Scopus listed

International Journal of Advanced Science and Technology
Vol. 29, No. 6, (2020), pp. 9412 - 941[illegible]

Impact of FDI on Unemployment Rate in India

Homang Chetri
Research Scholar, Dept. of HSS, IITG, Assam, India

Raju Sharma
Research Scholar, Dept. of Economics, Gauhati University, Assam, India

Khem Karki
Research Scholar, Gauhati University, Assam, India

Abstract

Investment is the fundamental factor for economic activities. Domestic investment is not sufficient for the development. So there are enormous needs for overseas investment in the pattern of Foreign Direct Investment (FDI). Foreign direct investment (FDI) is an investment which is made by a company or individual in any country in commercial interests into another country. The FDI have the potential to generate employment through direct hiring of people for new plants, which means they improve aggregate domestic employment through types of jobs created, regional distribution of new employment, wage levels, income distribution and skill transfer. So, the present study investigates the role of FDI on employment generation in India. It also analyses the sector wise and state wise trend in FDI inflows in India. Secondary data are the base for this study. It also applied linear regression model to see the impact of FDI inflow and unemployment rate.

Keywords: FDI inflow, unemployment rate

Introduction:

Foreign direct investment (FDI) is an investment which is made by a company or individual in any country in commercial interests into another country. In other words, it is the direct contribution made by the foreign firms or state in the industries of another country to obtain favourable business environment. FDI can be divided into two type namely inward foreign direct investment and outward foreign direct investment (Zekarias, Seiko Minota, 2016). As Borensztein, Gregorio, & Lee, 1998, says under the neoclassical growth model approach, FDI encourages economic development by the increase of magnitude of funds, in the endogenous growth model, FDI elevates fiscal development by creating technological dispersal from the developed countries to the home country. Hence, FDI is the synthesis of various technological knowledge, which can boost the existing reserve of insight in the beneficiary economy through skill gain,labour training (Salisu, et al., 1996).

Copyright © 2020 SERSC

Investment is the fundamental factor for economic activities. Domestic investment is not sufficient for the development. So there are enormous needs for overseas investment in the pattern of Foreign Direct Investment(FDI). No country is self-reliance to achieve the optimum level of economic growth without overseas capital. This overseas capital in the form of FDI is requisite to supplement its growth objectives. Favourable foreign investment culminates in capital accumulation in the country which further enhances productivity, income level, effective demand, accumulated savings and investment and finally leads to the overall growth and development of a country. Employment formation is a matter of great concern for a developing country like India.

Unemployment refers to the number of workers who are actively seeking for a job and currently not receiving any sort of remuneration or wages. Unemployment can also be defined as when a person is looking for an employment is unable to get the job due to workers mind sets as to not satisfy with the working hours and due to lack unskilled workers. When unemployment separates people from the workforce, there is a chance of affect among family as well as physical health. But to the broader society, unemployment also includes economic costs. Economic resources are going to be unused, when many of the people are unemployed but has ability and want to work cannot find the work.

The FDI have the potential to generate employment through direct hiring of people for new plants, which means they improve aggregate domestic employment through types of jobs created, regional distribution of new employment, wage levels, income distribution and skill transfer. These direct effects are accompanied by indirect or spillover effects. Indirect effects take place through movement of trained labour from foreign firms to other sectors as well as they create links with suppliers and service providers and through increase of incomes, which can also increase employment through higher levels of consumption, savings and investment. The integration of FDI into a local economy results in transmission of business culture, which includes corporate values, organisational structures and management practices (Mirza, 1998). Because FDI bring relatively new technology, its impact on employment depends on the interaction between productivity growth, output growth, and the specialization of labour. Along with the improvement of skills, technology, productivity and trade, FDI may have the potential adverse effects on wages and employment in the host economy.

FDI is an important monetary source for India's economic development. Economic liberalisation started in India in the wake of the 1991 crisis and since then, FDI has steadily increased in the country. India, today is a part of top 100-club on Ease of Doing Business

Copyright © 2020 SERSC

(EoDB) and globally ranks number 1 in the greenfield FDI ranking.Employment generation and economic growth and development are directly related as they enhance economic activities. In developing countries decrease in the unemployment rate can solve many socio-economic evils. After introduction of New Economic Reform 1991, India's openness to Global scenario by adopting Liberalisation, Privatisation and Globalisation regimes is widely remarkable. Now India is more competitive in the global market than before. For this kind of openness there is integration of home economy with the rest of the world. It leads to inflows of tangible as well as intangible things to the economy like goods and services, technical know-how, skills, capital inclusion etc. in the form of FDI. Thus, it is believed that FDI inflows lead to employment generation in India and paves the way for solving capital deficit in the country. But the scenario is not easy as is seen.However, majority of past studies have proven that FDI could help to reduce the unemployment rate and increase GDP. Numerous past studies have suggested the policy to increase FDI (Ralhan, 2006; Shaari, Hong & Shukeri, 2012; Mun, Lin & Man, 2008). The opening of new foreign firms will create jobs for the unemployed in the country.The higher employment rate can increase the productivity in the country. Joshi (2009), Lin and Wang (2004), Driffield and Tailor (2000), as well as Schemerer (2012) explained that FDI can create more new jobs. Thus, FDI has both candid and obscured impact on employment. Fundamental impacts of FDI on employment are:

- Job Creation- In this case FDI comes up with new production strategies and new employment opportunities which increase economic growth.
- Crowding out effect- In this case the competition between FDI providing country and the host country is quite competitive and to prove her competitive capacity host country improve her production capacity by retrenching employees in the enterprises.
- Transfer of Employee- In this category employees are transferred from one enterprise to another. Through Foreign collaboration and joint venture of foreign and domestic enterprises, new jobs are created and workers are transferred from one company to joint new enterprises.
- Loss of Employment- FDI inflows not only increases employment opportunities, but also decreases it. When foreign companies are allowed to set up their venture in host country they generally come up with their own methods of production. Thus, in host country those who are skilled and efficient enough according to their production requirements are hired and others are forced to lose their jobs.

