

Role and Prospects of FDI in Economy: A study of Punjab Economy vis-à-vis Indian Economy

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Abstract

Any country which is receiving FDI is expected to grow and will reach at a new level. This study took contribution of Punjab into FDI, exports of India and also growth rate of Punjab and India is studied in this paper. The paper took data of 6 years from 2013 to 2018 of FDI, exports and growth rate of Punjab and India. Percentage is used to analyze data. The study provided results with positive trend in 2014 and negative trend in 2017. Growth rate of Punjab showed positive trend except 2015. So study provides some suggestions and recommendations to increase contribution of Punjab into FDI and exports of India and also to increase growth rate.

Keywords: FDI, Exports, Growth rate, Punjab, India.

1. Introduction

Foreign Direct Investment (FDI) may become instrument to develop a country. Various development opportunities may arise in the country such capital formation, infrastructure, employment generation, high productivity etc.integration of domestic country with foreign country can be possible which may provide updated technology and knowhow. Globalization provides such business environment in which there is high return on investment. In these days, India is becoming attractive destination for investment. FDI become major driver for investment into another country. More FDI leads to more exports because with more funds there will be more productivity which will increase exports and economy will also grow. As more FDI and more exports in the country, there will be high growth rate of any country. Export oriented FDI may increase the value of productive capacity. It is expected that more FDI in economy may help to increase exports and also to raise growth rate of economy. The paper is also focusing on contribution of Punjab into FDI and

exports of India and also growth rates of Punjab and India. Contribution of Punjab into India will help to show the real picture of economy of Punjab in Foreign investment. Joe Muzurura also stated in the study that more FDI inflows may lead more exports and will also help to improve standard of living and opportunities to raise growth rate of economy.

2. Review of Literature

Abbas, Q, et.al, (2011) focused on FDI, GDP and CPI (Consumer Price Index) and SAARC. The paper studied relationship between FDI and GDP and data was taken from 2001 to 2010. GDP took as dependent variable and FDI and inflation took as independent variables in the study. Statistical techniques multiple regression models are applied which showed significant results between GDP and FDI but relationship between GDP and inflation was insignificant. The study concluded more GDP lead to more growth in the country.

Rahmaan, N. stated similarities or dissimilarities in long and short run dynamics of variables. This study focused on exports, FDI and remittances contribution on GDP of Pakistan, Bangladesh, Sri Lanka and India. Autoregressive distributed lag (ARDL) applied to study contribution. The study found similarities of long and short run dynamics between Bangladesh and India but between Sri Lanka and Pakistan, no long run similarity found.

Muneer, S., et, al. (2018) conducted study to investigated impact of FDI, export, import on development of economy this study conducted in Pakistan and took data from 1990 to 2015. Multiple regression models used to find out results and Eviews software had been used to analyze data. The study found that there was negative relation between FDI and GDP but positive relation between exports and imports with GDP. GDP was dependent variable on FDI, Imports and exports. The study recommended high valued inputs and technology to increase exports and trade openness and friendly environment to increase productivity.

Barua, R. (2013) examined in the study some import aspects such as FDI, GDP, exports and correlation is studied in the paper. Paper took data from 2000-2012. Some statistical techniques such as simple regression, multiple regressions, ANOVA, Durbin- Watson test were applied to analyze relationship. Some benefits also studied in this paper. Study relating to current scenario of Indian economy showed exports and GDP aspect and impact of FDI on GDP and growth is also studied. Study concluded that India can become an attractive destination by better infrastructure and improving business environment.

Khalil, S. et, al. (2013) investigated impact of FDI on exports. This study was conducted in Pakistan and took data from 1971 to 2009. Real effective exchange rate, growth and relative prices showed link with exports. The study analyzed through Augmented Dickey fuller test, Philip Perran test were used. The study showed link of FDI with exports was significant only in long run but in short run link was insignificant.

3. Research Methodology

This section of the study provides basic details about data collection, scope, research techniques used in this study.

3.1 Sources of Data

The study took secondary data for research purpose. Data is taken from 2013 to 2018 which is taken from research papers, websites and Punjab reports.

3.2 Scope of study

The study showed foreign investment aspect of Punjab's contribution into India. Contribution in FDI and exports may help the government to make plans to increase exports because more increase in exports may lead growth of economy. As shown in study Muneer, S. imports must be of high valued inputs which may increase the value of exports and will lead to more growth of economy. So, Punjab and India can be developed when there is more exports, more return on FDI.

3.3 Research techniques

Contribution of Punjab into FDI and exports of India is shown in table in actual values but percentage contribution is shown in line charts. Line charts are used to analyze ups and down in percentage contribution. And growth rates are also studied in line charts.

$$\text{Percentage} = X1/X2*100$$

Where:

X1= Amount of Punjab

X2= Amount of India

So contribution and growth rate is studied by using percent and line charts in this study.

3.4 Limitations of the study:

The study took only data from 2013 to 2018 to check contribution and growth rate which is not appropriate because only 6 years cannot provide real picture of any economy.

