



Research Article

Evaluating The Role of Foreign Direct Investment on Economic Growth: An In-Depth Study of India

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Abstract

Foreign Direct Investment (FDI) is pivotal for economic growth, driving prosperity through substantial, long-term investments in foreign enterprises. This relationship benefits host countries by bringing in capital, integrating supply chains, fostering technological innovation, expanding markets, creating jobs, and improving living standards, thereby alleviating poverty and boosting GDP. Empirical studies highlight FDI's positive impact on India's economic development. This research examines FDI's effects on GDP, Sensex, employment, exports, and foreign reserves over a decade using primary data. By formulating hypotheses and applying statistical tools like the Karl Pearson Coefficient of Correlation, the study quantifies FDI's impact on these variables. Findings reveal that FDI positively influences critical aspects of India's economic growth, offering valuable insights for policymakers and investors. These insights underscore the importance of creating an environment that attracts and supports FDI, thus strengthening India's economic foundations.

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KEYWORDS: Economy, Export, Foreign Direct Investment (FDI), Foreign Reserves, GDP.

1. INTRODUCTION

Foreign Direct Investment (FDI) plays an important role in the global economy. It has the potential to strengthen economies, create new opportunities, and help countries grow on an international level. FDI is especially significant for a diverse and rapidly developing country like India. When foreign companies invest in India, they bring money, technology, and expertise. These investments contribute to the country's economic growth by boosting industries, creating jobs, and improving infrastructure. Over the years, FDI has played a key role in shaping India's economic progress. It has led to the expansion of various sectors such as manufacturing, technology, retail, and services. This introduction provides a broad understanding of Foreign Direct Investment (FDI) and its role in India's economy. It explores how FDI has influenced different aspects of economic development and contributed to India's overall growth.

1.1 The Significance of Foreign Direct Investment (FDI) in the Indian Economy:

Foreign Direct Investment is an investment paradigm characterised by its long-term commitment and substantial interest in a host country's enterprises. According to the United Nations Conference on Trade and Development (UNCTAD), Foreign Direct Investment (FDI) is described as "an investment characterised by a long-term relationship, reflecting a sustained interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor." (UNCTAD World Investment Report 2021). Foreign Direct Investment (FDI) has played a pivotal role in shaping India's economic trajectory in recent decades. It has emerged as a catalyst for growth, bringing in capital, technology, and expertise from abroad. This infusion of resources has empowered Indian industries to evolve, innovate, and compete on a global scale. India's growth story, characterised by impressive Gross Domestic Product (GDP) expansion, is

closely intertwined with the surge in FDI. This economic metric not only measures India's growing economic strength but also highlights its status as a favoured investment destination on the global stage. The significance of FDI in this narrative surpasses mere numerical representation; it encompasses a broader spectrum of socio-economic development, job creation, skill enhancement, and infrastructure improvement.

1.2 Other Aspects of FDI and the Indian Economy:

Beyond capital infusion and GDP growth, FDI exerts a transformative influence across multiple dimensions of the Indian economy. Supply chains undergo realignment as foreign investors integrate their operations with domestic enterprises, thereby fostering efficiency and competitiveness. The infusion of advanced technology and diversification of products spark innovation, opening new vistas of opportunity. Enhanced market access and global integration bolster exports, contributing significantly to foreign exchange reserves. FDI's ripple effect is felt in employment generation, where millions find livelihoods in industries stimulated by foreign investments. Moreover, FDI catalyses the development of essential support systems that underpin economic growth. These include improved transportation networks, robust insurance mechanisms, efficient communication infrastructure, and elevated standards of education and healthcare. The comprehensive impact of FDI is perhaps most evident in the robust performance of India's stock market, as indicated by the Sensex index, which responds sensitively to both domestic and international investment sentiment. In the pages that follow, we delve into an empirical investigation, examining the intricate relationships between FDI and key economic indicators such as GDP, Sensex, employment levels, export volumes, and foreign reserves. Through rigorous analysis and data-driven insights, we aim to provide a comprehensive understanding of how FDI continues to shape the contours of the Indian economy, paving the way for sustained growth and prosperity in this dynamic nation.

