

Foreign Direct Investment in India: Trends, Sectoral Patterns and Its Impact on Economic Growth-A Post-Liberalization Analysis

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Abstract

Foreign direct investment is a multifaceted phenomenon that demands thorough investigation to unlock its potential for economic development. It is an eminent factor in driving economic growth and development. Foreign direct investment requires a serious consideration for its development. Countries which give due importance to the development of FDI experiences better development than the countries which does not. The important objectives of our present study are to analyse the pattern and trends in FDI in India as well as sector wise contribution of FDI and to check whether FDI has any significant impact on the GDP. The present study revealed that the FDI have undergone several changes over the years under consideration. It shows an increasing trend over some years and on the other hand the FDI falls in a higher magnitude in some other years. We have interpreted that FDI have a positive and significant impact on GDP. Therefore, we have understood that FDI may plays a dominant role in the GDP. Several sectors have experienced positive impact from FDI while some others were not being benefited from FDI. This becomes clear from the sector wise study of FDI inflows.

Keywords: Foreign Direct Investment(FDI), Gross Domestic Product(GDP), FDI Inflow, FDI Outflow, FDI Equity inflows, Sector wise FDI Inflows, Foreign Investment Inflow, Net FDI Inflows.

Introduction

Foreign direct investment literally a simple word, act as a proponent in the game of development of a nation. Foreign direct investment (FDI) is defined as an investment made to acquire a lasting interest in enterprises operating outside of the economy of the investor (IMF, 1993; WTO, 1996). In contemporary business environment, multinational corporations increasingly engaging in FDI driven by the potential for higher profitability and lower production costs. FDI also enables firms to access the local market, acquiring high quality natural, physical, and human resources at relatively lower costs, and enhance operational efficiency, thereby strengthening their position in global markets. FDI's prominence is not only confined to the sphere of economic upliftment, but also it acts as an indicator of country's political & socioeconomic stability. A country which is supposed to be awarded with a dynamic inflow of FDI will have a vibrant economy. Thus, we may say that the product of a massive flow of FDI into a country is not

just a fact which is responsible for the country's economic development, it also acts as an impetus of the country's stability and strength.

This paper examines the role of FDI as an important catalyst for economic growth in India by promoting domestic investment, enhancing human capital formation and facilitating technology transfers. FDI is a significant factor influencing the contemporary process of global economic development.

1.1. Statement of the Problem

Foreign Direct Investment (FDI) plays a significant role in promoting economic development in emerging economies such as India. Since the introduction of economic liberalization, FDI has become an important component of India's economic transformation, the government has introduced several policy reforms to attract foreign investment. While many studies suggest a positive correlation between FDI and Gross Domestic Product (GDP), concerns remain regarding the sectoral distribution and effectiveness of these investments in accelerating economic growth. Given this context, this study seeks to empirically assess the relationship between FDI inflows and GDP growth in India. The study will also analyse the sectoral distribution of FDI inflows to determine which industries have benefited the most.

1.2 Objectives of The Study

1. To analyse the trends and patterns of FDI inflows in India during the post-liberalisation period.
2. To examine the sector-wise distribution of FDI inflows in India.
3. To evaluate the impact of FDI on India's Gross Domestic Product (GDP).

1.3 Significance of The Study

FDI is the most prominent aspect in the developmental contest of a nation. As we know our country is a developing Economy, FDI plays most crucial role in the paving the way for transforming an under developed and developing country to a developed one. FDI contribute significantly to economic growth through infrastructure development, human capital formation, promotion of local entrepreneurship, the creation of a stable macroeconomic environment, and the encouragement of productive investment. Post liberalisation period witnessed favourable policies undertaking by the government in FDI activities which act as a catalyst for the tremendous growth of FDI inflows. Thus, we may conclude that FDI inflow act as determinant of development of an economy as well as the country as whole.