Copyright © 2020 SERSC

Conceptual Framework:

FDI: Foreign direct investment (FDI) is an investment which is made by a company or individual in any country in commercial interests into another country.

Inward FDI: Inward FDI measures investments made in a country from another country.

Outward FDI: Outward FDI measures investments made by domestic companies in a foreign economy.

Unemployment: Unemployment refers to the number of workers who are actively seeking for a job and currently not receiving any sort of remuneration or wages.

Unemployment rate: The unemployment rate is defined as the percentage of unemployed workers in the total labor force.

Routes of FDI in Indian companies

An Indian company may receive Foreign Direct Investment under the two routes as given under: **1. Automatic Route:** FDI is allowed under the automatic route without prior approval either of the Government or the Reserve Bank of India in all activities/sectors as specified in the consolidated FDI Policy, issued by the Government of India from time to time.

2. Government Route: FDI in activities not covered under the automatic route requires prior approval of the Government which are considered by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, and Ministry of Finance.

Review of Literature: Pakanati Someshu (2015) studied the impact of FDI on employment generation in India. He found that Inflow of FDI has direct and indirect effect on employment. A considerable amount of development has been observed in the inflows of Foreign Direct Investment (FDI) in India over the last two decades. The growth of FDI in 1990 around the world has made it as an essential component of development strategy for both, developed and developing countries. However, it revealed that the most profound effect has been observed in developing nations.

Strat and et al (2015) studied short term causal relationship between FDI and The Unemployment. It focuses on studying the relationship between the inflow of FDI and the macroeconomic stability of a country proxy through the unemployment rate. In this paper, all the latest thirteen EU member states are included.The main finding of the study is that there is no Granger causality relation between the variables for six countries and a one direction causal relation was identified. It also finds that higher unemployment causes higher inflows of foreign direct investments proving therefore that foreign investors search locations where the availability of the work force will not be a problem.

ISSN: 2005-4238 IJAST
Copyright © 2020 SERSC

Kirti and Prasad (2016) studied the effects of foreign capital inflows on the employment creation and growth rate in India by interlinking GDP with employment as well as correlate employment generation and the increase in output in the economy. It reveals that no doubt increase in FDI inflows increases employment in each sector but the coefficient of correlation is not satisfactory between them. But employment generation is positively related with economic growth.

Zia et al (2009) tries to examine the influence of FDI on employment generation of three Asian countries i.e. India, Pakistan and China during 1985 to 2008. By using Co-integration, panel data techniques and Unit root test they found that the influence of FDI on employment generation is not significant in these three Asian countries and employment creation is not persistent. They suggested implementing policy measures to eradicate unemployment in these countries, which is the hindrance on the path of development. It is quite impossible for developing countries to fulfill its objectives of economic growth without taking assistance from foreign countries in the form of investment, technical knowhow; employment generation, etc. Indian economy has received much foreign financial assistance in the post liberalisation period.

Narendra and Dhankar (2016) tries to examine the impact of foreign capital inflows on employment genesis in both public and private sectors in the pattern of Foreign Portfolio Investment, FDI, External borrowings, deposit of Non Residence in India during 1991 to 2012. Secondary data are collected from different websites of RBI, Department of Industrial Policy and Promotion, World Bank, Economic Survey and analysed by using different Statistical tools like Johansen co-integration, unit root test and ordinary least squire methods. The result obtained revealed that among several forms of foreign capital inflows FDI and external commercial borrowing helps to increase employment opportunities in the private sector in India than any other forms of foreign capital. But employment generation in the public sector is not possibly affected by these inflows. Due to foreign investment there is an increase in infrastructure facilities, educational attainment rate, hence encourages employment. In order to obtain better employment opportunities and economic growth, Indian government should take effective policies to attract more foreign capital into the economy.

Sultana et al (2019) studied the impact of FDI on Indian Economy. It examines the impact of FDI on not only Indian growth variables but also on other factors which are human development index and population as well. The study shows that the FDI had partially impacted the economic parameters of India.

Copyright © 2020 SERSC

Mehra (2013) investigates the influence of FDI on employment and GDP improvement rate in India. Secondary data are collected from websites of World Bank and RBI from 1970 to 2007. To analyse data Multiple Regression Method is used with SPSS software. The result obtained reveals that major shares of FDI inflows are confined to service and manufacturing sector and hence increased economic growth and employment rate in the economy. Only negligible shares of FDI inflows are confined to primary sector and hence leads to low employment generation in India. Thus Indian government should take appropriate policy measures to attract FDI in primary and manufacturing sector to increase more employment avenue in India.

Palit (2019) finds the existence of link that the sectors which attracts more FDI due to appropriate government policies towards them were also found to be outward foreign investors themselves overtime showing the incentives enables them to attain the competitiveness.

Rekha and Karan (2017) investigate the effect of overseas direct investment on employment creation and GDP growth in post liberalisation period. They also analysed weather FDI increase employment and economic growth in the economy in the post liberalisation period. By analysing data over time the period 1991 to 2013 using Multiple regression method, they found that the affinity between GDP and FDI is positive whereas between employment and FDI is not satisfactory. FDI increases employment opportunities in India, but not much as it is for GDP growth rate.

Research gap: Various research papers, journals and dissertation have been reviewed and it is found that even though a substantial number of researches have been carried on FDI but everyone focuses on the analysis of FDI on employment generation. But present study focuses on the effects of FDI on unemployment rates. Besides this, very little research is seen on sector wise and state wise influences of FDI on unemployment rates. This also evokes the concern for present study.

