13 FDI IN INDIA AND ITS IMPACT ON THE INDIAN ECONOMY

Dr. Nirmal Singh*

ABSTRACT

This paper examines the role of FDI as an instrument of an economy's economic growth as well of its international economic integration, taking India as the case studied. In its first component, it discusses the literature in its theoretical- cum-historical aspects. In the section that follows, its takes up the statistical aspects. It uses the annual time series data to explore the relationship between FDI & the growth rate of GDP and its impact upon the Indian economy. The results of multivariate linear regression model of foreign direct investment show that economic growth, total trade, financial position and public expenditure on R&D are the important macroeconomic determinants and pull factors for FDI flows in the country. The findings of the economic growth model show that FDI is a vital and significant factor influencing the level of economic growth in India along with gross domestic capital formation, domestic savings, interest rate, employment, development expenditure, exports and foreign exchange reserves.

INTRODUCTION

Foreign investment is a strategic instrument of development policy framework. It plays an important role in the long-term economic development of a country by augmenting the availability of capital, enhancing the competitiveness of the domestic economy through transfer of technology, strengthening infrastructure, raising productivity, generating new employment opportunities and boosting exports. It must be noted that foreign direct investment has an important place in the economies of the developed countries. In fact, the bulk of the global foreign investment occurs among the developed countries. Several countries in Asia have taken active steps to welcome foreign direct investment. These steps include reduction in administrative and regulatory barriers to FDI, provisions of various fiscal incentives and other measures aimed at improving the climate for FDI. There has been a rapid move towards deregulation and liberalization, which has resulted in India becoming a favorite destination for foreign investment.

INDIA AS AN INVESTMENT DESTINATION

FDI is seen as a means to supplement domestic investment for achieving a higher level of economic growth and development. FDI benefits domestic industry as well as the Indian consumers by providing opportunities for technological up-gradation, access to global managerial skills & practices, optimal utilization of human and natural resources, opening up of export markets, providing backward & forward linkages and access to international quality goods and services. In view of foregoing advantages, the FDI policy has been constantly reviewed and necessary steps have been taken to make India a most favorable destination for FDI.

Foreign direct investment is preferred primarily for the reason that it goes directly to increase the capital formation of the recipient country. Since 1991 India has sought to increase inflows of FDI with a rather liberal policy. The timing of policy liberalization by India has coincided with the dramatic upsurge in the global FDI outflows from United States. In fact, the 1990s have witnessed a sustained rise in annual inflows to India. European countries had been major sources of FDI inflows to India until 1990. However, their relative importance has steadily declined in the liberalization period. The decline in the relative importance of European countries as source of FDI to India has been made more prominent by the diversification of sources of FDI by the country over the 1990s.

*** Assistant Professor in Economics, Sri Guru Gobind Singh College of Commerce, University of Delhi,**
E-mail: tandanirmal @yahoomail.com

The unprecedented growth of global FDI in 1990s around the world make FDI an important and vital component of developed strategy in both developed and developing nations and policies are designed in order to stimulate inward inflows. In fact, FDI provides a prosperous atmosphere to the host and the home countries. Both countries are directly interested in inviting FDI, because they benefit a lot from such investment. The home countries want to take the advantage of the vast markets opened by industrial growth. On the other hand, the host countries want to acquire technological and managerial skills and supplement domestic savings and foreign exchange.

Foreign direct investment can increase the economic growth of a country and the Government of India realized this fact and this is the reason why it started a series of financial and economic reforms in the country in 1991. In the wake of economic liberalization policy initiated in 1991, the Government of India has taken several measures to encourage foreign investment in almost all the sectors of the economy. However, the emphasis has been on foreign direct investment inflows in the development of infrastructure, technological up gradation of industry and setting up Special Economic Zones. With a vast reservoir of skilled and cost effective manpower, India is now recognized as one of the most attractive investment destinations by reputed international rating organizations. The World Investment Prospects Survey 2010-12 report by the United Nations Conference on Trade and Development, ranked India as the second most attractive FDI destination for the year 2010, whereas China was ranked number one and Brazil number three. High value added services industries including financial services and information & technology (IT) in India are the most preferable sectors by foreign investors. India has provided multinational gains with economies of scale and productivity to companies in Bangalore, Mumbai and Delhi. These companies are now diversifying their operations to relatively lower cost cities including Pune and Kolkata.