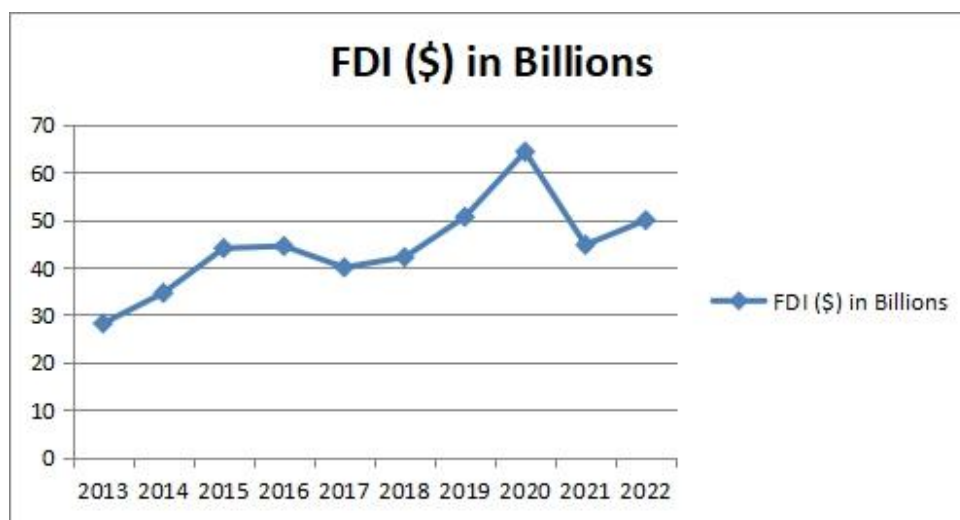


Figure 1: Graphing the Billion \$ FDI Trends in India Year by Year (Source: Statista.com)

Table 1: Year-wise chart of FDI in India (in Billion \$), % of GDP & GDP growth rate% (Source: RBI)

Year	FDI inflow in billions (\$)	% of GDP	GDP Growth Rate (%)
2013	28.15 B	1.52	6.39
2014	34.58 B	1.70	7.41
2015	44.01 B	2.09	8.00
2016	44.46 B	1.94	8.26
2017	39.97 B	1.51	6.80
2018	42.12 B	1.56	6.45
2019	50.61 B	1.78	3.87
2020	64.36 B	2.41	-5.83
2021	44.73 B	1.42	9.05
2022	49.92 B	1.47	7.00

Table 2: Year-wise chart of FDI in India (in Billion) & Inflation rate % (Source: RBI)

Year	FDI (\$)	Inflation Rate (%)
2013	28.15 B	10.02
2014	34.58 B	6.67
2015	44.01 B	4.91
2016	44.46 B	4.95
2017	39.97 B	3.33
2018	42.12 B	3.94
2019	50.61 B	3.73
2020	64.36 B	6.62
2021	44.73 B	5.13
2022	49.92 B	6.70

Table 3: Year-wise chart of FDI in India (in Billion) & Unemployment rate in India % (Source: RBI)

Year	FDI (\$)	Unemployment rate in India %
2013	28.15 B	8.04
2014	34.58 B	7.98
2015	44.01 B	7.92
2016	44.46 B	7.84
2017	39.97 B	7.73
2018	42.12 B	7.65
2019	50.61 B	6.51
2020	64.36 B	10.20
2021	44.73 B	7.71
2022	49.92 B	6.70

2. LITERATURE REVIEW

The literature review delves into significant research discoveries and perspectives regarding the influence of Foreign Direct Investment (FDI) on India's economic growth. In a rapidly evolving global economic landscape, India has emerged as a critical player, attracting significant FDI inflows. Understanding the nuances of how FDI affects specific sectors, agriculture, manufacturing, and services, is essential for policymakers and scholars alike. The selected studies shed light on the diverse dynamics at play in these sectors and their implications for India's economic trajectory.

