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Abstract

This study aims at investigating the impact of FDI on the service sector in the Indian economy. The main objectives of this research are directed towards assessing the impact of FDI on the service sector by exploring the different factors which have major implications on the FDI encouragement in the service sector of India. For this purpose, primary data has been gathered with the use of interviews which have been conducted with 10 economists in India. The interview data has been analysed using thematic data analysis technique to arrive at the useful; findings pertaining to the main objectives of the study. The key findings of this research reflect that FDI has a positive impact on the development of service sector in India.

The findings of this research reflect that FDI is essential for enhancing the domestic capital, productivity along with the employment rate of the country. In addition to this, the findings from interview data reflect that FDI helps in increasing the ratio of total employment with the help of providing employment to people in different sectors. Overall, the research study concludes that Increased investment in FDI has resulted in the improvement in infrastructure, as well as the financial services more specifically in banking sector have witnessed significant growth. Thus, FDI has contributed towards accelerating the economic development in the Indian economy and more specifically in the service sector.

Table of Contents

Chapter 1: Introduction.....	6
1.1 Introduction.....	6
1.2 Background Context.....	7
1.3 Problem Statement.....	8
1.4 Research Aim and Objectives	8
1.4.1 Research Aim	8
1.4.2 Research Objectives.....	8
1.5 Research Question.....	9
1.6 Research Significance	9
1.7 Organisation of the Research	10
Chapter 2: Literature Review.....	12
2.1 Introduction.....	12
2.2 Concept of Foreign Direct Investment.....	12
2.3 Significance of Foreign Direct Investment.....	17
2.4 Analysis of role played by Foreign Direct Investment in driving the economy.....	20
2.5 Analysis of role played by Foreign Direct Investment in development of countries.....	23
2.6 Analysis of service sector and its contribution to the Indian economy.....	26
2.7 Critical analysis of impact of Foreign Direct Investment on the service sector of Indian economy	28
2.7.1 Technology Transfer.....	29
2.7.2 Employment.....	30
2.7.3 Banking sector	31
2.7.4 Infrastructure.....	34
1.9 Summary.....	38
3 Research Methodology	40
3.1 Introduction.....	40
3.2 Research Philosophy	40
3.3 Research Approach.....	41
3.4 Research Design	41
3.5 Research Method	42
3.6 Data Collection Method	42
3.7 Sampling Technique	43

3.8 Data Analysis Technique.....	43
3.9 Ethical Considerations	43
3.10 Research Limitations	44
3.11 Summary.....	44
Chapter 4: Data Analysis and Discussion	46
4.1 Thematic Analysis	46
4.2 Discussion.....	59
Chapter 5: Conclusion and Recommendations.....	62
5.1 Conclusion	62
5.2 Recommendations.....	63
5.3 Future Work.....	65
References	66
Appendices.....	75
Appendix 1: Interview Questionnaire	75
Appendix 2: Codes for Respondents	76

Chapter 1: Introduction

1.1 Introduction

The consistent alternations and changes that are introduced by phenomena like globalisation, urbanisation and industrialisation have presented a varied number of opportunities to the national and international organisations to boost their sales and growth. Apart from this, it has also allowed different countries and their government to improve the economy and GDP by boosting trade and investments (Chaudhuri and Mukhopadhyay, 2014). Foreign Direct Investment (FDI) is one of the key processes that is largely encouraged by countries due to the fact that it drives the growth and development of economies. Foreign Direct Investment is a process wherein organisations or an individual operating in a specific country make an investment into the business interest that is situated in a host country. The process of FDI takes place or starts only when an investor constitutes foreign business operations or purchase foreign business assets in a host country. It is regarded as one of the pivotal aspects of an economy as it tends to create a positive impact on the growth and development of developing as well as developed countries (De Schutter, Swinnen and Wouters, 2012).

It has been identified that FDI plays a crucial role in driving the growth and development in different economies as it tends to enhance the functions and operations that take place in different sectors operating within the economies. One of the key benefits that are offered by FDI is, providing profitable funding to the countries, with the help of which economic development, financial improvement, knowledge and technology transfer can be boosted within it (Razin and Sadka, 2012). In this context, the main focus of this research is on identifying the impact of FDI on Indian economy with a special focus on the country's service sector. Apart

from this, the study also intends to explore the general and contextual information regarding the role of FDI in driving the growth of different aspects of service sector such as technology transfer, employment, banking functions and operations and infrastructure.

1.2 Background Context

It has been identified that in 2017, the developing countries acquired \$694 billion of overall global FDI, which counts as 58% of global FDI (Amadeo, 2019). Developing countries are considered as the key role players of FDI due to the fact that their involvement in foreign exchanges in terms of currency and agricultural resources and investment are greatest for the purpose of boosting its economy and to acquire the goal of becoming a developed country. One such developing country that has largely been impacted by the FDI is India, whose government has been consistently putting efforts to welcome the majority of international investments so as to stabilise its economy. The inflow of capital that takes place due to FDI has helped the Indian economy in strengthening its infrastructure, boost employment opportunities and increase the level of production (Liu (2008). It has created a direct impact on different industries or sectors that prevails in India such as defence, agriculture and construction (Saini, Madan and Batra, 2014). One such sector of Indian economy, which is the focus of this research is the service sector as its contribution in its economy is to a greater extent.

The Indian service sector is regarded as one of the major sectors in the Gross Domestic Product (GDP) of Indian economy as it has attracted a significant amount of foreign investment inflows, played a crucial role in driving the employment level and has been a contributor of a majority of exports that has occurred in India. FDI has largely contributed to stimulating domestic investment, enhancing the formation

of human capital and promoting the transfer of technology in the service sector (Bhushan and Mittal, 2015). In light of the above arguments, the research is focused on identifying the impact of FDI on the service sector of the Indian economy. It has identified all the contributions that have been made by FDI in driving the Indian economy and primarily the growth and developments in the service sector.

1.3 Problem Statement

The service sector of India has been known for attaining rapid growth in the past few years, and its constituents are financial services, Information Technology (IT) based services, community services and telecommunications (Bhushan and Mittal, 2015). The contribution of FDI in the progression of the Indian service sector has been considered as the greatest due to which, many researchers have been conducted to explore the same. In addition to this, the holistic contribution of FDI in driving the global economies has largely influenced the conduction of this study. It not only would help in identifying the positive implications of FDI on Indian economy but also the negative ones that can further impact or hinder the flow of functions and operations that takes place in the organisations of the service sector.

1.4 Research Aim and Objectives

1.4.1 Research Aim

The key aim of this study is to explore the impact of foreign direct investment on the service sector of India, along with its overall economy. It has aimed at identifying the extent at, which FDI has driven the Indian economy and all the organisations that operate within its service sector.

1.4.2 Research Objectives

In alignment with the research aim and problem statement, suitable objectives have been formulated for this research study to highlight the key areas or outcomes

that it intends to explore. The key objectives that this research has fulfilled with regard to the intended aim and focus are as follows:

- To gain insight into the conceptual understanding of foreign direct investment and its significance
- To critically analyse the role played by foreign direct investment in driving the economy and development of countries
- To explore and gain insight into the service sector and its contribution to the Indian economy
- To assess the impact of FDI on the service sector of the Indian economy

1.5 Research Question

On the basis of research aim, objectives and problem, a research question has been developed, which this study intends to answer:

“How FDI helps Service Sector Industries to undertake their business operations with a specific focus on Indian economy?”

1.6 Research Significance

Foreign Direct Investment (FDI) and its positive implications have been largely explored and identified by researchers and financial experts. However, some of the negative impacts of this process include hindrance in the smooth flow of domestic investment, risk due to political changes, impact on the rate of exchange and non-viability of the economy (Gupta, 2015). Based on the diverse implications of FDI, this study would prove to be significant in providing insight into both positive as well as the negative impact on the Indian economy. This clearly indicates that it would play a crucial role in expanding the knowledge and understanding of the readers regarding FDI and its implications. Apart from this, it would also act as an informative medium for future researchers as well as the organisations of India. It is so because

it would help the researchers by expanding their scope of the study and would provide insight to the Indian organisations regarding the ways or measures to enhance capital inflows and to boost the Indian economy.

1.7 Organisation of the Research

The research study has been organised and structured in different Chapters that have played a crucial role in ensuring the progression of the research study. In the presented research work, 5 different research chapters have been taken into account to acquire the objectives and demonstrate the findings. The key research are as follows:

Introduction and Literature review

The presented chapter of the research work has reflected main purpose and problem that has been addressed through this study. In addition to this, it has also discussed the research aim, objectives and questions that will form the base of this research study.

The literature review section of this study is of greater literary importance as it has demonstrated the former researches, studies and findings that have been explored in the area of FDI and its impact on the Indian service sector. It has further contributed to illustrating the research gap that this study will fill through the evaluation of primary findings.

Research Methodology

The methodological choices associated with this research topic and the intended research objectives have been mentioned in this research, along with proper justification to identify its suitability in acquiring research aim.

Data Analysis and Discussion

This research has focused on demonstrating the key findings that have been explored or identified through data collected in this study using appropriate data collection tool. Apart from this, it has also provided insight into the discussion related to the acquired findings with proper support of former literature to prove its appropriateness.

Conclusion and Recommendations

This will be the final chapter which is directed to provide concluding remarks on the research findings step by step and provide solution to address the research problem and objectives. Apart from this, appropriate recommendations have also been highlighted in this section for future researches.

Chapter 2: Literature Review

2.1 Introduction

Foreign Direct Investment (FDI) in the role of investment is treated as one of the most significant contributors to the economic growth of the country. In the past century, with the flow of FDI, there is an overall development and remarkable growth in the countries. This is because FDI has been treated as the crucial and significant element by the countries as the strategic alliance for the overall economic development. FDI not only assists with the capital financing but also provides with the positive impacts within the country through the adoption of advanced foreign technology for the achievement of the growth parameters of the country (Kukaj and Ahmeti, 2016). The overall discussion is focused on presenting the literature on the concept of FDI, its significance and the role of FDI in driving the economy towards growth. In addition, the role of FDI in the development of the underdeveloped, developed and developing countries are discussed along with the contribution made by FDI in the service sector of the Indian economy to explain the implications and contributions made by FDI in India. Furthermore, a critical analysis has been presented depicting the impact of FDI on the services sector of India by considering four significant parameters, which include the Technology, employment, banking sector and infrastructure.

2.2 Concept of Foreign Direct Investment

Devajit (2012) explained the concept of Foreign direct investment (FDI) as a flow of fund between countries in the structure of inflows and outflows, with the help of which one country can make benefits form the investment done while the other country can utilize the opportunities to increase productivity and discover a finer position through the performance. The organization and effectiveness depend upon

the perception of the investors, if the investment is done with a long term purpose then the economy gains profits and if the investment is made with a short term purpose, just to make a profit then it will be less significant. FDI can be a feasible and attractive option depending on the sector and business type. Therefore, any investment or decision is made based on an integrated set of assessments which include analysis of the market, the expectation of the market, competitiveness in the market and evaluation of internal resources (Devajit, 2012). According to Zhang and Daly (2011), (FDI) is the investment performed by the organisation of one country to the organisation or group of another country. The situation in which investors invest in the foreign business by opening a subsidiary, expand the business operation, open manufacturing units and acquire local organisation comes in the category of FDI (Zhang and Daly, 2011). Ray (2012) defined that, FDI is a type of investment in which the citizens of one country (the host country) obtain the possession of property to manage manufacturing, distribution and other such activities in other countries (Ray, 2012). Alfaro and Charlton (2009) have stated that FDI is distinguished in two main categories, such as horizontal and vertical FDI. The horizontal FDI is defined as the process in which the organisation shifts its location of manufacturing unit to another country in order to take them near to the customers and save the cost of transportation and cross country taxes. Moreover, Alfaro and Charlton (2009) have stated that the vertical FDI is termed as the strategies utilised by the organisation in order to take advantages of cross-border factors such as low cost of labour, availability of resources and easy policies of trade and manufacturing in another country (Alfaro and Charlton, 2009).

