



# REDEFINING BUSINESS VISION

Issues & Challenges

Vol. 1 ACCOUNTING AND FINANCE

Sanjib Kumar Basu • Soumya Saha  
Sumanta Dutta

REDEFINING BUSINESS VISION: Issues and Challenges  
Vol. 1. ACCOUNTING AND FINANCE

ISBN 978-81-8484-652-2 (Vol. 1)

ISBN 978-81-8484-653-9 (Vol. 2)

ISBN 978-81-8484-651-5 (Set)

© 2017 DR. SANJIB KUMAR BASU  
SOUMYA SAHA  
SUMANTA DUTTA

All rights reserved with the Publisher, including the right to translate or to reproduce this book or parts thereof except for brief quotations in critical articles or reviews.

*Typeset by*  
THE LASER PRINTERS  
8/15, 3rd Floor, Subhash Nagar, New Delhi-110027

*Printed in India at*  
NEW ELEGANT PRINTERS  
A-49/1, Mayapuri Phase-I, New Delhi-110064

*Published by*  
REGAL PUBLICATIONS  
F-159, Rajouri Garden, New Delhi-110027  
Phones : 011-45546396, 011-25435369  
E-mail : regalbookspub@yahoo.com, regaldeepbooks@yahoo.com

7. Business Trusts in India: A Look into its  
Tax Implications 109  
*Prof. Shubhayan Basu*

## SECTION II: FINANCE

8. Business Ethics and Corporate Social Responsibility:  
Two Emerging Issues of Corporate Sectors in India 117  
*Suvankar Chakraborty*
9. FDI Inflows and Economic Growth in India:  
A Fusillade of Questions 126  
*Sovik Mukherjee, Tanusree Das and S. Kavitha*
10. Interpretation of Customer Perception About Life  
Insurance: A Study of South Delhi Area 144  
*Monirul Islam*
11. Economic Growth, Foreign Direct Investment and  
Financial Crises 167  
*Dr. Debesh Bhowmik*
12. India's Economic Performance during the Pre- and  
Post-Crisis Period: A Comparative Analysis 196  
*Dr. Rajib Bhattacharyya*
13. Investment in Money Market Instruments and Precious  
Metals in Different Economic Phases in Indian Context 213  
*Sharmistha Ghosh and Dr. Tanupa Chakraborty*
14. Comparative Study of TATA Steel Ltd. and SAIL in  
Terms of Liquidity and its Relation with Profitability 229  
*Palash Bandyopadhyay and Priyanka Agarwal*
15. Tail Risk Behavior of the Indian Banking Sector in the  
Context of Financial Crisis of 2007-08 240  
*Piyali Dutta Chowdhury and Dr. Basabi Bhattacharya*
16. Financial Inclusion: A Qualitative Critique of Recent  
Financial Reforms 266  
*Joyita Banerji and Hanzala Awais*

## *FDI Inflows and Economic Growth in India: A Fusillade of Questions*

*Sovik Mukherjee, Tanusree Das and S. Kavitha*

---

### ABSTRACT

*FDI inflows to India have been very small, averaging less than 0.1 percent of the GDP till 1991. The new export-oriented economic policy has played an exceptionally important role by bringing in reforms in the licensing facade and adoption of better technological means through FDI collaborations. There is a rich body of literature which emphasizes the importance of FDI as one of the principal determinants of economic growth. This research paper puts forward a theoretical open economy macro model to analyze the impact of FDI on the Indian economy, especially after two and a half decades of economic reforms. This is because recent trends suggest that FDI inflows require a certain amount of time for its dedicated contribution. Thus, our objective is to not only estimate the time interval till which FDI will effectively contribute to economic growth but also bring to the surface the issue of causality. It comes to a close by resolving the fusillade of questions that motivated this topic.*

**Keywords:** Foreign Direct Investment (FDI) Inflows; Economic Growth; Causality.

### 1. Introduction

The intensifying resurgence of globalization over the last decade and a half has considerably influenced cross-border foreign direct investment (FDI) flows, which stood at \$1.37 trillion in 2015. Previously, FDI used to flow in from the developing nations both to