In spite of the fact that India is strategically located with access to a vast domestic and South Asian market, its share in world's total flow of investment to developing countries is miserably low. China, Singapore, Indonesia, Philippines and Thailand attract greater amounts of foreign investment than India.

Under the current policy regime in India, there are three broad entry options for foreign direct investors; (i) in a few sectors FDI is not permitted, as in the Defence Arms, Nuclear, Coal or Mining Industries and Indian Railways. (ii) In another small category of sectors, foreign investment is permitted only up to a specified level of foreign equity participation. (iii) In all other sector, foreign investment up to 100 per cent of equity participation is allowed as in the construction of bridges, tunnels and highways for capacity- building infrastructure.

In 2003, the Indian government started the second generation reforms in order to increase the flow of FDI in the country which in turn, helped to integrate the country's economy with the economy of the world. Since the initiation of economic liberalization process, the services sector and sectors such as telecommunications, housing & real estate, automobiles, chemicals, food processing, oil & natural gas, petro- chemicals and power have attracted considerable investment. In the changed investment climate, India offers exciting business opportunities in virtually every sector of the economy. Services sector and telecommunications are among the leading sectors attracting FDI.

FDI in different states in India have increased steadily since the early nineties when the Indian economy was opened up to foreign investments. Delhi, Maharashtra, Karnataka, Tamil Nadu are among the leading states that have attracted maximum FDI. The status of FDI in different states of India, during the period beginning from the year January 2000 to October 2006, witnessed a massive upsurge in FDI inflows. These include Delhi (USD 6,780 million), Maharashtra (USD 5,650.1 million), Karnataka (USD 1,876.1 million) and Tamilnadu (USD 1,876.1 million). Other states which are in the receipt of FDI inflows in India include West Bengal, Gujrat, Haryana, Andhra Pradesh, Kerala and Uttar Pradesh.

LITERATURE REVIEW OF FDI FLOWS

FDI plays multidimensional role in the overall development of the host country. It is widely discussed in literature that besides capital flows, the FDI generates considerable economic benefits. These include employment generation, acquisition of new technology and knowledge, human capital

development, contribution to international trade integration, creation of more competitive business environment and enhanced domestic enterprise development (Klein, 2001; Tambunan, 2005).

FDI in manufacturing seems to have positive and significant effect in a country's economic growth (Alfaro, 2003). In general, the multinational enterprises have increasingly contributed to capacity addition and total sales of manufacturing. Further, FDI plays an important role in raising productivity growth in sectors in which investment has taken place. In fact, sectors with a higher presence of foreign firms have lower dispersion of productivity among firms, thus indicating that the spillover effects had helped the local firms to attain higher level of productivity growth (Haddad & Harrison, 1993). Besides being an important source for diffusion of technology and new ideas, FDI plays more of complementary role than of substitution to domestic investment (Borenzstein, 1998). FDI tends to expand the local market attracting large domestic private investment. This "crowding in" effect creates additional employment in the economy (Jenkins & Thomas, 2002). Further, FDI has strong relation with increased exports from host countries. FDI also tends to improve the productive efficiency of resource allocation by facilitating the transfer of resources across different sectors of the economy (Chunlai, 1999).

FDI inflows are also associated with higher economic growth (Jalilian & Weiss, 2001). Economic growth is critically important for poverty reduction. It has been found that FDI had positive impact on poverty reduction in the areas where the concentration of labour-intensive industries was relatively high (Doanh, 2002). However, some of the developing countries, like India, have missed the so called "Flying Greese" phenomenon, under which the export composition is likely to be dominated by labour intensive manufactures, while imports by intermediate and capital goods. The resulting trade deficit is to be closed by capital inflows including FDI (Chadha, 1998). On the contrary, during the last two decades, the share of relatively capital-intensive goods in India's exports has gone up while that of the labour-intensive goods (like leather & leather products and textile & textile products) has gone down (Chadha, 2007).