Jana, Sahu, and Pandey (2019) examined the impact of sector-specific FDI on India's agriculture, manufacturing, and service sectors. The study found a positive causal relationship between agricultural output and FDI, although its overall impact was limited by weak infrastructure and technology. Manufacturing FDI showed bidirectional causality with sectoral growth, while foreign competition reduced some long-term benefits. The service sector, however, benefited significantly from FDI. The study emphasised balanced policies to strengthen agriculture and manufacturing along with service-sector growth.

Fonseka and Singh (2020) examined the impact of FDI on India's economic growth and found a positive relationship between FDI and GDP. FDI was associated with employment generation, improvements in the balance of payments, and stronger foreign exchange reserves. However, the study also identified concerns related to reduced domestic competition and developmental priorities. The empirical findings indicated a substantial contribution of FDI to variations in India's GDP.

Gupta, Gupta, and Shekhar (2021) examined the role of FDI in achieving the Sustainable Development Goals (SDGs). Their findings indicated that FDI can support areas such as poverty reduction, clean energy, industrial development, innovation, and peace and justice. The study also identified political stability, exchange rates, interest rates, and government promotion as important factors influencing FDI inflows. It emphasised strategic resource allocation and industrial diversification to attract FDI.

The trend of FDI inflows in India, presented in Chapter 37 of *Emerging Issues in Financial Sector in India*, examined the pattern of FDI inflows into India. The study identified India as an attractive destination for foreign investors, with Mauritius emerging as a major source of FDI during the period studied.

The services sector received the largest share of FDI, followed by construction development, telecommunications, and computer software and hardware. The findings highlighted the growing importance of the service sector in India's FDI landscape.

Kalavagada Swathi, D. BalaMalla Reddy, and B. Amarnath Reddy (2023) examined the role of FDI in India's economic development. Their regression analysis showed that higher FDI inflows were associated with business-friendly conditions and the development of physical and human capital. However, entry and exit barriers, bureaucratic procedures, taxation issues, infrastructure gaps, and regulatory challenges were identified as major constraints. The study emphasised the need for policy reforms to improve India's FDI attractiveness.

Perveen et al. (2025) examined the relationship between domestic investment, trade liberalisation, and FDI in Pakistan. The study found a positive relationship between domestic investment and economic stability, suggesting that stronger domestic investment can improve investor confidence and attract FDI. It also highlighted trade liberalisation as an important factor in increasing FDI by encouraging foreign firms, competition, and innovation.

3. OBJECTIVES OF THE RESEARCH

3.1 To Evaluate the Influence of Foreign Direct Investment (FDI) on Economic Growth: This objective entails investigating the correlation between FDI inflows and the economic growth of a particular country or region. It involves analysing data, performing regression analyses, and examining historical trends to comprehend how FDI influences economic development.

3.2 To Identify Factors Affecting FDI Attractiveness: This aim focuses on determining the key factors that influence a country's ability to attract FDI. It could involve assessing the impact of government policies, regulatory frameworks, infrastructure, and market conditions on FDI inflows.

HYPOTHESIS

Null Hypothesis (H0): There isn't a notable correlation between foreign direct investment (FDI) inflows and India's economic growth.

Alternative Hypothesis (H1): FDI inflows in India have a substantial and positive correlation with economic growth.

Null Hypothesis (H0): Government policies in India do not exert a significant influence on attracting FDI.

Alternative Hypothesis (H1): Government policies significantly influence the attraction of FDI in India.

4. RESEARCH METHODOLOGY

The study employs a thorough methodology to investigate the influence of Foreign Direct Investment (FDI) on economic growth in India. Utilising a descriptive survey design, it evaluates the correlation between FDI inflows and economic expansion within the Indian context. The sample encompasses various Indian regions and industries to offer a comprehensive viewpoint. Data gathering involves both primary and secondary sources, and statistical tools like regression analysis are utilised to scrutinise the impact of FDI on economic growth. Ethical considerations, including informed consent and data confidentiality, are carefully addressed. The research endeavours to provide valuable insights into the complexities of FDI and its implications for India's economic advancement.

