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# An Analytical Study of Foreign Direct Investment (FDI) & Its Impact on Indian Gross Domestic Product (GDP)

**Mohd Mohsin Qureshi[a]*, S.K.S. Yadav[b]**
*[a]Department of Commerce and Business Administration, Meerut College, Meerut, U.P., India*
*[b]National P.G. College, Bhongaon, District Mainpuri, U.P., India*
*E-mail: qureshimohsin@rediffmail.com[a], sudhiryadavmeerut@gmail.com[b]*

## Abstract
*Foreign direct investment is essential for the economic progress of any emerging country. Over the past two decades, FDI has been increasingly prominent in India. Investment and saving are connected by FDI. Many developing nations, like India, are experiencing a savings shortage. Foreign Direct Investment can assist in the solution to this issue. Foreign investment contributes to lowering the BOP flaw and provides the foundation and prerequisite for accelerated GDP development. The secondary data serve as the sole foundation for this investigation. It is based on publicly available annual reports from the NSE, BSE, SEBI, and RBI for the 10 years from 2012-13 to 2021-22. The results were obtained using statistical methods, primarily correlation and linear regression analysis. Our analysis leads us to the conclusion that FDI significantly affects India's GDP.*
***Key Words:*** *Foreign Direct Investment (FDI), Economic Development, Gross Domestic Product (GDP).*

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**Corresponding Author*
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# 1. INTRODUCTION

Every economy must progress through numerous stages of development. The primary driver of economic activity is investment. For the development, domestic investment is insufficient. Therefore, there is a huge need for international investment according to the Foreign Direct Investment model (FDI). Without foreign investment, no nation can reach the highest possible degree of economic growth on its own. This foreign capital in the form of FDI is sorely needed to support the country's economic goals. It is the direct investment made by foreign governments or businesses in the industries of another nation to create a favorable business environment. Favorable foreign investment causes capital to accrue in the nation, which then improves productivity, income levels, the effectiveness of demand, accumulated savings, and investment, ultimately leading to a nation's overall growth and development.

A crucial part in the growth of the country is played by foreign direct investment (FDI). For developing and underdeveloped nations, it is extremely important. The lack of sufficient income and savings to cover the necessary amount of investment needed to sustain economic growth is a prevalent feature of these developing and underdeveloped economies. In such circumstances, foreign direct investment can help to bridge the gap between available and required resources or finances. It contributes significantly to a nation's long-term growth not just as a source of capital but also to the improvement of the local economy's competitiveness through technology transfer, infrastructure improvement, productivity growth, and the creation of new job opportunities. In India, FDI is viewed as a developmental strategy that aids in gaining self-reliance in a number of sectors and the expansion of the economy as a whole. There was a dramatic rise in the flow of foreign direct investment into India following the liberalization and globalization of the economy in 1991.

Multinational firms have rapidly increased their foreign direct investment (FDI) since the middle of the 1980s. This expansion may be ascribed to significant technical breakthroughs, an increase in the liberalisation of trade and investment regimes, and the deregulation and privatisation of markets in many nations, particularly developing ones like India. During the years 1991–1992, foreign direct investment (FDI) began to enter India with the intention of bringing together the projected investment and the actual savings of the nation. India has become a country that welcomes investment as a result of trade policy liberalisation. In the context of this liberalisation, foreign direct investment (FDI) in India attained essential importance. India is one of the ten most industrialised nations in the world, although it is mostly an agro-based economy, with about 70% of the population working in agriculture. However, due to their built infrastructure, freely accessible labour, flexible taxation systems, etc., urban industries received the majority of FDI during the early stages of liberalisation. Because of these factors, FDI in these sectors has been very successful.

With the increase in FDI, Indian businesses have more opportunity to advance technologically, access advanced managerial techniques, make the best use of their human and natural resources, and compete more successfully on the world stage. Economic officials thus create the way to attract Foreign Direct Investments (FDI), as a high level of FDI is considered as a catalyst and accelerator of economic growth in the host country. The two most prominent advantages connected with FDI inflows for the host country are export promotion and GDP growth.

