IMPACT OF CAPITAL INFLOWS AND ECONOMIC GROWTH INDICATORS IN INDIA

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Abstract

The role of capital flow in the growth process is the burning theme in India. Investment provides the basic needs for economic growth and development. Besides foreign reserves, government revenues, financial status, domestic savings, size and quality of foreign investment are essential for the economic welfare of the country. Economic growth - benefits from foreign direct investment. Significant capital inflows in various industry units in India have boosted the country's economic life. This study is based on secondary data. The current study is limited in assessing the determinants of foreign direct investment flows and its impact on the Indian economy. For this purpose, data are collected for the period from 2010 to 2015. It can be concluded that there is a flow of capital into India's economic growth. Capital inflows can contribute to increasing production, production and exports at the sector level of the Indian economy. The study tries to understand how capital inflow is seen as a key driver of India's economic growth by boosting domestic investment, raising human capital and facilitating technology transfer.

Keywords: *Capital inflows, Economic Growth, Economic Growth Indicator, etc.*

Introduction

The influx of capital flows helps developing countries to develop a comprehensive, transparent, and effective political environment for investment and capacity building for people and institutions to implement the same. Attracting foreign direct investment has become an important part of India's economic development strategy. The influx of capital, which provides a large amount of capital, large internal, manufacturing and job opportunities in developing countries, is a key step towards the country's economic growth. Capital inflows are deafening factors that strengthen India's economic life on the other hand have blamed for the removal of internal economic pototsi.7 and often statistical indicators provided by government agencies, NGOs, NGOs Fees and even private kompanii3. They provide measurements to evaluate the health of our economy, the latest business cycles, and how consumers spend and generally participate. Other economic indicators are distributed daily, weekly, monthly and / or quarterly. While it is important to keep up the momentum of the economy, a small or large number of analysts have broken down all this, with the amount of reports deserving of danni.10, and why? This is an essential element of the 10 most common and common economic indicators. Even if you do not follow these reports yourself, it is helpful to know if experts "download from them". If you look at these reports, remember that the data can be changed quickly, and that the general trends are judged from one point of remote economic data.

Literature Review

Erçakar and Yılgör (2008) analyzed the long-term relationship between capital flow and economic growth in 19 selected countries using data from 1980 to 2005 through root test and panel integration testing. While the results of a root-panel test show that capital inflows and GDP do not have a single root, the results of a joint panel test confirm the long-term relationship between capital inflows and gross domestic product.

Yılmazer (2010) analyzes the effects of capital inflows on Turkey's economic growth in 1991: 1-2007: 3 in relation to quarterly data through a Granger case study. Gross domestic product, import and export data are related to economic growth. At the end of this analysis, there was no link between the causes and effects between capital flow and economic growth. In addition, it has been found that capital inflows have a tendency to import and export slightly.

Ekinci (2011) examines whether the long-term relationship between capital flow and economic growth in Turkey during the 1980-2010 period is or is not due to the practice of a Granger test. As a result, there are two ways of connecting capital flows and economic growth, but there is no link between capital flow and employment.

Chandana Chakrabobi and Peter Nunnkamp (2008) said that prospective foreign direct investment in India after reform was believed to boost economic growth.

Krishna Chaitanya Vadammanatiya Arthur Tamazian and Locanda Radei (2009) analyzed the determinants of capital flow in Asian economies. The identifier is analyzed under the chapters 4, 1. Economics and politics, economic, social, institutional, and economic factors. The results of the basic model show that economic, social, and employment-related issues are important determinants.

Objectives

1.To identify the factors which influence the flow of capital inflows in India.
2.To assess the effect of capital inflows on economic growth factors of Indian Economy over the post reforms period 2010 to 2015.

Hypotheses

1. Ho: There is no significant relationship between capital inflows inflows and GDP.
   Ha: There is significant relationship between capital inflows inflows and GDP.
2. Ho: There is no significant relationship between capital inflows inflows and Money Supply.
   Ha: There is significant relationship between capital inflows inflows and Money Supply.
3. Ho: There is no significant relationship between capital inflows inflows and Consumer Price Index.
   Ha: There is significant relationship between capital inflows inflows and Consumer Price Index.
4. Ho: There is no significant relationship between capital inflows inflows and Producer Price Index.
   Ha: There is significant relationship between capital inflows inflows and Producer Price Index.
5. Ho: There is no significant relationship between capital inflows and Consumer Confidence Index.
   Ha: There is significant relationship between capital inflows inflows and Consumer Confidence Index.

Methodology

In pursuance of the above-mentioned objectives the following methodology is adopted. The present research work is based on secondary data. The secondary data required for the study is collected through official publication of government of India, various publications of RBI and SEBI, Ministry of finance, Ministry of commerce, SO, TRADING ECONOMICS.