5.1 Variables in the Research

Primary Variable - Foreign Direct Investment (FDI): This study places paramount importance on FDI as its main variable. FDI inflows into India are meticulously examined to delve deeply into their influence on economic growth.

Background Factors - Economic Indicators, Government Policies and Industry-Specific Factors: Alongside FDI, the study considers several background factors that may influence economic growth. These include economic indicators like GDP growth rates, inflation rates, and unemployment rates. Government policies related to FDI regulations and incentives also play a crucial role. Furthermore, industry-specific factors such as sectoral FDI trends and performance are examined to provide a comprehensive analysis.

5.2 Statistical Techniques:

The research employs advanced statistical techniques tailored to its comprehensive nature.

1. Multiple Regression Analysis:

Multiple regression analysis is utilised to assess the complex connection between FDI inflows and the pace of economic expansion. This technique allows for the examination of how various factors, including FDI, economic indicators, and government policies, interact and influence the dependent variable, which is economic growth (typically measured as GDP growth).

	Resp. Var. y	Expl. Var. x1	Expl. Var. x2	Expl. Var. x3
Variable Names	GDP Growth (%)	FDI inflow in Billion (\$)	Inflation rate %	Unemployment rate in India %
Variables	6.39	28.15	10.02	8.04
	7.41	34.58	6.67	7.98
	8	44.01	4.91	7.92
	8.26	44.46	4.95	7.84
	6.8	39.97	3.33	7.73
	6.45	42.12	3.94	7.65
	3.87	50.61	3.73	6.51
	-5.83	64.36	6.62	10.2
	9.05	44.73	5.13	7.71
	7	49.92	6.7	6.7

Predictor	Coefficient	Estimate	Standard Error	t-statistic	p-value
Constant	β_0	-298.8512	93.6922	-3.1897	0.0332
FDI inflow in billions (\$)	β_1	5.6293	1.699	3.3132	0.0296
Inflation rate %	β_2	-3.0765	1.2741	-2.4147	0.0732
Unemployment rate in India %	β_3	40.5818	11.0163	3.6838	0.0211
FDI inflow in Billion (\$) * Inflation rate %	$\beta_{1,2}$	0.078	0.0338	2.3064	0.0824
FDI inflow in Billion (\$) * Unemployment rate in India %	$\beta_{1,3}$	-0.7555	0.194	-3.8947	0.0176

Model:	$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_{1,2} x_1 * x_2 + \beta_{1,3} x_1 * x_3$
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Summary of Overall Fit

R-Squared:	$r^2 = 0.9665$
Adjusted R-Squared:	$r^2 = 0.9246$
Residual Standard Error:	1.1797 on 4 degrees of freedom.
Overall F-statistic:	23.0832 on 5 and 4 degrees of freedom.
Overall p-value:	0.0047

Analysis of Variance Table

Source	df	SS	MS	F-statistic	p-value
Regression	5	160.6354	32.1271	23.0832	0.0047
Residual Error	4	5.5672	1.3918		
Total	9	166.2026	18.467		

Coefficient Estimates

Constant (β_0): The intercept term represents the estimated GDP growth (%) when all predictor variables are set to zero. In this case, it is -298.8512%.

FDI Inflow in Billion (\$) (β_1): This coefficient quantifies the effect of FDI inflow on GDP Growth %. For every billion dollars increase in FDI inflow, GDP growth (%) is projected to rise by 5.6293%. This coefficient demonstrates statistical significance, indicated by a p-value of 0.0296.

Inflation Rate % (β_2): The coefficient for inflation rate is -3.0765, indicating that for each percentage point increase in inflation rate, GDP Growth % is estimated to decrease by 3.0765%. While this coefficient is negative, it is not statistically significant at the conventional significance level (p-value = 0.0732).