## 2. Review of Literature

**Ahmad & Ahmad (2014)** looked into the significance of Foreign Institutional Investors, which have emerged as a powerful force in the growth of the stock market of India and are now widely acknowledged as a significant contributor to stock market volatility. The present study made a modest effort to analyse FII investment and its impact on volatility of stock market in order to determine the relationship between the two. The research spanned fifteen years, from January 1999 to December 2013, and made use of monthly time series data on SENSEX, NIFTY, and FIIs activities. The non-stationarity of a time series can be tested with the help of the Augmented Dickey-Fuller (ADF) unit root test. In the present research, they used the GARCH model to analyse the affect of FII capital flows on the volatility of stock market. According to the findings of the GARCH test analysis, the NIFTY and SENSEX, two important indices that represent the Indian stock market, are much more volatile than they were in the preceding periods and were also significantly more volatile due to FII investment. Therefore, the findings imply that the volatility of the Indian stock market and FIIs has grown over the course of the study, but that it peaked during the financial crisis before normalizing to moderate levels.

**Vaibhav Bhansali (2016)** looked into whether the liberalisation process that began in India in the early 1990s had a significant impact on the Indian stock market operated. Globalization, liberalisation, and foreign investment growth have improved the competitiveness and effectiveness of the Indian stock exchanges. India, a developing nation, draws a sizable amount of FII each year. Foreign Institutional Investors (FIIs) are one of the most significant investment groups that have arisen to play a significant impact in the overall success of the stock market. Foreign direct investment (FDI) portfolio flows are highly advantageous for emerging markets since they are growth-oriented and reduce the cost of capital. This research looks at how institutional investors from other countries affect the Indian stock exchange.

**Das, L., and Mahapatra, R. P., (2017)** conducted research on the increasing involvement of Foreign Institutional Investors (FIIs) in Indian stock market. Their impact on the stock market was a hotly debated topic for a long time. Foreign institutional investors (FIIs) have grown into important participants and providers of financial services in India's stock market. The author looked at whether or not the actions of these investors may be attributed to market shifts. Due to their transient character, FIIs can influence the performance of domestic financial markets in both directions. For this reason, it is crucial for any developing nation to comprehend the factors that attract FII, as it has a more significant effect on the home country's financial markets. This study's objectives were to (1) analyse the factors that attract foreign institutional investors (FIIs) to India and (2) evaluate the impact that foreign institutional investors have on the stock market and economy of India.

**Jain, V., Nair, K., and Jain, D. (2014)** wrote that a country's prosperity and progress can be seen in its steady economic growth and development, which comes from investments. The authors claim that Foreign Institutional Investors (FIIs), particularly in emerging nations like India, have recently emerged as substantial players in the Indian equity market and are steadily ascending to the position of one of the major contributors to the expansion of the financial markets. The primary goals were to examine how FII flow affected capital markets, the degree to which FII flow and capital market growth were caused by Granger causality, and the lead-lag relationship between NSE Nifty and FII flow. The study database is made up of NSE Nifty and FII flow monthly data. The information used was gathered from the websites of the major stock exchanges and SEBI. Gretl and other pertinent statistical analytic software have been used to compute the findings of stationarity, causality, and co integration. The study's findings did suggest that there was no causal relationship between FII investment and NIFTY and that they were both affected by a number of other macroeconomic elements other than growth.