Objectives:-

Present study is based on the following objectives-

1. To study the trend in FDI inflow and unemployment rate in India with sector wise and statewise analysis.
2. To study the impact of FDI on unemployment rate in India.

Research Questions:

1. How FDI influences on unemployment rates in the states of India?

ISSN: 2005-4238 IJAST
Copyright © 2020 SERSC

2. How FDI influences the primary, secondary and tertiary sectors in terms of employment generation?
3. How inflow of FDI influences on unemployment rate of India?

Methodology:

Source of Data: Present study is based o secondary data.The secondary data is collected from World Bank data base, Department for promotion of Industry and internal trade, Statistical handbook of RBI, Ministry of labour & employment and Statistical year book of India published by MOSPI.

Line of Analysis:

- To fulfill the first, Percentage, Tabulation and Graphs has been used.
- To fulfill the second objective, OLSE model has been run by SPSS software.

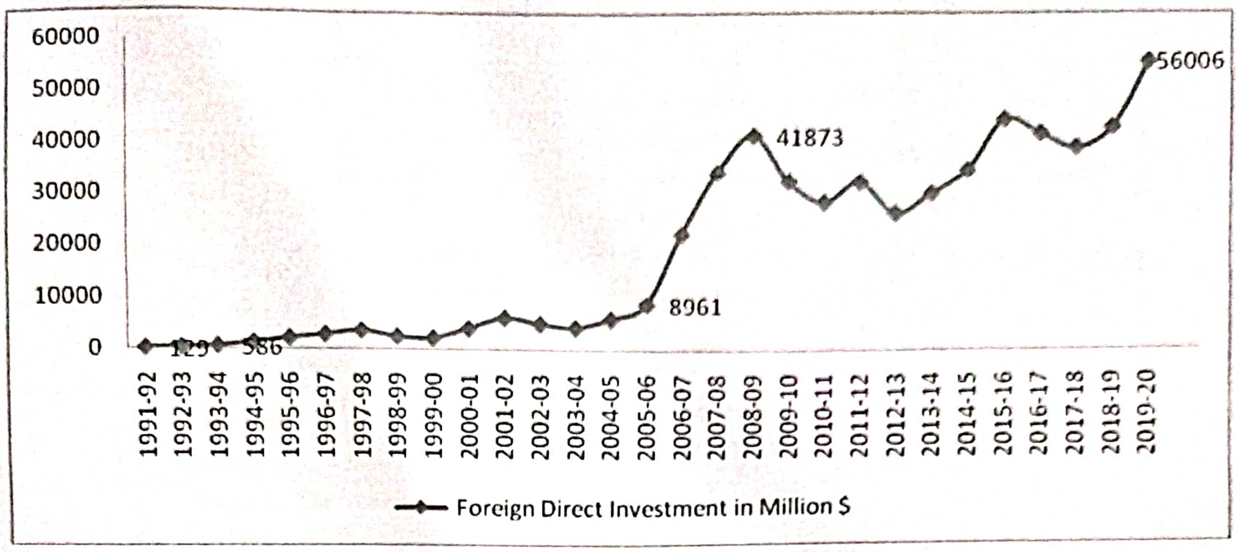
Results and discussion:

FDI trends in India: India is rich in natural resources where there is an adequate market for both capital and consumer goods. The availability of large amount of natural resources in the country as well as excellent market surroundings and highly trained and experienced resources, provide a better platform for investments. Besides this, India is among the world's fastest growing economies and remains a top market for foreign direct investments (FDI) globally. After the decision of liberalising Indian economy in 1991, it has changed the entire picture of the country in comparison with other global economies. The main aim of economic reform was to liberalise the economy with world economy since 1991 have remained same, besides changes in the political parties brought improvements by moving forward from closed economy to market-based economy. Basically, closed economy was full of corruption, strong restrictions, protectionism and slow-moving growth between after independence till 1990.

Figure I show that after liberalization of Indian economy with world in 1991, the era of FDI inflow were improved. The figure also states that the FDI inflow which was just $ 129 million in 1991-1992 increased relatively lower rate till 2005-2006 which was $ 8961 million. After 2005-2006 the FDI increased with higher rate till 2009-2010 which was $ 41873 million. After 2009-2010, the FDI inflow became cyclical which reached the highest point $ 56006 million in 2019-20.

Copyright © 2020 SERSC

Figure I: Trend in FDI inflow



Source: Statistical Handbook of RBI

Table I show that the annual growth rate of FDI inflow which was 144.19 percent in 1991-92 followed by highest annual growth rate 154.73 percent in 2006-07. It is also observed from the table that the compound annual growth rate is 52.16% which is higher during the period of 1991-92 to 2007-08 in comparison to the period 2008-09 to 2019-20 which is only 5.41%. The compound annual growth rate of FDI from 1991 to 2020 was 32.12%.