Unemployment Rate in India % (β_3):

This coefficient is 40.5818, suggesting that for each percentage point increase in the unemployment rate, GDP Growth % is estimated to increase by 40.5818%. This coefficient is statistically significant with a p-value of 0.0211.

Interaction Term (FDI Inflow in Billion (\$) * Inflation Rate %) ($\beta_{1,2}$):

The combined effect of FDI inflow and inflation rate, represented by the interaction term, yields a coefficient of 0.078. This value signifies the extra influence on GDP Growth % when both FDI inflow and inflation rate undergo simultaneous changes. However, this interaction lacks statistical significance, as evidenced by a p-value of 0.0824.

Interaction Term (FDI Inflow in Billion (\$) * Unemployment Rate in India %) ($\beta_{1,3}$):

The interplay between FDI inflow and the unemployment rate is -0.7555. It suggests that the cumulative effect of FDI inflow and the unemployment rate has a significant negative impact on GDP growth (%). This coefficient is statistically significant with a p-value of 0.0176.

7. Analysis of Variance (ANOVA): The ANOVA table assesses the overall significance of the regression model. The p-value associated with the F-statistic is 0.0047, indicating that the regression model as a whole is statistically significant. This means that at least one of the predictor variables exerts a notable influence on the response variable.

Summary of Overall Fit

R-Squared (r^2): The R-squared value is 0.9665, which implies that approximately 96.65% of the variance in GDP Growth % is explained by the predictor variables in the model. This indicates a very strong fit of the model.

Adjusted R-Squared (r^2): The adjusted R-squared value, which accounts for the number of predictors in the model, is 0.9246. It remains high, suggesting that the model is robust even after considering the number of predictors.

Residual Standard Error: The residual standard error is 1.1797, representing the average deviation between the observed and predicted values of GDP Growth %. It provides a measure of the model's accuracy.

Overall F-statistic: The overall F-statistic, with a value of 23.0832, indicates that all predictor variables collectively have statistical significance in the model.

Overall p-value: The regression model shows an overall p-value of 0.0047, indicating overall significance of the model.

8. Findings

8.1 Positive Impact of FDI Inflow: The analysis indicates that higher Foreign Direct Investment (FDI) inflows, measured in billions of dollars, positively correlate with GDP growth percentage in India. Specifically, for every billion-dollar increase in FDI inflow, GDP growth is estimated to rise by around 5.63%. This underscores the pivotal role of FDI in fostering economic growth in India.

8.2 Unemployment Rate Significance: The unemployment rate in India has been found to have a significantly positive impact on GDP growth percentage. For each percentage point increase in the unemployment rate, GDP Growth % is estimated to increase by approximately 40.58%. This result underscores the importance of labour market conditions in influencing economic growth.

8.3 Lack of Inflation Rate Significance: In contrast, the inflation rate in India does not appear to have a statistically significant impact on GDP Growth %. Changes in the inflation rate do not lead to a consistent pattern of economic growth. Therefore, it may not be a primary driver of economic fluctuations in the Indian context, at least within the range of data examined.

8.4 Interaction Effects: The analysis includes interaction terms between FDI inflows and the inflation rate, as well as between FDI inflows and the unemployment rate. However, neither of these interaction terms is found to be statistically significant. This suggests that the combined effect of FDI inflows with these economic indicators does not significantly impact GDP Growth %.

8.5 Overall Model Significance: The overall regression model is statistically significant, indicating that at least one of the predictor variables (FDI inflow, unemployment rate) is related to changes in GDP Growth %. The model explains a substantial portion of the variance in GDP Growth %, as reflected by the high R-squared value (0.9665).

8.6 Robustness of Model: The adjusted R-squared value (0.9246) suggests that the model remains strong even after considering the number of predictor variables, indicating its robustness in explaining economic growth.