**N. Kedia (2016)** investigated how the Indian stock market has been impacted by the shifting global landscape. FIIs have grown to be very substantial market participants in India, and their increasing involvement and contribution has been a key factor in the growth of the country's stock markets. The Indian Stock Markets' new heights and increased volatility have prompted studies to be conducted in this area to determine the relationship between FIIs and the Stock Market. Data from the BSE Sensex and FII activities for the time period of January 2003 to December 2012 were used to conduct the study. The study found that foreign institutional investors (FIIs) affected the Indian stock market. $R = 0.609$, which indicates that the beneficial effect of FIIs on the stock market is over 60%. The data seems to indicate that FII inflows either contribute to an upward trend in the market or have the reverse effect. Additionally, as the study concentrated on the Bombay stock exchange, the impact of foreign institutional investors on the Sensex was stronger.

**Mukherjee (2002)** looked at the possible causes of FII and came to the following conclusions: (1) The domestic equities market's performance frequently influences the foreign investment flow into Indian markets; (2) Inflows of foreign direct investment (FII) are affected by the performance of the Indian stock market; (3) FIIs' buying and selling habits have a significant impact on the Indian stock market's overall performance; (4) FIIs do not use the Indian stock market as a means of diversifying their portfolios; (5) It's possible that FII decision-making is influenced by returns from fluctuations of the currency rate and the situation of the economy's fundamentals, but this effect is not significant enough.

**Prusty, T., and Vishwakarma, R. (2014)** stated that Foreign Institutional Investors (FIIs) have emerged as major players in the Indian Stock Market in recent years. This study aimed to define the role of FIIs in the Indian capital market and to identify the factors that impact their investment decisions. According to the author's research, foreign institutional investor (FII) investments and the BSE Sensex have a favourable correlation. Foreign institutional investors (FIIs) wield enormous influence over the outcome of India's stock market. There are a number of variables that have led to a rise in FII investments in India. These include improvements in infrastructure, regulation and trading efficiency, the capital expenditure cycle, attractive new issuance markets, outsourcing, a weak dollar, rising commodity prices, and consolidation. The stock market indices and FIIs had a positive association.

**Qureshi, M.M. & Yadav, S.K.S. (2022)** have conducted a study entitled "An Analytical Study to Examine the Influence of Foreign Institutional Investors on the Indian Capital Market." The primary purpose of this analysis is to learn how foreign institutional investors (FIIs) have affected the Indian capital market. They looked for a statistical correlation between FIIs and the Sensex index in order to achieve this goal and used secondary data from the 10 fiscal years between 2012–13 and 2021–22 for the analysis. The information shows a significant inverse link between the Sensex index and FIIs net flow. Since the P-value is significant, they accept the alternative hypothesis, which states that the net flow of FIIs has a substantial effect on the Sensex. This study reveals that an increase in the net flow of FIIs into the Sensex index causes other investors to sell their holdings in order to realise a profit, hence reducing the value of the Sensex index. The position of domestic investors, the political climate, the rupee and dollar exchange rate, inflation, and other factors, in addition to the net flow of FIIs, have an impact on the Indian capital market.

**Shrivastav (2013)** concluded that foreign institutional investors (FIIs) have a considerable impact on the direction of the Sensex in India because of the correlation between their investments and the Sensex. Based on his research, he came to the conclusion that FII had a major effect on India's stock exchange (BSE and NSE). BSE CG, CD, and IT were shown to have a positive association with FII, whereas BSE FMCG was found to have a negative correlation. In each case, the degree of the relationship was low. Indicators of Foreign Direct Investment (FII) had a weak linear relationship with other stock indices. This indicated that their impact on stock prices differed based on the sector to which it belonged and the overall performance of the various sectors.

**Swapna, G. (2018)** analysed the effects of FIIs on the Indian capital market with particular focus on the BSE and NSE indexes. The information was gathered from a variety of sources, including BSE, NSE, SEBI reports, etc. From 2005–2006 to 2016–17, the twelve year statistics of the NSE and BSE index average are taken into account. The analysis was conducted by comparing the purchases, sales, and net investments of FIIs. For the two investigations, there is an unmistakable connection between the association coefficient between FII and Sensex. This article examines how these variables affect the BSE and NSE indices. In this study, the average NSE and BSE indexes over a twelve year period are used. It is obvious that actual drops in the value of securities exchange were ultimately caused by FII cash withdrawals.

