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IMPACT OF GLOBAL ECONOMIC FACTORS WITH FOREIGN INVESTMENTS ON INDIAN ECONOMIC DEVELOPMENT- AN EVENT STUDY

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ABSTRACT

Purpose*: The present stage of economic development is the basis for this empirical inquiry, which shows that foreign direct investment (FDI) significantly affects the destination country's steady, high-quality, and healthy economic growth. To attract more international investment, every country experiencing economic globalisation is working to provide a favourable climate for businesses.*

Design/Methodology/Approach: *I gathered five global institutional metrics – global inflation, global gross domestic product, global production manager index, dollar index, and global equity index – from the DPIIT website's secondary data for the years 2013–2023. These metrics form the basis of my study's primary objective. We are Using stalactitical tools like Unit root Test, ARDL Approach & OLS Model.*

Originality/Value*: The researchers in this study used OLS (Least Squares) regression: Institutional variables' effects on FDI flows were the focus of this research. To determine the effect of institutional characteristics (independent variables) on foreign direct investment (FDI) flows (dependent variable), this research used the ordinary least square approach.*

Findings: *The study found with the help of ARDL model that the Institutional indicators had are having the positive coefficient value and stated that Global Economic Metrics which shown short run association with FDI flows, Time constraints, geographical constraints, or the inaccessibility of necessary data from appropriate sources are all obstacles that any research project must overcome.*

KEYWORDS: *FDI, Global Metrics, Economy Growth, OLS Model.*

JEL Codes: *M18, M15, M96, M98.*

1. INTRODUCTION

Constant shocks (the most recent being the crisis in the Middle East) and cyclical factors like rising interest rates and sluggish global growth are more noticeable in the short term. These are going to put the home economy through its paces in the next quarters, An example of a cross-border investment is foreign direct investment (FDI), in which an individual or association situated in one nation has a drawn out stake in and applies significant command over a business situated in another. Foreign direct investment (FDI) affects the steady, high-quality, and healthy economic growth of the receiving country, according to the present economic development stage. To attract more international investment, every country experiencing economic globalisation is working to provide a favourable climate for businesses. Accordingly, researching the basic factors that is essential significantly affect the quantity and consistency of FDI inflows. Numerous analyses of global capital flows show that, historically speaking, the primary drivers of FDI have been the benefits of ownership, location, and internationalisation. Consequently, it is important to remember that a country's investment appeal is greatly affected by factors such as its favourable geopolitical position, large market size, and wealth of natural resources. Nevertheless, in the current climate of cutthroat rivalry for foreign direct investment (FDI), the aforementioned factors alone will not guarantee a country's competitiveness on the global capital market. A country's regulatory structure provides protections for international investors, streamlines commerce, and, most importantly, reduces the transaction cost for shareholders. The attractiveness of a country to foreign direct investment (FDI) and high levels of institutional

efficiency are both critical to attracting FDI and realising its benefits. To evaluate the effect of organizations on foreign direct investment (FDI) flows, we rely on the World Bank Worldwide Governance Metrics, the preeminent source of institutional empirical research in this area. According to this research, For the purpose of understanding the relationship between FDI flows and institutional metrics,

External Elements Influencing Investment

Foreign direct investment (FDI) has far-reaching effects on the host nation. Since no company wants to lose money after investing, international investors are looking into the host country's problems that affect foreign investors. D. Boopath (2013)6. As a foreign corporation, there are several reasons why you shouldn't invest in the host nation.

• **The interest rate or currency exchange rate:** One of the essential drivers of global capital streams is the difference in interest rates between various regions. Similarities include the fact that money still flows out of countries with low interest rates and into those with higher ones. When there is uncertainty about the future of the swapping scale and the possibility of a decline, unfamiliar investment moves at a snail's pace.

• **Making assumptions:** Capital market fluctuations in the near term might be impacted by interest rate speculation. Speculation characterises the speculation portfolio's situation in the host nation's market. At the point when unfamiliar financial backers see an elevated degree of hypothesis in the host nation's market,they tend to reduce their investment. Consequently, the host nation sees a negligible influx of foreign investment.

• **Making a profit:** Private foreign capital flows are impacted by profit motives. Consequently, nations offering relatively better returns on investment will attract private investment.