Table I: FDI inflows and annual growth rate of FDI

Year	FDI inflow in million $	Annual growth rate of FDI Inflow (in %)
1991-92	129	-
1992-93	315	144.19
1993-94	586	86.03
1994-95	1314	124.23
1995-96	2144	63.17
1996-97	2821	31.58
1997-98	3557	26.09
1998-99	2462	-30.78
1999-00	2155	-12.47
2000-01	4029	86.96
2001-02	6130	52.15
2002-03	5035	-17.86
2003-04	4322	-14.16
2004-05	6051	40.00
2005-06	8961	48.09

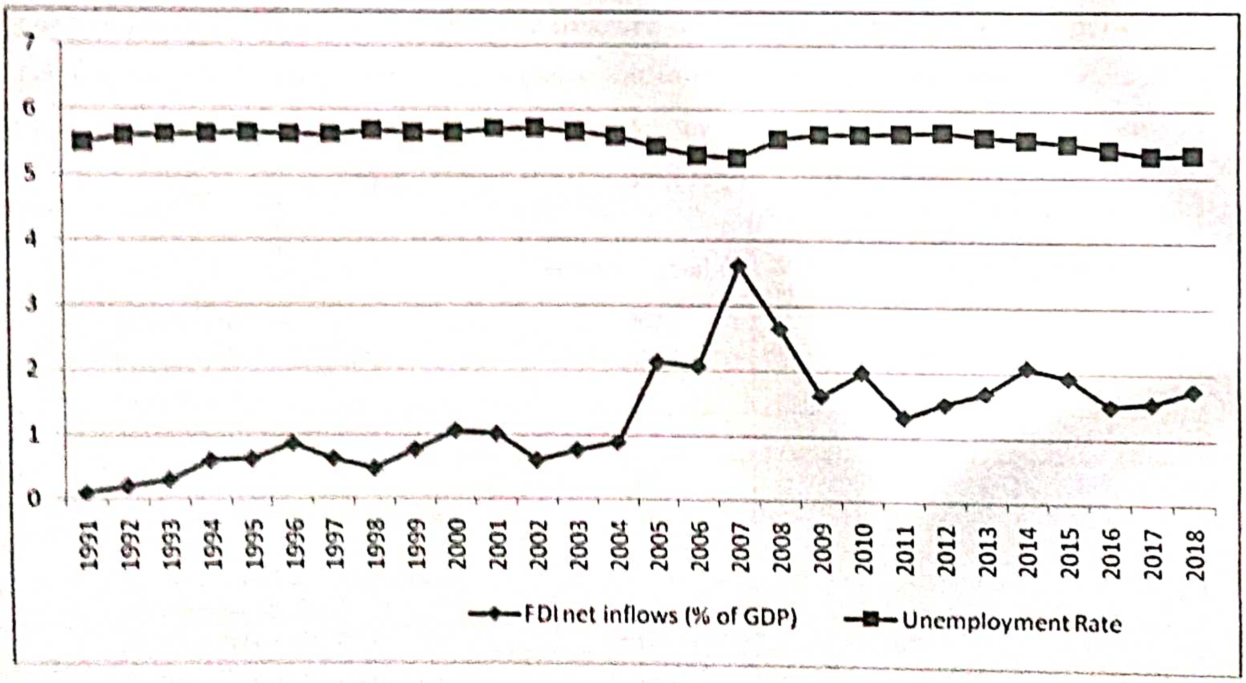
ISSN: 2005-4238 IJAST
Copyright © 2020 SERSC

2006-07	22826	154.73
2007-08	34843	52.65
2008-09	41873	20.18
2009-10	33109	-20.93
2010-11	29029	-12.32
2011-12	32952	13.51
2012-13	26953	-18.21
2013-14	30763	14.14
2014-15	35283	14.69
2015-16	44907	27.28
2016-17	42215	-5.99
2017-18	39431	-6.59
2018-19	43302	9.82
2019-20	56006	29.34
Compound Annual Growth rate of FDI		32.12%

Source: Statistical Handbook of RBI

Figure II show the comparison between FDI net inflows and Unemployment rate. It is found that the unemployment rate is more or less same all over staring 1991 to 2029 which is almost around 5%. But the FDI net inflow, which was 0.09% in 1991, continuously increases and reached to 1.74% in 2019. It is clearly seen that as the FDI net inflow increases and reached peak in 2007, the unemployment rate slightly decreases during that year. This means the FDI net inflow has impacted on unemployment rate.

Figure II: The comparison between FDI net Inflows and Unemployment rate



Source: World Bank data base and MOL&E

The Sector-Wise FDI Inflows Received In India:

FDI has grown considerably in its import in Indian economy. After reforms its role has changed significantly. Earlier the amount of FDI inflows was low confining to some selected sectors, but now the inflow of FDI has grown tremendously in all the sectors of the economy. Therefore, this study analyses the sector-wise inflows of FDI in India.

FDI inflows in India reached at US$ 30.0 billion in 2020-21 (between April 2020 and September 2020). It is found that computer software and hardware sector covered the highest FDI equity inflows of US$ 17.55 billion, followed by the service sector at US$ 2.25 billion, trading at US$ 949 million and chemicals (other than fertilisers) at US$ 437 million.

Table II shows sectors attracting highest FDI inflows which clearly reveal that among all service sector contributes 17%, computer software and hardware 12%, followed by telecommunication 7%. This study finds that the largest recipient of foreign investment is service sector. The share of this sector in cumulative FDI flows is 17 per cent of the total FDI inflows. The relatively more FDI inflow has been seen in Financial Services due to its profit generating advantage. This sector gives scope for the foreign investors to take back the profits to the country. The second recipient is computer software and hardware sector which shares 12 per cent of total FDI. The telecommunication sector is the third in the ranking with a share of FDI of 7 per cent. Trading sector occupied the fourth position with 6 per cent. Construction development with 5 per cent followed by automobile industry with 5 per cent, chemical industries with 4 per cent, construction infrastructure activities with 3 per cent, drugs and pharmaceuticals industries with 3 per cent, and hotels and tourism with 3 per cent.