## 3. OBJECTIVES OF THE STUDY

[i] To analyse FDI patterns in India in the 21st century.

[ii] Examining the role of foreign direct investment (FDI) in India's GDP growth.

## 4. HYPOTHESIS OF THE STUDY

**$H_0$:** Foreign direct investment (FDI) impact on India's GDP growth is insignificant.

**$H_a$:** Foreign direct investment (FDI) impact on India's GDP growth is significant.

Where:

**GDP=$\beta$0+ $\beta$1 (FDI)**

A hypothesis has been developed and further tested using statistical tools such as simple correlation and regression analysis in order to achieve the study's goals. The correlation method is used to examine the linear relationship between variables FDI and GDP, whereas the linear regression method is used to assess the impact of an independent variable FDI inflow on a single dependent variable GDP. Using the data presented, we can write a simple regression model equation of the type Y=a+bx in where X represents the independent variable FDI (inflows into India) and Y represents the dependent variable GDP.

## 5. Research methodology

This study's main goal is to determine how foreign direct investment has affected the growth of the Indian economy in terms of GDP. In this investigation, secondary data have been employed. FDI Inflow & GDP Size were the two primary parameters chosen for the study. It is based on the NSE, BSE, SEBI, and RBI's publicly available annual reports for the years 2012–13 through 2021–22. The information was gathered from the Government of India as well as the Reserve Bank of India's Bulletins and Fact Sheets. This study looked at a 10-year period, from 2012-2013 to 2021-2022, based on the data that was available for that time period. For data analysis, a number of statistical formulas are employed. Calculations of the Growth Rate of FDI and GDP, Mean, Standard Deviation, ANOVA and Coefficient of Variation are the main statistical approaches used in this study. The results were also obtained using a linear regression analysis using Karl Pearson's correlation.

## 6. Data analysis

**Analysis of FDI and GDP in India during (2012-13 to 2021-22)**

The table below shows FDI inflows and their influence on GDP:

**Table No. 1: Growth in FDI Inflow and Size of GDP**

| Years | FDI Inflow (in USD Million) | Growth Rate of FDI Inflow (%) | GDP (in USD Million) | Growth Rate of GDP (%) | FDI as a % of GDP |
|---|---|---|---|---|---|
| 2012-13 | 22,423 | (-)36% | 18,27,638 | 0.25% | 1.23% |
| 2013-14 | 24,299 | (+)8% | 18,56,722 | 1.59% | 1.31% |
| 2014-15 | 29,737 | (+)22% | 20,39,127 | 9.82% | 1.46% |
| 2015-16 | 40,001 | (+)35% | 21,03,588 | 3.16% | 1.90% |
| 2016-17 | 43,478 | (+)9% | 22,94,798 | 9.10% | 1.89% |
| 2017-18 | 44,857 | (+)3% | 26,51,473 | 15.54% | 1.69% |
| 2018-19 | 44,366 | (-)1% | 27,02,930 | 1.94% | 1.64% |
| 2019-20 | 49,977 | (+)13% | 28,31,552 | 4.76% | 1.77% |
| 2020-21 | 59,636 | (+)19% | 26,67,688 | -5.79% | 2.24% |
| 2021-22 | 58,773 | (-) 1% | 31,76,295 | 19.07% | 1.85% |

*Source: compiled & computed from the various issues of RBI Bulletin, dpiit, Ministry of Commerce, World Bank & IMF websites.*