1.4 Review of literature

The FDI is an eminent factor for an economy's growth and development. FDI has a significant influence on the overall economic development and prosperity of a country. In this, we have undergone through a detailed analysis of various study undertaken on FDI and its various aspects have been reviewed for having a better understanding about the Foreign direct investment, it's trends and pattern, sector wise growth of FDI inflows as well as the impact of foreign direct investment on gross domestic product. The analysis of these studies has given us a broadened view and understanding of the Foreign direct investment in India. A detailed analysis of these studies is very much important for our study. **Chandana Chakraborty and Peter Nunnenkamp (2008)** examined the relationship between economic reforms, FDI and economic growth in India using a sectoral level analysis. Their study observed that India's stock of foreign direct investment increased substantially from less than US\$ 2 billion in 1991, when major economic reforms were initiated, to approximately US\$ 45 billion in 2005, this source was taken by UNCTAD, RBI online database. **Jurgen Bitzer and Holger Gorg (2009)** investigates the relationship between foreign direct investment, competition and industry performance. This paper uses data for 10 manufacturing sectors for 17 OECD countries covering the period 1973 to 2001. **S. Harish Babu (2010)** investigates the impact of FDI and policy related to on development of various sectors of the Indian economy. And he also done the

comparative analysis with the help of statistics relating to actors, attracting highest FDI inflows for the financial years 2008-2009 and 2010-2011. **Srikant Misra (2012)** in his article "Study of Implications of FDI on Indian Economy " Foreign Direct Investment (FDI) is always contributing in the positive growth toward the economy of one country due to the investment by another country or country's personnel's. **Singh and Pramila (2018)** in their article "implications of foreign direct investment FDI on Indian economy is an appraisal aims to provide an overview of the existing research on the implications of FDI on the Indian economy. It analyses the trends and patterns of FDI in India. **S. Shalini (2020)** study delves the flow of FDI in in India from the period of 2013-14 to 2017-18. Her analysis provides the conclusion that FDI flow increased due to major reforms undertaken by Indian Government. Shib **Sankar Jana et al (2020)** in their article " How far is FDI relevant to Indian's foreign trade growth? An empirical investigation " seeks to build evidence on how FDI is relevant to foreign trade growth in India. The test records a significant and positive association between FDI and foreign trade in India.

2 Materials and Methods

The objective of the study is satisfied through secondary sources. Secondary data is obtained from various published sources of government organisations. Here we have used the following sources for the data, they are Indian Brand Equity Foundation (IBEF), FDI statistics published by Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of commerce and industry, Government of India, and the handbook of statistics on Indian economy published by Reserve Bank of India(RBI). These are the data sources we have used for our study. For the analysis of the Net Foreign Direct Investment Inflows, we have used the statistical method of correlation. While looking onto the second objective which peeps into the sector wise analysis of FDI growth we have been came across with the time series plot, which is a very useful technique for analysing the sector wise contribution of FDI. This study comprises of an analysis using Ordinary Least Square method which makes us easier to study about the impact of Foreign Direct Investment (FDI) on the Gross Domestic Product (GDP) of India.

3. Result, Analysis and Discussion

3.1 Foreign Investment Inflow

Net foreign direct investment refers to the difference between foreign direct investment inflows and FDI outflows that is investment made by domestic entities in foreign countries. It indicates whether a country is a net recipient or provider of FDI. A positive Net FDI means more investment is coming in than going out, boosting economic growth, while a negative Net FDI suggests higher outward investment. Table 1 gives a comprehensive overview of the growth rate of foreign investment inflow to India from the period of 2002-23. India' s FDI inflows have experienced significant fluctuations from 2002 to 2023, influenced by global economic conditions, domestic policies, and market dynamics. During the period of 2006- 07 there is a massive increase in the foreign direct investment inflow to India. The growth rate increases from -19% to 160%. Main reasons for this growth are GDP growth (8-9%), Infrastructure and real estate boom, growth of IT sector, banking sector reforms, stock market boom, bilateral trade agreement with countries like US, UK and Japan, Global economic boom before the financial crisis of 2008, and also introduction of special economic zones Act 2005 provider tax benefit and exactly for foreign investors.

Table 1: Net Foreign Direct Investment Inflows to India		
YEAR	NET FDI Inflows	%GROWTH RATE
2002-03	15594	
2003-04	10944	-29.819
2004-05	16745	53.006
2005-06	13425	-19.827
2006-07	34910	160.037
2007-08	63776	82.687
2008-09	100106	56.965
2009-10	85983	-14.108
2010-11	54101	-37.079
2011-12	103167	90.693
2012-13	108186	4.865
2013-14	129969	20.135
2014-15	191219	47.127
2015-16	235782	23.305
2016-17	238913	1.328
2017-18	195052	-18.359
2018-19	214036	9.733
2019-20	304820	42.415
2020-21	325382	6.746
2021-22	287467	-11.652
2022-23	221884	-22.814
Source: Handbook statistics on Indian economy		

After 2006-07 there is a continuous decline in the growth rate because of global financial crisis of 2008 and high inflation and high interest rates implementation of GST, demonetization of 2016, make in India schemes global trade tensions may be the reason for the slow down growth rate in 2017-18. After the covid 19 pandemic FDI shows a declining trend.

