IMPACT OF FDI ON ECONOMIC DEVELOPMENT OF INDIA

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Abstract:

Once unlocking up of the Indian economy to the world economy, the country witnessed crowd stream of foreign capital into the economy. In the era of globalization foreign direct investment (FDI) takes vital part in the development of both developing and developed countries. Foreign Development Investment (FDI) offers a no. of profits like overture of new technology, innovative products, extension of new markets, introduction of new skills etc., which reflect in the growth of Nation's Income. India is ranked as the most favored end for foreign direct investment showing a remarkable growth rate year by year. This paper tries to analyze the trends of flow of foreign direct investment in India and its impact on selected economic indicators..

Key words: FDI,GDP,IIP Employment, Exports

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Globalization

The impact of the globalization has increased across the world in recent years due to the fast progress that has been made in the field of technology especially in communications and transport. In India globalization started when the government of India opened the country's markets to foreign investments in the early 1990s. The government of India made changes in its economic policy in 1991 by which it allowed direct foreign investments in the country. As a result of this, globalization of the Indian Industry took place on a major scale. Globalization lead the dismantling of trade barriers between nations and the integration of the nations economies through financial flow, trade in goods and services, and corporate investments between nations. Globalization of the Indian Industry took place in various sectors such as steel, pharmaceutical, petroleum, chemical, textile, cement, retail, BPO etc.

As far as the Indian economy is concerned the impact of globalization has been highly effective and positive in all spheres of economic and social life and virtually no negative effect. India has better technological spreading out for the benefit of the common man in terms of mobiles, road transport, cheap clothes, chemicals, medicines, electronic and electrical gadgets etc., only because of globalization. Country has shown better economic growth rate. Indian companies started becoming global companies by increasing exports and starting their units or acquiring foreign companies in other countries.

Foreign Direct Investment

Foreign Direct Investment (FDI) in India has played an important role in the development of the Indian economy. FDI in India has - in a lot of ways - enabled India to achieve a certain degree of financial stability, growth and development. This money has allowed India to focus on the areas that may have needed economic attention, and address the various problems that continue to challenge the country.

Foreign Direct Investment (FDI) is a the investment made by an enterprise of the one nation in an enterprise in another country. In FDI, there is a parent enterprise and a foreign associate, which unites to form a Multinational Corporation (MNC). In order to be deemed as a FDI, the investment must give the parent enterprise power and control over its foreign affiliate. As a source of capital to the corporate it affects the development of nation's economy by the way of infusion of new technology, innovative products, extension of new markets, introduction of new skills etc. With the flow of FDI, the nation can develop the infrastructural facilities which are key to rapid industrialization of the country. It has the direct effect on the nation's balance of payments (BoP).

Flow of FDI in India

In the year 1991, the government if India was sanctioned in its new Industrial Policy, large number of concessions and incentives, to attract the flow of the foreign capital to India. Factors like prospect opportunities in industries, favorite government policy, political stability in the country etc., were ranked India at second favorite country in the world, following China, in terms of attractiveness of FDI. AT Kearney's 2007 Global Services Location Index ranked India as the most preferred destination in terms of financial attractiveness, people and skills availability and business environment. The positive perceptions as a result of strong economic fundamentals driven by 19 years of reforms has helped FDI inflows grow at about 20 times since the opening up of the economy to foreign investment since 1991.

Foreign Direct Investment in India

India has continually sought to attract FDI from the world's major investors. In 1998 and 1999, the Indian government announced a number of reforms designed to encourage FDI and present a favorable scenario for investors. In India, Foreign Direct Investment Policy allows for investment only in case of the following form of investments:

- Through financial alliance
- Through joint schemes and technical alliance
- Through capital markets, via Euro issues
- Through private placements or preferential allotments

Foreign Direct Investment in India is not allowed under the following industrial sectors:

- Arms and ammunition
- Atomic Energy
- Coal and lignite
- Rail Transport
- Mining of metals like iron, manganese, chrome, gypsum, sulfur, gold, diamonds, copper, zinc

A number of projects have been announced in areas such as electricity generation, distribution and transmission, as well as the development of roads and highways, with opportunities for foreign investors.

The Indian government also provided permission to FDIs to provide up to 100% of the financing required for the construction of bridges and tunnels. Currently, FDI is allowed in financial services, including the growing credit card business. These services include the non-banking financial services sector. Foreign investors can buy up to 40% of the equity in private banks, although there is condition that stipulates that these banks must be multilateral financial organizations. Up to 45% of the shares of companies in the global mobile personal communication by satellite services (GMPCSS) sector can also be purchased.