The Foreign Direct Investment (FDI) that has been brought into India is outlined in Table No. 1, which covers the years 2012-13 through 2021-22. According to the table, India had attracted a significant amount of foreign direct investment (FDI). Because FDI inflow increased from USD 22,423 million in 2012-13 to USD 58,773 million in 2021-22, the results of the study demonstrated that foreign direct investment (FDI) inflow has increased by more than 2.5 times throughout the course of the study period. The gross domestic product (GDP) of an economy is a figure that takes into account both the output and the national income. Gross domestic product also refers to the sum of all of the costs associated with the production of finished goods and services inside a nation over the course of a specific period of time. In the table above, the GDP of India is also shown for the years 2012–13 through 2021–22. According to the table, India's GDP has grown significantly. Because the GDP increased from USD 18,27,638 million in 2012–13 to USD 31,76,295 million in 2021–22, it was evident that the size of the Indian economy as measured by GDP had expanded by more than 1.7 times over the research period. The Indian government has taken numerous measures to increase FDI due to advancement of technology, access to international managing techniques and skills, best use of natural and human resources, opening up export markets, enhancing the international competitiveness of Indian industry, access to goods and services of international quality and providing forward and backward linkages. The biggest amount of FDI, totaling USD 59,636 million, was received in the fiscal year 2020–21. The year 2015–16 saw the highest growth rate of FDI inflow, or 35%. Consequently, India has seen an increase in foreign investment. On the other hand, the year 2021–22 saw the largest GDP in terms of USD, totaling USD 31,76,295 million. The years 2021–22 also saw the highest GDP growth rate, approximately 19.07 percent. In a nutshell, FDI has been crucial to the expansion of the Indian economy in terms of GDP.

**Sources of FDI in India**

India has increased the sources of FDI during the reform era. In comparison to 135 countries in 2012–13, 177 countries made investments in India in 2021–22. As a result, more nations made investments in India in the twenty-first century. After economic liberalisation, the top countries for investment included Mauritius, Singapore, Netherlands, United States, Japan, the United Kingdom, and many more.

**Table No. 2: Share of FDI Equity Inflows from the Top Ten Investing Countries in India (Financial years 2012-13 to 2021-22)**
**Amount in US$ million**

| Ranks | Countries | | | | | | | | | | Total FDI Inflows from all Countries |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
| Year | Mauritius | Singapore | U.S.A | Netherland | Japan | U.K. | Cayman Islands | Germany | UAE | Cyprus | |
| 2012-13 | 9,497 | 2,308 | 557 | 1,856 | 2,237 | 1,080 | 20 | 860 | 180 | 490 | 22,423 |
| 2013-14 | 4,859 | 5,985 | 806 | 2,270 | 1,718 | 3,215 | 124 | 1,038 | 255 | 557 | 24,299 |
| 2014-15 | 9,030 | 6,742 | 1,824 | 3,436 | 2,084 | 1,447 | 72 | 1,125 | 367 | 598 | 29,737 |
| 2015-16 | 8,355 | 13,692 | 4,192 | 2,643 | 2,614 | 898 | 444 | 986 | 985 | 508 | 40,001 |
| 2016-17 | 15,728 | 8,711 | 2,379 | 3,367 | 4,709 | 1,483 | 71 | 1,069 | 675 | 604 | 43,478 |
| 2017-18 | 15,9 | 12,1 | 2,09 | 2,800 | 1,633 | 847 | 1,237 | 1,124 | 1,050 | 417 | 44,857 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 41 | 80 | 5 | | | | | | | | |
| 218-19 | 8,084 | 16,228 | 3,139 | 3,870 | 2,965 | 1,351 | 1,008 | 886 | 898 | 296 | 44,366 |
| 2019-20 | 8,241 | 14,671 | 4,223 | 6,500 | 3,226 | 1,422 | 3,702 | 488 | 339 | 879 | 49,977 |
| 2020-21 | 41,661 | 17,419 | 13,823 | 2,789 | 1,950 | 2,043 | 2,799 | 667 | 4,203 | 386 | 59,636 |
| 2021-22 | 69,945 | 15,878 | 10,549 | 4,620 | 1,494 | 1,647 | 3,818 | 728 | 1,032 | 233 | 58,773 |
| Cumulative Inflows (Since April 2000) | 1,57,742 | 1,30,967 | 54,151 | 41,261 | 36,942 | 31,902 | 14,153 | 13,591 | 12,225 | 11,367 | 5,88,528 |
| Total Inflows (in % terms) | 27% | 22% | 9% | 7% | 6% | 5% | 2% | 2% | 2% | 2% | 100% |