Figure 1: Net Foreign Direct Investment

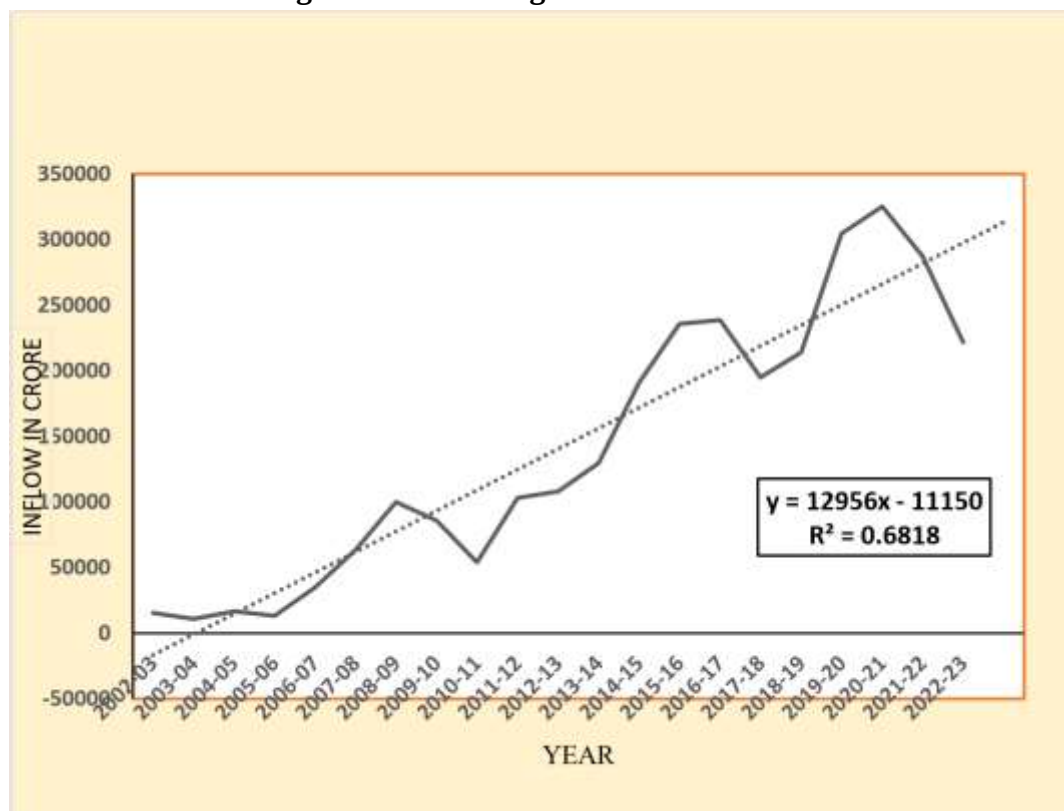


Figure 1 shows the fluctuations of FDI in this 21 years. The trend line shows a General Upward trend. The Net FDI has increased significantly over time, despite some fluctuations. The trend line equation ($y = 12956x - 11150$) suggests an average annual increase of ₹12,956 crores in net FDI. The R^2 value (0.6818) indicates a moderate-to strong correlation with time, meaning net FDI generally follows an increasing trend.

3.2: Foreign Investment Flows

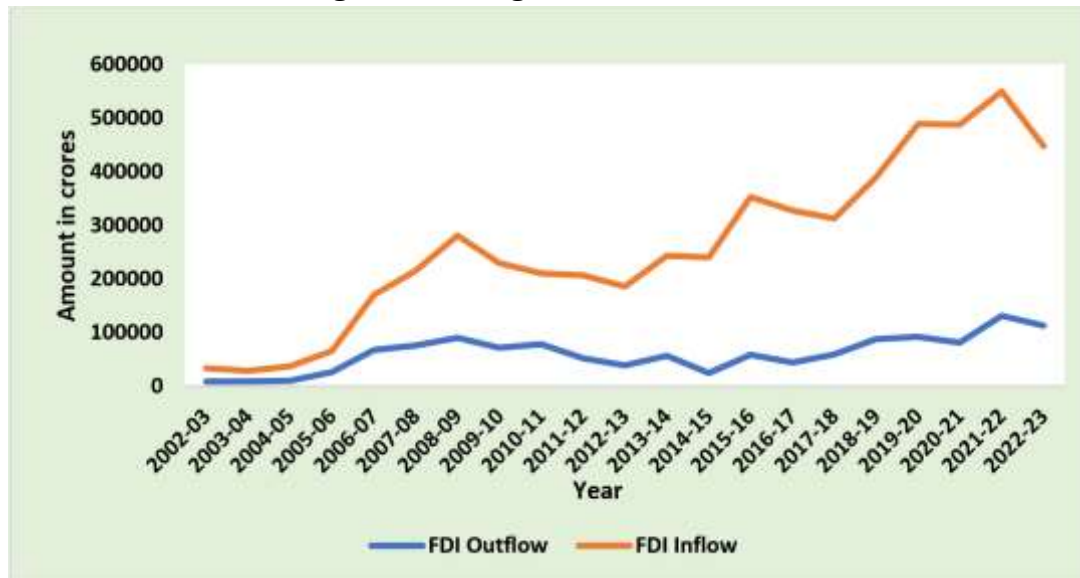
The fluctuations and trend in the foreign direct investment inflow and foreign direct investment outflow are examined by using graphical presentations and also through the correlation analysis.