FDI in major sectors in India

The major sectors of the Indian economy that have benefited from FDI in India are -

- Financial sector (banking and non-banking).
- Insurance
- Telecommunication
- Hospitality and tourism

- Pharmaceuticals
- Software and Information Technology.

The Indian government made several reforms in the economic policy of the country in the early 1990s. As a result of this, huge amounts of foreign direct investment came into India through non- resident Indians, international companies, and various other foreign investors. This helped in the liberalization and deregulation of the Indian economy and also opened the country's markets to foreign direct investment.

Advantages of FDI

The growth of FDI in India boosted the economic growth of the country. Major advantages of FDI in India have been in terms of –

- Increased capital flow.
- Improved technology.
- Management expertise.
- Access to international markets.

Foreign Direct Investment plays a pivotal role in the development of India's economy. It is an integral part of the global economic system. Advantages of FDI can be enjoyed to full extent through various national policies and international investment architecture. Both the factors contribute enormously to the maximum FDI inflows in India, which stimulates the economic development of the country. FDI inflow helps the developing countries to develop a transparent, broad, and effective policy environment for investment issues as well as, builds human and institutional capacities to execute the same.

Attracting foreign direct investment has become an integral part of the economic development strategies for India. FDI ensures a huge amount of domestic capital, production level, and employment opportunities in the developing countries, which is a major step towards the economic growth of the country. FDI has been a booming factor that has bolstered the economic life of India, but on the other hand it is also being blamed for ousting domestic inflows. FDI is also claimed to have lowered few regulatory standards in terms of investment patterns. The affects of FDI are by and large transformative. The incorporation of a range of well-composed and relevant policies will boost up the profit ratio from Foreign Direct Investment higher. Some of the biggest advantages of FDI enjoyed by India have been listed as under:

Economic growth: - This is one of the major sectors, which is enormously benefited from foreign direct investment. A remarkable inflow of FDI in various industrial units in India has boosted the economic life of country.

ForiegnTrade: - Foreign Direct Investments have opened a wide spectrum of opportunities in the trading of goods and services in India both in terms of import and export production. Products of superior quality are manufactured by various industries in India due to greater amount of FDI inflows in the country.

Employment and Skill Levels: - FDI has also ensured a number of employment opportunities by aiding the setting up of industrial units in various corners of India.

Technology Diffusion and Knowledge Transfer: - FDI apparently helps in the outsourcing of knowledge from India especially in the Information Technology sector. It helps in developing the know-how process in India in terms of enhancing the technological advancement in India.

Linkages and Spillover to Domestic Firms: - Various foreign firms are now occupying a position in the Indian market through Joint Ventures and collaboration concerns. The maximum amount of the profits gained by the foreign firms through these joint ventures is spent on the Indian market.

FDI Inflows Raise the Capital for Investment: - Foreign capital has taken over the domestic capital in terms of purchasing issue. Domestic capital is usually used or invested in other sectors of the Indian market.

Foreign Direct Investment in green field ventures has introduced technological advancement and contemporary techniques for management in India, which the country lacked badly before FDI made its entry.

The inflow of foreign capital in India has opened up a surfeit of options in the Indian market by ensuring foreign capital shares which stabilizes the country's economy.

Objectives of the Study

This paper aims at review the present position of the FDI in Indian. An attempt is also made to study the following objectives:

- To study the trends of FDI in India
- To review country wise presentation of FDI in India and
- To test the inflow of FDI in various sectors.
- To test the effect of FDI on Indian economy after liberalization.

To accomplish the above objectives, the required data has been collected from the secondary source and used. This data collected from the websites of Reserve Bank of India (RBI). So, required information is also gathered from the publications of Department of Industrial Policy and Promotion and Ministry of Finance. To analyze this data, simple statistical techniques like percentages, averages, standard deviation are applied.

Review of Literature

Cheng, (1993) recognized the growing importance of R&D activities between countries and highlighted the significance of additional research work on FDI should be done on why firms internationalize their R&D?

Nagesh Kumar (2001) explained in his study the role of infrastructure in attracting the FDI inflow particular reference to export oriented countries.

S. S. S. Kumar (2002), studies the integration of Indian Stock Market with the major stock markets of the world. And found that that prima facie Indian Stock Market is not co-integrated with any of the markets considered. The study finding of no co integration may be interpreted as evidence of international diversification benefits available to the Fils.