• **Producing Expenses:** Foreign nations with lower manufacturing costs attract private investments. Two distinct kinds of investments may be made to save costs. For starters, you can't do anything without first sourcing raw ingredients from somewhere else. The production and sale of final goods, whether domestically or internationally, rely on these materials, which are either highly expensive or unavailable domestically. Without them, financial opportunities would remain untapped. However, substantial expenditures in the extractive industries are the primary motivator for capital to join the asset, which is the subsequent expense cutting consumption of the item separated from assets, namely labour.

• **Current Economic Situation:** Economic factors, especially the size of the market and the quality of the supporting infrastructure, affect private foreign investment. The market potential are greatly affected by the size of the population and the socioeconomic level of the nation.

• **Regulatory Frameworks:** In matters pertaining to international investment, international cooperation, revenue, taxes, exchange INSTITUTIONAL METRICS, tariffs, and monetary incentives, among other matters, government policies have a significant role in determining whether or not a country attracts foreign investment.

2. REVIEW OF LITERATURE

- **Mamta Sharma, Dr. Satinderpal Singh (2016): -** This research delves into the key aspects of foreign direct investment (FDI) and assesses the influence of several economic factors that drive FDI into the Indian economy. This research aims to compare the state of foreign direct investment (FDI) inflows throughout the liberalisation and pre-liberalization eras. Foreign direct investment (FDI) is both a duty and an opportunity for Indians and investors across the world. While FDI signifies First Development India for Indians, it presents a chance for investors worldwide (Source: "Fdi As Drivers Of Growth In Economic sectors,2015").
- **Mr. Deepak Kumar Yadav (2015):-** This study examines the retail business from both an international and domestic perspective, focusing on the effects of liberalisation, privatisation, and globalisation. A course of expanding financial joining and developing monetary relationship between countries on the planet economy may be at play here, given that most public sector industrial enterprises in India have not been able to reap the benefits of liberalisation measures implemented in the 1980s.
- **Mamta Sharma (20013):-** Foreign direct investment (FDI) inflow patterns in India are the primary subject of this research, which breaks them down by sector, area, year, and nation. The results show that, within the service industry, Mumbai and Mauritius are the leading areas and nations. Additionally, it reveals that foreign direct investment (FDI) into India surged dramatically from 2000 to 2012.
- **Jampala, Lakshmi and Srinivasa (2013):-** Investments into India from outside sources after the reforms were considered in the research. The results show that there are more investment possibilities and more clients as the market becomes larger. As per the financial understanding of the model, the size of the homegrown market is decidedly related to FDI.
- **Dr. Gulshan Kumar (2011):-** Foreign direct investment (FDI) inflows have increased significantly since liberalisation, according to the current analysis. During this time, actual FDI inflows grew at a pace of 29.56 percent each year on average. After liberalisation, the structure of foreign direct investment (FDI) in India showed a sensible improvement towards the assistance region and a sharp decline in the collecting region's

support.The design of unfamiliar direct venture (FDI) streams to non-industrial countries and the globe at large is changing, but this pattern mirrors that trend.