Table 2: FDI outflow and Inflow (in Crores)			
Year	FDI Outflow	FDI Inflow	Net FDI
2002-03	8803	24397	15594
2003-04	8886	19830	10944
2004-05	10202	26947	16745
2005-06	26032	39457	13425
2006-07	67742	102652	34910
2007-08	75643	139421	63776
2008-09	90539	190645	100106
2009-10	71836	157819	85983
2010-11	78257	132358	54101
2011-12	51794	154961	103167
2012-13	38768	146954	108186

2013-14	56860	186830	129969
2014-15	24675	215893	191219
2015-16	58476	294258	235782
2016-17	44379	283292	238913
2017-18	58925	253977	195052
2018-19	87896	301932	214036
2019-20	92135	396955	304820
2020-21	81383	406765	325382
2021-22	131296	418763	287467
2022-23	113131	335015	221884
Source: Handbook Statistics on Indian Economy			

The graph illustrates the trend of Foreign Direct Investment (FDI) inflows and outflows in India from 2002-03 to 2022-23. FDI inflows show a significant upward trend, peaking around 2021-22 before a slight decline. The outflows also increase but at a slower rate. Notably, FDI inflows surged after 2005-06, indicating improved investor confidence and economic liberalization. There are periodic fluctuations, reflecting global economic conditions and policy changes. The consistent rise in both inflows and outflows suggests India's growing integration into the global economy, with higher investments both received and made abroad.

Figure 2: Foreign Investment Flows



The gap between FDI by India and FDI Outflow widened over time, indicating India's growing role in global investment while maintaining strong inflows.

3.3: FDI Outflow and FDI Inflow

Let us analyse whether there is any correlation between changes in FDI Inflow and FDI Outflow using correlation analysis

Table 3: Correlation analysis

	FDI Inflow	FDI Outflow
FDI Inflow	1	
FDI Outflow	0.753464	1

Source: estimated by the authors

The correlation of 0.753464 indicates a strong positive relationship between FDI inflows and outflows, meaning that as foreign investments in India increase, Indian investments abroad also rise. This suggests growing economic integration and globalization. However, correlation does not imply causation, as other economic factors may influence both trends.

3.4 FDI Inflow: Sector Wise Analysis

The foreign direct investment plays a significant role in promoting the growth and development of various sectors of the Indian economy. The present study considers eight major sectors, namely Telecommunication, Automobile industry, Chemical, Drugs and Pharmaceuticals, Construction and development, Construction (infrastructure activities), Computer hardware and software, and Service sector during the period 2013-14 to 2022-23. Since a detailed sector –wise analysis with individual yearly data would require considerable space, the present analysis focuses on the FDI inflow (sum) and compound Annual Growth Rate (CAGR) of the selected sectors.