Jaya (2007) made an attempt to study the sector analysis of FDI inflow in India since 1991 and scrutinized policy implication of government on sector wise FDI growth and economic development of nation.

Nandi, Tanay Kumar and Ritankar (2007), studied the flow of FDI in retail trade. The paper argued prerequisite of FDI inflow in retail sector and suggested that FDI should be allowed in retail sector without harming the domestic economy.

Sumana Chatterjee, (2009) has studied an economic analysis of foreign direct investment in India and found the determinants of inflow and outflow of FDI.

Ila Chaturvedi, (2011), studied the sector wise and country wise FDI inflow in India. And found that Mauritius, Singapore, USA and UK are the countries showing much interest to invest in India and maximum FDI has taken place in the service sector, computer hardware and telecommunication sectors.

Trends of FDI in India

India has continually sought to attract FDI from the world's major investors. Indian national government announced a number of reforms designed to encourage FDI and present a favorable scenario for investors. The trend of FDI inflow in India has presented in the following two tables. The table no.1 depicts that the cumulative FDI flows in the country. The total inflow of FDI up to March 2011 amounted to Rs. 6, 40,944 crore. Cumulative amount of FDI inflows from April 2000 to April 2011 were Rs. 5, 80,722 crore. For the Year April 2010 to March 2011 the flow of FDI amounted to Rs. 88,520 crores. The year wise analysis of inflow of FDI was presented in the following lines with help of table no.2.

Table No. 1

CUMULATIVE FDI EQUITY INFLOWS (1991-2011)

(Rs. in Crores)

A	Cumulative amount of FDI inflows (from Aug. 1991 – March 2011)	**Rs. 6, 40, 944**
B.1	Cumulative amount of FDI inflows (from April 2000 to March 2011)	Rs. 5,80,722
B.2	AMOUNT OF FDI EQUITY INFLOWS DURING FINANCIAL YEAR 2010-11 *(from April 2010 to March 2011)*	Rs.88, 520
B.3	Cumulative amount of FDI inflows (updated up to March 2011)	Rs.**581,256**
Source: RBI Reports 2010-11		

The year wise trend of inflow of FDI in India and rate of growth over the 11 years are shown in the table 2. It can be observed from the table that the maximum growth rate recorded in the year 2006-07 with 129.38 percent growth over the previous year amounting Rs. 56,390 crores. Due to 100 percent FDI allowed in many industrial sectors and an automatic approval was given, this year showed highest growth rate of FDI inflows. This is the most favored year in respect of FDI inflow. Following this 2007-08, 2001-02 and 2005-06 also recorded better growth rate showing 74.93 percent, 73.80 percent and 67.77 percent respectively. It is also found those two years i.e. 2002-03, 2003-04 and 2010-11 showed negative growth rate representing (31.00percent), (21.81percent) and 28.10 respectively.

Table No.2		
Trend of FDI in India		
Yea	Inflow (Rs.in crores)	Growth (%)
1991-2000 (Aug.1991 - March00)	60,604	-
2000-01	10,733	22.64
2001-02	18,654	73.80
2002-03	12,871	-31.00
2003-04	10,064	-21.81
2004-05	14,653	45.60
2005-06	24,584	67.77
2006-07	56,390	129.38
2007-08	98,642	74.93
2008-09	1,23,025	24.72
2009-10	1,23,120	0.07
2010-11	88,520	-28.10
Total	**6,41,860**	**345.13**
Average of 10 years (2000 - 2010)	**52,841**	**35.00**
Source: RBI Reports 2010-11		