Contribution of Punjab is not taken in FDI and exports of India, and growth rate is shown but imports are totally ignored in this study.

Economic conditions such as, inflation, deflation, exchange rates and other ups and downs of economy are totally ignored.

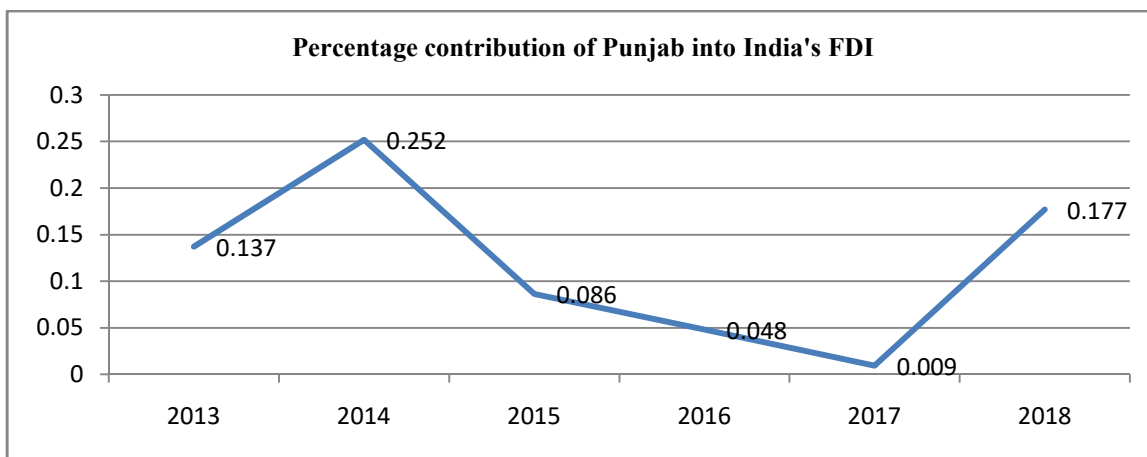
Only historical data is taken which cannot be used for future purpose due to changing environment.

4. Data Analysis and interpretation

This section showed contribution of Punjab into FDI inflows of India, contribution of Punjab into exports of India and growth rate of Punjab and India.

4.1 FDI inflows

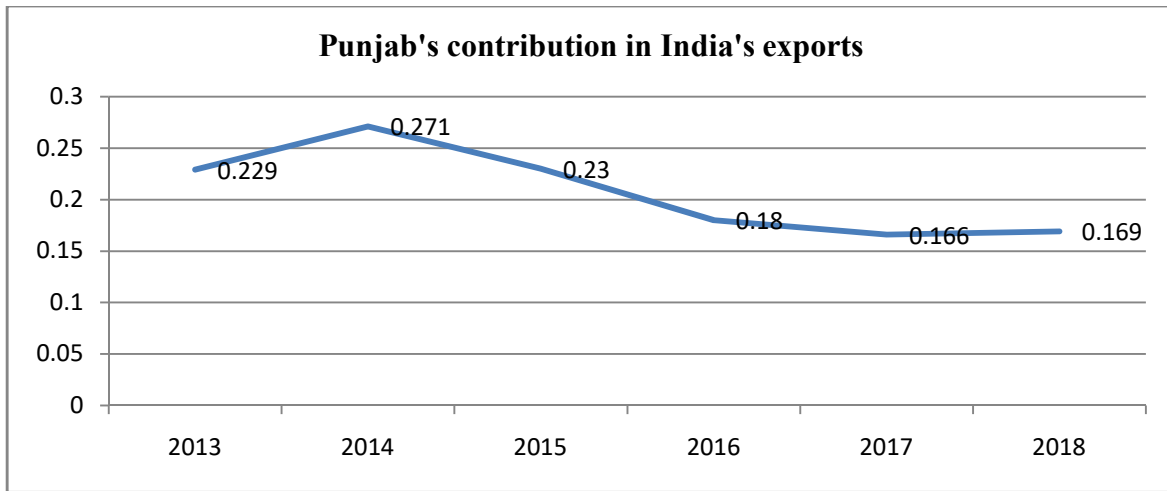
Year	Punjab Amt. (US\$ million)	India Amt. (US\$ million)	Percentage
2013	47	34298	0.137
2014	91	36046	0.252
2015	39	45148	0.086
2016	27	55559	0.048
2017	6	60220	0.009
2018	108	60974	0.177



The above figure showed contribution of Punjab into FDI of India. It is shown that there was more contribution into 2014 which was at 0.252 percent. After 2014, contribution of Punjab minimized to 0.009 percent into 2017. There were more downfalls in 2017. It may be due to election because during this period, investors hesitate to invest. Banks also faced more NPA's and bad debts during this period, so economy of Punjab was not in favorable position. But after 2017, contribution of Punjab into FDI of India increased to 0.177 percent.