Economic Growth Factors

a) Real GDP (Gross Domestic Product)

India's economy is the fifth-largest economy in the world, with the third largest gross domestic product (PPP). The country is classified as one of the major economies of the G20, a member of BRIKYU, and an average annual economic growth of about 7 percent over the next two decades. India's economy has become the fastest growing economy in the world in the last quarter of 2014, replacing the republika5. India's economy has the potential to become the world's third-largest economy in the decade to come, and one of the two largest economies by the middle of the century, and expectations for short-term growth. Well, as the IMF said, India's economy was a "bright place" in the global landscape. India also led its growth prospects. World Premises for 2015-16, for the first time, the economy grew 7.6 percent in 2015-16 and is expected to rise 8.0 percent in 2016-17.

Insert Table 1 & 2

From the above table we observe that there is a strong correlation between the capital inflows, GDP in India. For all the years, there appears to be a strong relationship between two variables. This mean that changes in capital inflows are strongly correlated with changes in the GDP.

b) M2 (Money Supply)

In economics, cash or cash supply is the total amount of liquid assets available in the economy at any given time. There are several ways to define "money," but the usual measures usually include currencies in circulation and unchangeable deposits (wealth that can easily be accessed by deposits in books. Of financial institutions) 6. Data on registered cash supply and printing, usually by the government or central bank of the Bank Analysts from the public and private sectors have long noticed changes in money supply because of their belief that influences the cycle of inflation, exchange rates and businesses.

Insert Table 3 & 4

From the above table we observe that there is a strong correlation between the capital inflows, Money Supply in India. For all the years, there appears to be a strong relationship between two variables. This mean that changes in capital inflows are strongly correlated with changes in the Money Supply.

c) *Consumer Price Index (CPI)*

The Consumer Price Index (CPI) has changed the price level of consumer goods and services purchased by the family. The Consumer Price Index is a statistical forecast based on the value of a representative model whose price is collected over time. Sub-indexes and sub-indexes are calculated for sub categories and commodities of goods and services that are merged to create a weighted index that reflects their stake in total consumer spending covered by the index. It is one of several values indexed by most national statistical agencies. Annual percentage change in consumer price indexes is used as a measure of inflation. The Consumer Price Index can be used to index (compare inflation effects), actual prices of wages, salaries, prices, orders, prices, and currency price deflators to show actual price changes. In most countries, the consumer-price index, along with the census, is one of the best statistical statistic statistics.

Insert Table 5 & 6

From the above table we observe that there is a strong correlation between the capital inflows, Consumer Price Index in India.

For all the years, there appears to be a strong relationship between two variables. This mean that changes in capital inflows are strongly correlated with changes in the Consumer Price Index.

d) Producer Price Index (PPI)

WPI was first published in 1902 and was used by policy makers until it was replaced by a producer price index in 1978. The WPI index is the index used to measure the change in the average price of commodities traded on wholesale markets. 676 goods are indexes. It is available on a weekly basis with the shortest measure of two weeks. It is therefore widely used in the business and industry environment, and in the government, and is regarded as an indicator of inflation in the economy. This is the most viable method to measure inflation in our economy. However, due to high inflation, the government has cut some of the goods.

Insert Table 7 & 8

From the above table we observe that there is a strong correlation between the capital inflows, Producer Price Index in India. For all the years, there appears to be a strong relationship between two variables. This mean that changes in one variable are strongly correlated with changes in the second variable.

e) Consumer Confidence Survey

Consumer confidence is a major driver of economic growth and is considered the leading indicator of household consumption expenditure. Consumers tend to increase usage when they are confident in the current and future economic situation of the country and in their own financial situation. In countries with economies such as India and the United States, where personal consumption accounts for more than 60% and 70% of GDP, consumer confidence has a tremendous impact on the economy. Its measurements can provide critical insights into expectations for economic growth. Consumer behaviour is a key tool used by global investors and will be of great help to individual and institutional investors in India.

Insert Table 9 & 10

From the above table we observe that there is a positive week correlation between the capital inflows Consumer Confidence Survey in India column 1 to columan2 0.42583. For all the years, there appears to be a strong relationship between two variables. This mean that changes in capital inflows are strongly correlated with changes in the Consumer Confidence Index.

f) Current Employment Statistics (CES)

The CES provides comprehensive data on national employment, unemployment rates and income and income data in all non-farm industries, including civilian workers. Information is promoted in many other ways, for example, employment / unemployment rates among men and women, ethnic groups and teens. Industries include retail, manufacturing and construction. The CES provided detailed information about the number of hours worked and the income of all respondents across the country. "Employees" are defined as all part-time and part-time workers and temporary and recruited employees who receive paid salaries for a fixed period of time. Including those who have received hospitalization or leave of absence, and exclude business owners, self-employed, paid family members and volunteers.

g) Retail Trade Sales and Food Services Sales

Retail covers the process of selling goods, services or services to customers through multiple channels for profit. The demand is set and then satisfied through the supply chain. Trying to increase demand through advertisements. In 2000, more and more retailers started using the Internet using electronic payments and e-mail. One sector retailer includes quality services, such as transportation. The term "retailer" is also applied when the service provider orders fewer orders from large companies, rather than big orders of wholesale, corporate or government customers. Shopping can be on the streets, streets with little or no houses or shopping malls. Street shopping can limit pedestrian traffic only. Sometimes, a one-to-one shopping street has the advantage of creating a more convenient shopping environment - protecting customers from different climatic conditions, such as air temperature or rainfall. Retail formats include online retailers (electronics used for B2B and B2C) and e-mail.

