IMPACT OF FOREIGN DIRECT INVESTMENT (FDI) ON INDIAN ECONOMY

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ABSTRACT

With the initiation of globalization, developing countries, particularly those in Asia, have been witnessing an immense surge of FDI inflows during the past two decades. Even though India has been a latecomer to the FDI scene compared to other East Asian countries, its considerable market potential and a liberalized policy regime has sustained its attraction as a favorable destination for foreign investors. Foreign Direct Investment (FDI) plays a very important role in the development of the nation. It is very much vital in the case of underdeveloped and developing countries. In India, FDI is considered as a developmental tool, which helps in achieving self-reliance in various sectors and in overall development of the economy. Foreign direct investment plays an important role of bridging the gap between the available resources or funds and the required resources or funds. It plays an important role in the long-term development of a country not only as a source of capital but also for enhancing competitiveness of the domestic economy through transfer of technology, strengthening infrastructure, raising productivity and generating new employment opportunities. The objective of the present study is to provide a skeleton on foreign direct investment with the scene of different sectors. It also point out the sector-wise distribution of FDI inflow to know about which has concerned with the chief share. The present study is based on secondary data collected from different sources. This research paper also aims to examine the impact of FDI on the Indian economy, particularly after two decades of economic reforms, and analyzes the challenges to position itself favorably in the global competition for FDI.

KEYWORDS: Foreign Direct Investment, Economic growth.