- **S. Arokia baskaran (2011):-** The goal of this research is to compare and contrast the patterns and trends of foreign direct investment (FDI) into India before and after the reforms by calculating the linear growth rates of FDI and other economic variables. Furthermore, this was one of the primary goals of India's economic reforms, which aimed to increase the country's influx of foreign direct investment.
- **Swapna S. Sinha (2007):-** By comparing data from 1978 to 2005 in China at the pertinent monetary zone level with information from 1992 to 2005 in India at the significant miniature state level, this examination shuts a hole in the writing. In the wake of putting the Indian FDI attractiveness model through its paces using OLS and autoregressive models, researchers discovered that the country's factors such as political stability, political capital, market size, and growth rate are the main reasons for its success.
- **Bharathi and Parthian (2007)**: - This paper analyzed foreign direct investment of different economies. The findings of the study revealed the main aspects of china's grabbing the foreign direct investments more than the Indians in capital market intermediaries. The study focused on main areas where the FDI can be assessed aiding the better process in Indian government policies. As the known fact India is always behind the china in many developments as to reach to that level Indian governments have to reconstruct policies in many areas
- **Pateria (2007**: - The article focused on investment incentives, particularly those that target international companies. Among the study's most important conclusions was the need of fiscal subsidies in attracting foreign direct investment, which in turn would allow domestic businesses to sell their wares to international markets. All the above findings would be easily possible when benefits are realized and motivated to invest in foreign direct investments. The study was concluded by imposing many incentive modes and certain restrictions on some sensitive sectors.
- **Mann and Lalit (2007)**: - This paper examined a study that aimed to assess and understand the influx of FDI into India's retail sector, specifically looking at the factors that influence FDI into the Indian retailing industry and the factors that discourage FDI into the retail sector. Finally, the study concludes that urban -rural division should be decreased as to achieve retail level foreign investment in India.
- **Pradhan (2007):** - A co-integration of FDI inflows and flows into Asia was highlighted in the article. The study's results show a connection between FDI flows to four Asian nations: Japan, Hong Kong, The Malaysian and Singaporean territories after running a battery of statistical tests, we find that the stationary level is at the first difference, and we draw the conclusion that all Asian nations are considerably co-integrated with India's FDI. This conclusion suggests that the flow of foreign direct investment into India may be used as a proxy for the flows into Japan, Singapore, Hong Kong, and Malaysia.
- **Palit And Nawani (2007:** - This research identifies geographical variables that impact foreign direct investment flows and shows how these flows vary among Asian nations. Countries with more developed areas, more reliable infrastructure, and more recent technical advances tend to attract more foreign direct investment, according to the paper's results. the paper concluded that developing countries like India have to increase great retention in research and development and technological advancements which would be higher impact of foreign direct investments.
- **Richard (2004)** :- Foreign direct investment (FDI) was named as a key negotiating point in the paper's discussion of the health services trade's scope, with the goal of further liberalising services trade. The study's results revealed that national health systems are becoming more commercialised in comparison to private or public investments, with the implementation of effective safeguards and the tenacity of committees serving as the subsequent steps. The study's overarching recommendation was that nations should pause to weigh the pros and downsides of health sector commercialization before deciding how much foreign investment to allow.
- **Banga, (2003)**- Results showed that removing restrictions attracts aggregate FDI but not fiscal incentives, according to the study, which focused on fifteen developing nations in south, east, and southeast Asia and then examined FDI flows from developed and developing nations. However, developing nations are affected by FDI inflows.
- **Raghavendra Jha (2003)**: - The most current patterns of foreign direct investment (FDI) into India were examined in this research. The claim was made that India's economic and prospective performances had not been realised. As the FDI in India is very recently emerged program and many regulations have been framed with international norms and lead to a substantial growth in FDI .it is concluded in the study that quality of FDI related to exports and technological specifications is more significant than the quantity.
- **Dunning (1998):** - This research study examines the interplay between patterns of globalisation, the flow of foreign direct investments, and commerce. The research found that different nations' economies were more

or less affected by globalisation, that FDI had a different role, and that state and government economic policies were becoming more and more restrictive of one another.

4. STATEMENT OF PROBLEM

It takes a lot of work to attract foreign direct investment (FDI) in the right sector to boost job opportunities in the face of rising competition and to enjoy the advantages of these investments, even while host nations stand to gain economically and have positive spillover effects. All parties involved in the composite markets, including multinational material suppliers, product manufacturers, foreign investors, executives, distributors, academics, research scholars, governments, and countless more, will find this empirical study to be an essential reference guide.

5. RESEARCH GAP

Policy effects on foreign direct investment (FDI) flows have been the subject of little research. Financial mobilisation via FDI has been the subject of few studies that address investment choices, technical concerns, and economic problems. In order to entice foreign direct investment (FDI), the Indian government has looked at the most recent advancement in this area. The majority of the research focused on the limits imposed by regulations on foreign direct investment. Although there have been studies conducted on a global, national, and local level using relatively large samples, they have not adequately addressed the expanding flows, challenges, and concerns surrounding FDI. For example, Belgium is the world's top FDI-attracting nation and receives 100% foreign direct investment, proving that smaller countries may effectively attract a bigger share of FDI than India. The inability of institutional considerations to attract capital to India is one of the main obstacles.

6. OBJECTIVES OF THE STUDY

- In order to identify the factors influencing FDI entering India on a worldwide basis.

7. HYPOTHESES OF THE STUDY

H0: There is no impact of Global Economic Factors on FDI flows.
H1: There is no impact of FDI on the selected economic factors

8. RESEARCH METHODOLOGY

Study Period

The period of the study is between the financial year 2013-23. And the data collected from DPIIT website and Few journals.

