SJIF Impact Factor 2021: 8.013| ISI I.F.Value:1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 6 | Issue: 10 | October 2021 - Peer Reviewed Journal

IMPACT OF FOREIGN DIRECT INVESTMENT AND MACROECONOMIC FACTORS IN NSE BASED ON THE INFLUENCE OF MAKE IN INDIA

Dr. M. Sumathy[1], Shallini. V[2]
[1]*Professor, Dept. of Commerce, Bharathiar University, Coimbatore, Tamil Nadu, India.*

[2]*M. Phil. Research Scholar, Dept. of Commerce, Bharathiar University, Coimbatore, Tamil Nadu, India.*

ABSTRACT
This study examined the moderating role of political stability (PS) in the relationships between macroeconomic variables and the inflow of foreign direct investment (FDI) into India. For this purpose, this study uses the authentic annual data for the period 2011 to 2020. The empirical analysis involves the use of the ADFtest to check the downtime of the data, the EViews software, and hierarchical regression using the SPSS 19.0 statisticssoftware package. The results of the study confirm that the GDP growth rate, exports, imports and balance ofpayment has a positive significant effect on the inflow of FDI into Pakistan. On the other hand, the inflation rate wasnot significant in determining the direct inflow into the country. The GDP growth rate and the balance of Payment tends to be a significant factor for the inflow of FDI when the moderate effect of political stabilityis accounted for. Based on the findings of this study, it is strongly suggested that political stability is crucialthe country's foreign and foreign investment expansion in the future direction. Study also provides a basic insight towards the FDI inflow towards the NSE and its impact on Make in Inida with a pre and post anlaysis on the influence of the make in India scheme.

KEYWORDS: *FDI Inflows, political stability, balance of payment, imports, export, inflation rate, GDP growth rate.*

INTRODUCTION

In the modern era of the 21st century, it has been strongly emphasized that Foreign Direct Investments (FDIs)provides various economic conditions, such as capital inflows that add to the reserves and thus improve the balance of payments, increasing export and export-led growth, promoting innovation and modern technologies, new style of management skills, increasing jobs and jobs in the host country (Salman & Feng, 2010; Javed et al., 2012; Shahzad et al., 2012). Several researchers also emphasize the importance of foreign direct investment in the sense that it can stimulate domestic investors to invest further in the country(Awan, Khan, & Us-Zaman, 2011; Brooks & Sumulong, 2003). Time and time again, both developed and developing countries offer very attractive packages to attract foreign investment inflows rising rate. Countries such as China, India, Russia and Barizal (BRIC Economic Segment) offer profitable packages with incentives for foreign enterprises, such as low tax rate, cheap labor, export facilities, liberalized trade policy, market orientation of the economy, good infrastructure, good order and security system. In the new economic order of the globalization era, foreign direct investment (FDI) is considered be a major contributor to the economic growth of any developed and developing economy (see World Development Report, 2011). Since the 1990s, foreign direct investment (FDI) has been a boon for development countries to promote industrialization, growth and development. This is interesting enough to compare the growth trends of trade and investment in observing the dynamics of international affairs in the world economy in the year corresponding to a new millennium era. An increasing trend of direct influences in the emerging segments of the developing world economy is attributed to the perception that such inflows tend to help the productive resources and fills a technological gap and overcomes capital shortages to facilitate growth development process in the coming years of developing countries.

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REVIEW OF THE LITERATURE

Ashutosh (2017) studied the focuses on the ease of doing business and determines the variables for it. India is undergoing various reform processes that will enhance the overall business environment, which is an essential pillar of Make in India that will boost India's manufacturing industry. This study is conceptual and reviews nature, using various secondary data from secondary data sources, the researcher has implemented exploratory research design. Based on the secondary data and review, in Ease of Doing Business, the researcher reported on various emerging trends and problems and challenges. The researchers analysed India's position in the World Bank's Ease of Doing Business Index and emphasised the various reforms initiated by the Government of India to improve India's business environment.

Aanchal (2017) explored the impact of macroeconomic variables on the Indian stock market to test whether the growth of macroeconomic variables is leading to growth in the stock market for India. GDP, inflation, exports, imports and investment and the market indices of the CNX Nifty 50 are taken as a measure of stock market performance. Further correlation and Granger causal testing is used with the help of Eviews7 to find the relationship between variables. Further empirical results of the study show that all variables have a unit root, viz. There is no cause or effect relationship between the Indian stock market and the five variables studied, and finally, it can be seen that there is a positive correlation between the Indian stock market and the five variables studied.