According to Ray (2012), one of the excellent characteristics of the world in recent times has been the movement of private capital in developing countries in the

structure of FDI, especially in developing countries since the 1990s. Governments from all over the world- both developed and developing countries, have been promoting Multi-National Cooperations (MNCs) to come to their country with the FDI they have (Ray, 2012). In the viewpoint of Liu (2008), FDI becomes an integral part of the strategy of development among the developing and less developed countries. The government of different countries provides various types of benefits such as reduced rates of the tariff, provides tax holidays and infrastructure for the subsidiaries to the organisation in order to take a large amount of investment from that organisations. Liu (2008) has further stated that the amount of FDI in low developed countries become tripled in the time period of 1990 to 2001. In 1991 the amount of FDI was 2.6 billion USD that increased and became 9 billion USD in 2001. The amount of FDI in countries of middle income was 21 billion USD that increased and became 162 billion USD in the year 2001 (Liu, 2008). However, Anwar and Nguyen (2010) have stated that the countries that have developed financial market showed the tendency of getting more amount FDI and this indicate that the countries that are well-developed market and economic position utilised it to a great extent and take advantage form FDI. In addition to this, Anwar and Nguyen (2010) have further stated that the less-developed countries should make appropriate strategies and implement reforms their financial system in order to increase the extent of FDI in their country (Anwar and Nguyen, 2010). The history and estimations on GDP and inflation rate are mentioned for the years 2014 to 2017 are mentioned in Table 1.

	History		Estimates	Projections
	2014	2015	2016	2017
GDP growth (in %)				
World economy	3.4	3.2	3.1	3.4
United States	2.4	2.6	1.6	2.2
Euro zone	1.1	2.0	1.7	1.5
Japan	0.0	0.5	0.5	0.6
China	7.3	6.9	6.6	6.2
India	7.2	7.6	7.6	7.6
Sub-Saharan Africa	5.1	3.4	1.4	2.9
Nigeria	6.3	2.7	-1.7	0.6
CEMAC*	4.7	2.1	1.0	2.6
Inflation (in %)				
United States	1.6	0.1	1.2	2.3
Euro zone	0.4	0.0	0.3	1.1
Sub-Saharan Africa	6.3	7.0	11.3	10.8
Nigeria	8.0	9.0	15.4	17.1
CEMAC (monthly average)	2.7	2.2	2.1	2.8

Table 1: Some Global Economic Performance Indicators

Sources: IMF (WEO, October 2016), *BEAC

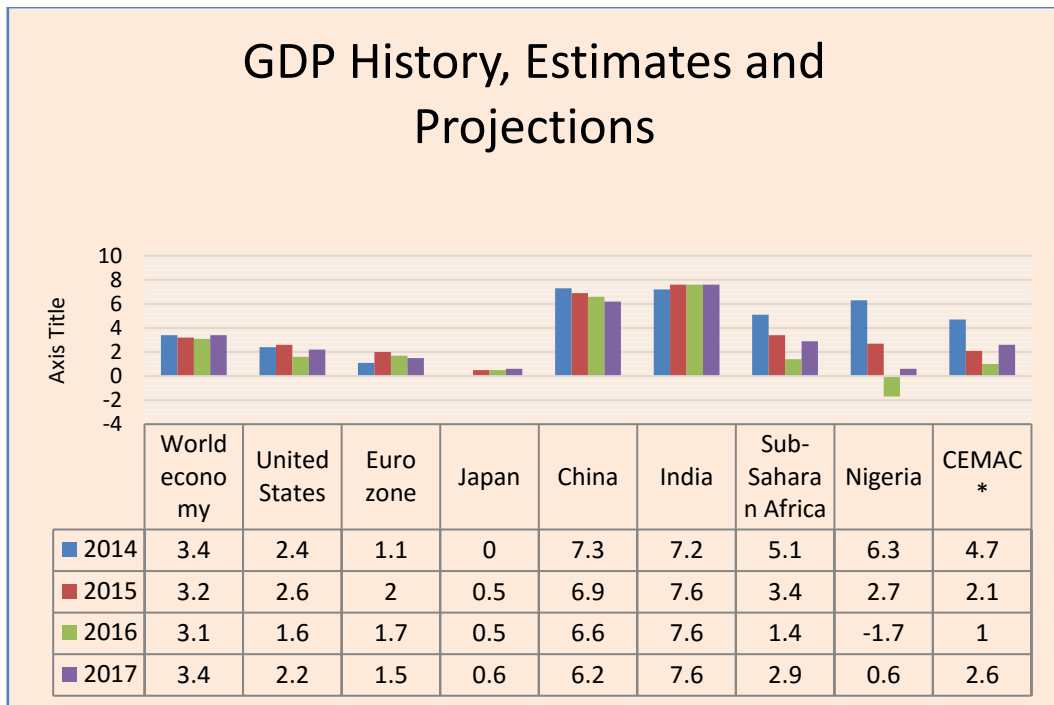


Figure 1: The GDP growth estimates

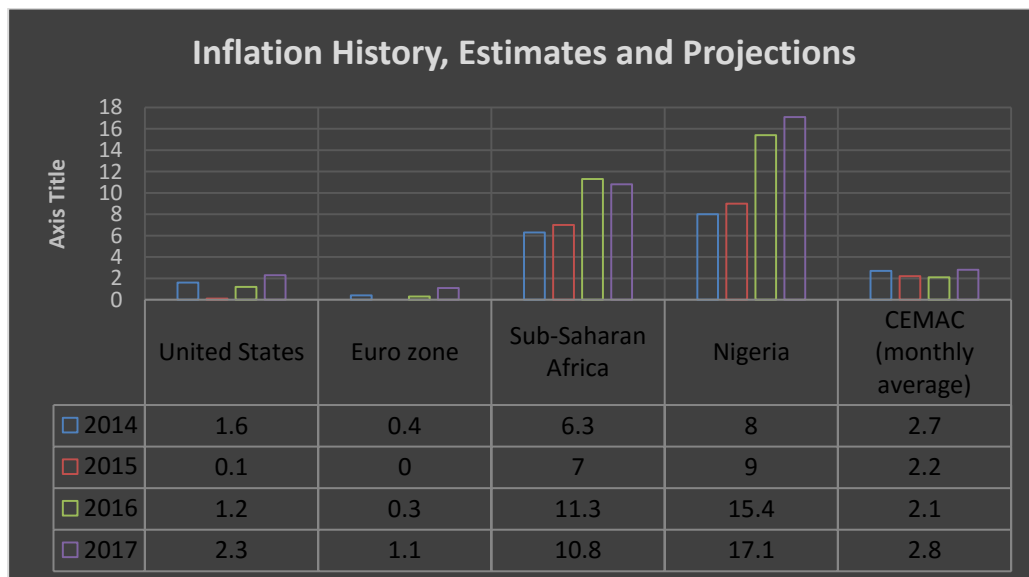


Figure 2: Inflation rate estimates and history

As per the viewpoint of Ali, Fiess and MacDonald (2010) FDI provides the advantage of ownership to the organisation that invests in another country by reducing extra cost that is required in order to operate in market of foreign country such as cost of taking licences, deal with the administration, customers preferences

and tax system. After taking advantage of ownership, the organisation takes advantage of internationalisation by holding the assets in the host country instead of selling them or giving to lease (Ali, Fiess and MacDonald, 2010). Liu (2008) has added in the discussion that the FDI provide numerous benefits to the country such as reduce the gap of financial saving, maintain a balance between deficits in order to increase the extent of increasing exports and increasing the stock of foreign currency in the country. Furthermore, FDI also increases the extent of employment and contributes to changing the policies of the government in the field of business and increase the level of cash flow between various countries (Liu, 2008).

In the opinion of Alfaro, Kalemli- Ozcan and Sayek (2009) FDI also helps in the transfer of technology between the nations and increase the level of innovation in the host country to make new products and processes and contributes in providing better services to the customers (Alfaro, Kalemli- Ozcan and Sayek, 2009). Liu (2008) has added in the discussion that it also helps in the transfer of technology between the two nations, as the organisation of host country improve itself by observing the way of working of the organisation of another country. The amount of funds provided by the organisation of foreign country contributes to improvements in the technology of the host country (Liu, 2008).

2.3 Significance of Foreign Direct Investment

According to Sauli (2017), FDI is the significant aspect in the race of developing countries as FDI is involved in the direct transfer of the foreign capital for the economic growth of the countries which attracts the knowledge, understanding, capital and raises the balance payments of the countries. FDI contributes in expanding the base of the investment in the country for solving the issues of unemployment by creating job opportunities for the people and introducing advanced

technology in the state by assisting in the modern management methods, marketing and communication which can lead up to the national employment in gaining high experience and skills (Sauli, 2017). In support Chan, (2016), stated that FDI is of great significance in the host countries as FDI renders specific positive effects which contribute to rising of the investment rates through FDI flows. FDI also provides for the balance of payments (BOP) through the foreign capital flows and making it an excellent source for increasing physical capital and hard foreign currency in the respective host countries. FDI also contributes to a great extent to bring an improvement in the marketing opportunities which is emerging rapidly. Improvements can be seen in the developing countries in terms of opportunities and wealth, while the countries that are developed can benefit from the increase in profits, development in the relationships and an increase in the influence of market. FDI has its more considerable significance in the development of individual export sector which is the need of the developing countries , and the increase in the research and development for the host countries along with the contribution in increasing productivity and production which result in the rise of national income, further per capita income and finally the increase in GDP (Chan, 2016).

Figure 3 states the FDI patterns and GDP development rate from the year 1977 to the year 2010. The graph depicts that the FDI inflows differ significantly till the downgrading of respective Cameroon's cash which prompted the increment in the degree of the venture as well as balanced out the FDI portion within the economy preceding 3% of GDP. On the other side, the GDP development pursued the relative stable variety with the crest preceding in 1986 with the monetary emergence.