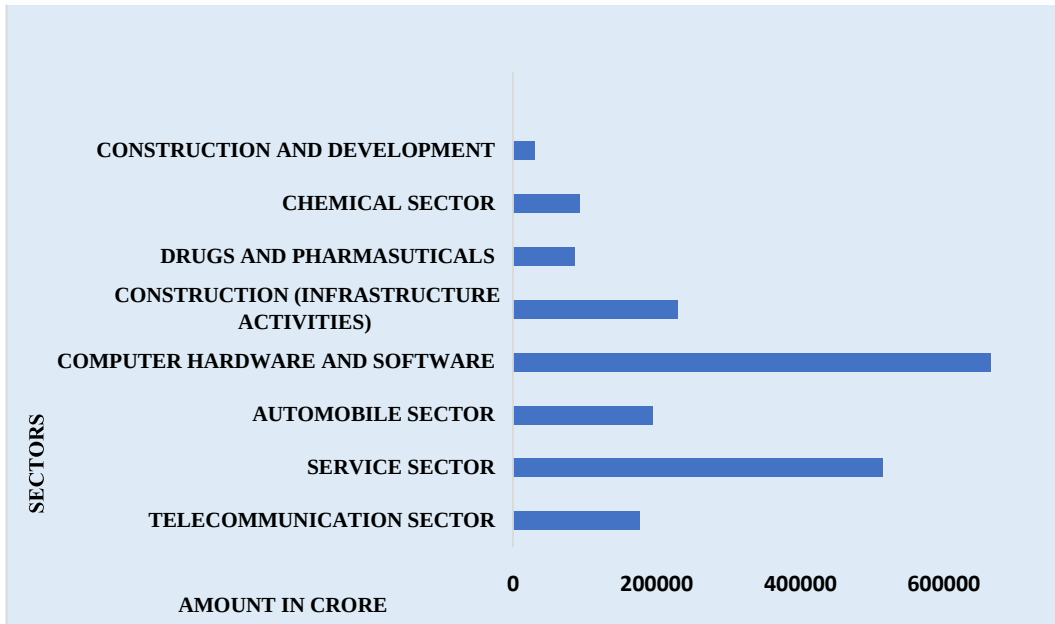
Table 4: Sector wise analysis (2013-14 to 2022-23)

SECTOR	SUM	CAGR
Telecommunication Sector	176107	-12%
Service Sector	514926	15%
Automobile Sector	195150	3%
Computer Hardware and Software	665494	25%
Construction (Infrastructure Activities)	229717	28%
Drugs And Pharmaceuticals	86000	2%
Chemical Sector	92627	4%
Construction And Development	30203	-12%

Source: estimated by the authors

Among the eight sectors, the computer Hardware and Software sector recorded the highest cumulative FDI inflow of 665,494, with a CAGR OF 25%. The service sector recorded a cumulative inflow of 514926 and a CAGR of 15%. Construction (infrastructure activities) received 229,717, recording the highest CAGR of 28%. The lowest cumulative FDI inflow was recorded by the construction and Development sector, at 30,203, with a negative CAGR of -12%.

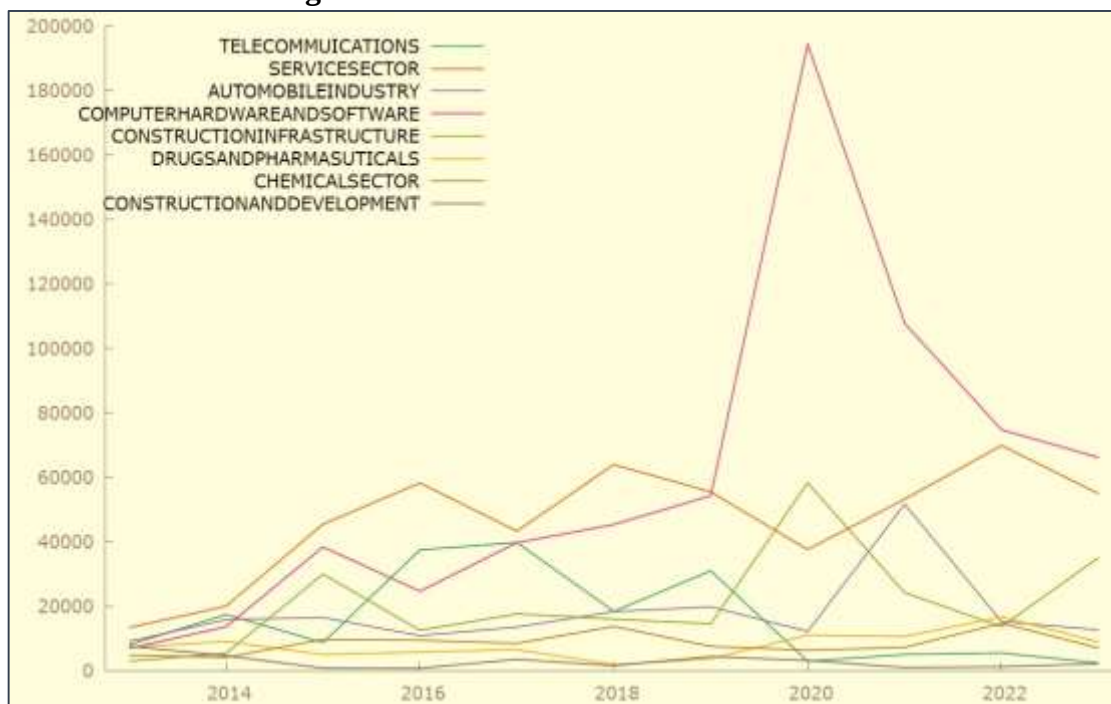
Figure 3: Cumulative Equity Inflow from The Period Of 2013-2024