Sugandh Mittal (2018) discussed in this study is to study the role played by the Government of India to attract foreign direct investment and to analyze the yields on foreign direct investment in the Indian economy. The paper also pointed out the impact of foreign direct investment in the host country. The research has conducted from 1980 to 2016 and the result indicates that India’s FDI inflows were very low at about $ 0.08 billion. Though the hostile effects of the US monetary crisis in late 2008, FDI inflows decayed in 2009 and 2010, India has flourished in tempting substantial inflows in 2011.

OBJECTIVES OF THE STUDY

- To check the impact of select macroeconomic factors on the FDI inflow.
- To find the correlation between FDI inflow and structural indicators of NSE.
- To analyse the FDI inflow in NSE pre and post period of make in India.

HYPOTHESIS

- $\mathbf{H_{01}}$there is no impact on FDI inflow by macroeconomic factors
- $\mathbf{H_{02}}$ there is no relationship between FDI inflow and structural indicators of NSE
- $\mathbf{H_{03}}$ there is no significant difference between FDI inflow in NSE pre and post period of make in India.

Foreign direct investment inflows during the period of 2000– 2020 (Millions of U. S. dollars)
Indian Economy, 2020 p.556.

	2000-2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
World	869,122	817,574	716,128	559,576	710,755	958,697	1,411,018	1,833,324	15,294,653	17,950,498	19,140,603
Developed Countries	491,856	571,483	547,778	366,573	396,145	611,283	940,861	1,247,635	10,616,230	12,263,733	12,501,569
Developing countries	172,364	219,721	155,528	172,033	275,032	316,444	412,990	499,747	4,441,301	5,060,116	5,951,203
Asia	97,502	111,966	92,009	107,278	156,622	210,572	274,291	320,489	608,492	769,542	916,972
ASEAN	24,391	19,601	14,507	17,364	25,666	39,091	51,243	60,514	173,976	220,008	260,980
India	2082	484	798	949	1524	3521	5410	5140	3720	2206	1739

Sources: IMF (2020) p.10, and UNCTAD, World Investment Reports, 20, SBP, Handbook of Statistics

The gloomy economic situation of India can be specifically attributed to the downfall of the country's politicalstability and increased corruption in the government sector, leading to the biggest security threats in the enterprise environment in India (Shahzad et al., 2012). Indian policymakers leave business the most important aspects of the environment are: poor infrastructure, energy shortages, inflation, corruption, the rule of law and security in the country. There is a striking research gap with regard to in-depth analysis of the major subject

Issues and policy guidelines that the current study sought to address by examining the case of a developing country like India.

INSPIRATION OF THE STUDY

The current study generally seeks to determine whether the country's economic growth rate is realreflects the steps taken by the reforms

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undertaken by Indian policymakers over the years directions. It is disturbing to note that the economic growth rate of the Indian national economy was received since 2008 due to various controllable and uncontrollable interactive factors, including the largest natural flood in India's history, the deteriorating balance of payments due to rising current account deficits (CAD), political party's rivalry issues and absence of competitively attractive economic policies to stimulate investment and business activities. The Indian currency has started to weaken since 2007 until today(2012) against the US dollar. By the way, the gloomy economic situation tends to cause a low level anddeclining FDI trend in the Indian economy. Data in Figure 1 explicitly show that foreign direct investment in India has declined from 2008 to 2012. By the way, in India, political stability is worse compared to the some neighboring Asian countries such as Pakistan, China, and Malaysia. For a country like India in the If a developing shortage of capital develops, it could affect her growth rate. Indian policymakers must improve business-friendly investment policies.