Table - No. 3													
COUNTRY WISE INFLOW OF FDI													
Country	**2006-07 (April - March)**	**% of Total**	**2007-08 (April - March)**	**% of Total**	**2008-09 (April - March)**	**% of Total**	**2009-10 (April - March)**	**% of Total**	**2010-11 (April- March)**	**% of Total**	**Cumulative Inflows**	**% of Total**	**Ranks**
Mauritius	28,759	58.14	44,483	45.09	50,899	41.37	49,633	40.31	31,855	35.99	242,761	42%	1
Singapore	2,662	5.38	12,319	12.49	15,727	12.78	11,295	9.17	7,730	8.73	52,876	9%	2
U.S.A.	3,861	7.81	4,377	4.44	8,002	6.50	9,230	7.50	5,353	6.05	42,542	7%	3
U.K.	8,389	16.96	4,690	4.75	3,840	3.12	3,094	2.51	3,434	3.88	29,433	5%	4
Nether Lands	2,905	5.87	2,780	2.82	3,922	3.19	4,283	3.48	5,501	6.21	25,625	4%	5
Japan	382	0.77	3,336	3.38	1,889	1.54	5,670	4.61	7,063	7.98	23,958	4%	6
Cyprus	266	0.54	3,385	3.43	5,983	4.86	7,728	6.28	4,171	4.71	21,948	4%	7
Germany	540	1.09	2,075	2.10	2,750	2.24	2,980	2.42	908	1.03	13,376	2%	8
France	528	1.07	583	0.59	2,098	1.71	1,437	1.17	3,349	3.78	10,267	2%	9
U.A.E.	1,174	2.37	1,039	1.05	1,133	0.92	3,017	2.45	1,569	1.77	8,592	1%	10
TOTAL	**49,466**	**100.00**	**98,664**	**100.00**	**123,025**	**100.00**	**123,120**	**100.00**	**88,520**	**100.00**	**580,722**	**100%**	
Source: RBI Reports 2010-11													

The main reason behind this decrease had found that the prohibition of FDI in some sensitive sectors like agriculture, railways, retail industry, real estate etc. Yearly average of FDI based on the 11 years amounted to Rs. 52,841 crore i.e. 35 percent of the total. It can be concluded, from the above analysis, that the FDI growth rate is not constant since 1991, when the market was opened to the world. This gone up to Rs. 6,41,860 crore with an average growth rate of 35 percent irrespective of up and down movements.

Country Wise Share of FDI: The inflow of Foreign Direct Investment (FDI) in India from the highest investment inflow of 10 countries are selected for the study and presented in the table no. 3. The table presents the amount of money invested by the selected top 10 countries during the last five years period, average inflow along with the proportion a country has in the total FDI in any particular year. Mauritius was stood at top in all five years of the study. It had made substantial share of an average of 42 percent of total FDI of 10 countries of the study.

The above table also shows that the inflow from this country was Rs. 28,759 crores in 2006-07, Rs. 44,483 crores in 2007-08, Rs. 50,899 crores in 2008-09, Rs.49,633 crores in 2009-10 and Rs. 31,855 crore in the year of 2010-11 respectively. As far as second position concerned, contributors kept on changing. Singapore stood in the second position in 2007-08, 2008-09, 2009-10 and 2010-11 with contribution of 12.49 percent, 12.78 percent and 9 percent respectively and in the year 2006-07 U.K occupied this position with 16.96 percent. During the study France and UAE countries stood in last position in contributing the FDI to India. The share of these two countries was just two and one percent of the total cumulative investment.

TABLE - 4

SECTROS ATTRACTING HIGHEST FDI EQUITY INFLOWS

Ranks	Sector	2006-07 (April-March)	2007-08 (April-March)	2008-09 (April-March)	2009-10 (April-March)	2010-11 (April-March)	Cumulative inflows (April'00-March 11)	% to total Inflows
1	**SERVICE SECTOR** (Financial & Non-financial)	21047	26,589	28,516	20,776	15,539	120,771	21%
2	**COMPUTER SOFTWARE & HARDWARE**	11786	5,623	7,329	4,351	3,571	47,700	8%
3	**TELECOMMUNICATIONS** (Radio, Paging, Cellular Mobile, Basic Telephonic Services)	2155	5,103	11,727	12,338	7,546	48,220	8%
4	**HOUSING & REAL ESTATE**	2121	8,749	12,621	13,586	5,149	43,192	7%
5	**CONSTRUCTION ACTIVITES** (Including Roads and Highways)	4424	6,989	8,792	13,516	5,077	40,770	7%
7	**AUTOMOBILE INDUSTRY**	1254	2,697	5,212	5,754	6,008	26,831	5%
6	**POWER**	713	3,875	4,382	6,908	5,709	26,712	5%
8	**METALLURGICAL**	7866	4,686	4,157	1,935	5,055	18,495	3%

	INDUSTRY							
9	PETROLEUM & NATURAL GAS	401	5,729	1,931	1,328	2,621	13,735	2%
10	CHEMICALS (Other than Fertilizers)	930	920	3,427	1,707	1,810	13,078	2%
Source: RBI Reports 2010-11								

Sector - Wise Inflow of FDI:

Having discussed the country wise FDI inflow into India an attempt is also made to focus the sectors that are attracted highest part of FDI are studies further analysis. For this the sector-wise amount of FDI along with their proportion, average annual investment is presented in the Table-4.