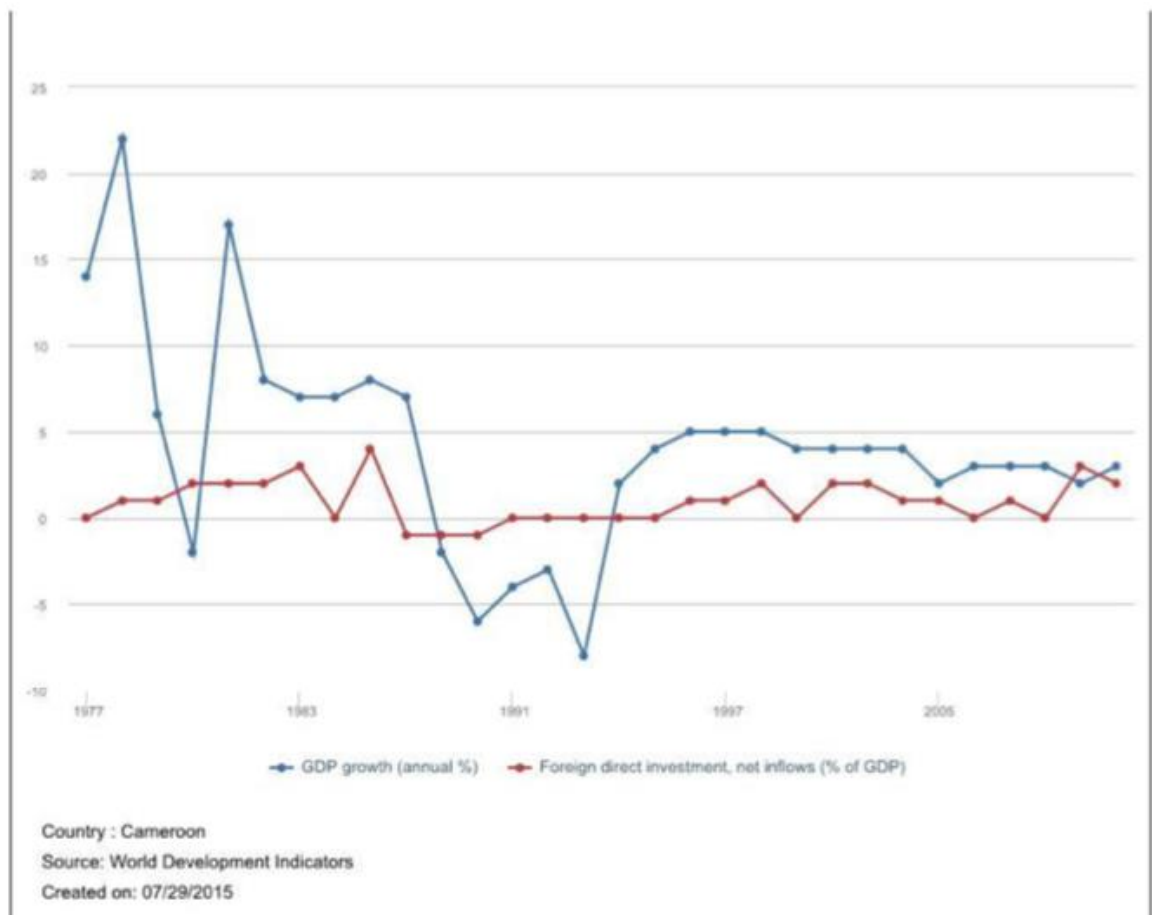


Figure 3: GDP Development rate from 1977 to 2010

In addition, Mucuk and Demirsel (2013), stated that FDI has a positive correlation with growth. FDI has played a great role in the contribution to the growth and development of emerging market countries due to the inadequacy of resources in order to finance the country's development projects. FDI has its association with the other factors as well, which includes the human capital, domestic capital, technology transfer and exports, which has droved the economic growth for the country. The determinants of the growth driving must be introduced and nurtured for the promotional of economic growth through FDI. FDI has a positive impact on growth along with the alleviation of the deficits of the balance of payments on to the current accounts. In countries such as India and China, the conviction of FDI is channelised

and narrows the resource gap through the assurance of acceleration of economic growth (Mucuk and Demirsel, 2013). However, Griffith, Waithe and Craigwell, (2008) argued that the FDI, along with its positive effects, could be blamed for 'crowding out' the domestic investment and lowering the regulation of certain standards, the excellence of FDI and especially the incentives that are offered to the firms have also started to be interrogated. The most immediate effects of the entry of external MNE in the market affects the domestic industries adversely as foreign entries or foreign investments erode the market share of the domestic enterprises. FDI is subject to perceived with the absolute transformation, which can be negative or positive. FDI is dependent on the implementation of the well-developed policies, which can help in the maximisation of gains for the country (Griffith, Waithe and Craigwell, 2008).

2.4 Analysis of role played by Foreign Direct Investment in driving the economy

In the views of Beamish and Lupton (2016), the important factors that are related to the economic growth of a country are commercial transactions along with foreign direct investments. The organisations from developed countries would develop various strategies such as innovative products and the use of new technology in order to enter into the foreign market. Therefore, FDI helps these organisations to enter into developing countries, which helps in increasing the profitability of both the organisations as well as the country. FDI also helps in increasing the funds for domestic investments for the country along with encouraging the citizens for new jobs, thereby providing new job opportunities to them. Therefore, FDI is beneficial in increasing the job opportunities for the people in the country, along with increasing the country's employment rate (Beamish and Lupton, 2016). Iamsiraroj and Doucouliagos (2015) state that, FDI is an essential factor for investment and growth in countries, also the increase in economic growth attracts FDI more and more. An

increase in economic growth signals that, there is a potential increase in the size of the market which means that the growth in economies promotes foreign firms to set up new projects in the developing countries. Growing economies open up gates for profitable investments which are FDIs and it will be focused mainly on the growing markets (Iamsiraroj and Doucouliagos, 2015).

However, as per the views of Gilpin(2016), FDI plays an essential role for the developing countries in enhancing their economic growth along with providing an opportunity to the country for exploring new technologies in various sectors. The developing countries consider FDI as a way to transfer both knowledge and technology from the developed countries, which has influenced the economic performance of the countries. Moreover, FDI also has an impact on the gross fixed capital formation of the developing countries, which affects the economic growth direction of the country (Gilpin, 2016).

Furthermore, Rodan (2016), has presented paradoxical views that FDI helps in reducing the gaps between the capital that are required as well as the national savings thereby enhancing the skills of the organisations in the developing country to impact the country's economic growth. The ratio of the trade such as import and export also increases between the developing countries and developed countries, which has a direct impact on the country's economy. It also helps in analysing the requirements of the customers, along with the practices and strategies that are followed by other organisations to enhance their sales. The foreign organisations also provide better training to the employees, which helps in increasing their performance, and they are also able to accept the practices that are used by foreign companies (Rodan, 2016). However, in the views of Sekaran and Bougie (2016), FDI is also beneficial for the customers as it helps in increasing the competition among

the organisations thereby reducing the prices related to products provided by the organisations. Due to the decrease in prices of products, the customers are able to buy more products, which helps in increasing the sales along with the economy of the country (Sekaran and Bougie, 2016).

In the perspective of Büthe and Milner (2008) the most direct manner through which FDI contributes to the development and growth of the economy is by maximising the totality of capital available in the country. Underdeveloped and developing countries that are identified to be scarce in labour and resources, capital injection is the key for the overall development and growth of the economy, and FDI directly increases the gross domestic product and investment in these countries by improving the financial sector, infrastructure, technology and employment. In addition, Büthe and Milner (2008) have opined that FDI has a major impact on developing the human capital of the country. After employing individuals in multinational companies, their capability to perform work enhances subsequently as they get the opportunity to work with colleagues from different cultural values, beliefs and religion. Such enhancement further results in making people become entrepreneurs and thus help the economy in increasing national income as well as gross domestic product (Büthe and Milner, 2008).

On the contrary to this, Tekin (2012) have stated that FDI contributes less in the growth of least developed countries because of the poor level of development in technology, health, infrastructure and education as compared to developing countries. It has stated that foreign investors emphasise on investing in economies that provide them with the maximum return; however, least developed countries do not match with the expectations with the foreign investors. Tekin (2012) have elaborated that the FDI increases foreign trade flows and provides openness to

global investment and trade flows. This integrates strengthening and development of international networks and therefore help economies in attracting more foreign investors (Tekin, 2012).

2.5 Analysis of role played by Foreign Direct Investment in development of countries

According to Chaudhuri and Mukhopadhyay (2017) stated that because of globalisation, international capital flows or foreign investments have gained a remarkable rise in the 1990s. The attainments of some countries in East Asia in utilizing foreign investments marked its role in producing a lot of opportunities to gain a rise in the economic growth in the developing countries, which in turn created a competition among other countries to attract maximum foreign investors. In the case of developing countries that suffer from low productivity which leads to low wages, and therefore leading to a low level of investments which preserves low productivity levels, FDI acts as a medium to resolve all these problems. It helps in increasing the national savings, provides access to the technologies available worldwide and the management procedures followed by other countries, which helps in increasing the efficiency and output so that economic growth and wealth rises. Globalisation has helped in making the large and diversified markets as a single unit, the sector dealing with investment has strengthened and most of the countries have allowed the inward flow of foreign investments (Chaudhuri and Mukhopadhyay, 2017).

According to Sandertane (2011), there is a significant and robust relationship between foreign direct investment (FDI) and economic growth. Large inflows of FDI's are needed by the countries in the achievement of high sustainable economic growth. For the 7 to 8% growth in the economy, about 30 to 40% of The GDP needs to be invested. Foreign investments and foreign borrowings have to be met for fulfilling the

gap between investments and savings. FDI is considered as the significant factor by economists, politicians and the international institutions which can enhance economic growth and is the solution concerning the economic issues within the country (Sandertane, 2011). Furthermore, Mohamed and Sidiropoulos, (2010), Foreign investments has its various forms which include foreign loans, foreign direct investments and the portfolio investments which are treated as the three significant types of FDI. Private FDIs has their significance as these investments are risk-free investments for the country and brings up the advantages of management practices, assured markets and advanced technology. The value added by the advanced technology in such industries due to FDIs contributes to GDP and the respective foreign exchange earnings. Therefore it can be stated that the FDI has its direct contribution in increasing the wealth through foreign exchange earnings, creation of employment and the increase in the income of semi-skilled and skilled workers of the industries within the country (Mohamed and Sidiropoulos, 2010). In the viewpoint of Denisia (2010), Foreign Direct Investment (FDI) has a significant role in the international economy post the Second World war. FDI is considered as an essential element in the country's economic development, especially the developing countries. The author further added that the FDI's promoted the local competitiveness in Indonesia and Mexico as FDI has the macro role on the country which states that FDI generates high productivity, employment, technology spillovers and competitiveness. In the lease developing countries, FDI supports access to international markets and currencies with higher exports which can be treated as an essential financing source in substitution to the national and international banks (Denisia, 2010).

Lipsey (2004), argued that there could be positive effects, but the consistent relationship between economic growth and FDI stock is complicated. The negative or positive effects of the economy are dependent on the sector where the FDI is taking place. In the macroeconomic viewpoint for the country, it can be stated that FDI refers to the respective capital flows across national borders from origin countries to host countries. These investments or FDI can be found at the balance of payments. The interesting variable is the stocks, capital flows and the revenues which can be obtained from the investments (Lipsey, 2004). However, Forte and Moura, (2013), in his study, depicted the effect of FDI on the economic growth of two countries, which includes Thailand and Malaysia on the basis of certain variables. The author further stated that with the variables consisting of FDI, human capital, initial country's situation and the domestic variables, positive effects of FDI could be justified in Malaysia. With the only variables of FDI and GDP, the positive effects of FDI were catered in Thailand. Therefore, it can be stated that FDI plays a significant role in contributing to the development of developing countries (Forte and Moura, 2013). On the other hand, Alfaro *et al.*, (2010), stated that an increase in FDI in a country leads to a high growth level for the developed countries in comparison to the less developed countries. In addition, the author stated that the growth effects could be noticed the production of goods is made by the domestic countries and the MNEs acts as substitutes instead of complements (Alfaro *et al.*, 2010). However, Fan *et al.*, (2016), stated that China generated dynamic capability by enhancing the implication by investing FDI in Australia and improved its competitive advantages by investing and operating in Australia. China invested FDI in Australia for building dynamic capabilities through the overseas market. Chinese firms with localised learning tried to adopt the new trends and enhanced the opportunities which resulted in the

economic growth of the country with the FDI investment. The role of the Chinese FDI investment contributed to the GDP for China and created foreign earnings and created employment opportunities for the country (Fan *et al.*, 2016).