Table II: Sector attracting highest FDI inflows

Ranks	Sector	2020-21 (April – September) (in US $ million)	Cumulative FDI inflow from April 2018 to Sept 2020 (in US $ million)	% age to total Inflows (In terms of US$)
1	SERVICES SECTOR	2,252	84,255	17
2	COMPUTER SOFTWARE & HARDWARE	17,554	62,466	12
3	TELECOMMUNICATIONS	7	37,278	7
4	TRADING	949	28,543	6
5	CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and construction development projects	118	25,780	5
6	AUTOMOBILE INDUSTRY	417	24,628	5
7	CHEMICALS (OTHER THAN FERTILIZERS)	437	18,077	4

ISSN: 2005-4238 IJAST
Copyright ⓒ 2020 SERSC

International Journal of Advanced Science and Technology
Vol. 29, No. 6, (2020), pp. 9412 - 9432

8	CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	377	17,223	8
9	DRUGS & PHARMACEUTICALS	367	16,868	3
10	HOTEL & TOURISM	283	15,572	3

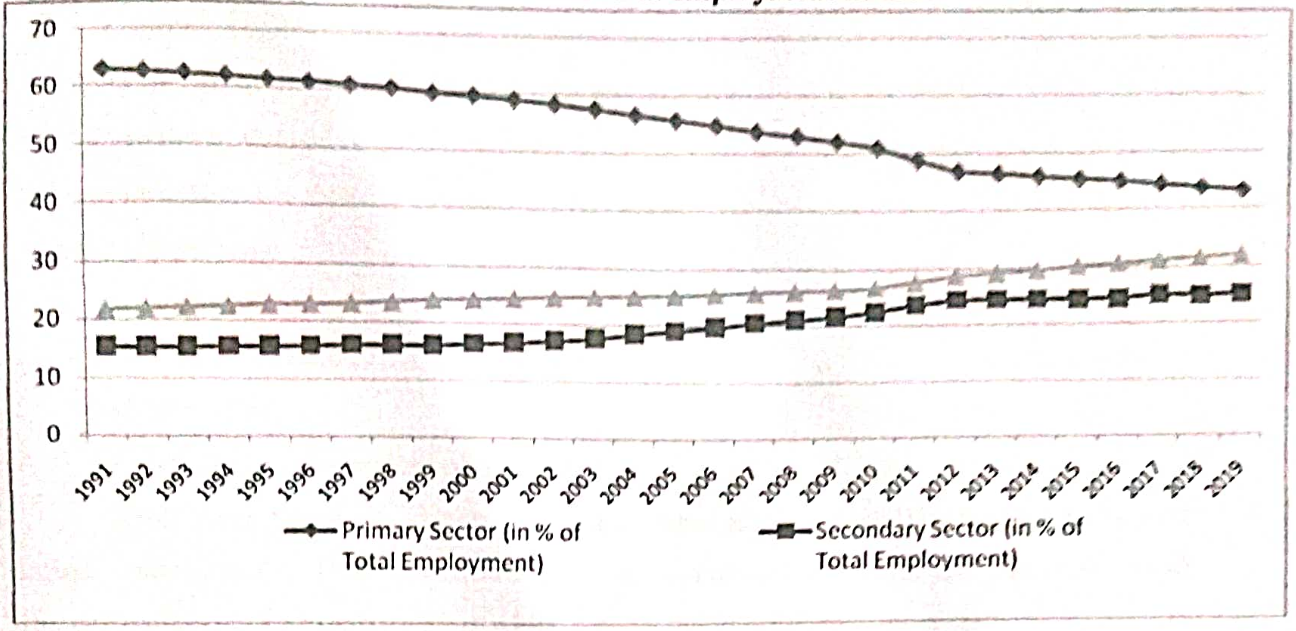
Source: DIPP, GOI

It is possible to increase the productivity in primary, secondary and tertiary sector in India which ultimately increases employment opportunities. In India, FDI inflows are relatively more in service sector and manufacturing sector in comparison to primary sector. So, the relation between employment generation and FDI inflows in India is favourable, but do not persist much. Employment generation and economic growth are directly related to each other. FDI plays very pivotal role in enhancing the economic activities in many developing countries. FDI is both monetary as well as nonmaterial assets like technical knowhow, competencies, business responsibilities, etc. As a result FDI inflows result in overall economic development of developing countries.

India is an alluring hub for foreign direct investmentsin the manufacturing sector. Several mobilephone companies, luxury and automobile brands,among others have set up or are looking toestablish their manufacturing bases in thecountry. IndianPrime Minister Mr. Narendra Modi has launched the "Make in India" campaign to place India on theworld map as a manufacturing hub and torecognize Indian economy worldwide as apreferred destination for foreign directinvestment. FDI boosts productions in manufacturing industryby aiding setting up of various manufacturingunits in different parts of India.

ISSN: 2005-4238 IJAST
Copyright © 2020 SERSC

Figure III: Sector wise trend in employment in India



Source: World Bank Database

Figure III show the Sector wise trend in employment in India. It is found from the table that the share of employment from primary sector which was 63.04% in 1991 has been continuously decreasing till 2020 and it became 43.21 % in 2020. On the other hand, the secondary and tertiary sector is continuously improving in employment generation in India.

From the above analysis, it is seen that the sectors which are from secondary and tertiary sectors attract the FDI inflows more as compare to primary sector. On the other hand, percentage of total employment is decreasing in primary sectors.

The State-Wise FDI Inflows Received in India:

Dunning (1993) suggested that natural resource seeking FDI looks for foreign locations that possess natural resources and related transport and communication infrastructure, tax and other incentives. Natural resources include oil, mineral, raw materials and agricultural products. It is also often argued that regions with a more established industrial base are more attractive to foreign investment (Luo et al 2008). In the Indian context, Siddharthan (2006) found that the states with higher industrial output have attracted high levels of FDI.

There are many factors which determine the FDI inflow into a particular state. They are:

• Quality and adequate availability of infrastructure services (good roads, adequate ports, telecommunications etc.)