Though it is expected that growth tends to benefit the poor, but it has not happened in many countries. There is no clear picture whether growth reduces poverty (World Bank, 2000). It is believed that increased flow of capital raises capital intensity in production resulting in lower employment generation. However, higher level of investment accelerates economic growth showing wider positive effects across the economy. Tambunan (2005) contended that FDI has positive effects on poverty reduction mainly through three important ways, viz., labour-intensive growth with export growth as the most important engine; technological, innovation and knowledge spillover effects from FDI based firms on local economy; and poverty alleviation programs or projects financed by tax revenues collected from FDI based firms. However, the host country's policies and institutions, the quality of investment, the nature of regulatory framework and flexibility of labour markets are important to attain the expected benefits from FDI (De Mello, 1999; Klein 2001; Chadha, 2007). FDI may indirectly benefit the poor by creating better employment and earning opportunities for unskilled workforce in developing countries (ODI, 2002).

OBJECTIVES OF THE STUDY

The present study covers the following objectives:

1. To study the growth and patterns of FDI in India during post economic reform period.
2. To analyze the important determinants of FDI inflows in India since economic reform period.
3. To evaluate the impact of FDI on the Indian Economy since economic reform period.

HYPOTHESIS

With these objectives a number of hypotheses have been formulated for empirical verification;

1. There is a significant growth of FDI inflows in India since the nineties.
2. The inflows of FDI are determined by a number of independent variables such as level of Economic Growth, Foreign Exchange Reserves, Public Expenditure, Total Trade and Exchange Rate etc.
3. FDI has a positive and significant impact on Economic Growth, Gross Domestic Capital Formation, Domestic Savings, Exports, Foreign Exchange Reserves and level of Employment in the Indian Economy.

SOURCES OF DATA

Data sources used for various explanatory and dependent variables are National Income Accounts; Ministry of Statistics & Programme Implementation: GOI, RBI Bulletin: various issues, Economic Survey; Ministry of Finance: GOI, Compiled data by The Centre for Monitoring Indian Economy (CMIE), NSSO Reports: CSO; GOI, SIA Publications; Ministry of Commerce & Industry: GOI, Director General of Commercial Intelligence & Statistics (DGCI&S); Kolkata: various issues.

RESEARCH METHODOLOGY

In order to estimate growth rate the Trend Growth Model has been used, where as to assess stagnation in growth rates, the Stagnation Test Model of Regression Coefficients has been used. Further, the study applies the simple and multiple regression models to find out the explanatory variables of the FDI inflows.

HISTORICAL BACKGROUND

FDI in India can be traced back as far as the establishment of the British East India Company. British capital came to India during the colonial era. Before independence, the major amount of FDI came from the British companies. British companies setup their units in mining sectors that suit their own economic interest. After the Second World War, Japanese companies entered Indian market and enhanced their trade with India, yet U.K. remained the most dominant investor in India. After independence, issues relating to foreign capital and operations of MNCs gained attention of the policy makers. The first Prime Minister of India considered foreign investment as necessary not only to supplement domestic capital but also to secure scientific, technical and industrial knowledge and capital equipments. The Industrial Policy of 1965 allowed MNCs to venture through technical collaboration in India. However, the country faced two sever crisis in the form of foreign exchange reserves and financial resource mobilization during the Second Five Year Plan (1956-61). Therefore, the government of India adopted equity capital in technical collaborations. Then government started giving many incentives such as tax concessions, simplification of licensing procedures and de- reserving some industries such as drugs, aluminum, heavy electrical equipments, fertilizers etc in order to further boost the FDI inflows in the country. This liberal attitude of the government towards foreign capital encouraged investors from developed countries like USA, Japan and Germany etc. But due to significant outflow of foreign reserves in the form of remittances of dividends, profits, royalties etc, the government had to adopt stringent foreign policy in the1970s. During this period, the government adopted a selective and highly restrictive foreign policy as far as foreign capital, type of FDI and ownership of foreign companies were concerned. This resulted in the partial Liberalization of the Indian Economy.

In the early nineties, Indian economy faced a severe Balance of Payment crisis. Exports began to experience serious difficulties. There was excessive increase in petroleum prices because of gulf war. At that time, India was left with that amount of foreign exchange reserves which could finance its three weeks of imports. The outflow of foreign currency which was deposited by the NRIs gave a further jolt to the Indian economy. The continued political uncertainty in the country during this period further worsened the situation. In this critical phase of the Indian economy, then finance minister of India, Dr. Manmohan Singh, with the help of the World Bank and the IMF introduced macro-economic stabilization and structural adjustment programmes. As a result of these reforms, India opened its doors to FDI inflows and adopted a more liberal foreign policy in order to restore the confidence of foreign investors. During this period the foreign equity cap was raised to 51 per cent for the existing companies. The Government allowed the use of foreign brand names for domestically produced products, which had been restricted earlier. New sectors, such as mining, banking, telecommunications, highway, construction and management were also opened up to foreign investors.