2.6 Analysis of service sector and its contribution to the Indian economy

In the viewpoint of Domazet, Stošić and Hanić(2016) the service sector is composed of the person and institutions that provide intangible products and services to the customers such as health care, education, accounting and hospitality. This sector does not produce products directly; instead, it provides helps manufacturing industries to produce products as per their market conditions. Some of the activities included in the service sector are recreation, retail, social works and communications (Domazet, Stošić and Hanić, 2016). However, Alcock(2010) has stated that the role of the service sector is vital in the growth of the country and consider it as a third part economy. It includes the sector of hospitality, health care services and education sector. Moreover, it also includes the outsourcing of various services such as customer care and repairing of electric components. (Alcock, 2010).

According to Fryer, Antony and Douglas (2007), the conversations in the public sectors include the term quality and improvement in quality to a great extent. Quality improvement integrates a large group of tools, procedures and techniques which focuses on the continuous improvement in the services which contains improvement in terms of customers, employees, relationship between employee and suppliers and business strategies. The improvement in quality has a lot of benefits, such as, low capital investment, reduction in cost, increased employee commitment, improvement in customer satisfaction and improvement in performance (Fryer, Antony and Douglas, 2007). According to Akram, Naeem and Saif(2009), the most important factor that determines the success of service sector is quality of service and

implementation of innovation and creativity in order to provide good services to the customers. The regulatory policies and law of the country compel organisations to provide the almost same type of services, but the main difference is of the way these services are delivered to the customers and quality of the services (Akram, Naeem and Saif, 2009). Mansury and Love (2008) have stated that the traditional service sector is considered in a negative sense as it includes activities of post-production. Nowadays, the service sector includes the activities that transform and implement changes in the process of manufacturing and reduce the impact of manufacturing activities on the environment. The organisation of the service sector interact with the organisations of the manufacturing sector as they require equipment for providing services of excellent quality to the customers (Mansury and Love, 2008).

Bosworth and Collins (2008) have distinguished the economy of India in three major sectors such as agriculture that includes activities of cropping, fisheries and forestry. The second sector is of an industry that incorporates the activities of mining, manufacturing, utilities and construction. The third sector is the service sector that includes the activities of providing services to the customers, such as repairing of material. Bosworth and Collins (2008) have further contributed to the discussion that India has shown extremely high growth in the economy due to the fast expansion of the industries that provides services. The high growth of the country depends heavily on the growth of the service sector, especially in the sector of outsourcing of the services (Bosworth and Collins, 2008). On the contrary, Eichengreen and Gupta (2009) have stated that the in an increase in the service sector improves the economy, but it reduces the contribution of another sector in the Gross Domestic Product (GDP) of India. For instance, the contribution of in GDP was 55%, in the financial year 1950-1950 that decreases and become 17% in the year 2008-2009.

On the other hand, the contribution of the service sector was 30% in the financial year 1950 that increases and become 57 % in the financial year 2008-2009 (Eichengreen and Gupta, 2009).

In the perspective of Verma (2010) the contribution of trade become significantly important for the economy of India in the year 1990 and one year after this the government of India was forced to implement liberalisation due to the crisis of balance of payment. The share of export in the service sector shows high growth after 2000. The contribution of import is also increased after 2000 in the sector of service in the country. The growth in the services sector of India is due to the increase in the extent of outsourcing activities by the organisation of Information Technology (IT) (Verma, 2010).

2.7 Critical analysis of impact of Foreign Direct Investment on the service sector of Indian economy

According to the views of Bende-Nabende (2018), FDI is essential for a country's foreign growth along with boosting the country's economic growth. There are several advantages that are offered by FDI to both developing as well as developed countries that not only help in increasing the country's economic growth but also helps in transferring knowledge, and technology. It also helps in transferring of skills that are required to enhance employment rate and trade in the country (Bende-Nabende, 2018). Additionally, in the views of Weaving (2017), FDI has an impact on the economic conditions of the country and also has a social impact due to which it is essential for the country to develop appropriate policies. It is also essential for the countries to develop strategies for monitoring and to review the economic trends that are followed by both developing as well as developed countries (Weaving, 2017). Moreover, Bertrand and Capron (2015), has presented paradoxical views that FDI is

essential for enhancing the domestic capital, productivity as well as employment rate of the country (Bertrand and Capron, 2015). In this context, the impact of foreign direct investments on the service sector of India with respect to technology transfer, employment, banking sector along with infrastructure has been critically analysed below.

2.7.1 Technology Transfer

In the views of Tidd and Bessant (2018), technology transfer can be defined as the transfer of technology from one country, person, or organisation to other as it would help in adopting new technologies or skills that could be beneficial for growth and development in future. The practice of technology transfer also has an impact on the practices that are adopted by the various organisations in various fields, which also helps in enhancing the productivity, efficiency and supply chain practices (Tidd and Bessant, 2018). Additionally, as per the views of Slimane, Huchet-Bourdon and Zitouna (2016), FDI is beneficial for technology transfer as it improves the production technique that is adopted by the organisations to increase their market share. The transfer of technology through FDI provides an insight into the countries regarding the technologies that are adopted by the developed countries in order to enhance the services (Slimane, Huchet-Bourdon and Zitouna, 2016). However, in the views of Wu *et al.* (2016), technology transfer also helps in analysing the technology gaps between the developing countries as well as the developed countries as it helps in analysing the strategies that could be adopted in order to improve the technology adopted by them. It also helps in analysing the ability of the organisations with respect to human capital that is available to adopt new technologies that would also help in enhancing the position of the organisations in the competitive market (Wu *et al.*, 2016).

In addition to this, according to the views of Thiteet *et al.* (2016), the organisations in the service sector of India has adopted new technologies through FDI in recent years. The organisations in service sectors have made investments in the online business, IT services as well as software merchandise, which has expanded the opportunities for organisations in the service sector (Thiteet *et al.*, 2016). Moreover, in the views of Kotabe and Kothari (2016), technology transfer would also help the organisations to provide competitive advantages to them, which helps in enhancing the organisation's position in the competitive market of India. As India is considered as a developing country due to which there are several organisations that are adopting new technologies and practices from other foreign organisations in order to boost the profitability level, attract customers as well as reduce the tendency of human errors. The use of new technologies in the service sector of India is also beneficial in developing innovative products and services that would attract more customers and helps in satisfying customers' needs and demands. Moreover, the organisations could also analyse the requirements of the foreign market and expand its business in other developing countries, which would not only help the organisations to increase brand awareness, profitability and customer base but also help the country in increasing its Gross Domestic Product (Kotabe and Kothari, 2016).

2.7.2 Employment

In the views of Latif *et al.* (2018), the employment rate is essential in a country in order to enhance its Gross Domestic Product along with providing better services to the customers. FDI and employment are directly dependent on each other. Moreover, there are cheap labours available in India in large ratio; therefore, FDI would increase the employment rate in India in different sectors. FDI helps in increasing the ratio of

total employment rate by providing employment to people in different sectors (Latif *et al.* ,2018). Additionally, in the views of McKenzie (2017), there are several organisations that expand their businesses in India as the country provides cheap labour, which is beneficial reducing the costs related to labour for the organisation along with increasing the employment rate in the country. Due to the increased employment rate, the living conditions of citizens of India would also be enhanced, thereby improving their quality of life. The increase in the employees' ratio in the organisations would also help in increasing productivity as well as the efficiency of the organisations to produce innovative products (McKenzie, 2017).

However, in the views of Alvesson and Sveningsson (2015), there are several organisations that follow labour laws in order to attract more employees, which is beneficial for both the organisation as well as the employees. The wages are also increased as an impact of increased employment rate by the country. The productivity of the employees also increases as the foreign organisations provide a chance to employees of the new generation as they are able to adapt to the technological changes that are conducted in the organisations. The employees of the new generation are also able to develop innovative products that not only helps in accomplishing the requirements of the customers but also helps in increasing the organisation's awareness in the competitive market (Alvesson and Sveningsson, 2015).

2.7.3 Banking sector

According to the perspective of Azman, Law and Ahmad (2010) FDI (Foreign Direct Investment) is identified as the lifeblood for the economic growth and development of developing nations, especially for India. It has a crucial role in the overall development of the Indian economy not only in increasing the capital of the

country but also strengthening infrastructure, generating employment opportunities, raising productivity and therefore increases the competitiveness of the country. The banking sector in India has gained a remarkable growth in financial health as well as providing employment opportunities since the last few decades. The Indian banking sector continues to remain an increasingly dominant sector in the country, even in the situation of financial slowdown. Globalisation has made banks to compete at the worldwide level on the goodness of their improved financial health and innovative products (Azman, Law and Ahmad, 2010).

Arnold et al. (2016) have stated that FDI contributes significantly in the development of Indian economy as it does not merely offer opportunities to improve financial health but also optimise country's earnings by utilising all the resources in an effective and efficient manner. The financial sector of the country is always considered as the important sector for overall economic growth and development, and especially the banking industry is the key sector amongst all. The banking sector in India has covered a long journey since the country introduced economic reforms in 1991. At present, the Indian banks have become technology grasp as banks in the developed countries. In addition, Arnold et al. (2016) have elaborated that the reform and competitive forces has resulted in the emergence of ATM, mobile banking, e-banking, internet with a view to retain and attract the people by banks. FDI has a significant impact on the development and growth of Indian banking sector as it provides benefits of improved risk management, employment, innovative products, financial stability and technology transfer (Arnold et al., 2016).

In the views of Anwar (2017), the Indian government has increased the ceiling of FDI in the private sector banks of India to 49%. Anwar (2017) in addition, stated that the ceiling of foreign direct investment in the public sector banks in India continues

to remain at 20%. The international banks with branches in the country are also eligible to acquire 49% stakes through "automatic routes". Automatic routes mean fresh shares are not issued to the foreign investor those have technical or financial collaboration in allied or banking sector. The foreign investors need the approval of FIPM; however, they also require statutory approvals India's central banking authority. The government has also detailed voting rights to international investors in order to encourage investment (Anwar, 2017).