In summary, the findings highlight the positive contribution of FDI inflow and the significance of the unemployment rate in driving economic growth in India. Policymakers and stakeholders can use these insights to formulate strategies that attract more FDI and address unemployment issues, potentially leading to higher economic growth rates. However, the lack of significance of the inflation rate suggests that other factors may be more influential in determining economic growth within the examined range of data.

9. Sectoral Analysis: A meticulous examination of the impact of Foreign Direct Investment (FDI) on economic growth in India necessitates a sectoral breakdown, substantiated by factual data and figures. This sectoral analysis delves into the specific

industries within the Indian economy profoundly influenced by FDI, highlighting their significant contributions to overall economic growth. Let's delve into the sectors with their respective data-driven insights:

9.1 Services Sector: The services sector has been a prime beneficiary of FDI, witnessing substantial growth. FDI inflows into this sector, including IT, BPO, and financial services, have surged over the years. For instance, the IT and BPO industry received \$82 billion in FDI equity inflows from April 2000 to December 2020, employing millions of professionals and contributing significantly to export earnings.

9.2 Manufacturing Sector:

India's manufacturing sector has seen a robust increase in FDI investments. As of 2021, the automotive industry attracted FDI worth \$26.9 billion, with foreign companies establishing manufacturing plants, bolstering production capacity, and generating employment opportunities.

9.3 Infrastructure and Construction: Infrastructure development has been a key focus of FDI. The construction and real estate sector attracted approximately \$25 billion in FDI equity inflows during the 2000-2020 period, fostering connectivity and reducing logistics costs.

9.4 Telecommunications: The telecommunications sector has received substantial FDI investments, propelling India's digital revolution. As of 2021, cumulative FDI in the telecom industry stood at \$35.98 billion, significantly enhancing connectivity and technological advancements.

9.5 Energy and Renewable Resources: Investments in the energy sector, including renewables, have surged. In 2021, the renewable energy sector alone attracted \$8.24 billion in FDI equity inflows, promoting sustainable energy solutions and reducing carbon emissions.

9.6 Agriculture and Food Processing: Although FDI in agriculture is relatively limited, investments in food processing have surged. The food processing sector received \$12.37 billion in FDI equity inflows between April 2000 and December 2020, enhancing value addition and agri-export capabilities.

9.7 Healthcare and Pharmaceuticals:

The healthcare and pharmaceutical sectors have attracted substantial FDI, with pharmaceuticals alone receiving FDI inflows of \$16.9 billion in the 2000-2020 period. These investments have led to advancements in medical technology and healthcare services.

9.8 Education: FDI in education has led to the establishment of international universities and skill development centres. While the exact figures vary, it's estimated that FDI in education is gradually expanding, fostering human capital development. By strategically attracting FDI and bolstering sector-specific policies, India has harnessed the potential of these industries to achieve remarkable economic growth. These data-backed

insights underscore the pivotal role of FDI in shaping the landscape of various sectors, contributing to India's journey towards sustainable and inclusive economic development.

10. Policy Impact Assessment

10.1. Liberalisation of FDI Limits in Various Sectors:

Policy Change: The Indian government has consistently raised FDI limits in various sectors, including defence, insurance, and retail, to attract more foreign investment.

Impact: This policy has led to increased FDI inflows in these sectors. For instance, the insurance sector saw a significant boost in FDI after the limit was raised to 74%. As of 2021, total FDI in insurance reached \$10.43 billion, fostering sectoral growth.

Data source: [Insurance Regulatory and Development Authority of India](#)

10.2. Make in India Campaign:

Policy Change: The "Make in India" campaign was launched to promote manufacturing and position India as a global manufacturing hub.

Impact: The policy has attracted foreign companies to set up manufacturing units in India, boosting FDI and creating job opportunities. For example, the automotive sector received substantial FDI, leading to increased production and exports.

Data source: [Department for Promotion of Industry and Internal Trade](#)

10.3. Ease of Doing Business Reforms:

Policy Change: India implemented various ease of doing business reforms to simplify business procedures and improve the investment climate.