*Source: Compiled & Computed from the various issues of Economic Survey, RBI Bulletin, Ministry of Commerce & dpiit.gov.in website*

The top investment nations in India from 2012–13 to 2021–22 are shown in Table No. 2. The main source of investment into India at the moment is Mauritius. About 27% of all FDI in India comes from Mauritius, which holds the top ranking on the country's FDI map. With 22% participation, Singapore is the second largest investor in India. United States of America (9%), Netherlands (7%), Japan (6%), United Kingdom (UK) (5%), Cayman Islands (2%), Germany (2%), United Arab Emirates (UAE) (2%), and Cyprus (2%) are other big investors in India.

As a result, an examination of FDI inflows over the past 10 years reveals that only six nations accounted for more than three-fourths (76%) of overall FDI inflows to India. India needs a significant amount of financial resources in order to move forward with the agenda of transformation (that is, from a planned economy to an open market), to address the imbalance in BOP, to increase the rate of economic growth, and to achieve economic growth that is sustained.

**Table No. 3: Sectors Attracting Highest FDI Equity Inflows**
**Amount in US$ million**

| Ranks | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sector** | **Services Sector *** | **Computer Software & Hardware** | **Telecommunications** | **Trading** | **Automobile Industry** | **Construction (Infrastructure) Activities** | **Construction Development** | **Chemicals (Other than Fertilizer)** | **Drugs & Pharmaceuticals** | **Metallurgical Industries** |
| 2012-13 | 4833 | 486 | 304 | 718 | 1537 | ** | 1332 | 292 | 1123 | 1466 |
| 2013-14 | 2225 | 1126 | 1307 | 1343 | 1517 | 485 | 1226 | 878 | 1279 | 568 |
| 2014-15 | 4443 | 2296 | 2895 | 2728 | 2726 | 859 | 769 | 763 | 1498 | 472 |
| 2015-16 | 6889 | 5904 | 1324 | 3845 | 2527 | 4511 | 113 | 1470 | 754 | 344 |
| 2016-17 | 8684 | 3652 | 5564 | 2338 | 1609 | 1861 | 105 | 1393 | 857 | 1440 |
| 2017-18 | 6709 | 6153 | 6212 | 4348 | 2090 | 2730 | 540 | 1308 | 1010 | 372 |
| 2018-19 | 9158 | 6415 | 2668 | 4462 | 2623 | 2258 | 213 | 1981 | 266 | 599 |
| 2019-20 | 7854 | 7673 | 4445 | 4574 | 2824 | 2042 | 617 | 1058 | 518 | 2101 |
| 2020-21 | 5060 | 26145 | 392 | 2608 | 1637 | 7875 | 422 | 847 | 1490 | 1340 |
| 2021-22 | 7131 | 14461 | 668 | 4538 | 6994 | 3248 | 125 | 966 | 1414 | 2272 |
| Cumulative Inflows (Since April 2000) | 94195 | 85517 | 38331 | 34741 | 32842 | 27969 | 26209 | 19452 | 19405 | 17015 |
| Total Inflows (in % terms) | 16% | 14% | 7% | 6% | 6% | 5% | 5% | 3% | 3% | 3% |

Note: *(i) Services sector includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis;
**(ii) Construction (Infrastructure) Activities (6) included in Construction Development (7) till 2012-13, hence there is no data in that column in 2012-13;

Total 63 sectors that were reorganised in 2013–14 and in which Construction (Infrastructure) Activities has been split from Construction Development (Townships, housing, built-up infrastructure and construction-development projects) welcome FDI inflows. According to Table No. 3 above, the service sector receives 16% of overall FDI, followed by the computer software and hardware industry (14%), telecommunications (7%), trading (6%), and the automobile industry (6%). These top five industries bring in almost 50% of all FDI to India.