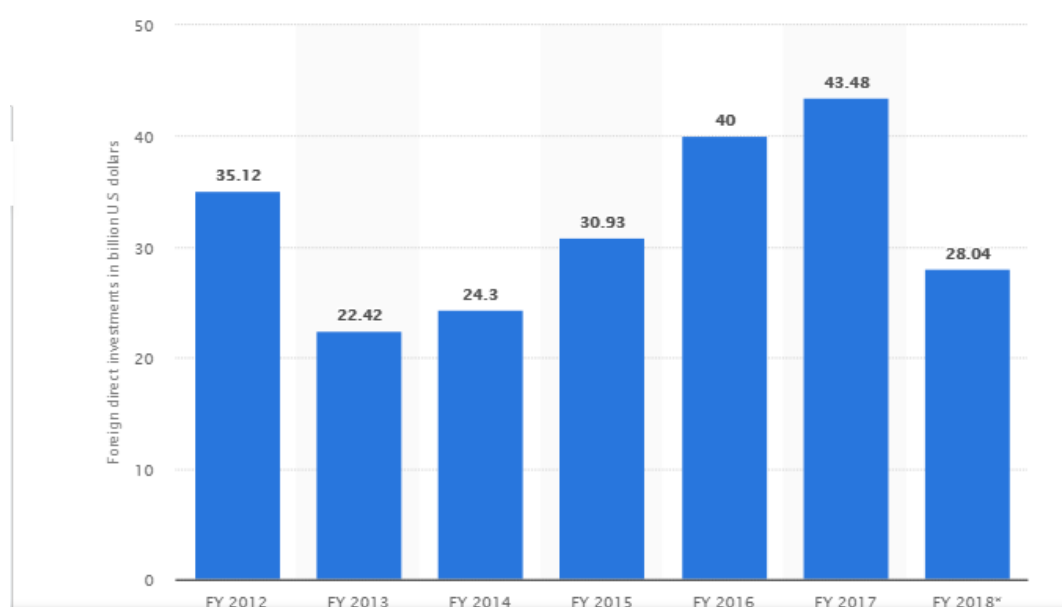


Figure 4: FDI in India from 2012 to 2017

Source: <https://www.statista.com/statistics/715539/india-fdi-inflow-amount-for-all-sectors/>

Pradhan (2009) have argued that there has been not so far a consequence of the slowdown of the economy on the Indian banks. However, the Indian banking sector has less exposure to global assets as well as their derivative products, and this is identified to be the primary reason for the illness of Indian banks as compared to other banks in the developed countries. Increase in FDI has made Indian banks to achieve remarkable improvements in generating employment opportunities and

financial health of the country. In the meantime, FDI in banking has enabled the country to address different issues relating to the industry such as improved capitalisation of banks, development of new as well innovative financial products and services, enhanced efficiency and effectiveness of banking sector and increased capability of banks to adopt fluctuating financial market condition (Pradhan, 2009).

2.7.4 Infrastructure

Sahoo, Dash and Nataraj (2012) have stated that the sustainability of the overall growth and development of the country needs proportionate growth in infrastructure. Sahoo, Dash and Nataraj (2012) found infrastructure to be the important prerequisite for the economic growth of the country as it reflects ongoing development. It is important for the country to have the availability of adequate reliability, quantity and quality of improved infrastructure in order to ensure an increasingly growing economy. In most of the developing countries including India, most of the provisions on infrastructure are carried out by the public sector as these investments are uneven and thus always creates difficulties for the system to match the demand and supply of infrastructure. Therefore, the need of FDI in infrastructural sector has been important in order to raise the growth of the economy because betterment in infrastructure services further lead to generate employment opportunities and therefore foster economic growth and welfare of the country (Sahoo, Dash and Nataraj, 2012).

In the views of Kumari and Sharma (2017), FDI has a crucial role in the growth and development of the country and especially in the case of developing and underdeveloped countries. The essential characteristics of the economies of these countries are that they do not have the required level of income and saving so as to meet the needed amount of investment, which is important for achieving economic

growth. In these circumstances, FDI contributes significantly in reducing the disparity between the available funds or resources and the needed funds and resources for developing infrastructure and net capital formation (Kumari and Sharma, 2017). Rajan, Rongala and Ghosh (2008) have elaborated that FDI has facilitated the long-term development of India by improving infrastructure programs as well as difficulties that the country is facing in offering an improved standard of living as compared to the developed countries.

According to the perspective of Rajan, Rongala and Ghosh (2008); Sinha and Officer (2010) India has made important precedence to make world-class infrastructure so as to provide better and improved conditions to the public. Numerous projects, including public roads, railway lines, technology and irrigation have taken place in the country with a view to provide improved infrastructure and to keep up with the competitive world. The country relies heavily on FDI since the changes in policy in 1991 in order to meet the country's infrastructure target. India's increased investment to attract FDI has benefited the county in infrastructure development. The government policies of India is focused on developing infrastructure from both foreign and local investors, and the country is identified to be one of the most attractive locations for investment after China. In addition, Sinha and Officer (2010) have stated that India has about FDI of US\$21 each year, where a substantial amount is utilised for the development of infrastructure. FDI in India has improved the country's road, highways, dams, telecommunication and power and has also generated employment opportunities that enabled the country to ensure improved growth of the economy (Rajan, Rongala and Ghosh, 2008; Sinha and Officer, 2010).

From the above discussion, it is evaluated that the FDI is the investment done in the organisation of another country in the form of a subsidiary or acquiring assets in that organisation. It is very prominent for the growth of less-developed countries as it contributes inflow of cash and provides foreign currency to the host country. In addition to this, it also contributes to the transfer of technology and provides detail regarding the working style of other country and contributes to the growth of the host country. FDI is an essential contributor to the economic development and growth of the country. FDI is of utmost importance for the host countries as facilitates the creation of employment opportunities, technology transfers with modern management skills, which results in the increase of productivity. FDI helps in the generation of high productivity, employment, technology spillovers and competitiveness. FDI provides support in accessing the international market and the respective currencies through increasing exports, which is a vital source of finance acting as a substitute for the funding or loans from the international or national banks. FDI has its great significance and contributes to all the macro-level factors which facilitate in the economic growth of the developed and developing countries. FDI also helps in increasing the economic growth of the country as it helps in adapting the technology and knowledge from foreign organisations along with providing new job opportunities. FDI also increases the ratio of trade and export in the developing countries for analysing the needs of the customers along with developing innovative products.

FDI also has an impact on service sector of Indian economy by increasing the technology and knowledge transfer, increasing employment ratio, which helps the organisations in increasing the innovation rate along with IT skills. The citizens are also able to adapt the technological changes that are conducted within the country.

Moreover, it is also analysed that the service sector incorporates the activities of providing service and intangible products to the customers. It does not produce products directly, but it provides help to manufacturing sectors by providing services to those industries. It is also inferred that the contribution of the service sector is high in the economy and GDP of India. The contribution of the service sector increases heavily in GDP, whereas the contribution of agriculture and manufacturing is decreasing. Further the review of literatures have also reflected that in 1991 the FDI amount was 2.6 billion USD which increased to 9 billion USD in 2001. In addition, FDI in countries with the middle income group was 21 billion USD which increased to 162 billion USD 2001.

The high growth of the service sector is due to the increase in the extent of outsourcing activities in the country. Outsourcing activities increase the extent of export activities, especially in the field of customer care services and IT related services. This has been discussed that FDI has an essential role in the development and growth of the banking as well as the infrastructure of the country. The Indian banking sector has achieved remarkable growth because of the country's focus on attracting more and more FDI. The banks in India have become more technically advanced to provide innovative and new financial products. Along with the banking sector, FDI has facilitated India in the development of infrastructure, including roads, railways, and dams.

1.9 Summary

The overall review and opinions of various scholars and authors reflect the impact of Foreign Direct Investment on Indian Economy mainly on the service sectors and it can be derived that, FDI plays an important role to encourage countries as it promotes growth and development of various economies by enhancing functions that take place in various sectors of the economy. The service sector of India has contributed a significant amount in the GDP due to the inflows of FDI since developing countries are considered to be the main players of FDI as they take part in exchange in terms of currency and investments which boosts the economy and helps the economy in achieving the goal to become a developed country. FDI is significant in the service sector since it increases the growth rate as it involves the transfer of foreign capital and attracts knowledge, capital, and understanding with it. In addition to that, FDI also raises funds for domestic investment and thereby increases the job opportunities for the people residing in the economy.

The contribution of the service sector increases heavily in GDP, whereas the contribution of agriculture and manufacturing is decreasing. The ratio of import and export also increases between the economies which has a beneficial impact on the developing countries. In this literature review, the impact of FDI on the Indian service sector is analysed based on technology transfer, employment, banking sector, and infrastructure.

The organizations present in the service sectors of India have embraced new technologies through FDI as know companies are producing new innovative products that attract more customers, increases profit and lessens human errors. In terms of employment, FDI helps in increasing the employment rate by providing workers in different sectors which enhances the life of people living in India. In the banking sector,

an increase in FDI has resulted in remarkable betterment in financial health as well as solves various problems related to financial instability and non-performing assets. Infrastructure is also improved through FDI and in return, the quality, as well as the economy, has improved due to the improvement in infrastructure. Overall, it has been identified that FDI provides both the positive and negative impact on the growth and development of India; however, it has also been observed that limited research has been conducted in the area of the impact of FDI on the Indian economy and especially in the service sector. In this regard, undertaking this research will assist in filling the gap of research with the limited availability of academic research on the impact of FDI on the service sector in India.

3 Research Methodology

3.1 Introduction

In research, the selection of suitable research methodological aspects is pivotal to collect the specific data required for gaining crucial insight into the research topic. In this regard, to gather a crucial insight on the impacts of foreign direct investment on the service sector of Indian economy, the chapter describes the research methods, approach, philosophy, data collection methods, sample and data analysis technique integrated into the present research study.

3.2 Research Philosophy

The foundation of strong beliefs and assumptions in research in alignment to its scope and nature of research enquiry is the crucial part of designing an effective research process, which provides a way to interpret the information on the research topic by enabling searching of the in-depth reality of knowledge. In this context, positivism, interpretivism and pragmatism are the two crucial ontological and epistemological, philosophical considerations, which are most preferably used in the research study (Pajo, 2017). Among them, in the present research study, pragmatism philosophy has been used, which is based on the doctrine that knowledge must be utilised to act upon things. The selection of pragmatism philosophy is made in the research to integrate a pertinent set of qualitative methods. This helps to provide and integrate shared beliefs, and objective and subjective reasoning to the research (Oliver, 2010). Using this, a wider set of information has been collected on FDI. By integrating all these aspects, comprehensive nature of data has been collected on the ways in which foreign direct investment in India is affecting the technology transfer, banking sector, infrastructure and employment sector of the country.

3.3 Research Approach

In order to provide a pertinent direction by laying out the specific research process, the selection of suitable research approach is pivotal. Research approach provides a specific direction to the process of the research study. Deductive approach and inductive approach are the two prominent research approach that is prominently used in research. The deductive approach focuses on providing 'top to bottom' move to the research wherein in alignment with the research question, all the research process is designed. On the other hand, the inductive approach focuses on collecting specific data to address the research questions (Olsen, 2011). Among them, in the present research study, inductive approach has been utilised in the research to provide a move to research process by making specific observations regarding FDI's implications on Indian banking, technology transfer, infrastructure, employment and other service sector with the view to make broader generalisations regarding the overall impact of FDI on Indian service sector (Leavy, 2017). Using this, a wide set of information has been gathered on the role played by foreign direct investment in driving the Indian economy and development of the country.

3.4 Research Design

Research design is a crucial part of the research study that provides a comprehensive structure integrating diverse elements of the process of carrying out the research. In alignment with the selected approach and philosophy, the selection of suitable research design has been made in the research study. The research design is prominent of two types, namely descriptive research design and exploratory research design (Leavy, 2017). Among them in the present research study to examine the impact of foreign direct investment on the service sector of India, integration of exploratory research design has been made into it. The research

design has been selected for the present research study due to its role in developing valuable insight on the subject of research by accessing a wider set of information. Exploratory research design enhances the scope of the research study by integrating a wider set of data on FDI implications on Indian service sector (Sekaran and Bougie, 2016).