Table .1 FDI Inflows in India

Amount of FDI (Rs. Crore)	1990-91	2000-01	2010-11
	174	18,406	1,38,462
CGR %	1990-2000	2000-11	1990-2011
	59.40	22.40	39.60

Note: CGR; Compound Growth Rate Annual.
Source: Data Compilation from SIA Bulletin, various issues.

It is clear from the above table that FDI inflows in India have increased manifold since 1990s. The measures introduced by the government to liberalize provisions relating to FDI in 1990s, encouraged the investors from every corner of the world. In fact, India emerged as a strong economic player on the global front after its first-generation economic reforms. As a result, the number of investing countries to India reached to the maximum of 130 in 2012 which had been only fifteen in 1991. Further, the explosive growth of FDI gave opportunities to Indian industry for technological up gradation, gaining access to global managerial skills & practices, optimizing utilization of human and natural resources and competing internationally with higher efficiency.

FDI inflows in India in the Post Economic Reform Period

With strong governmental support, FDI has helped the Indian Economy to grow tremendously. Undoubtedly, India has emerged as one of the most vibrant and dynamic developing economies of the world. FDI has enabled India to achieve a certain degree of financial stability, growth & development. This money has allowed India to focus on the areas that needed a boost and economic attention, and address the various issues that continue to challenge the country. The Indian national government has announced a number of economic reforms designed to encourage and promote a favorable business environment for investors.

Now FDIs are permitted through financial collaborations, through private equity or preferential allotments, by the way of capital markets through Euro issues and in joint ventures. FDI is not permitted in the Defense Arms, Nuclear, Coal or Mining Industries and Indian Railways, areas that are strategically important for the sovereignty of the nation. A number of projects have been implemented in areas such as electricity generation, distribution & transmission, as well as the development of roads and highways, with opportunities for foreign investors. The Indian national government has also granted permission for FDIs to provide finance required for the construction of bridges and tunnels up to 100 per cent, but with a limit on foreign equity of INR 1,500 crores, approximately $ 352.5 million.

Currently, FDI is allowed in financial services, including the growing credit card business. These also include the non-banking financial services sector. Foreign investors can buy up to 40 per cent of the equity in private banks, although there is the condition that these banks must be multilateral financial organization. Up to 45 per cent of the shares of companies in the global mobile personal communication by satellite services sector can also be purchased. In 2007 India has received $34 billion in FDI, a huge growth compared to the previous years, but significantly less than the $ 134 billion that flowed into China. Although the Chinese approval is complex, China continues to outshine India as a choice destination for foreign investors. India is a country with abundant resources and a skilled workforce, but still lagging behind China in FDI amounts. Physical infrastructure is the biggest hurdle that India currently faces, to the extent that regional differences in infrastructure concentrates FDI to only a few specific regions.

India's Share in FDI Flows to Developing Countries

The share of India in FDI flows to developing countries is meager. In spite of the fact that India is a strategic location with access to a vast domestic and South Asian market, its share in world's total flow of direct investment stands in around 2 per cent. India might remain high in the ranking as a favoured destination like China and neighboring countries in Southeast Asia. China remains on top as an FDI destination attracting more than half of the total FDI flows to developing Asian economies. The current scenario calls for further liberalization of norms for investment by present and prospective foreign entrepreneurs. Attracting foreign capital requires an investor friendly environment and adequate infrastructural facilities.

In terms of investing countries, Mauritius continues to account for the largest amount of FDI inflows to India. Singapore is at the second position with regard to FDI inflows to India, followed by Japan, USA, UK, and Netherlands. Since the initiation of the economic liberalization process in 1991, the services sector and sectors such as telecommunications, housing and real estates, automobiles, chemicals, food processing, oil and natural gas, petro- chemicals and power have attracted considerable investments. Services sector and telecommunications are among the leading sectors attracting FDI in India.