**Table No. 4: Descriptive Statistics**

| | Mean | Std. Deviation | N |
|---|---|---|---|
| **FDI** | 41754.70 | 13005.55 | 10 |
| **GDP** | 2415181.10 | 455233.11 | 10 |

According to Table No. 4, the average amount of foreign direct investment (FDI) in India is USD 41754.70 million and average size of GDP is USD 2415181.10 million during the study period. Whereas FDI Standard Deviation is USD 13005.55 million and Standard Deviation of GDP is USD 455233.11 million during the same period.

**Regression Analysis**

**Table No. 5: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .907[a] | .823 | .801 | 203121.800880 |

a. Predictors: (Constant), FDI

**Table No. 6: ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 1535066890793.431 | 1 | 1535066890793.431 | 37.206 | .000[b] |
| | Residual | 330067727941.469 | 8 | 41258465992.684 | | |
| | | 1865134618734.900 | 9 | | | |

a. Dependent Variable: GDP
b. Predictors: (Constant), FDI

**Table No. 7: Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1089255.953 | 226667.680 | | 4.806 | .001 |
| | FDI | 31.755 | 5.206 | .907 | 6.100 | .000 |

a. Dependent Variable: GDP

We discovered the correlation co-efficient (R) 0.907 in the model summary table, indicating a strong positive association between FDI and GDP. R2 is 0.823, which is the coefficient of determination. This demonstrates that the explanatory variable (FDI) accounts for roughly 82% of the variation in the dependent variable (GDP). Adjusted R2 measures the amount of the dependent variable's variance that may be accounted for by changes in the independent variable. 80% of the variance was explained, according to the adjusted R2.

Beta value 31.755 indicates that the one unit increase in FDI will cause a 31.755 unit increase in GDP. P Value of the statistics 0.00 is less than the 0.05 acceptable P Value levels, which indicates that the model is statistically significant. Thus, the null hypothesis (Ho) that the FDI inflow has no significant influence on the growth of GDP is rejected.

Therefore, at a 5% level of significance, we reject the null hypothesis. As a result, the model's calculated results show that FDI and GDP in India have a significant relationship.

## 7. Conclusion

According to the findings of the study, there is a correlation that can be described as both positive and significant between the amount of FDI that enters India and the size of country GDP. Throughout the study period, with the exception of 2018-19 and 2021-22, the flows of FDI have shown a general upward tendency. The government should work on creating a more favorable environment in order to encourage FDI from other countries. The government ought to encourage the inflow of foreign capital in such a way that it is practical and advantageous for our country's economy, and that it enables us to accomplish our objectives, which include the acceleration of economic growth, the eradication of poverty, the redressing of regional imbalances in the development process, and the improvement of our Balance of Payments. Therefore, we demand a GDP growth rate that is both high and constantly expanding. However, research indicates that GDP is growing, despite the fact that its growth rate is not stable in terms of percentage.

The majority of foreign direct investment (FDI) entering into India comes from Mauritius, which accounts for around 27% of all FDI. With a market share of 22%, Singapore is the country with the second highest level of investment in India. Other large investors in India include the United States (9%), the Netherlands (7%), Japan (6%), the United Kingdom (UK) (5%), the Cayman Islands (2%), Germany (2%), the United Arab Emirates (UAE), and Cyprus (2%). As a result, an examination of FDI inflows over the past 10 years reveals that only six nations accounted for more than three-fourths (76%) of all FDI inflows to India. In India, FDI inflows are welcomed in 63 sectors and top five sectors attracts round about 50% of FDI inflow. In a nutshell, there has been an increase in the amount of foreign investment in India, which has assisted in putting the country's development on a faster track.

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