3.5 Research Method

The selection of a suitable research method is a crucial part of the research methodological choices. In research, research methods such as qualitative, quantitative and mixed research method, anyone can be incorporated to collect relevant data on the research topic. In regard to the present research study, the qualitative method has been used in the research study, using which qualitative method has been used in the research study (Oliver, 2010). The rationale of employing it in the present research study is to integrate subjective reasoning to the research findings, which helps to gather comprehensive information on the impact of FDI on the Indian service sector.

3.6 Data Collection Method

In qualitative research, the interview method is chosen to gather detailed and ample data of FDI in India and its contribution to the growth of the service sector. Open discussion on the research subject in the interview method is the reason for its selection that gives the opportunity to clarify ambiguities in case of unclear data (Aryet *al.*, 2018; Bell, Bryan and Harley, 2018). Interview schedule with the respondents is the selected instrument for an interview that lead to enhance in-depth knowledge of FDI in India.

3.7 Sampling Technique

Financial experts and economists are chosen sample population because they have good awareness with the information of FDI and growth of the service sector in India. In the research, 8 economists are approached for interviews. Purposive and random sampling strategies are used for the respondents 'selection, to keep participants' selection in the alignment of the research problem and to keep off the issue of discrimination in the selection process (Bell, Bryman and Harley, 2018).

3.8 Data Analysis Technique

Theme-based analysis, which is the main qualitative analysis technique, is used for analyzing interview (qualitative) data. Thematic makes it easy to interpret comprehensive data under a particular theme in the alignment of the research objectives and question (Guest, MacQueen and Namey, 2011). This method is effective to present large sample data in an understandable form to find agreement and disagreement with the research problem (Wilson, 2014).

3.9 Ethical Considerations

Primary data is collected in this research study, and thus, ethical considerations related to this data collection method are followed including access to participants' consent, the confidentiality of data, anonymity and true presentation of information. An information sheet is sent to the financial experts and economists to make them aware of the purpose of the research study and its worth in the present time (Pajo 2017). Consent of the participants is taken by a duly signed form that reveals they are voluntary participated in the interview to share their experiences and opinions (Miller *et al.*, 2012). Interview responses are saved in a password-protected system to limit access of data by the third party. Anonymity is also followed in this research study as an important ethical consideration to secure their personal identity.

Information from interview are truly presented in support of the literature evidence to maintain precision and credibility of the information. In specific of the secondary data, this research study is followed ethical consideration of credibility by including proper details of the scholars' studies (Oliver, 2010).

3.10 Research Limitations

The analysis of the information from the mixed methods might be difficult due to the lack of congruence in the views of financial experts and economists. This may raise the issue in inferring common information to reach a conclusion whether there is a positive impact of FDI on the service sector in the Indian economy or vice versa. Another limitation of this research is the limited focus to the Indian economy and thus, it would limit the scope of an extensive search to information in the relation of the comparative based data. However, this research study includes evidence from different studies to support the authenticity of the information. The inclusion of statistical evidence to exhibit the impact of FDI in India on the service sector leads to reach at the valid information, to address the research question.

3.11 Summary

The mixed methodology is applied to explore about FDI in India and its effect on service sector growth because of gathering wider and comprehensive data. Under this methodology, qualitative facts are going to be interpreted to determine the extent FDI flourish service sector in India. Interviews with economists are conducted to explore the impact of FDI from their expert and experience based views. Ethics are given importance in the research study to keep results authenticity, validity, applicability and worth in the real and practical terms. The next chapter in following the collection of data at this stage will be analysis and discussion that focuses on addressing the research problem.

Chapter 4: Data Analysis and Discussion

4.1 Thematic Analysis

Theme 1: Foreign Direct Investment and its Significance

In the context of the significance of Foreign Direct Investment (FDI), Respondent 1 stated that *“As per my opinion, the increased inflow of FDI has positive relationship with the economic growth of India because it facilitates the infrastructural development, increases the employment opportunities and drives an improvement in the level of production.”* In addition to this, Respondent 2 stated that *“According to me, the flow of FDI directly impacts the industries and sectors both, such as defence industry, agricultural sector and construction sector, which are very critical to the growth of economy.”* Respondent 3 stated that *“In my opinion, flow of FDI contributes to stimulation of investments in the domestic sector, which is the major focus of any country’s economy. The increased investments will lead to growth of domestic sector and thus the growth of Indian economy.”*

Respondent 4 provided his response in relation to the significance of FDI by stating that *“According to me, FDI is positively correlated to boosting of human capital formation in the country which further helps in enhancing productivity and thus the growth of economy.”* Respondent 5 stated that *“In my opinion, FDI flowing in the country helps in boosting the transfer of technology, which is very essential for the economy to remain up to date in this fast-changing era of technology and thus, contributing to the growth of economy.”* Respondent 6 opined that *“FDI facilitates improved level of production, increased opportunity of employment along with infrastructural development and thus, it can be presumed that there is a positive relationship of inflow of FDI in India with the economic growth of India.”*

Respondent 7 stated that *“According to me, there is a direct relationship between the flow of FDI and the economic growth of country, as flow of FDI has an impact on both industries and sectors such as agricultural industry, defence sector and construction sector, which are very significant to the growth of economy.”* Respondent 8 stated that *“According to my opinion, the inflow of FDI results in stimulating investments in domestic sector, which is the important focus of India’s economy in order to grow at a higher rate.”* Respondent 9 stated that *“In my opinion, FDI is positively correlated to increasing human capital formation in the country which will result in enhancing its productivity and thus the growth of country’s economy.”* Further, Respondent 10 stated that *“Yes, the statement is true as with the increase in FDI inflow, technology transfer gets boosted and it is necessary for any country to use updated technology so that it can provide goods and services with better quality and reduced costs thereby ultimately affecting the economic growth.”*

It can be inferred from the responses that FDI has positive relationship with the economic growth of a country as it facilitates the infrastructural development, increases the employment opportunities and drives an improvement in the level of production. It is positively correlated to boosting of human capital formation in the country which further helps in enhancing productivity and thus the growth of economy.

Theme 2: Role of Foreign Direct Investment in Driving Economy and Development of Countries

In relation to the role of FDI in driving economic development of the countries, Respondent 1 stated that *“Yes, in my opinion the existing inflow of FDI is sufficient for achieving the economic growth in the country, as India is getting strong inflow of FDI in manufacturing, communication and financial services, which is critical to any country’s economy. Yes, I agree with the statement as FDI promotes technology transfer which is being used by the organisation to gain market share globally, but insufficient FDI makes*

the firm to run on the old technology and thus have a lower market share.” Respondent 2 stated that “Yes, I agree with the particular statement as India falls among the top countries in terms of receiving foreign direct investment and its major sectors such as manufacturing and financial sectors are getting enough FDI to grow as well. Yes, I do agree with the statement as India has a huge population of unemployed people. With the increased FDI, more population gets the employment opportunity, thus the reduced rate of unemployment will finally impact the economic growth.” Further, Respondent 3 opined that “FDI in India is not really sufficient in achieving desired economic growth. Hence it is advisable that there should be efforts made to attract the FDI to India, so that the country could benefit from it. Yes, I do agree with the statement as overall competitiveness of the economy depends highly on the flow of FDI in the economy. With an increased inflow of FDI, the country’s infrastructure can be strengthened, more employment opportunities can be generated and productivity could also be enhanced”

Respondent 4 stated that *“The country’s major FDI investment is in the sectors of manufacturing, communication and financial services which are very important to the growth of Indian economy, thus country’s existing FDI is sufficient for the economy. Yes, the statement is true as the growth of the country’s economy is highly dependent on its financial institutions and FDI has a significant impact on the growth of the financial sector, as it gives an advantage of improved risk management, technology transfer, innovative products, employment and financial stability.”* Respondent 5 stated that *“India ranks 10th amongst the top recipients of FDI in 2018 and the important sectors of the economy are getting sufficient volume of FDI to grow. Therefore, the current flow of FDI is sufficient for enhanced economic growth. Yes, I agree with the statement as infrastructure is a pre-requisite to economic growth of the country, and FDI is necessary to raise investments in infrastructure, whereas insufficient FDI will lead to decreased employment opportunities*

and reduction in economic growth.” Respondent 6 stated that “Yes, I strongly agree with the particular statement, as India is getting strong inflow of FDI in communication, manufacturing and financial services, which are critical to any country’s economy. Yes, I agree with the given statement as increased inflow of FDI promotes technology transfer which an organisation uses to gain a competitive advantage globally, but insufficient FDI forces the firm to run on old technology and thus achieve lesser competitive advantage.”

Respondent 7 also mentioned that *“Yes, I agree that existing inflow of FDI in India is sufficient as India ranks among the top countries in terms of receiving foreign direct investment and its major sectors such as manufacturing and financial sectors are getting sufficient FDI to grow as well. Yes, I do agree with the above statement as India has large population of unemployed people, therefore, with the increased FDI, more population will get opportunity of being employed, which will resultantly enhance the economic growth whereas, insufficient FDI will have an opposite impact.”* Further, Respondent 8 opined that *“No, I don’t think FDI in India is sufficient in achieving economic growth. Hence, there is a need for increased efforts on the government’s part to improve and attract the FDI to India, so that the country could benefit from it. Yes, I do agree with the statement as overall competitiveness of the economy depends highly on the inflow of FDI in the economy, as with the increase in inflow of FDI in the country, more employment opportunities will be created and infrastructure would also be strengthened whereas, insufficient FDI will have a visa-versa impact.”*

Respondent 9 stated that *“No, the current FDI inflow is not sufficient as the country’s major FDI investment is in the sectors such as manufacturing, communication and financial services. However, there is ample scope in other sectors of the economy for the FDI investment. Yes, the statement is true as increased inflow of FDI gives advantage of improved risk management, technology transfer, innovative products, employment, and*

financial stability to the country and insufficient FDI inflow will then certainly have an adverse impact on the above factors.” In addition to this, Respondent 10 stated that “Though India ranks high amongst the top recipients of FDI, but the current inflow of FDI is not sufficient as the various sectors still have huge scope of investment, hence there is a need for their further growth and development. Yes, I agree with the statement as sufficient inflow of FDI means better infrastructure because major FDI is coming in this sector and infrastructure is a pillar to the economic growth of a country whereas, insufficient inflow of FDI will lead to very little amount of infrastructural development and thus be a threat to economic growth.”

It is inferred from the responses that FDI is necessary to raising the investments in infrastructure, whereas insufficient FDI will result in decreased employment opportunities and reduction in economic growth. increased inflow of FDI promotes technology transfer which an organisation uses to gain a competitive advantage globally, but insufficient FDI forces the firm to run on old technology and thus achieve lesser competitive advantage.