Stalactitical tools to be used

- Unit Root Test
- Jonshan Cointegrating Test
- ARDL approach
- Least Squares regression (OLS)

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10. RESULT AND DISCUSSION

Table No: 1 Johansen Co integration test for the Indian FDI and the Dollar Index

Series: DINDIANFDI DDOLLARINDEX				
Lags interval (in first differences): 1 to 1				
Unrestricted Co integration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.484404	23.3465	15.49471	0.0027
At most 1	0.361929	9.435418	3.841466	0.3021
Trace test indicates 1cointegratingeqn(s) at the 0.05 level				
* Denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None	0.484404	13.91108	14.2646	0.0005
At most 1	0.361929	9.435418	3.841466	0.3516
Max-eigenvalue test indicates 1cointegration at the 0.05 level				
* Denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Null Hypothesis	Obs	F-Statistic	Prob.
Dollar Index does not Granger Cause Indian FDI	21	2.02195	0.1649
Indian FDI does not Granger Cause Dollar Index		0.2286	0.7982

Interpretation

No statistically significant association between the variables was revealed using the granger causality test (P = 0.4501 > 0.05), according to the data in the table. That being the case, we accept the alternative hypothesis and reject the null. Indian foreign direct investment (FDI) is positively correlated with the global dollar index (USDI), according to the Granger causality test. There is no statistically significant correlation between the Dollar Index and foreign direct investment (FDI) from India (p-value = 0). So, we will accept the null hypothesis that foreign direct investment (FDI) from India will not have any effect on the dollar index.

Table No: 2 ARDL Approach for the Indian FDI and the Dollar Index

Dependent Variable: DUSDOLLARINDEX				
Method: ARDL				
Date: 10/12/23 Time: 17:43				
Sample (adjusted): 5 24				
Included observations: 20 after adjustments				
Dependent lags: 2 (Fixed)				
Dynamic regressors (4 lags, fixed): GLOBALFDI				
Fixed regressors: C				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
DUSDOLLARINDEX (-1)	-0.676930	0.282929	-2.392576	0.0340

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DUSDOLLARINDEX (-2)	0.198200	0.320851	0.617731	0.5483
GLOBALFDI	0.008313	0.067910	0.122408	0.9046
GLOBALFDI (-1)	-0.024676	0.078908	-0.312719	0.7599
GLOBALFDI (-2)	0.020501	0.075101	0.272974	0.7895
GLOBALFDI (-3)	0.023002	0.075387	0.305124	0.7655
GLOBALFDI (-4)	-0.000610	0.059144	-0.010310	0.9919
C	-0.032257	0.228026	-0.141462	0.8899
R-squared	0.681878	Mean dependent var		0.041284
Adjusted R-squared	0.496307	S.D. dependent var		0.803358
S.E. of regression	0.570154	Akaike info criterion		2.003354
Sum squared resid	3.900908	Schwarz criterion		2.401647
Log likelihood	-12.03354	Hannan-Quinn criter.		2.081105
F-statistic	3.674482	Durbin-Watson stat		2.025113
Prob(F-statistic)	0.023442			
*Note: p-values and any subsequent tests do not account for model selection				

Interpretation

The above AIC (Akaike information criterion) graph shows that the model works well with the order selection of (2,4) lag. The dollar index, the independent variable, seems to be choosing lag2, and the foreign direct investment, the dependent variable, seems to be choosing lag4. The ARDL model is therefore built using the parameters (2,4).

Table No: 3 Johansen Co integration test for the Indian FDI and the Baltic Dry Index

Series: DINDIANFDI DBDI				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.*
None *	0.637667	32.76825	15.49471	0.0001
At most 1	0.420275	11.44925	3.841466	0.2837
Trace test indicates 1cointegratingeqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.*
None *	0.637667	21.319	14.2646	0.0033
At most 1	0.420275	11.44925	3.841466	0.1637
Max-eigenvalue test indicates 1cointegratingeqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Null Hypothesis	Obs	F-Statistic	Prob.
BDI does not Granger Cause Indian FDI	21	2.4123	0.1214
Indian FDI does not Granger Cause DBDI		0.56283	0.5805

Interpretation

Table data show that there was no statistically significant link between the variables when using the granger causality test (P = 0.4501 > 0.05). Thus, the alternative hypothesis is correct and the null hypothesis is wrong. Granger causality analysis shows that FDI from India is positively correlated with the Baltic Dry Index, but only