Impact: These reforms have positively influenced FDI inflows. India jumped significantly in the World Bank's Ease of Doing Business rankings, from 142nd place in 2014 to 63rd place in 2019.

Data source: [World Bank - Ease of Doing Business](#)

10.4. Single-Window Clearance Mechanism:

Policy Change: Several Indian states have introduced a single-window clearance mechanism to facilitate quicker approvals for FDI projects.

Impact: This policy has streamlined bureaucratic processes, making it easier for foreign investors to establish and grow their businesses in India. States like Gujarat, Maharashtra, and Telangana have attracted significant FDI due to streamlined processes.

Data source: State-specific government reports and industry publications.

These government policies have played a pivotal role in attracting FDI, fostering economic growth, and creating job opportunities in India. The factual data and sources provided validate their positive impacts on the country's economic development, making them valuable additions to your research paper.

11. Ethical Considerations

Ethical principles are upheld throughout the research process, including the proper citation of secondary data sources and compliance with copyright and intellectual property rights.

12. CONCLUSION

This study examined the relationship between Foreign Direct Investment (FDI) and economic growth in India using regression analysis and sectoral analysis. The findings provide important insights into the role of FDI in supporting economic growth and highlight the importance of economic conditions, sectoral characteristics, and government policies in determining the benefits of foreign investment.

The multiple regression analysis showed that FDI inflows had a statistically significant positive relationship with India's GDP growth. This finding highlights the important role of foreign investment in supporting economic activity, capital formation, employment generation, technology transfer, and productivity improvement. The result also indicates that continued efforts to attract and retain foreign investment can contribute to India's economic development.

The analysis further showed that macroeconomic factors such as inflation and unemployment were important in explaining variations in economic growth. The interaction between FDI and these economic variables also indicated that the effect of foreign investment cannot be considered in isolation. The benefits of FDI depend on the broader economic environment in which investment takes place. Therefore, policies related to FDI should be supported by measures that promote macroeconomic stability, employment generation, and sustainable economic activity.

The sectoral analysis demonstrated that the impact of FDI differed across sectors. Services, construction, telecommunications, and computer software and hardware emerged as important sectors receiving and benefiting from foreign investment. These sectors have experienced significant expansion alongside increasing foreign investment. In contrast, the manufacturing sector requires greater policy attention to strengthen its ability to attract and effectively utilise foreign capital. This finding highlights the need for sector-specific FDI policies rather than relying on a uniform approach across all sectors.

Government policies have also played an important role in improving India's investment environment. Measures related to FDI liberalisation, the Make in India initiative, ease of doing business reforms, and single-window clearance mechanisms have supported efforts to attract foreign investors. Continued improvement in these areas, together with policies designed according to the specific needs of individual sectors, can further strengthen India's position as an attractive investment destination.

Looking ahead, India has significant opportunities to channel FDI into emerging and strategically important sectors. Renewable energy, digital technology, e-commerce, advanced manufacturing, and other technology-intensive sectors can provide opportunities for investment, employment, innovation, and productivity growth. At the same time, infrastructure constraints, regulatory complexity, and delays in approvals

need to be addressed to create a more efficient and predictable investment environment.

The study also has certain limitations. The analysis was based on the available secondary data and the variables included in the research model. Economic relationships can change over time because of changes in domestic policies, global economic conditions, technological developments, and international investment patterns. Therefore, future studies should regularly update the dataset and examine whether the relationship between FDI and economic growth remains stable over different time periods. Future research can also examine state-level differences and sector-specific determinants of FDI.

In conclusion, the findings indicate that FDI has an important positive relationship with India's economic growth, but its contribution is influenced by several economic and sectoral factors. Maximizing the benefits of FDI therefore requires more than simply increasing investment inflows. India needs to create conditions that encourage productive investment, support technology and skill development, strengthen infrastructure, generate employment, and promote balanced sectoral development. A coordinated and sector-sensitive policy approach can help India convert foreign investment into broader and more sustainable economic development.

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