The major portions of FDI were attracted by the service sector representing 21 percent of the total FDI inflow amounting to Rs.1, 20, 771 crores. Following computers software and hardware and telecommunication sector occupied the second position in attracting the FDI inflows registering approximately 8 percent of total FDI inflow representing RS.48, 000 crores respectively. Petroleum & Natural Gas and Chemicals sectors registered only two percent of total FDI inflows into India.

FDI & Economic Development

Growth in foreign direct investment (FDI) is the clear indication of globalization in the past two decades. FDI influences the growth rate of GDP, growth in Industrial Products and exports of the country which are direct and clearest measures of nation’s economic development. The details of the economy presented in the table no. 5. By the influence of FDI there is significant growth is recorded during the two decades in the areas of GDP, IIP, Exports and Employment in private sector. Interestingly employment in public sector has been decreasing year by year. Central government policy regarding to disinvestment in public sector industries, implementation

voluntary retirement scheme (VRS) and closing down of some public enterprises are the some of the main reasons for decreasing in employment in public sector. A statistical technique 'correlation' is calcuated to see applicability of relationship between the FDI-GDP, FDI- IIP, FDI-Employment and FDI-Exports. There is positive relationship between FDI-GDP, FDI- IIP, FDI-Exports and FDI-Employment in private sector and negative relationship between FDI-Employment in public sector.

Table No.5

EFFECT OF FDI ON GDP, IIP, EMPLOYMENT AND EXPORTS

YEAR	FDI FLOW (Rs. In Crores)	GDP @ Market Prices (Rs. In Crores)	Base Year	IIP	Base Year	Employment (In Millions) Public Sector	Employment (In Millions) Private Sector	Total	Exports (Rs. In Crores)
1991-92	408	654729	1999-2000	213.9	1980-81	19.21	7.85	27.06	44041.8
1992-93	1,094	752591		218.9		19.33	7.85	27.18	53688.3
1993-94	2,018	865805		232.0		19.45	7.93	27.38	69751.4
1994-95	4,312	1015764		253.7		19.47	8.06	27.53	82674.1
1995-96	6,916	1191813		123.3	1993-94	19.43	8.51	27.94	106353.3
1996-97	9,654	1378617		130.8		19.56	8.69	28.25	118817.1
1997-98	13,548	1527158		139.5		19.42	8.75	28.17	130100.6
1998-99	12,343	1751199		145.2		19.41	8.70	28.11	139753.1
1999-00	10,311	1952036		154.8		19.31	8.65	27.96	159561.4
2000-01	10,733	2102314		162.5		19.14	8.65	27.79	203571.0
2001-02	18,654	2278952		167.0		18.77	8.43	27.20	209018.0
2002-03	12,871	2454561		176.6		18.58	8.42	27.00	255137.3
2003-04	10,064	2754620		189.0		18.20	8.25	26.45	293366.8
2004-05	14,653	3239224	2004-0	204.8		18.01	8.45	26.46	375339.5
2005-06	24,584	3706473		221.5		18.19	8.77	26.96	456417.9
2006-07	56,390	4283979		247.1		18.00	9.24	27.24	571779.3
2007-08	98,642	4947857		268.0		17.3	9.9	27.15	655863.5
2008-09	1,23,025	5574448		275.4		N.A.	N.A.	N.A.	840755.1

2009-10	1,23,120	6231172	5	304.2		N.A.	N.A.	N.A.	845125.2
Correlation		0.85		0.48		-0.78	1.00	-0.16	0.87
Source: *Hand Book of Statistics on Indian Economy - RBI Report 2009-10*									

Test of Significant Difference between Variables

Two Tailed Test (TTT) is used to test the significant difference between the variables.

Level of significance (LoS) at 5%

Test Statistic: Since 'n' is small (less than 30) the test statistic under Ho is given by

$$t= r^*\sqrt{n-2}/\sqrt{1-r^2}$$

Table No. 6

EFFECT OF FDI ON GDP, IIP, EMPLOYMENT AND EXPORTS

	FDI - GDP	IIP	Public Sector Employment	Private Sector Employment	Exports
Number of Variables (n)	19	19	17	17	19
Correlation	0.85	0.48	-0.77	0.88	0.87
Degree of freedom (n-2)	17	17	15	15	14
Table Value @5%	2.11	2.11	2.13	2.13	2.11
calculated 't' value	6.65	2.26	-4.67	7.17	3.59

FDI – GDP

Over the past two decades, Indian has experienced substantial growth in their economies, with even faster growth in international transactions, especially in the form of foreign direct investment (FDI). The GDP of the country has been increasing year by year. This has been presented in the table no. 5. The table furnishes the positive correlation between the FDI and GDP of the country. To prove this relation between FDI and GDP the following hypothesis is made.