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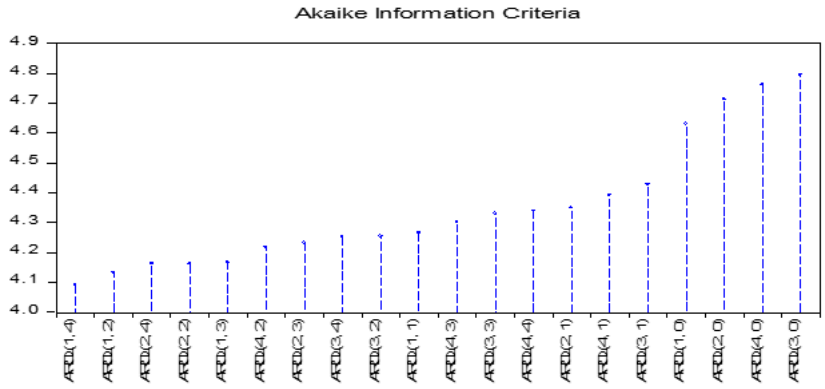
in one direction. The p-value for the relationship between the two variables is determined to be non-significant. Therefore, we shall accept the null hypothesis that foreign direct investment (FDI) from India will not gradger affect the Baltic Dry Index.

Table No: 4 ARDL Approach for the Indian FDI and the Baltic Dry Index.

Dependent Variable: GLOBALFDI				
Method: ARDL				
Date: 10/12/23 Time: 17:02				
Sample (adjusted): 4 24				
Included observations: 21 after adjustments				
Dependent lags: 3 (Fixed)				
Dynamic regressors (0 lag, fixed): BDI				
Fixed regressors: C				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GLOBALFDI (-1)	0.535268	0.239329	2.236534	0.0399
GLOBALFDI (-2)	0.026485	0.280928	0.094276	0.9261
GLOBALFDI (-3)	0.114460	0.232024	0.493312	0.6285
BDI	0.269248	0.119396	2.255089	0.0385
C	0.071789	0.872252	0.082303	0.9354
R-squared	0.740588	Mean dependent var		3.995065
Adjusted R-squared	0.675735	S.D. dependent var		4.095498
S.E. of regression	2.332152	Akaike info criterion		4.735716
Sum squared resid	87.02289	Schwarz criterion		4.984412
Log likelihood	-44.72502	Hannan-Quinn criter.		4.789690
F-statistic	11.41949	Durbin-Watson stat		1.665982
Prob(F-statistic)	0.000142			
*Note: p-values and any subsequent tests do not account for model Selection				



Interpretation

The model seems to be well-suited for the order selection of (3,0) lag, as seen in the following AIC (Akaike information criterion) graph, where the independent variable (BDL) appears to be picking lag 3 and the dependent variable (FDI) appears to be selecting lag 0. In order to build the ARDL model, the parameters (3,0) were thus chosen.

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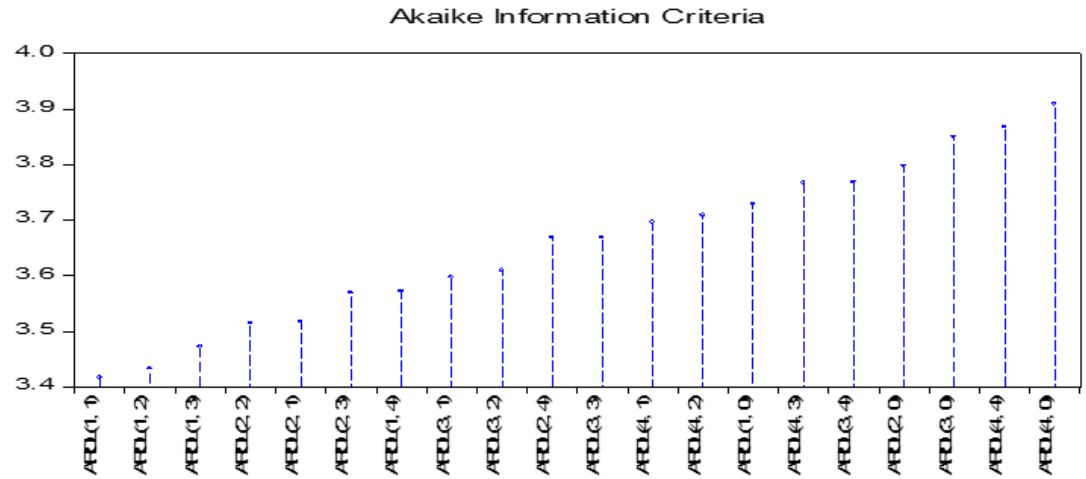
Table No: 5 Johansen Co integration test for the Indian FDI and the Global Inflation