Copyright © 2020 SERSC

- Availability of skilled and cheap labour

Continuous and uninterrupted supply of power.

- Proportion of subsidies given by the government.
- Better governance.
- Geographical factors.
- Urbanization.
- Availability of natural resources and raw materials.
- Fiscal concessions (like tax holiday).
- Lower risks.
- Stable political structure of the country

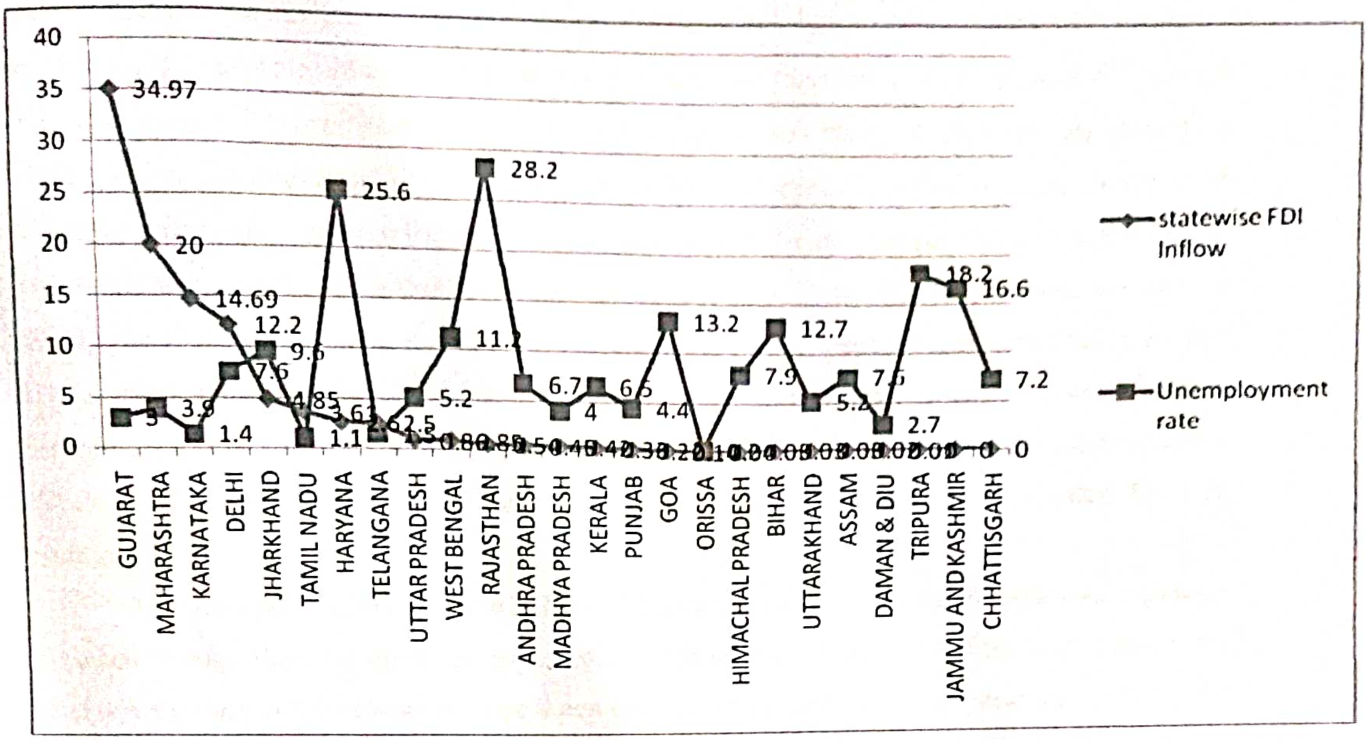
Apart from the above factors, there are some other factors which restrict the FDI inflow into the states. The bureaucratic attitude, mismanaging at local administration level and corruption are the biggest factors which restrict the FDI inflows into a state

The rise in FDI flows to India has been accompanied by strong states concentration. The top six states, viz., Gujarat, Maharashtra, New Delhi, Karnataka, Jharkhand and Tamil Nadu accounted for over 90 per cent of the FDI equity flows to India in 2019-20. The top two states, i.e., Gujarat and Maharashtra accounted for over 50 per cent of FDI flows during this period. Gujarat alone accounted for over 30 per cent of FDI flows to India during the same period.Despite most Indian states have achieved impressive growth rates with aggressive investment promotion policies, the concentration of FDI flows across a few Indian states continues to exist.

Figure IV compare between the state wise FDI inflows and unemployment rates in 2020. It is revealed that the states with higher shares of FDI inflows have lower unemployment rates. For example Gujarat contributes 34.97% of FDI inflows and has lower Unemployment rate which is 3%, similarly Maharashtra contributes 20% FDI inflow and has 3.9% unemployment, Karnataka contributes 14.69% FDI inflow and has 1.4% unemployment, followed by Delhi contributes 12.2% in FDI and has 7.6% unemployment rate. Other states contribute in FDI inflow and has relatively higher unemployment rate.

Copyright © 2020 SERSC

Figure IV: State wise FDI inflow (% to total inflow in terms US $) and unemployment rate in 2020



Sources: DIPP and Ministry of labour & Employment

Impact of FDI on unemployment rate:

This study is mainly undertaken to study the role of foreign direct investment in employment generation in India. The data for the study collected for the period 1995 to 2019. The required data of foreign direct investment was collected form world band data whereas the data of employment was collected from the website of Ministry of Labor and Employment.

$Y = \alpha + \beta X$

Y= Unemployment rate

X= FDI net inflows

α= intercept β= The Coefficient of independent variable FDI net inflow

Hypothesis

A null and an alternative hypothesis have been taken for above mentioned regression equations.