Theme 3: Contribution of Service Sector in the Indian Economy

In the context of the contribution of service sector in the Indian economy, Respondent 1 *“Yes, FDI inflow has contributed well to the growth of service sector. Increased investment in FDI leads to improved infrastructure, and financial services specially in banking sector have witnessed significant growth”. Opportunity to utilise huge capacity of financial sector, availability of cheap labour and scope of improvement in infrastructure are the most important factors that are contributing to attract the FDI in service sector of the country. Yes, I agree that the increased flow of FDI leads to increased technology transfer which will result in adopting new technologies and skills that would help the firm to take competitive advantage over other firms both domestically and globally.”* Respondent 2 *“Yes, I do agree with the statement as with the improved inflow of*

FDI, unemployment rate is reduced and overall productivity of the country is enhanced with an improved rate of technology transfer and thus contributing significantly to the growth of economy. India has very ill developed infrastructure which has a huge scope of development and improvement. However, it is well known that infrastructure is an important factor to attract foreign direct investment in the country. Yes, Increased inflow of FDI contributes to increased technology transfer, which helps the organisation to provide improved quality of services to the customer and thus getting an improved market share.”

Respondent 3 “Yes, FDI has contributed to the growth of service sector of India. The factors pertaining to the significant growth are boosting technological transfer and improved employment opportunities. Availability of cheap labour in abundance and non utilised opportunities of financial sector of India are the most important factors that contribute in attracting the FDI to the service sectors of the country. Yes, I strongly agree with the statement as the increased technology transfer will lead to development of innovative products and services that would certainly help in attracting more customers.”

Respondent 4 “Yes, growth in service sector is definitely impacted by the flow of FDI. Improved financial services and updated technology are the factors that are quite significant to the growth of economy. Use of old and outdated technology within domestic industry is one of the biggest factors that attracted FDI in country. Other factors can be cheap availability of labour and scope of improvement of infrastructure. Yes, increase in the inflow of FDI contributes significantly to the increased technology transfer which will lead the service sector to satisfy the needs of their customers more efficiently”.

Respondent 5 “Yes, I do agree with the particular statement. The factors such as increase in technology transfer, improved employment rate and better financial services are some of the factors that contributed significantly to the economic growth. Availability of cheap and abundant number of labour, scope of improvement in infrastructure and also the

opportunity to utilize the vast potential of financial sector are the factors that have contributed towards attracting FDI in service sector. Yes, I strongly agree with the statement as the increased technology transfer will lead to offering of services that are globally competent and thus improve the overall productivity of the country”.

Respondent 6 “Yes, FDI inflow has contributed well to the growth of service sector. Increased investment in FDI leads to an improvement of infrastructure, and improvement of financial services, specially those related to banking sector have witnessed a significant growth. Availability of cheap and skilled labour, opportunity to tap un-utilised capacity of financial sector and scope of improvement in infrastructure are the most important factors that can contribute to attract the FDI in service sector of the country. Yes, I strongly agree with the statement as the increased technology transfer will ultimately lead to developing innovative products and services that would certainly help in attracting more customers towards the products”. Respondent 7 “Yes, FDI inflow of India has contributed to the growth of the service sector of India, as with the improved inflow of FDI, the overall productivity of the country is enhanced mainly because of improved rate of technological transfer in the country. Infrastructure is a very crucial factor that is attracting foreign direct investment in the country as India has very ill-developed infrastructure, because of which there is a huge scope of development of infrastructure in India which can attract eyes of foreign direct investors. Yes, I think increased inflow of FDI contributes to increased technology transfer, which helps the firms to give improved quality of services to the customers resulting in high market share”.

Respondent 8 “Yes, inflow of FDI has contributed to the growth of service sector of India. The important factors that are significant to the growth are improved employment opportunities and high rate of technological transfer. The factors which can attract FDI in service sector within India are availability of cheap and abundant labour and non-utilised

opportunity of expansion in financial sector, specially the banking sector. Yes, I do agree with the given statement as the increased technology transfer will result in adopting new and updated technologies and skills that would ultimately help the firm to take competitive advantage over other firms both domestically and internationally.” Respondent 9 “Yes, inflow of FDI has contributed to the growth of the service sector of India . Updated technology, strong infrastructure and improved financial services are the factors significant to its growth. Inefficiency of domestic industry and availability of cheap labour are the major factors that attracted FDI in country. Yes, I agree that the increase in inflow of FDI contributes significantly to enhance the technology transfer that will further enhance the ability of service sector to provide good quality services to customers at reasonable prices and thus satisfying their needs”.

Respondent 10 “Yes, I do agree with the particular statement. Improved employment opportunity, boosted technological transfer and improvement in financial services are the factors that have contributed to the growth of economy. Utilised capacity of financial sector, huge availability of labour and weak and under-developed infrastructure are some of the factors that have contributed towards attracting foreign direct investment. Yes, in my opinion the statement is right as the increased technology transfer will result in domestic firms providing various types of services to become technologically more efficient and compatible globally.”

It can be interpreted from the responses that FDI inflow has contributed in a positive manner towards the growth of service sector. Increased investment in FDI has resulted in the improvement in infrastructure, and financial services more specifically in banking sector have witnessed significant growth. Opportunity to utilise huge capacity of financial sector, availability of cheap labour and scope of improvement in infrastructure are the most important factors that are contributing to attract the FDI in service sector of the country.

Theme 4: Impact of Foreign Direct Investment on Service Sector of Indian Economy

In regard to the impact of FDI that was created on the service sector along with its future implications, it was stated by Respondent A that, *"The inflow of FDI has largely contributed in enhancing the productivity and skills of the workforce in the Indian service sector. The export and import were also affected by the FDI as with its increase, the domestic industry also improved to a greater level, thus becoming a globally competitive sector. I believe that in the near future the increased FDI will further increase the employment opportunities in various sectors of the economy. However, government restrictions over the trade and development of the country and ill infrastructure are the major barriers that can impact its positive inflow."* On the other side, Respondent B stated that *"The increased FDI has to lead the foreign institutions to capture the domestic market, which has further increased the imports and decreased the exports. I believe that along with the increment in FDI, the foreign organisations will provide an opportunity to the new generation to adopt technological changes that are brought in the organisations and thus will improve their productivity."*

It was stated by Respondent C that "The increased FDI has been responsible for boosting the employment rate of the Indian service sector. I think that the increased employment rate due to increased FDI will lead to better employment opportunities for job seekers and will further improve their skills and productivity. In addition to this, the availability of cheap labour in India largely drove the inflow of FDI, which further enhanced the production in the country, thus, promoting export." On the contrary Respondent, D expressed that, *"Foreign direct investment has provided immense opportunities to the workforce of the Indian service sector. I believe that high inflow of FDI will further contribute to the maximisation of skills and productivity of the workforce as they will get a chance to work with better organisations, where there is a high chance of improving skills and*

productivity of individuals. However, FDI has also contributed in decreasing the volume of exports in India due to a lack of opportunity for the domestic industry to sell their products."

In regard to the impact of FDI, it was further added by Respondent E that, *"Foreign direct investment will likely impact the productivity and skills of workforce as with its inflow in the country the employment opportunities in different sectors of the economy will also increase. I also think that just as FDI has contributed in the growth of Indian service sector, it will further result in more technology transfer and more productivity, which will lead a firm to gain a competitive advantage in the global market; hence ultimately improving the export rate."* In support of this, Respondent F stated that *"Employment opportunities in the service sector was the key aspect that got boosted as a result of an increase in FDI in the Indian economy. I think that the productivity and skills of the workforce in the Indian service sector will further get maximised with the inflow of FDI in the country. Apart from this, FDI was also responsible for offering the opportunity of improvement to the domestic industry in regard to becoming more competitive."*

In regards to the future impact of FDI on the service sector of Indian economy, Respondent G stated that *"With the increase in FDI, the number of foreign organisations operating in India will also increase. These organisations will then further provide opportunities to youngsters for adopting technological changes; hence will contribute to the upgradation of their skills. Howe-ever, with the increase in foreign institutions as a result of FDI, the domestic market is likely to get shadowed, which can further lead to a decrement in exports."* This argument was further supported by Respondent H who expressed that, *"As the inflow of FDI increased in India, the employment rate also accelerated; hence contributing to the emergence of employment opportunities and enhancement of skills and productivity in the service sector. I believe that India has a huge*

advantage in terms of availability of cheap labour, which makes it an attractive platform for conducting production operation and therefore promoting exports from the country."

Respondent, I expressed that, *"FDI has and will further continue to promote skill development in the Indian service sector. However, as the number of foreign organisations will increase due to boost in FDI inflow, the domestic industry will lose its chance to grow within the Indian economy, and this would further accelerate the promotion of imports within the country."* Respondent J somewhat expressed similar views and stated that *"FDI can impact the maximisation of skills and productivity in the country as the job seekers or the unemployed population will get the opportunity to work in various industries of different sectors because of the increased inflow. However, I think it will also hamper exports in the country due to the fact that it will lessen the growth opportunities for the domestic industry."*

Overall it was identified from the responses of the participants that increased rate of employment, skill development, enhancement of productivity are the key benefits or impact that FDI creates on the Indian service sector. However, decreased volume of imports and lack of growth opportunities for the domestic sector are the negative future implications of FDI on the Indian service sector.

Theme 5: Suggestions for the Government of India to Enhance the Flow of FDI in Service Sector

While stating suggestion regarding the ways to enhance the flow of FDI Respondent A expressed that *"The flow of FDI can be enhanced in the service sector of India by liberalising the trade and development policies and also by promoting easy procedures of doing business in India. This will further contribute to making the country more competitive in a global context and boosting the growth of the service sector."* On the other hand Respondent B stated that *"Flow of FDI can be enhanced in the service sector by reducing government restrictions over business operations and by promoting country's competitive*

advantage proportionately in relation to service sector globally. However, the lack of infrastructural facilities such as water, electricity and other facilities can be the barriers to the inflow of FDI in the country's economy."

Respondent C further added that *"Promoting the country's labour across the world in terms of skills, ability and abundance can attract FDI in the country's service sector. However, excessive bureaucracy can lead to inordinate delays in decision making, which leaves a scope of corruption and can form a barrier to the flow of FDI in the country."* In support to this, Respondent D expressed that, *"In order to maximise the flow of FDI in the service sector, the country should lower down trade barriers and encourage free trade in the economy so that foreign investors get attracted towards the country. In addition to this, the government should also work on enhancing infrastructural facilities and eliminating administrative and legal barriers to assure the increased inflow of FDI in India."* Furthermore, Respondent E claimed that *"For maximising the flow of FDI, India should nurture the competitive advantage that it possesses, in terms of availability of the huge amount of cheap labour and unused capacity of the financial sector globally. In this manner, FDI will be largely attracted towards the country. The administrative and legal barriers such as lack in industrial permits and licences and lack of clear cut and transparent sectoral policies need to be addressed by the Indian government so as to boost the flow of FDI."*

In order to boost the flow of FDI in Indian economy Respondent F stated that *"Liberalisation of trade policy and licensing policy and promoting easy procedures for doing the business can enhance the flow of FDI in the service sector of India. However, to ensure the successful implementation of FDI boosting strategies, the Indian government needs to address the issues of unsuitable infrastructure and unnecessary legal restrictions over the trade and other businesses of the country."* In a similar context, Respondent G

replied that *“Flow of FDI can be enhanced in the service sector by reducing the government restrictions over business running in India and with the promotion of country's competitive advantage in the perspective of the service sector. There can be many barriers to flow of FDI in the country's economy; however, the significant barrier that the Indian government should address is the lack of infrastructure facilities such as water, electricity and other basic facilities and stringent labour law.”* Respondent H, on the other hand, suggested that *“India has a huge advantage in terms of availability of skilled and cheap labour and promoting this advantage across the world can attract FDI in the country's service sector. For this purpose, the Indian government should focus on lessening unreasonable bureaucracy that results in delay in taking decisions and leaves a scope of corruption, which further act as a barrier in the path of inflow of FDI in the country.”*

Respondent I further suggested that *“Discouraging licensing and other trade barriers and encouraging ease of doing in businesses are the factors that can attract foreign direct investment in the country. However, the legal barriers, administrative barriers and weak infrastructure facilities can pose hurdles to the inflow of FDI in country's economy, which is why it needs to be largely focused by the Indian government.”* Respondent J, on the other hand, said that *“Promotion of country's competitive advantage of the availability of the huge amount of cheap labour and unused capacity of the financial sector can help the country and its government in boosting FDI. In this regard, the Indian government need to focus on assessing the pattern of bureaucracy, legal and administrative barriers that are prevalent in the country. Furthermore, the government should also allow joint ventures and wholly-owned subsidiaries of Indian parties to invest money in India as a foreign direct investment (FDI) through funds earned overseas, under the automatic route.”*

Overall, the responses offered by the participants primarily indicated the ways through, which the Indian government can contribute to enhancing the flow of FDI in the service sector. It was identified that to boost FDI inflow within the Indian economy, the government needs first to eliminate the key barriers that can hinder smooth inflow. The barriers, such as weak infrastructure facilities, stringent labour laws, lack in proper decision making and presence of complex procedures can need to be addressed by the government for boosting FDI inflow in India.