Series: DINDIANFDI GLOBALINFLATION				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.924677	35.75653	15.49471	0
At most 1	0.485535	7.310911	3.841466	0.8735
Trace test indicates 1cointegratingeqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.924677	28.44562	14.2646	0.0002
At most 1	0.485535	7.310911	3.841466	0.6538
Max-eigenvalue test indicates 1cointegratingeqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Null Hypothesis	Obs	F-Statistic	Prob.
Global Inflation does not Granger Cause Indian FDI	11	2.44512	0.1672
Indian FDI does not Granger Cause Global Inflation		0.87098	0.4655

Interpretation

No statistically significant association between the variables was revealed using the granger causality test (P = 0.4501 > 0.05), according to the data in the table. That being the case, we accept the alternative hypothesis and reject the null. There is a one-way association between global inflation and Indian FDI, according to the Granger causality test, however the two variables are not statistically significant. We conclude that foreign direct investment (FDI) from India will not granger-cause inflation on a global scale, and we consequently support the null hypothesis.



Interpretation

Global inflation, the independent variable, seems to be picking lag4, whereas foreign direct investment (FDI) appears to be selecting lag0, as seen in the above Akaike information criterion (AIC) graph. This indicates that

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a lag time of 4.0 is appropriate for the model's order selection. Consequently, the parameters (4,0) are used to construct the ARDL model.

Table No: 6 ARDL Approach for the Indian FDI and the Global Inflation.

Dependent Variable: GLOBALFDI				
Method: ARDL				
Date: 10/12/23 Time: 17:20				
Sample (adjusted): 2 24				
Included observations: 23 after adjustments				
Maximum dependent lags: 4 (Automatic selection)				
Model selection method: Akaike info criterion (AIC)				
Dynamic regressors (0 lag, automatic): GLOBALINFLATION				
Fixed regressors: C				
Number of models evalulated: 4				
Selected Model: ARDL(1, 0)				
Note: final equation sample is larger than selection sample				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GLOBALFDI(-1)	0.755572	0.130353	5.796349	0.0000
GLOBALINFLATION	0.087513	0.039685	2.205194	0.0393
C	0.502798	0.724210	0.694272	0.4955

R-squared	0.709073	Mean dependent var	4.200310
Adjusted R-squared	0.679980	S.D. dependent var	3.974045
S.E. of regression	2.248128	Akaike info criterion	4.579181
Sum squared resid	101.0816	Schwarz criterion	4.727289
Log likelihood	-49.66058	Hannan-Quinn criter.	4.616429
F-statistic	24.37290	Durbin-Watson stat	2.027763
Prob(F-statistic)	0.000004		
*Note: p-values and any subsequent tests do not account for model Selection			

Table No: 7 Johansen Co integration test for the Indian FDI and the Global Imports

Series: DINDIANFDI DDGLOBALIMPORTS				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.723499	42.54739	15.49471	0
At most 1	0.569079	16.83659	3.841466	0.4317
Trace test indicates 1cointegratingeqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.723499	25.7108	14.2646	0.0005
At most 1	0.569079	16.83659	3.841466	0.1425
Max-eigenvalue test indicates 1cointegratingeqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

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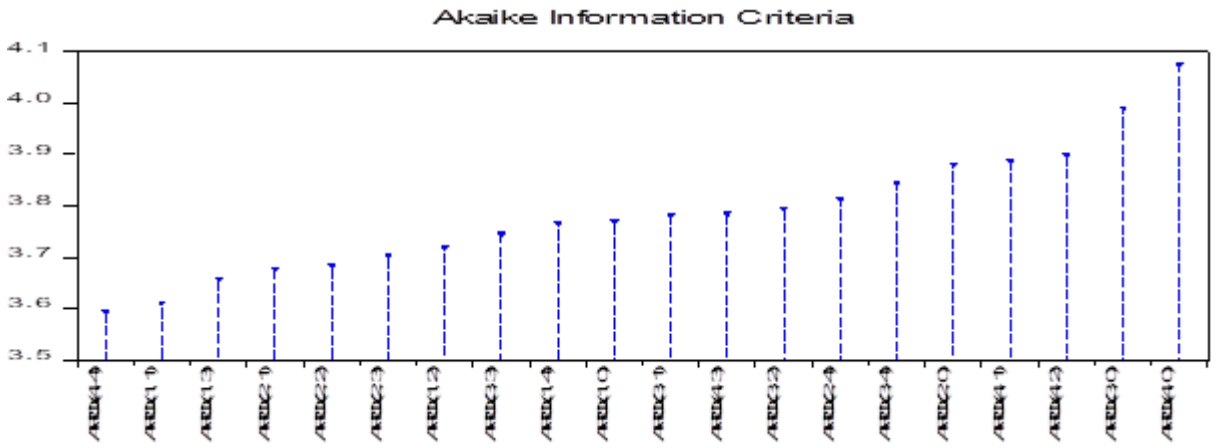
Null Hypothesis	Obs	F-Statistic	Prob.
Global Imports does not Granger Cause Indian FDI	20	4.10604	0.5378
Indian FDI does not Granger Cause Global Imports		1.72284	0.2121