H_{01} there is no impact on FDI inflow by macroeconomic factors

ADF Unit Root Test Result Using the Trend and Intercept

	Variable	1st Diff	2nd Diff	Lagged
1	FDI	**0**	**S**	**2**
2	GDPGR	**0**	**S**	**1**
3	Exports	**0**	**S**	**1**
4	Inflation	**S**	**-**	**1**
5	Imports	**S**	**S**	**1**
6	BOP	**0**	**-**	**1**
7	PSI	**s**	**-**	**1**

Regression Analysis Results for Predictor Power

After reviewing all the regression assumptions and being satisfactory, this study performed the regression analysis using SPSS 19.0 to examine the predictive power of the putative model. Besides, it was used to it identify and compare the predictive power of the dimensions of macroeconomic variables namelyGDPGR, Exports, Inflation Rate, Imports and BOP. Based on the results, it can be concluded that GDPGR (β=0.288, t=3.067, $p<0.05$), Exports (β=1.306, t=2.351, $p<0.05$), imports (β=2.090, t=3.361, $p<0.05$) and BOP (β=0.362, t=3.191, $p<0.05$) have significant positive impact of the FDI inflows at 0.05 levels of significance. In addition, the results revealed that GDPGR, Exports, Imports and Balance of Payment had greater impact on the FDI inflows in India. These results, however, supported the hypotheses H1, H2, H4 and H5. The Inflation Rate was not significant determinants of the FDI inflows in the case of India.

EMPIRICAL RESULTS

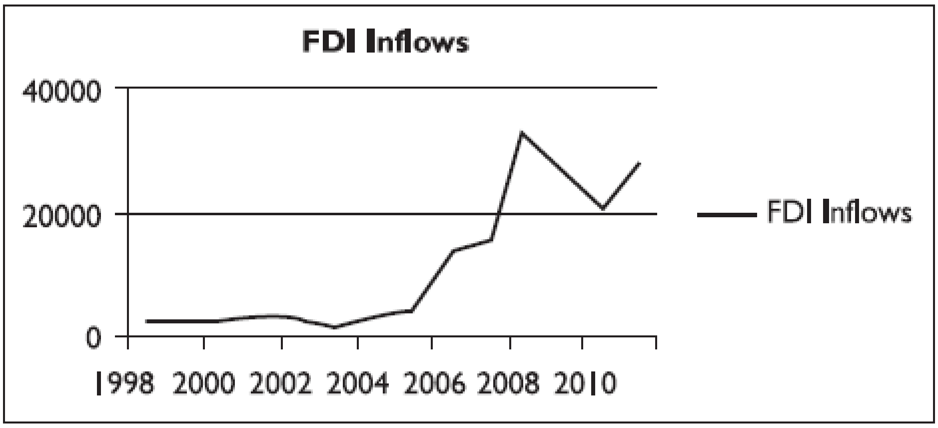

Figure shows the investigation of FDI influx in Indiaduring the study period shows that the inflow of FDI has increasedexponentially due to major reforms introduced by the Indians government since 1991. However, there has been a decline in2009–2010 at the beginning of the global financial crisis beforetake an upward turn.

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CORRELATION

H_{02} there is no relationship between FDI inflow and structural indicators of NSE

FDI inflow and structural indicators of NSE

	FDI	trend	Momentum	Volatility	volume
FDI	I	0.816	.812	0.094	0.842
	0.000	0.000	0.000	0.000	0.000

Table shows the correlation between FDI in flow and the indicators of NSE, the results shows that there is a high positive correlation between the FDI inflow and the indicators of NSE all the indicators will move upwards when the FDI inflow increases and their significant values are below the limit, thus the null hypothesis is rejected.

H_{03} there is no significant difference between FDI inflow in NSE pre and post period of make in India.

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	FDI inflow in NSE pre make in India- FDI inflow post make in India	52094	2.11688	.10831	1.30798	1.73390	14.043	5	.000

The table shows the significant value is .000 at five percentage level of significant. It indicates that there is a significant difference between significant difference between FDI inflow in NSE pre and post period of make in India, as per the study and collected data make in India is positively affected the FDI inflow in NSE.

CONCLUSION

India needs to offer the attractive packages for high-tech enterprises to invest in the province. High production of technical enterprises in India can facilitate her export to other neighboring countries. Indian Policymakers need to learn further lessons from the experience of Malaysia, Thailand and China. Exportstargeted FDI will bring many benefits to the country, such as new job opportunities, latest technology andimprovement of human capital, super Knowledge Management, stronger exchange rate and improvementof the balance of payments in the country. It is high time that Indian policymakers try to increase the numbervolume output and try to reduce the input. In the current situation, India’s exports are much lower thanimport. The country must by all means improve its BOP position. Strong balance of payments also attracts theforeign investment for the country. The current study focuses on and emphasizes the moderating role of politicsstability for macroeconomic stability. The country's good infrastructure, stable political system, a strong balance ofpayments and trade policy will affect her economic growth.

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