Over all, the analysis indicate that FDI inflows varied significantly across the selected sectors. The construction (infrastructure Activities), Computer Hard ware and Software, and Service sector showed comparatively strong growth, whereas Tele communication and Construction and Development experienced a decline during the study period. Thus, the sector –wise analysis reveals that FDI has made a significant contribution to certain key sectors of the Indian economy, particularly infrastructure, technology and services.

Figure 4 depicts the time series plot of the ten years' data of the above-mentioned sectors namely telecommunication, service sector, automobile industry, computer hardware and software, construction and infrastructure, drugs and pharmaceuticals, chemical sector, construction and development.

Figure 4: Time Series Plot of the Sectors



Among these sectors under consideration the computer hardware and software sector show massive surge in the period of 2020. On the other hand, the telecommunication sector, construction development, drugs and pharmaceuticals, chemical sector shows a constant trend among these years. The construction related industries experienced some fluctuations over these time period as shown in the time series plot.

3.5 The Impact of Foreign Direct Investment (FDI) On GDP: An Econometric Analysis Using OLS Regression

Foreign Direct Investment (FDI) is often considered a major driver of economic growth, especially in developing economies. It facilitates capital formation, technology transfer, and employment generation, which in turn impact GDP. This study aims to assess the impact of FDI on GDP using a simple Ordinary Least Squares (OLS) regression model. the present study tries to evaluate the relationship between FDI and GDP to determine whether FDI significantly influences GDP. For this we estimate following model with the help of Ordinary Least Square Estimation.

$$GDP_t = \beta_1 + \beta_2 FDI_t + \varepsilon_t$$

Here, GDP_t = Gross Domestic Product at year t, FDI_t = Foreign Direct Investment in year t, β_1 = the intercept, β_2 = the coefficient of FDI and ε_t = the error term. The model is estimated using the annual data from 2004-05 to 2022-23.

The Hypothesis chosen for the test of significance is

Null Hypothesis (H_0): FDI has no significant impact on GDP ($\beta_2 = 0$)

Alternative Hypothesis (H_1): FDI has a significant impact on GDP ($\beta_2 \neq 0$)

3.5.1 OLS Regression Results

The OLS regression is estimated using GDP as the dependent variable and FDI as the independent variable.

Table 5: Model 1: OLS, using observations 2004-2022 (Dependent variable: GDP; T = 19)				
Variable	Coefficient	Standard Error	t-Ratio	p-Value
Constant	55,07,060	5,87,058	9.381	3.92e-08 (***)
FDI	31.2813	3.2263	9.696	2.43e-08 (***)
(Significance levels: *** p<0.01, ** p<0.05, * p<0.10)				

Source: estimated by the authors

The estimated model is:

$$GDP_t = 55,07,060 + 31.2813 FDI_t + \varepsilon_t$$

Here, the Intercept (constant) term = 5,507,060 (p-value close to zero), meaning that if FDI were zero, the baseline GDP would be this value. So, the constant is highly significant. The FDI coefficient = 31.2813 (p-value close to zero), indicating that a one-unit increase in FDI is associated with a 31.28-unit increase in GDP. The results indicate that FDI has a strong and statistically significant impact on GDP. The models goodness of fit and explanatory power also has been examined. The additional statistics are provided in the table 6.

Table: 6: The Overall Significance and Goodness of Fit of the OLS Regression Model	
Statistic	Value
R-squared	0.8469

Adjusted R-squared	0.8378
F-statistic	94.007
P-value (F-test)	2.43E-08
Standard Error of Regression	13,64,261
Sum Squared Residuals	3.16E+13
Durbin-Watson Statistic	1.1747
Log-likelihood	-294.2995
Akaike Criterion	592.5991
Schwarz Criterion	594.4879
Hannan-Quinn Criterion	592.9187

Source: estimated by the authors

The R-squared value (0.8469) suggests that the model has a strong explanatory power, meaning that approximately 84.69% of the variation in GDP can be explained by the changes in FDI. The adjusted R-squared (0.8378), which accounts for the number of predictors in the model, is also high, shows that the model is a good fit without overfitting.