Ho: There is no significant relation between FDI and GDP.

H_1: There is significant relation between FDI and GDP.

The calculated 't' value (6.65) is greater than the tabulated value (2.11) @ 5% level of significance for Two Tailed Test for 17 degree of freedom (df) and proved it is significant i.e. we reject the Ho.

Hence we may conclude that there is significant relation between the FDI and GDP.

FDI – IIP

Over the past two decades, there is tremendous growth is recorded in industrial products. Because of liberalization policy competition has been increased among the industries which led to increase in the quantity of production. Hence Index of Industrial Products (IIP) is taken and presented in the table no. 5. The table establishes the positive correlation between the FDI and IIP of the country. To prove this relation between FDI and IIP the following hypothesis is made.

Ho: There is no significant relation between FDI and IIP.

H_1: There is significant relation between FDI and IIP.

The calculated 't' value (2.26) is greater than the tabulated value (2.11) @ 5% level of significance for Two Tailed Test for 17 degree of freedom (df) and proved it is significant i.e. we reject the Ho.

Hence we may conclude that there is significant relation between the FDI and IIP.

FDI – Employment

During the last twenty years, a substantial increment in employment is recorded in the country. Because of liberalization policy entrepreneurs promoted their business ventures provided employment to the resources. This is a good sign. But contrary to employment in public sector is showed a negative mark. Because of the government policies towards the public sector the growth rate of employment in public sector decreased. Hence employment in public and private sector have been considered and presented in the table no. 5. The table establishes the positive correlation between the FDI and employment in private sector where as negative correlation in the public sector. To prove this relation between FDI and employment the following hypothesis is made.

Ho: There is no significant relation between FDI and employment.

H_1: There is significant relation between FDI and employment.

The calculated 't' value (7.17) is greater than the tabulated value (2.13) in the case of private sector employment, but in the case of public sector employment the calculated 't' value is less than the table value, @ 5% level of significance for Two Tailed Test for 15 degree of freedom (df) and proved it is significant i.e. we reject the Ho in the case of private sector employment and we have to accept the Ho in the case of public sector employment.

Hence we may conclude that there is significant relation between the FDI and private sector employment and no significant relation between FDI and public sector employment.

FDI – Exports

Exports are one of the chief indicators of the development of the country and a main source of earning foreign exchange. There is marvelous growth is recorded in exports Because of liberalization policy and decision taken by the P.V. Narsimharao government regarding the devaluation of rupee has increased the exports of the country. Hence the value of exports is taken and presented in the table no. 5. The table establishes the positive correlation between the FDI and exports of the country. To prove this relation between FDI and exports the following hypothesis is made.

Ho: There is no significant relation between FDI and exports.

H_1: There is significant relation between FDI and exports.

The calculated 't' value (3.59) is greater than the tabulated value (2.11) @ 5% level of significance for Two Tailed Test for 17 degree of freedom (df) and proved it is significant i.e. we reject the Ho.

Hence we may conclude that there is significant relation between the FDI and exports.

Conclusion

Indian government had set the path for attracting the copious open flow of FDI with its globalization and liberalization policy. On an average, the growth rate of FDI since globalization was found 35 percent. Opening Indian economy to the world economy, relaxation of previous rigid norms for foreign trade and enlarging the limit of FDI in various sectors are the main reasons of ample growth in FDI inflows in India. Inflow of FDI adversely affected with the reasons of prohibition of FDI in some sectors and recent economic slowdown. This flow boosts the exports and national income in positive way which indications of macroeconomic performance of the nation. These foreign investment inflows are to be diverted to manufacturing and infrastructure sectors which will increase the national product at large. With this it is clear that the India has to attract more and more FDI to make nation self-sufficient by arranging required facilities and creating trade opportunities. For this it is required that the government should amend and revise the norms in a way to expand the foreign trade, attracting joint ventures, minimizing the risk and providing the opportunities like diversifications of sales, acquiring the resources to the investors.

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