IMPACT OF FDI ON INDIAN ECONOMIC GROWTH & DEVELOPMENT

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ABSTRACT

FDI plays a complementary role in overall capital formation and in filling the gap between domestic savings and investment. It is apparent that FDI not only can affect economic growth, it also depends on the host country’s growth performance. Furthermore both growth and FDI are also closely linked with international trade. This present paper is an attempt to relate the relationship among FDI, Trade and Economic Growth for the economy of India. Over the last decade, India has emerged as an attractive investment option. Because of the globalization initiatives of the Indian Government and the growing purchasing power of the vast middle class segment. With economic growth projected to surpass 8% annually and the number of people in the Indian middle class set to treble over the next 15 years, meaning a corresponding impact on disposable income, domestic demand is expected to grow by a compound rate of 9.2% per year between 2010 and 2030. This puts India in a good position to attract an increasing proportion of global foreign direct investments (FDI).

KEY WORDS: FDI, Emerging Market Economies, Import, Export, GDP growth