The F-statistic (94.007) and its extremely low p-value (2.43e-08) confirm the overall significance of the model. This means that the independent variable (FDI) significantly impacts GDP, and the model is statistically meaningful. Since the p-value is far below the conventional significance threshold (0.05 or 0.01), we can confidently reject the null hypothesis that FDI has no effect on GDP. The Durbin-Watson statistic (1.1747) is relatively close to 1, suggesting the possible presence of positive autocorrelation in the residuals. This necessitates further diagnostic checks. Despite this, the model provides substantial evidence that FDI has a significant and positive impact on GDP over the observed period.

3.5.2 Heteroscedasticity Tests: White's Test & Breusch-Pagan Test

Heteroscedasticity refers to a situation where the variance of errors is not constant, which can lead to inefficient OLS estimates. White's Test for Heteroscedasticity resulted in a test statistic of 2.72423 with a p-value of 0.2561. Since this p-value is well above the common significance thresholds (0.05 and 0.10), we fail to reject the null hypothesis, shows that there is no strong evidence of Heteroscedasticity. The Breusch-Pagan Test for Heteroscedasticity produced a test statistic of 3.41036 with a p-value of 0.0648. While this is not statistically significant at the 5% level, it is close to significance at the 10% level. This suggests that there might be mild Heteroscedasticity, but it is not strong enough to raise major concerns.

Table 7: Diagnostic Tests for Heteroscedasticity, Autocorrelation, and Normality				
Test	Null Hypothesis (H ₀)	Test Statistic	p-value	Inference
White's Test for Heteroscedasticity	No Heteroscedasticity	2.72423	0.2561	Fail to reject H ₀ → No significant Heteroscedasticity
Breusch-Pagan Test for Heteroscedasticity	No Heteroscedasticity	3.41036	0.0648	Fail to reject H ₀ at

				5%, but weak evidence at 10% level
LM Test for Autocorrelation	No autocorrelation	1.22922	0.2839	Fail to reject $H_0 \rightarrow$ No significant autocorrelation
Normality Test (Chisquare)	Residuals are normally distributed	4.5309	0.1038	Fail to reject $H_0 \rightarrow$ Residuals appear normally distributed

Source: estimated by the authors

3.5.3 Autocorrelation Test: LM Test

Autocorrelation occurs when error terms are correlated across observations, which can lead to inefficient OLS estimates. The LM Test for autocorrelation gave a test statistic of 1.22922 with a p-value of 0.2839. Since this p-value is much higher than 0.05, we fail to reject the null hypothesis, suggesting no significant first-order autocorrelation. However, the Durbin-Watson statistic (1.1747) from the regression output indicates some possible positive autocorrelation.

3.5.4 Normality of Residuals: Chi-square Test

An important assumption of OLS regression is that residuals follow a normal distribution. The normality test produced a test statistic of 4.5309 with a p-value of 0.1038. Since this p-value is greater than 0.05, we fail to reject the null hypothesis, indicating that the residuals do not significantly deviate from normality. This means the assumption of normally distributed errors is reasonable, which supports the validity of hypothesis testing within the model.

3.5.5 Final Comment on the Model

The model satisfies most of the classical OLS assumptions, making it statistically reliable. The main area of concern is mild Heteroscedasticity and possible autocorrelation, but these issues do not appear severe. The model should provide valid and robust estimates for assessing the impact of FDI on GDP.

4. MAJOR FINDINGS AND POLICY IMPLICATIONS

The Foreign direct investment inflows act as a booster for every economy's growth and potential. The foreign direct investment plays a dominant role in the empowerment of the country's resources and development. Let us have a quick glance on the key points and findings on the study we have undertaken and some policy implications that may enhance the FDI in India.

4.1 Major findings of the study

From the overall analysis of the first objective may infer that the FDI have experienced a salient cyclical trend and there is not much growth have been undergone in the net foreign direct investment. During the period of 2006-07 there is a sudden surge in FDI inflow into India, the growth rate increases from -19% to 160%. Main reasons for this growth are GDP growth (8-9%), Infrastructure and real estate boom, growth of IT sector, banking sector reforms, stock market boom, bilateral trade agreement with countries like US, UK and Japan.