4.2 Exports

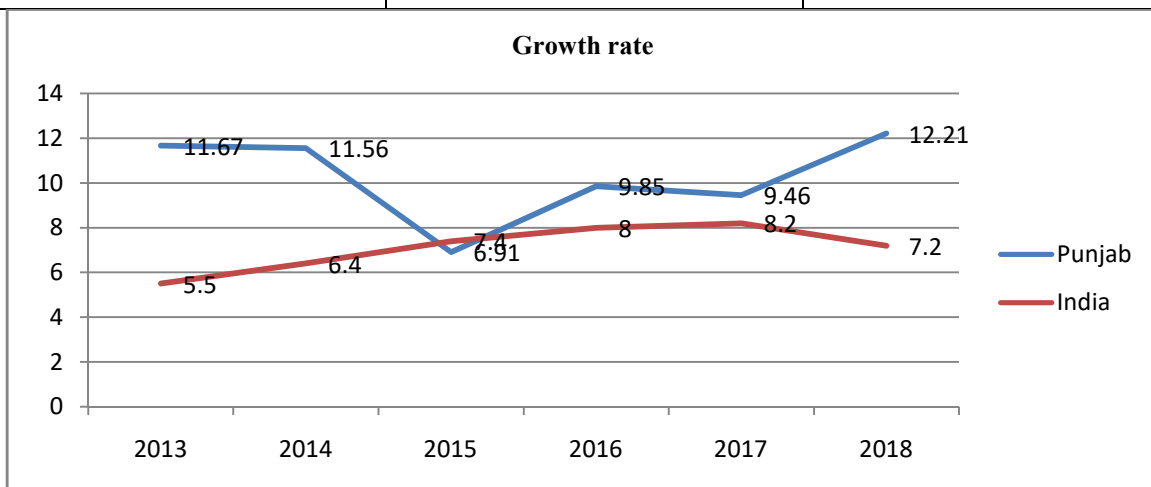
Year	Punjab Amt. (US\$ million)	India Amt. (US\$ million)	Percentage
2013	690.73	300400.58	0.229
2014	852.7	314405.30	0.271
2015	716.72	310338.48	0.230
2016	474.8	262291.09	0.180
2017	460.25	275852.43	0.166
2018	514.65	303526.16	0.169



The above figure showed that there were no more ups and downs in contribution of Punjab into exports of India. As more contribution of Punjab into FDI of India, contribution into exports was also at high level in 2014. After 2014, downfall was faced by economy so exports contribution also was reduced to 0.169 percent in 2018. After 2017, as there was increase in contribution in FDI in 2018, contribution of Punjab into Exports also rises in 2018.

4.3 Growth rate

Year	Punjab (%)	India (%)
2013	11.67	5.5
2014	11.56	6.4
2015	6.91	7.4
2016	9.85	8
2017	9.46	8.2
2018	12.21	7.2



The above showed Growth rate of Punjab and India from 2013 to 2018. Growth rate of Punjab is at high level in India. Economy of Punjab is growing sharply because in 2013 growth rate was 11.67 percent and after down position growth rate is more even than 2013 which was at 12.27 percent. Growth rate of Punjab was at too much lower position in 2015 which was at 6.91 percent. Growth rate of Indian economy remained near 5 to 8 percent. There was positive trend in Indian economy from 2013 to 2017 at 8.2 percent but after that it fell down to 7.2 percent. More growth rate showed better picture of Punjab in India.

5. Findings and suggestions

This part showed findings and recommendations of the study about contribution of Punjab into FDI and exports and also about growth rate of India and Punjab.

5.1. Findings

Contribution of Punjab into FDI of India was highest into 2014 and lowest in 2017. In 2013 contribution was lower and after that it rise to 0.252 percent.

After 2017, contribution rise to 0.177 percent in 2018 and contribution in exports also increased. Contribution in exports was 0.271 in 2014 after that it fell to 0.166 percent in 2017.

Contribution percentage of Punjab in FDI and exports face same trends in 2013-2014 and 2017-2018 in India.

Growth rate showed more growth of Punjab in India which is near about 11.67 percent but in 2015 it was too much lower.

Growth rate of India showed upward trend till 2017 but faced downward situation in 2018.

5.2 Suggestions

There must be high valued Investment in inputs, technology and knowhow so that latest and updated knowledge can be used to develop economy.

Such type of techniques must be formed out so that productivity and exports can be increased and incentives must also be provided.

Punjab government should provide such policies so that FDI in Punjab may provide higher return with less risk. It may increase growth rate of Punjab which may also maintain better picture of growth of India.

6. Conclusion

The paper focused on foreign investment, export and Growth aspect of Punjab and India. Major focus of this paper is remained on Punjab's contribution of Punjab into FDI of India. If there is more FDI in country then it is assumed that there must be more exports of that country and growth rate of that country must be more. As study showed status of Punjab into India, Positivity in FDI in 2014 and also there was more exports in India. Trend of Contribution of Punjab into FDI and exports in 2013-2014 was same and in 2017-2018. It was also

faced same trend. Growth rate was also showed satisfactory result of Punjab. So the study is helpful particularly in contribution of Punjab in Foreign investment, exports of India and in studying growth rate.

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