

FOREIGN INVESTMENT INFLOWS AND INDUSTRIAL SECTOR GROWTH IN INDIA- AN EMPIRICAL STUDY

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ABSTRACT: The paper aims to study the causal relationship between foreign investment inflows and industrial sub-sectors growth pattern of the Indian economy during the post liberalization period (1996-97:Q1 to 2009-10:Q2). The stationarity of the variables being checked than Granger causality test is conducted in a multivariate VAR framework at VECM form to identify if any causal relationship is there amongst the variables. Regression analysis is also done with the same dataset. It is seen that industrial sector at the sub-sectoral level influences foreign investment inflows.

Key words: Foreign investment inflows, Granger causality, industrial sector growth

JEL Codes: F21, O11