EFFECT OF FOREIGN CAPITAL ON GDP OF INDIA:
AN EMPIRICAL STUDY

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ABSTRACT
India offers superior growth prospects and earning potential in nearly all the areas of business as but bleak regulations, political tumults, bureaucratic aggravations, infrastructural logjams etc all these factors restricts the entry of foreign capital into the country. Foreign Investment is a vital component in the economic growth for any developing country. Foreign Investment entails Foreign Direct Investment and foreign institutional investors. Globalization is encouraging foreign investors to overhaul their business practices to garb the Opportunities in the Global Markets and developing economies too are clutching the opportunity in order to speed up their economic growth through reform. The current paper makes a meek endeavor to discover the drifts and arrays of foreign capital in India and also investigation its impact on the Indian’s GDP. Augmented Dickey Fuller Test (ADF) and Philip Perron test, Johenson’s co integration and Granger causality tests has been employed to achieve the objective of the study. The data for the study used is from 1992-93 to 2013-14. The results expose a significant relationship of foreign capital and GDP.

KEYWORDS: Foreign capital, FDI, FIIs, GDP globalization, Liberalization.

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