India with an amount of 157,741.7650 USD million, accounting for 26.8083% of the total FDI inflows. Singapore followed closely behind with an amount of 130,966.6568 USD million, accounting for 22.2579% of the total FDI inflows. The USA, Netherlands, and Japan were the other countries with significant FDI inflows into India. It is worth noting that Mauritius and Singapore are known to be popular destinations for routing FDI into India due to their favourable tax treaties with India. This means that a significant portion of FDI inflows from Mauritius and Singapore may have originated from other countries and been routed through these countries for tax optimization purposes.

Overall, the above data highlights the importance of foreign investment in India and the role played by different countries in contributing to India's FDI inflows.

TESTING OF HYPOTHESES:

1. Ho1: - There is no positive relationship between FDI inflows and economic growth in India.
   Question: Is there any relationship between FDI inflows and economic growth in India.

Table:5

Observed Frequency

Variable	Yes	No	Total
Male	39	5	44
Female	56	0	56
total	95	5	100

Source: Primary data

Table:6

Expected Frequency

Variable	Yes	No	Total
Male	42	2	44
Female	53	3	56
total	95	5	100

Table 7: Showing calculation of $\chi 2$ – value

O	E	(O-E)	(O-E)2	(O-E)2/E
39	42	-3	9	0.2142
5	2	3	9	4.5000

56	53	3	9	0.1698
0	3	-3	9	3.0000
Total χ2 Value				**7.8840**

Source: Authors calculation

The table 7 depicts that the calculated χ2 *value* ***(7.8840)*** *is more than the table value* ***(3.312)*** *of χ2-test so null hypothesis has been rejected and it is concluded that there is significant positive between relationship between FDI inflows and economic growth in India at 5% level of significance.* Because FDI inflows into India contribute positively to the country's economic development by stimulating investment, creating jobs, transferring technology and knowledge, and boosting productivity and competitiveness

H02: There is no FDI inflows into India are influenced by economic, political, and institutional factors

Question: *Is there any FDI inflows into India are influenced by economic, political, and institutional factors?*

Table:8

Observed Frequency

Variable	Yes	No	Total
Male	44	0	44
Female	51	05	56
total	95	5	100

Source: Primary data

Table:9

Expected Frequency

Variable	Yes	No	Total
Male	42	2	44
Female	53	3	56
total	95	5	100

Source: Authors calculation

Table 10: Showing calculation of χ2 – value

O	E	(O-E)	(O-E)2	(O-E)2/E
44	42	2	4	0.0952
0	2	-2	4	2.0000
51	53	-2	4	0.0754
5	3	2	4	1.3333
	Total χ2 Value			**3.5040**

Source: Authors calculation

The table 10 indicates that the calculated χ2 *value (3.5040) is more than the table value (3.312) of χ2-test so null hypothesis has been rejected and it is concluded that There is significant FDI inflows into India are influenced by economic, political, and institutional factors at 5% level of significance. This hypothesis suggests that FDI flows into India are influenced by various factors such as the size of the economy, market potential, political stability, regulatory environment, infrastructure, human capital, and cultural proximity.*

Conclusion

As per the analysis of trends, patterns, and impacts of Foreign Direct Investment (FDI) in India, it can be concluded that FDI has played a significant role in India's economic growth and development. **Firstly,** FDI inflows have contributed to the growth of various sectors of the Indian economy such as services, manufacturing, and infrastructure. FDI has also helped in creating job opportunities, promoting technology transfer, and enhancing productivity, which has contributed to the overall economic growth of the country. **Secondly**, FDI inflows are influenced by several economic, political, and institutional factors. The size of the economy, market potential, political stability, regulatory environment, infrastructure, and human capital are some of the significant factors that attract FDI inflows into India. **Thirdly, FDI** inflows have exhibited sectoral and regional patterns, with a significant concentration in certain industries and regions. The services sector has been the major recipient of FDI inflows, followed by the manufacturing and infrastructure sectors. The southern and western regions of India have attracted a significant proportion of FDI inflows. **Fourthly**, FDI inflows have generated positive spill over effects on domestic firms' performance and competitiveness. Through technology transfer, knowledge diffusion, and managerial practices, FDI inflows have helped in enhancing the productivity and innovation of domestic firms. **Lastly,** FDI inflows into India have had significant environmental and social impacts. India ranked 68th in the Global Competitive Index; the economy showed significant resilience during the pandemic. Suggestion to India needs to improve its infrastructure, such as roads, ports, airports, and power supply, to attract more FDI inflows. Developing infrastructure can help reduce transaction costs, increase productivity, and make the country more attractive to investors. **In conclusion**, FDI has played a crucial role in India's economic growth and development, and its positive impacts outweigh the negative effects. However, to ensure sustainable and inclusive growth, there is a need to manage FDI inflows carefully, addressing environmental and social concerns and promoting technology transfer and domestic capabilities.

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