Null Hypothesis: FDI do not have impact on Employment.

Alternate Hypothesis: FDI has impact on Employment.

International Journal of Advanced Science and Technology
Vol. 29, No. 6, (2020), pp. 9412 - 9432

Table III reveals with the regression result of foreign direct investment, and unemployment rate in India. The regression analysis has been used to show the accuracy between dependent and independent variables. If the R-square value is more than 50 percent the used model is significant and if the R-square is less than 50 percent the model is insignificant. The regression coefficient value is 0.68 between foreign direct investment and unemployment rate. This coefficient value indicates that the 68 percent change in dependent variable unemployment rate due to change in independent variable foreign direct investment during the study period. The R value 0.68 (68%) and R square value 0.562 (56.2%) evidently higher than the level of 50 percent. It means the independent variable foreign direct investment influences the dependent variable unemployment rate during the study period. While the R square value 0.562 indicates the 56.2 percent data were accounted for this change.

The Analysis of Variance (ANOVA) The table no. 5 shows the analysis of variance between foreign direct investment and employment in India during 1995 to 2019.The anova analysis also shows the relationship between dependent variable and independent variable. As per the analysis of variance table no. 4 the F value is 19.75 is larger than the p-value 0.000 so the null hypothesis is rejected and the alternative hypothesis is accepted. It means there is correlation between foreign direct investment and unemployment rate in India.

Table III: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.680ᵃ	.562	.439	.09980

Table IV: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.197	1	.197	19.753	.000ᵃ
	Residual	.229	23	.010		
	Total	.426	24			

Table v: Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.

ISSN: 2005-4238 IJAST
Copyright © 2020 SERSC

1	(Constant)	5.743	.043		133.025	.000
	FDI net inflows	-.119	.027	-.630	-4.444	.000

Conclusion:

Employment generation is treated as an important impetus for enhancing growth in the developing countries. It can be easily believed that FDI inflows can provide the solution for many economic problems in the economy, but in case of employment creation this effect is quite complicated in India. FDI is also considered as an important vehicle for overall development and growth of a country by generating employment for the unemployed youths in India. But, it has both backward and forward linkages in employment creation in India.

FDI is an important factor for the economic growth of India.FDI has shown a tremendous growth in second decade (1991-2020).FDI create high jobs opportunities for skilled employee in Indian service sector.FDI inflowhelps to raise the output, productivity and employment.Thus, the government of India should take some policy measures to captivate employment generation in India basically in organised sector. India should boost its regulatory mechanism by advancing its monetary and fiscal policies. India should adopt favourable business environment for attracting more FDI in India

It is noteworthy that although this study finds potential of Indian manufacturing sector to absorb FDI and contribute towards economic growth, it strongly recommends the policymakers to rethink on improving spillover effect of manufacturing FDI within the sector to ensure sustainable growth of the sector. Again, we think the viability of agricultural sector to generate favourable impact from FDI is still a matter of the highest concern for the policy makers. The government should continuously encourage FDI in primary sector with necessary policy measures that can improve the vitality of the sector. Moreover, government can also promote FDI in manufacturing sector, including industries, such as advanced agricultural equipment, fertilisers, pesticides and so on, which has a deeper forward linkage with rural economy to supplement the agricultural growth.

Reference:

[1]. Borensztein, Eduardo, Jose De Gregorio, and Jong-Wha Lee. "How does foreign direct investment affect economic growth? 1." Journal of international Economics 45.1 (1998): 115-135.

[2]. Zekarias, S. M. (2016). The Impact of Foreign Direct Investment (FDI) on Economic Growth in Eastern Africa: Evidence from Panel Data Analysis. Applied Economics and Finance, 3(1), 145-160.

ISSN: 2005-4238 IJAST
Copyright © 2020 SERSC

[3]. Maheshwari Ratan Kirti, Semma Prasad , "Foreign Direct Investment impact on Employment Generation and GDP Growth in India", Asian Journal of Economics and Empirical Research,Vol.3,No1,2016,pp.40-48. https://www.researchgate.net/publication/301236136_FDI_Impact_on_Employment_Generation_and_GDP_Growth_in_India last accessed on 22 dec, 2020.

[4]. Syed Zia Abbas Rizvi, Muhammad Nishat, "The impact of FDI on Employment Opportunities panel Data analysis Empirical Evidence from Pakistan, India and China", The Pakistan Development Review, Vol 4, NO 2, 2009, pp.841-851.

[5]. Narender Khatodia, Raj S. Dhankar, "Foreign Capital inflows and growth of Employment in India an Empirical Evidence from public and private sector", International Journal of Economics and Finance, Vol 8, No2, 2016, pp.189-196.

[6]. Netrja Mehra, "Impact of Foreign Direct Investment on Employment and Gross Domestic Product in India", International Journal of Economics Research, Vol 4, No 4,2013,pp.29-38.

[7]. Ms.Rekha Mr. Dev Karan,"Impact of FDI and GDP on Employment Generation in India in Post Reform Period",International Research Journal of Management Science and Technology,Vol 8, No 7,2017,pp.167-175.

[8]. Swapnamoyee P Palit, "Strategic Management Of Foreign Direct Investment:Potential Markets Analysis", Journal Of Mechanics Of Continua And MathematicalSciences,Vol.14, No 5,2019,pp.819- 831,ISSN:24547190. https://doi.org/10.26782/jmcms.2019.10.00065 last accessed on 22 dec, 2020.

[9]. Vasile Alecsandru Strata , Adriana Davidescu, Andreea Maria Paul, "FDI and The Unemployment - A Causality Analysis for The Latest EU Members", Procedia Economics and Finance, 23 (2015) 635 – 643.