Despite enjoying healthy rates of economic growth, India and China have significant differences in their FDI performance. FDI has contributed to the rapid growth of China's merchandise exports while FDI has been much less important in driving India's export growth. On the basic economic determinants of inward FDI, China does better than India. China's total and per capita GDP are higher than India's, making it more attractive for market seeking FDI. China has a higher literacy rate making it more attractive to efficiency seeking investors. China has large natural resource endowments. In addition, China's physical infrastructure is more competitive, particularly in the coastal areas. However India has an advantage in technical manpower, particularly in information technology. China has become a key centre for hardware design and manufacturing. India, on the other hand, specializes in IT services, call centres and R&D.

FDI and the Indian Economy A Study

FDI is considered as an instrument of international economic integration, because it brings a package of assets including capital, technology, managerial skills and capacity to access foreign markets. In order to study the impact of foreign direct investment on economic growth, and to find out the explanatory variables of the FDI inflows in the country, simple and multiple regression models have been used. The explanatory variables that the present study includes are Total Trade_GDP, Research & Development Expenditure_GDP, Foreign Exchange Reserves_GDP, Foreign Debt_Total Exports, Level of Economic Growth (GDPGr) and Exchange Rate. All these variables are considered to be the pull factors of FDI inflows in the country. In other words, FDI inflows in India at aggregate level can be considered to be the function of these said macroeconomic variables. In order to assess the growth of FDI and GDP in India since the 1990s, Stagnation Test Model of Regression Coefficients is used in following manner: This test authenticates the differences in the growth rates between two segments of time period. The stagnation of FDI inflows and economic growth in Indian economy was tested with the help of Dummy Variable Trend Regression Model. For this purpose, FDI inflows in the last ten years of this entire 1990-91 to 2009-10 period, i.e., during 2000-01 to 2009-10, was compared with earlier period, i.e., 1990-91 to 2000-01. The results of the Stagnation Test indicate that the growth rates of FDI and economic growth during 2000-01 to 2009-10 were statistically different from the growth rates in the previous 1990-91 to 2000-01 period. It may be seen from Table-2 that the Differential Trend Coefficient for the 1990-91 to 2009-10 period is statistically significant at 1% level. On the basis of results presented, it can be said that at present FDI and Economic Growth in India are not growing at the same rate at which it has been growing since 1990-91.

GROWTH MODEL AND TEST OF STAGNATION

Table .2 Stagnation of FDI inflows and Economic Growth in India; Test Results

Estimated Growth Rate/ Regression Coefficients	FDI	Eco. Growth
Growth Rate in period 1990-91 to 2000-01(per annum)	48.13*	6.1*
Growth Rate in period 2001-02 to 2009 – 10(per annum)	32.97	7.93
Difference in Growth Rates of the two periods	Significant *	Significant *
Dependent Variable (log form)	**FDI**	**Eco. Growth**
Intercept (a0)	5.33	13.8
Trend Coefficient (b0) for Period 1990-91 to 2000-01	0.481* (8.5)	0.061* (41.8)
Differential Intercept Coefficient for Period 2000-01 to 2009-10 (a1-a0)	1.12 (1.2)	-0.25 (-8.0)
Differential Trend Coefficient for Period 2001-02 to 2009-10 (b1 - b0)	-0.194* (-2.4)	0.019* (7.5)
R2	0.94	0.97

****Note:** *1) Stagnation Test Model used; log y = a0 + b0t + (a1-a0) D + (b1. - b0)D where D = '0' for years 1990-91 to 2000-01 and '1' for years 2001 - 02 to 2009 –10.*

2) Figures in parentheses are 't' values.

*3) * Significant at 1%*

Further, an attempt has been made to develop a linear multiple regression model with the growth of FDI inflows to India since 1990-91 and the macro economic indicators of FDI inflows as the explanatory variables.

The estimated results obtained from the multiple regression show that the coefficient of GDP Growth is positive, which implies a direct relationship between economic growth and FDI inflows. It means that an economy with higher GDP growth will attract more FDI inflows.

The significant positive regression coefficient of R&D Expenditure influences directly the inflow of FDI. It is only due to the fact that India has a large pool of human resources and human capital, known as the prime mover of economic activity. India has the third largest system of higher education in the world and a unique tradition of science and technology. India can strengthen the quality and affordability of its health care services, education system, agriculture, trade, industry and services by investing in R&D activities.