- After the year 2006-07 there is contrary phenomenon happened in the FDI, there is a fall in FDI due to global financial crisis and inflation. The rise in interest rate also became a cause for the shortfall in

FDI. During this period FDI fall from 160.0% growth rate to 82.6%. As covid 19 pandemic have significantly impacted the whole world economy as well our Indian economy, the FDI also experienced a negative impact.

- There is a continues declining trend of FDI from the period of 2020-21 to 202223. The reason behind the continues declining trend in FDI during the period after 2020 is because of the global economic crisis and slowdowns due to the covid 19 pandemic. The epidemic has given a severe hit on the growth and development of FDI. From our analysis we have noticed that the FDI had never gone back to the normal stage even though the covid 19 have been disappeared from the world.
- FDI inflows varied considerably across the selectors sectors, with technology, services, and infrastructure emerging as the major recipients, while Telecommunication and construction and development experienced negative growth.
- In the 3rd objective of our study, we have tried to create a detailed assessment of the impact of FDI on GDP of India. Here we have used the ordinary least square (OLS) regression model for this purpose.
- Using the OLS regression model we found out that FDI has a strong significant impact on GDP. Almost 84:69% of the variation in GDP can be explained by the changes in FDI.
- The statistical tests of F-statistic and the detection method of autocorrelation Durbin-Watson statistic is used here. The results from these tests shows that FDI has a significant and positive impact on GDP.
- For the analysis of this objective of whether FDI has any impact on GDP we have also used the tests of heteroscedasticity test, autocorrelation test, and chi square test. The appropriate usage of these techniques, tools, and method have resulted in an efficient checking of the impact of FDI on the GDP.

4.2 Policy Implications

Foreign Direct Investment plays a pivotal role in India's economic development, and a favourable policy environment is crucial to attracting and retaining foreign investors.

Based on the findings of this study, the following policy implications are proposed:

- Regulatory procedures for FDI approvals must be further simplified and digitized to ensure efficiency and transparency. Long and complicated approval mechanisms act as deterrents to potential investors, particularly in emerging sectors like fintech, green energy, and digital infrastructure.
- The government should continuously update its policy frameworks to accommodate the evolving global investment climate. Transparent land acquisition laws, tax clarity, and reliable dispute resolution mechanisms are essential to build investor confidence.
- Customized fiscal and non-fiscal incentives should be provided for sectors with high potential but inconsistent FDI inflows, such as the automobile and chemical industries. Support through Production Linked Incentive (PLI) schemes and targeted subsidies may revive interest in such sectors.
- This campaign must be expanded and more strategically focused on high-tech and export-oriented manufacturing industries. Foreign investors should be encouraged to set up R&D facilities and innovation hubs in India through fiscal and infrastructural support.
- India's participation in global trade bodies like WTO, SAFTA, and MIGA, along with maintaining and expanding Double Tax Avoidance Agreements (DTAAs) and Bilateral Investment Treaties (BITs), are key to ensuring stable and predictable investment conditions.
- State governments should be empowered and incentivized to create competitive investment climates. State-level FDI promotion agencies should work in tandem with national policies to attract region-specific investments.

- Continued investment in physical and digital infrastructure will enhance India's appeal to foreign investors. Improving India's rank in the Ease of Doing Business Index through labor, land, and contract enforcement reforms is imperative.

5 Conclusion

This study highlights the integral role of FDI in shaping the economic landscape of India. It demonstrates that FDI inflows are not only vital for capital accumulation but also for boosting GDP growth, employment generation, and technological advancement. However, FDI trends are highly sensitive to global economic shifts, domestic policy environments, and sector-specific dynamics. The cyclical patterns in FDI inflows observed over the years underscore the importance of consistent and responsive policy measures. The empirical analysis confirms that FDI has a significant and positive impact on GDP, with nearly 85% of GDP variation being explained by changes in FDI, affirming its macroeconomic significance.

The sector-wise breakdown further reveals asymmetric growth in FDI, suggesting that while some sectors thrive due to investor confidence and supportive policies, others lag behind due to structural and policy-related bottlenecks. The COVID-19 pandemic also exposed vulnerabilities in India's investment climate, leading to a marked decline in FDI post-2020.

Therefore, sustaining FDI inflows requires an adaptive, inclusive, and strategic approach. By implementing investor-friendly policies, promoting sector-specific growth, and enhancing infrastructural capacities, India can position itself as a global hub for foreign investment. This study serves as a foundation for policymakers and scholars to design future-oriented FDI strategies aimed at achieving long-term economic resilience and inclusive growth.

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