[10]. Pakanati Someshu, "Impact of FDI on Employment Generation in India", International Journal of scientific research and management (IJSRM), Vol 3 Issue I (2015), pp. 2029-2033.

[11]. Siddharthan, N.S. 2006. "Regional Difference in FDI Flows: China - India Comparison". Institute of Economic Growth.

[12]. http://www.esocialsciences.org/Download/repecDownload.aspx?fname=Document12332006530.8437158.pdf&fcategory=Articles&AId=43 8&fref=repec

[13]. Dunning, John H. 1998. "Location and the Multinational Enterprise: A Neglected Factor?". Journal of International Business Studies, 29(1).

[14]. Luo, Laijun, Brennan Louis, Liu Chang and Luo Y uze 2008. "Factors Influencing FDI Location Choice in China's Hinterland." China & World Economy, 16(2)

[15]. Mirza, H., Transitional Corporations as agents for the transition of business culture to host countries. in: Privatization, Enterprise Development and Economic Reform. Experiences of Developing and transitional Economies, Cook, R., C. Kirkpatrick and F. Nixson (eds.), Cheltenham, Edward Elgar, pp. 33 – 62, 1998.

Copyright © 2020 SERSC

Appendix I

Year	FDI net inflows (% of GDP)	Unemployment Rate (in %)
1991	0.02722554	5.45.
1992	0.095941829	5.50
1993	0.197056163	5.61
1994	0.297385909	5.63
1995	0.594986258	5.64
1996	0.617479056	5.65
1997	0.860208566	5.64
1998	0.625285966	5.63
1999	0.472644846	5.69
2000	0.765212649	5.66
2001	1.056378305	5.66
2002	1.011571805	5.72
2003	0.605889255	5.73
2004	0.765601405	5.67
2005	0.88610072	5.60
2006	2.130168425	5.45
2007	2.073395746	5.32
2008	3.620521897	5.28
2009	2.651593127	5.57
2010	1.635034274	5.64
2011	2.002065027	5.64
2012	1.312934337	5.65
2013	1.516275965	5.67
2014	1.695658786	5.61
2015	2.092115754	5.57
2016	1.9373632	5.51
2017	1.506588286	5.42
2018	1.552336472	5.33
2019	1.760283207	5.36

Source: World Bank Data Base and Ministry of Labour & Employment

Appendix: II

Year	Primary Sector (in % of Total Employment)	Secondary Sector (in %of Total Employment)	Tertiary Sector (in % of Total Employment)
1991	63.04	15.3	21.65
1992	62.77	15.35	21.87
1993	62.48	15.35	22.16
1994	62.17	15.42	22.39
1995	61.75	15.56	22.67

ISSN: 2005-4238 IJAST
Copyright © 2020 SERSC

1996	61.43	15.72	22.83
1997	61.07	15.87	23.04
1998	60.66	16.02	23.31
1999	59.92	16.02	23.85
2000	59.64	16.32	24
2001	59.04	16.66	24.29
2002	58.43	17.04	24.52
2003	57.66	17.55	24.77
2004	56.68	18.38	24.93
2005	55.82	18.97	25.2
2006	54.89	19.65	25.45
2007	53.86	20.44	25.69
2008	53.09	20.96	25.94
2009	52.12	21.6	26.27
2010	51.05	22.37	26.56
2011	48.96	23.52	27.51
2012	47	24.35	28.64
2013	46.59	24.35	29.04
2014	46.07	24.38	29.54
2015	45.55	24.33	30.1
2016	45.12	24.28	30.58
2017	44.52	24.97	31
2018	43.86	24.68	31.45
2019	43.21	24.89	31.89

Appendix III

	Statewise FDI Inflow (% to total inflow in terms US $)	Unemployment rate
GUJARAT	34.97	3
MAHARASHTRA	20	3.9
KARNATAKA	14.69	1.4
DELHI	12.2	7.6
JHARKHAND	4.85	9.6
TAMIL NADU	3.61	1.1
HARYANA	2.6	25.6
TELANGANA	2.5	1.5
UTTAR PRADESH	0.86	5.2
WEST BENGAL	0.85	11.2
RAJASTHAN	0.54	28.2
ANDHRA PRADESH	0.45	6.7
MADHYA PRADESH	0.42	4

Copyright © 2020 SERSC

KERALA	0.33	6.5
PUNJAB	0.22	4.4
GOA	0.14	13.2
ORISSA	0.04	0.2
HIMACHAL PRADESH	0.03	7.9
BIHAR	0.03	12.7
UTTARAKHAND	0.03	5.2
ASSAM	0.02	7.6
DAMAN & DIU	0.01	2.7
TRIPURA	0	18.2
JAMMU AND KASHMIR	0	16.6
CHHATTISGARH	0	7.2

Appendix IV: FDI, FII, Total FI inflows

	Direct Foreign Investment	Foreign Portfolio investment	Total FI Inflows
1991-92	129	4	133
1992-93	315	244	559
1993-94	586	3567	4153
1994-95	1314	3824	5138
1995-96	2144	2748	4892
1996-97	2821	3312	6133
1997-98	3557	1824	5385
1998-99	2462	-61	2401
1999-00	2155	3026	5181
2000-01	4029	2760	6789
2001-02	6130	2021	8151
2002-03	5035	979	6014
2003-04	4322	11377	15699
2004-05	6051	9291	15342
2005-06	8961	12492	21453
2006-07	22826	6947	29773
2007-08	34843	27434	62277
2008-09	41873	-14032	27841
2009-10	33109	32396	50362
2010-11	29029	30293	42127
2011-12	32952	17170	39231
2012-13	26953	26891	46711
2013-14	30763	4822	26386
2014-15	35283	42205	73456

ISSN: 2005-4238 IJAST
Copyright © 2020 SERSC