The ratio of External Debt to Exports shows the financial position of the country. The significant positive regression coefficient authenticates the sound position of the economy. It implies that external debt is recovered from the export earnings of the country.

The explanatory variable of Total Trade is the sum of total exports and imports at constant prices. The regression coefficient of this variable is positive with respect to FDI. It implies that FDI & Trade are the engines of growth as technological diffusion through international trade and inward FDI stimulates economic growth of the country. Knowledge and technological spillovers contribute to growth by increasing productivity. Economic growth, whether in the form of export promoting or import substituting strategy, can significantly affect trade flows.

Table .3 Regression Results

Dependent Variable	Growth of FDI inflows in India (1990-91 to 2009-10)
R Square	0.51
D-W Statistics	1.77
F	1.493
N	20

Explanatory Variables	Regression Coefficients	"t" Values	"p" Values
GDPGr (%)	4.75	0.484	0.636
R&D Exp_GDP	208.37*	1.77	0.101
External Debt_Exports	15.02**	1.185	0.257
Trade_GDP	3.98***	0.715	0.487
F.Exchange Reserves_GDP	-6.89**	-1.106	0.289
Exchange Rate(Rs.)	-3.97*	-1.824	0.091

** Significant at 1%* *** Significant at 5%* **** Significant at 10%*

Explanatory Variable	Amount of FDI Inflows (Rs. Millions) in India (1990-91 to 2009-10)					
Dependent Variables	Regression Coefficients	"t" values	"p" values	R- Square	D-W statistics	"F" test
GDP	12.16*	9.7	1.5	0.84	0.283	93.2
GDCF	5.46*	10.3	5.0	0.86	0.48	107.76
Domestic Savings	10.31*	12.6	2.5	0.90	0.73	157.5
R&D Expenditure	1.67*	11.5	1.06	0.88	0.459	131.3
Total Exports	4.28*	15.2	1.07	0.93	0.502	230.1
Foreign Exchange Reserves	7.19*	13.3	9.9	0.91	0.527	175.9
Employment	1.01*	4.3	0.001	0.50	0.383	17.83

Growth of FDI inflows in India (1990-91 to 2009-10)						
Growth of Interest Rate	0.021*	2.63	0.017	0.28	0.743	6.92
Exchange Rate	-0.07*	-2.42	0.026	0.25	0.621	5.86
Growth of Fiscal Deficit	-0.037	-0.42	0.681	0.210	2.2	0.174

Significant at 1%

Since FDI has a significant positive relationship with GDP, the growth of FDI inflows restricts the growth rate of fiscal deficit in the host country. It is thus revealed from the analysis that FDI is a vital and significant factor influencing the level of economic growth in India. The coefficient of determination, i.e., value of R- Square, D-W Statistics and "F" Statistics confirm that the model used is statistically a good fit.

CONCLUDING REMARKS

Developing countries have now realized their presence in the domain of developed nations by receiving a frequent inflow of FDI in the era of globalization and liberalization. India has become one of the fastest growing economies across the globe, and a most preferable destination of global FDI since 1991. India has signed a number of bilateral and multilateral trade agreements with developed and developing nations. The economic reform process started in 1991 has helped in creating a conducive and healthy atmosphere for foreign investors, resulting in substantial amount of FDI inflows. No doubt, FDI plays a crucial role in enhancing the economic growth and development of the country. Moreover, FDI as a strategic component of investment is needed by India for achieving the objective of its second generation economic reforms and maintaining the high pace of economic growth and development. It is seen from the analysis that, large amount of FDI flows were earlier confined to the developed economies. But now there is a tremendous increase in the FDI inflows to developing economies. Developing economies fetch a significant share of the world FDI inflows since the mid-nineties. Among developing nations, Asian countries received the maximum share of FDI inflows as compared to other emerging developing countries. India's share in world FDI increased significantly during the post economic reform period. India has become the most attractive destination and the major recipient of global FDI inflows among emerging nations, after China. This can be attributed to the economic reform process of the country since the nineties.