h) Housing Starts (Formally Known as "New Residential Construction")

Housing stock is an increase in house prices driven by expectations and turmoil. Housing costs generally begin with increasing demand for a limited supply that takes longer to complete and increase. Market buyers boost demand. At times, demand is declining or stagnant, as supply continues to lead to a sharp drop. In general, the housing market is not much cheaper than other financial markets due to large transactions and homeowner transportation costs. However, the combination of low interest rates and a weakening of credit standards can lead to a return on demand. Increasing interest rates and restricting credit standards may reduce the demand for resettlement of housing bubbles. The housing budget has been around for a long time since real estate prices started to rise to respond to outgoing investors as a result of dotcom's rise and a fall in 200012. Over the next six years, the obsession with family ownership grew to a degree of worry as interest rates fell and demand for tight lending was abandoned. It is estimated that during this period, 56% of home purchases are made by people who are not affordable in terms of regular borrowing. They are called borrowers with high interest rates. Much of this loan is interest-rate collateral, with a low initial interest rate and a planned revision of three to five years.

Impact of Capital Inflows on the Indian Economy

The impact of capital flows on India's economy is an economic phenomenon that is included in the analysis, including GDP, currency, stock market, foreign currency reserves, interest rates, current accounts, exports, imports and unemployment. The relationship between these economies and capital inflows has provided India. The results can be summarized below:

Findings

- Changes in capital inflows inflows and GDP strongly correlated with each other.
- Changes in capital inflows inflows and Money Supply strongly correlated with each other.
- Changes in capital inflows inflows and Consumer Price Index strongly correlated with each other.
- Changes in capital inflows inflows and Producer Price Index strongly correlated with each other.
- Changes in capital inflows inflows and Consumer Confidence Survey strongly correlated with each other.

Conclusion

Foreign direct investment occurs when a business is investing in a foreign country or by receiving a foreign company that manages or has started operations in India. Despite the global economic downturns that suffer from other financial and economic crises, India remains the main destination of global investment. In view of current needs and national interests, the Indian government has come up with new policies from time to time. The government should develop policies for capital inflows so that inflows of flow capital will be used as a means of improving local production and exporting through savings, equal distribution between one country, providing More freedom to the country so they can do to attract capital flows to their own level. The research shows that the share of capital inflows in several factors of economic growth from 2010-2015, from the above discussion, the study showed that the results of the above analysis showed that GDP of total GDP Exchange rate reserves are the main determinant of the flow of capital flows to the country. In other words, these factors of economic growth have a profound effect on the flow of capital flow into India. Capital inflows play an important role in raising the level of economic growth in the country. Finally, the study notes that capital inflows are a major factor affecting India's economic growth. It provides a stable basis for economic growth and development through improving the country's financial situation. It also contributes to gross domestic product and foreign reserves.

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Table 1 - Total CAPITAL INFLOWS and GDP

Year	Capital Inflows	GDP
2010-2011	97320	1656.56
2011-2012	165146	1822.99
2012-2013	121907	1828.99
2013-2014	147518	1863.21
2014-2015	189107	2042.44

Source: Trading Economics

Table 2 - Correlation

	Column 1	*Column 2*
Column 1	1	
Column 2	0.89423	1

Table 3 - Total CAPITAL INFLOWS and Money Supply

Year	Capital Inflows	Money Supply
2010-2011	97320	5900
2011-2012	165146	6580
2012-2013	121907	8000
2013-2014	147518	9000
2014-2015	189107	10000

Table 4 -Correlation

	Column 1	*Column 2*
Column 1	1	
Column 2	0.668007	1

Source: Trading Economics

Table 5 - Total CAPITAL INFLOWS and Consumer Price Index

Year	Capital Inflows	CPI
2010-2011	97320	95.3
2011-2012	165146	100.91
2012-2013	121907	110.53
2013-2014	147518	120
2014-2015	189107	127.23

Source: Trading Economics

Table 6 -Correlation

	Column 1	*Column 2*
Column 1	1	
Column 2	0.684281	1

Table 7 - Total Capital Inflows and Producer Price Index

Year	Capital Inflows	PPI
2010-2011	97320	159.5
2011-2012	165146	163.02
2012-2013	121907	180
2013-2014	147518	175.23
2014-2015	189107	177.42

Source: Trading Economics

Table 8 - Correlation

	Column 1	*Column 2*
Column 1	1	
Column 2	0.589679	1

Table: 9 Consumer Confidence Index

Year	Capital Inflows	CCS
2010-2011	97320	123.72
2011-2012	165146	122.3
2012-2013	121907	112.12
2013-2014	147518	117.24
2014-2015	189107	127.11

Source: Trading Economics

Table 10 - Correlation

	Column 1	*Column 2*
Column 1	1	
Column 2	0.425843	1