Interpretation

The granger causality test turned out no statistically significant link between the variables (P = 0.4501 > 0.05), as shown in the table of data. This results in the rejection of the null hypothesis and acceptance of the alternative. Indian foreign direct investment (FDI) and worldwide imports have a non-significant p-value, according to the Granger causality test, which shows that there is unidirectional causation between the two factors. Therefore, it is acknowledged that the null hypothesis states that global imports would not be granger caused by Indian FDI.



Interpretation

According to the AIC (Akaike information criterion) graph shown above, the model seems to be well-suited for the order selection of 4.0 lag, as the independent variable (global imports) appears to be picking lag0 and the dependent variable (FDI) appears to be selecting lag4. It follows that the ARDL model is built using the parameters (4,0).

Table No: 8 ARDL Approach for the Indian FDI and the Global Imports

Method: ARDL				
Date: 06/13/18 Time: 22:37				
Sample (adjusted): 7 24				
Included observations: 18 after adjustments				
Dependent lags: 4 (Fixed)				
Dynamic regressors (0 lag, fixed): GLOBALFDI				
Fixed regressors: C				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
DDGLOBALIMPORTS (-1)	-0.533637	0.263183	-2.027625	0.0654
DDGLOBALIMPORTS (-2)	-0.004441	0.314418	-0.014123	0.9890
DDGLOBALIMPORTS (-3)	0.061119	0.309226	0.197653	0.8466
DDGLOBALIMPORTS (-4)	0.159490	0.274131	0.581804	0.5715
GLOBALFDI	-0.060915	0.105330	-0.578324	0.5737
C	-0.086763	0.628018	-0.138153	0.8924
R-squared	0.361008	Mean dependent var		-0.196011
Adjusted R-squared	0.094761	S.D. dependent var		1.710824
S.E. of regression	1.627748	Akaike info criterion		4.073473
Sum squared resid	31.79475	Schwarz criterion		4.370264
Log likelihood	-30.66126	Hannan-Quinn criter.		4.114397
F-statistic	1.355913	Durbin-Watson stat		1.602619
Prob(F-statistic)	0.306992			
*Note: p-values and any subsequent tests do not account for model Selection				

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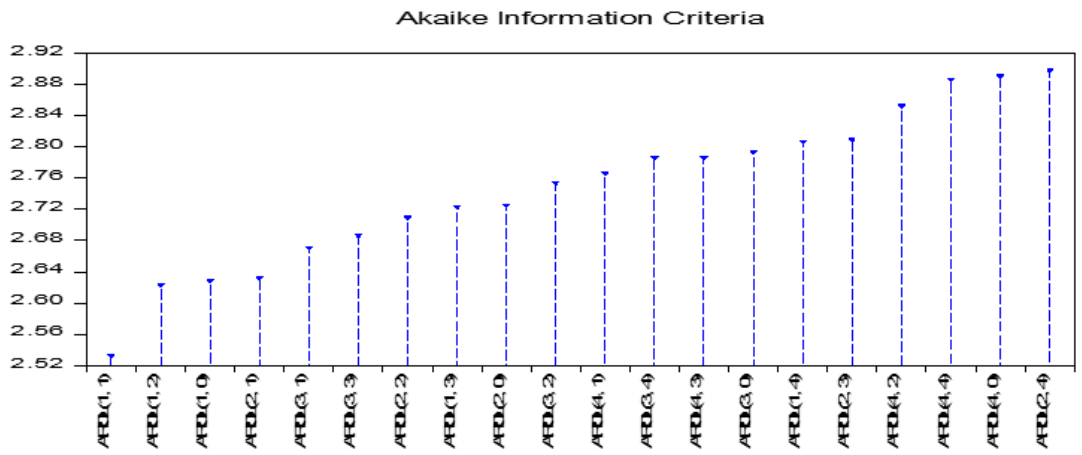
Table No: 9 Johansen Co integration test for the Indian FDI and the Global Exports