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APPENDIX TABLE-1

Years	FDI (amounts in Rs. Crore)	GDP at fc (Constant Prices) Rs. Crore	Indian External Debt (Rs. Crore)	Exchange Rates Rs. Per $
1990-91	174	1083572	248657	17.94
1991-92	316	1099072	252910	24.5
1992-93	965	1158025	280746	30.6
1993-94	1838	1223816	290418	31.4
1994-95	4126	1302076	311685	31.4
1995-96	7172	1396974	320728	33.4
1996-97	10015	1508378	335827	35.5
1997-98	13220	1573263	369682	37.2
1998-99	10358	1678410	411297	42.1
1999-00	9338	1786525	428550	43.3
2000-01	18406	1864301	472625	45.7
2001-02	29235	1972606	482328	47.7
2002-03	24367	2048286	498804	48.4
2003-04	19860	2222758	491078	45.9
2004-05	27188	2388768	581802	44.9
2005-06	39674	2616101	616144	44.3
2006-07	103367	2871120	746918	42.3
2007-08	140180	3129717	897955	40.2
2008-09	173741	3339375	1142125	45.9
2009-10	179059	3605108	1178994	47.4

Source: ***RBI Bulletin "Report on Currency and Finance"***
RBI: "Handbook of Statistics on Indian Economy."
RBI Bulletin, "State Budget Estimates"
SIA Bulletin, various issues.

APPENDIX TABLE-2

Years	Foreign Exchange Reserves (Rs. Crore)	Indian Exports (Rs. Crore)	Indian Total Trade (Rs. Crore)	National Expenditure on R&D (Rs. Crore)	National Development Expenditure (Rs.Crore)
1990-91	11416	32553	75751	8294.5	58645
1991-92	23850	44041	91892	8363.31	59313
1992-93	30744	53688	117063	8526.18	65479
1993-94	60420	69751	142852	9408.8	72464
1994-95	79781	82674	172645	9341	82803
1995-96	74384	106353	229031	9656.12	84427
1996-97	94932	118817	257737	10662.41	94197
1997-98	115905	130100	284276	11921.83	110994
1998-99	138005	139752	318084	12967.51	137257
1999-00	165913	159561	374797	14397.6	129151
2000-01	197204	203571	434444	15683.37	139386
2001-02	264036	209018	454218	16007.14	159364
2002-03	361470	255137	552343	16353.72	184197
2003-04	490129	293367	652475	17575.41	195428
2004-05	619116	375340	876405	19991.64	214955
2005-06	676387	456418	1116827	22963.91	229060
2006-07	868222	571779	1412285	24821.63	255718
2007-08	1237985	655864	1668176	27213	318834
2008-09	1283865	840755	2072438	2813.4	360027
2009-10	1259665	845534	2209270	3014.71	412531

***Source:** (DGCI&S); Kolkata: various issues.*
RBI: "Handbook of Statistics on Indian Economy."
RBI Bulletin, "State Budget Estimates"
Ministry of Finance, GOI, "Economic Survey",

APPENDIX TABLE-3

Years	GDCF (Rs. Crore) At Constant Prices	Domestic Savings (Rs. Crore) At Current Prices	Gross Fiscal Deficit (Rs. Crore)	Employment (Million) Organized Sectors	Interest Rate (%)
1990-91	291611	130010	63419	26	16
1991-92	246099	141089	55225	26.2	19
1992-93	269647	159682	61065	26.4	17
1993-94	286305	189933	80621	26.5	14
1994-95	349266	247462	85011	27.1	15
1995-96	375888	291002	91113	27.4	16.5
1996-97	374006	313068	103294	27.8	14.75
1997-98	419378	363506	132411	27.9	14
1998-99	419885	389747	186644	27.8	12.5
1999-00	506244	484256	194814	27.9	12.25
2000-01	488658	499033	206738	28	11.5
2001-02	474448	534885	235216	27	11.5
2002-03	555287	647970	244799	26.5	11.13
2003-04	665625	821026	243904	26.5	10.63
2004-05	795642	1000424	233568	27	10.5
2005-06	950102	1227348	236519	27.3	10.5
2006-07	1053323	1441423	220082	27.6	12.38
2007-08	1123421	1836332	234870	28.2	12.5
2008-09	1235214	1802620	449645	28.7	12
2009-10	1311241	2182970	541939	29	11.5

Source:* *Department of Public Enterprises, Ministry of Labour & Employment.
RBI: "Handbook of Statistics on Indian Economy."
RBI Bulletin, "State Budget Estimates"
Ministry of Finance, GOI, "Economic Survey",