

Chapter 5

Conclusion

This study empirically examined the impact of Foreign Direct Investment (FDI) inflow on Gross Domestic Products (GDP) growth in the context of India by using time series data for a period of 1991-92 to 2012-13. For analysis of the data of the growth rate, regression, unit root and Granger causality test applied to check the impact of FDI on economic growth in India. In India FDI has increased dramatically since the 1991. The result shows that India's GDP has a causal relationship with the FDI inflow. And the direction of causation is not from FDI to GDP growth but GDP growth to FDI. There is uni-directional relationship between GDP and FDI. Result reveals that there is a significant relationship between GDP growth and FDI in India. This is the reason that Indian government provides incentives for foreign investors. Currently the [Confederation of Indian Industries](#) (CII) Welcoming the government's resolve to liberalize [FDI](#) in the defense sector, according to [CII](#) FDI will create more opportunities within India by helping create jobs and boost [manufacturing sector](#) growth (The Times of India 2014). The present study includes top ten sectors which attract highest FDI inflow. At sectoral level of the Indian economy, FDI helps to raise the output and productivity capacity of economy. Especially in service sector; only service sectors receive 31.13% (2000-2013) of total FDI inflow. India receives total FDI inflow by top ten countries is 6662390.75 Rs. billion (2000-13) in which 43.78% received by only Mauritius. But in 2014 Jan-April Singapore replace Mauritius.

Recommendations

- Government has been liberalized FDI in many sectors, government also should introduce FDI in agriculture sector which contain high risks.

- Government should make policy to protect domestic market against foreign investors and make growth oriented policy for domestic business by foreign investment.
- Investment under automatic route is higher in comparison to approval route, its show that government route create more barrier for investors, thus government should make less barrier procedure for investment it will help to increase foreign investment in economy.
- Government should think about DATT with some other countries because investment from Mauritius is starting to less, and it is a route for other countries, thus government proposes to DATT to other countries.

FDI in long run will not affect the growth of economy positively. Thus govt. should concentrate on long term benefit FDI