

Impact of Foreign Direct Investment on Indian Economy

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Abstract: Foreign direct investment (FDI) is an instrument for economic growth; it strengthens domestic capital, productivity and employment. FDI in India has got an important role in the development of the Indian economy. FDI in India has enabled India to achieve a certain degree of financial stability, growth and development in various ways. It has allowed India to focus on the areas that needed a boost and economic attention, and to address the various problems that continue to challenge the country. India has worked a lot to attract FDI from the world's major investors. FDI is vital in the up gradation of technology, skills and managerial capabilities in various sectors of the economy. With globalization, developing countries, particularly those in Asia, have been witnessing an immense surge of FDI inflows during the past two decades. India with its considerable market potential and a liberalized policy regime has sustained its attraction for foreign investors. This research paper aims to observe the impact of FDI on Indian economy, predominantly after two decades of economic reforms. The paper provides the major policy implications from this analysis. The attraction of foreign direct investments (FDI) is often emphasised as a precondition for a successful economy by most governments of less developed countries. The objective of the paper is to evaluate economic impacts of FDI.

Keywords: Foreign Direct Investment (FDI), economy, growth.

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