4.2 Discussion

The findings of the research study indicate that foreign direct investment is one of the significant factors that contribute to the development of infrastructure, increase the opportunities for employment and increase in the level of production in India. Moreover, it also facilitates the transfer of knowledge and technology between countries and accelerates the pace of development if the country. Finding the research has been supported by literary findings, as FDI has a major contribution to the transfer of technology between different countries (Tidd and Bessant, 2018). In addition to this, FDI also helps in the transfer of knowledge between the companies of two countries (Alfaro, Kalemli- Ozcan and Sayek, 2009).

It has further been analysed from the research findings that foreign direct investment has a crucial role to play in driving economy and development of the country. Finding of the research study has suggested that the inflow of FDI is enough for achieving a high level of economic growth in the country due to the reason that India is getting a high amount of FDI in various sectors such as communication, manufacturing and financial services that are very important to the growth of the country. This can be supported by the literary findings that the flow of FDI is increased in various sectors of India and contributes to its growth. For instance, in the banking sector, it contributes to addressing issues faced

by the banking sector, such as improved capitalisation of banks and the development of new products and services (Pradhan, 2009). It also facilitates the growth in technology, increase capital stock and accelerate the pace of managerial skills transfer and provide access to the global market (Saleena, 2013).

The study findings further reflected the role of FDI in affecting the service sector of the Indian economy, which is one of the developing countries. However, prior to the exploration of its role, the role of the service sector in the Indian economy was identified in this study. It was explored that the Indian service sector is a vital growth aspect for the country's economy and the sectors that can be considered as its significant parts include healthcare, hospitality and education. This can be supported by the literary findings, wherein it has been identified that the Indian service sector has been responsible for transforming the manufacturing process and activities that take place in the majority of the industries. Apart from this, it has also played a crucial role in boosting the level of global competence and trade activities within the Indian economy; hence positively affecting its overall development (Nayyar, 2012).

In regard to the impact of FDI on the Indian service sector, it was explored that rise in the FDI inflow has been responsible for generating job opportunities in the service sector and also in improving the productivity and skills of the workforce. It has also been able to offer the benefit of technology transfer to the service sector; hence providing Indian economy with an opportunity to become self-dependent by adopting and manufacturing its own technology on the basis of acquired skills. It has been examined from the literature that the rise in technology transfer as a result of FDI has been responsible for improving the manufacturing process, operational efficiency and effectiveness of conducting business practices (Tidd and Bessant, 2018).

On the other side, the study findings also reflected the ways through, which the

Indian government can enhance the flow of FDI in the service sector. It was identified that elimination of barriers such as stringent labour law, lack in proper decision making and absence of transparent sectoral policies are the barriers that need to be addressed by the Indian government for the purpose of boosting FDI inflow. Apart from this, in-depth assessment of the bureaucracy patterns, legal and administrative barriers and effective utilisation of cheap labour and unused capacity of Indian financial sector also needs to be conducted by the Indian government to increase the FDI inflow in the service sector (Malhotra, 2014).

Chapter 5: Conclusion and Recommendations

5.1 Conclusion

This study aims at investigating the impact of FDI on the service sector in the Indian economy. For this purpose, primary data has been gathered with the use of interviews which have been conducted with 10 economists in India. The interview data has been analysed using thematic data analysis technique to arrive at the useful; findings pertaining to the main objectives of the study. The key conclusive findings of this research are presented in this section in alignment with the research objectives.

The first objective of this research is concerned with understanding the concept of foreign direct investment and its significance. In this context, it can be concluded that the concept of FDI is positively associated with the economic growth of a country. The second objective of this study is focused on the critical analysis of the role played by foreign direct investment in driving the economy and development of countries. In relation to this objective, the research has concluded that FDI is encouraged by the developing countries as it is considered as a way to transfer both knowledge and technology from the developed countries, which has a positive impact on the economic performance of the countries. In addition to this, FDI also has an impact on the gross fixed capital formation of the developing countries, which influences the economic growth direction of the country. Further, FDI helps in raising the investment in the infrastructure.

The third objective of this research is concerned with exploring the service sector and its contribution to the Indian economy. In this context, the findings of this research have concluded that the most important factor which has a drastic impact on the success of service sector in India is quality of service along with the implementation of innovation and creativity for the purpose of providing good services to the customers. It has been concluded that the high growth of the country is dependent heavily on the growth of the

service sector, more specifically in the sector of outsourcing of the services. In addition to this, service sector also improves the economy, but it leads to the reduction of the contribution of another sector in the Gross Domestic Product (GDP) of India.

The fourth objective of this research study is concerned with assessing the impact of FDI on the service sector of the Indian economy. In the context of this research objective, the findings of the study have concluded that FDI has an impact on the economic conditions of the Indian economy and also has a social impact due to which it is considered significant for the country to develop appropriate policies. In addition to this, FDI is essential for enhancing the domestic capital, productivity as well as employment rate of the country. Further, it has been concluded that FDI helps in increasing the ratio of total employment with the help of providing employment to people in different sectors. FDI also contributes significantly in the development of Indian economy as it helps in optimising country's earnings by utilising all the resources in an effective and efficient manner.

5.2 Recommendations

- The factors that contribute negatively to FDI in a country are unavailability of investment climate and infrastructure. In order to remove this issue, the government of India should take some preventive measures that help in increasing the flow of FDI in the service sector of India. The government should provide leverage to the companies that invest their money and resources in the country. The upper limit of investment by a foreign country that is 24% of the paid-up and issued capital of the company should be raised to the higher amount so that foreign companies may invest in large amount (Nagi, 2019). The policies of the government that regulate the highest amount of FDI should be amended in order to increase the flow of FDI in India.

- The government should take adequate steps in order to generate a climate of investment in the country. The foreign companies have a various obligation in investing money in India such as investments are allowed only through collaboration with a company of Indian origin, referential or equity allotments and making joint ventures (Kinda, 2010). The government should make policies that support investment of foreign companies directly in India so as to avoid the involvement of mediating channels and increase transparency in the system.
- The companies also face a significant problem of shortage of skilled and trained labour force in the country due to which the company that is investing in India has to spend a large amount of fund and resources in training of employees. The challenge of lack of skills should be overcome by initiating suitable training and skills programmes by the government of India. Training and skill programme also contributes to increasing the number of skilled workforces and increasing opportunities for employment for its citizens (Chi, Wu and Lin, 2008). Moreover, the government should also invest in the sector of education and include courses that contribute to providing skills that are needed by the foreign companies that invest in India.
- The government of India should also invest in the sector of development of infrastructure in the service sector and provide the necessary resources required by the company that invest in India. The necessary facilities such as water, electricity and raw material should also be provided by the government in order to increase FDI in the service sector in India. In addition to this, the government should develop a large number of Special Economic Zones (SEZ) in every city and provide all the facilities that are required by the company in order to invest in India (Chaudhuri and Yabuuchi, 2010).

- The government of India should also develop its transport facilities and network of bank and communication in order to provide the facility for easy and fast transport and communication. In the service sector, effective communication between the remote location of the company is vital and providing facilities of communication network help the companies in establishing their centres at various location in the country (Kaur, Khatua and Yadav, 2016). The intra-bank facility will help in increasing the extent of transfer of funds between the different location of the company.

5.3 Future Work

The findings of the research study are based on an interview taken from a various person and draw a conclusion on its basis. In this regard, the findings of the research study should become mere relevant and broadens the scope of the study by utilising survey method of data collection. The question of the survey provides a wide scope of the study and contribute to providing a large amount of data that contribute to drawing the findings of the research study appropriately. The fellow researchers that conduct research on this topic may utilise survey as a method of data collection in order to provide a wider scope of study in this area.

The study is focused on FDI in the service sector of India, the scope of the research study mat increase by including other sectors along with the service sector in the research study. Moreover, the research study is also focused on India; its scope is increased by the inclusion of other developing countries such as Bangladesh, Nigeria and South Africa. The inclusion of other countries help in providing more results in relation to FDI and help in determining challenges that in implementation of FDI and making necessary strategies that contribute to the increasing flow of FDI in developing countries.

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Appendices

Appendix 1: Interview Questionnaire

Question 1: what your understanding of the relationship between the level of Foreign Direct Investment (FDI) in India and the level of economic growth in India?

Question 2: What difference do you see in the opportunities in the Indian service sector and that of other countries for foreign direct investors?

Question 3: State the factors which can attract FDI in the service sector within India?

Question 4: What is your opinion regarding the assertion that the existing inflow of FDI in India is sufficient for achieving sustainable economic growth? Kindly state your opinion

Question 5: Please give your opinion on the assertion that the increase in the inflow of FDI will efficiently enhance the economic growth in India.

Question 6: Please give your opinion on the assertion that insufficient FDI inflow will pose a block or a threat against the economic growth in India

Question 7: What benefits do you see that a direct investor can have by investing especially in service sector of India? Please elaborate?

Question 8: In what ways does FDI contribute to enhancing technology transfers in the Indian services sector?"

Question 9: In what way will the high inflow in FDI impact in the maximization of skills and productivity of the workforce in India? Please elaborate your views?

Question 10: What could be the barriers in the maximization of the inflow of FDI in the service sector of India?

Question 11: What suggestions you want to provide to the government of India to enhance the flow of FDI in service sector?

Appendix 2: Codes for Respondents

Respondents	Codes
V.S. - Financial Analyst	Respondent 1
J.K - Financial Analyst	Respondent 2
K.K - Sr. Financial Analyst	Respondent 3
T.J - Economist	Respondent 4
A.S - Financial Analyst	Respondent 5
S.D - Financial Consultant	Respondent 6
J.S - Analyst	Respondent 7
K.G - Financial Consultant	Respondent 8
A.G - Economist	Respondent 9
R.M - Economist	Respondent 10