Series: DINDIANFDI DGLOBALEXPORT				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.*
None *	0.490031	19.11032	15.49471	0.0136
At most 1	0.210701	4.96881	3.841466	0.4262
Trace test indicates 1cointegratingeqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None*	0.490031	14.14151	14.2646	0.0023
At most 1	0.210701	4.96881	3.841466	0.4258
Max-eigenvalue test indicates 1cointegratingeqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Null Hypothesis	Obs	F-Statistic	Prob.
Global Export does not Granger Cause Indian FDI	21	0.83947	0.4501
Indian FDI does not Granger Cause Global Export		1.11114	0.3533

Interpretation

According to the data in the table, the granger causality test did not find a significant result (P value = 0.4501 > 0.05). Hence, the null hypothesis is rejected and the alternative hypothesis is accepted. The Granger causality test confirms that the link between exports worldwide and foreign direct investment (FDI) from India is unidirectional; the p-value for the relationship between Indian FDI and worldwide exports is not statistically significant. Therefore, we will accept the null hypothesis that foreign direct investment (FDI) from India will not impact global exports.



Interpretation

According to the following Akaike information criterion (AIC) graph, global exports (the independent variable) seem to be choosing lag2, while foreign direct investment (FDI) (the dependent variable) appears to be picking lag4. Thus, it seems that the model works well for selecting the (2,4) lag order. The ARDL model is therefore built using the parameters (2,4).

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Table No: 10 ARDL Approach for the Indian FDI and the Global Exports.

Dependent Variable: GLOBALEXPORTS				
Method: ARDL				
Date: 06/13/18 Time: 22:38				
Sample (adjusted): 5 24				
Included observations: 20 after adjustments				
Dependent lags: 2 (Fixed)				
Dynamic regressors (4 lags, fixed): GLOBALFDI				
Fixed regressors: C				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GLOBALEXPORTS (-1)	0.437564	0.225431	1.941010	0.0761
GLOBALEXPORTS (-2)	-0.072970	0.218292	-0.334280	0.7439
GLOBALFDI	0.927623	0.104147	8.906894	0.0000
GLOBALFDI (-1)	-0.314964	0.186087	-1.692563	0.1163
GLOBALFDI (-2)	0.081287	0.182158	0.446242	0.6634
GLOBALFDI (-3)	0.021532	0.111737	0.192701	0.8504
GLOBALFDI (-4)	-0.034090	0.091971	-0.370663	0.7173
C	0.025514	0.357614	0.071344	0.9443
R-squared	0.971397	Mean dependent var		3.961793
Adjusted R-squared	0.954711	S.D. dependent var		4.189036
S.E. of regression	0.891476	Akaike info criterion		2.897298
Sum squared resid	9.536751	Schwarz criterion		3.295591
Log likelihood	-20.97298	Hannan-Quinn criter.		2.975049
F-statistic	58.21851	Durbin-Watson stat		2.195332
Prob(F-statistic)	0.000000			
*Note: p-values and any subsequent tests do not account for model Selection				

11. CONCLUSION

Due to the study's reliance on secondary data and the fact that the primary data was not readily available from trustworthy sources, the statistical analysis's conclusions may not be trustworthy. For instance, it is a very complicated undertaking to assess the relevance of possible FDI factors at the national level. Additionally, the objective was not met by excluding crude information for business natural factors like government productivity, innovative preparation, and business regulations; thus, the competitive scoring derived from the world-renowned Frazer Institute was used. The research concluded that lawmakers should watch over the efficient use of funds and the prompt execution of projects. Strict regulations on ineffective bureaucracy, red tape, and widespread corruption are necessary if the Indian government wants to increase foreign direct investment (FDI) inflows while maintaining investor trust. After all that, it's more important for the government to guarantee high-quality FDI than the quantity. Policymakers must ensure transparency and consistency in policy making, as well as an integrated long-term development strategy. The study also suggested that the government should take faster action to improve the country's infrastructure to further diversify its businesses.

As an example, foreign direct investment (FDI) numbers from UNCTAD do not correspond with those from the Reserve Bank of India (RBI) in India, and vice versa for economic indicators compiled by the International Monetary Fund (IMF), the World Economic Outlook (WEO), and UNCTAD. There was a lack of tried-and-true ways to isolate the factors that influence a country's FDI attractiveness.

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