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## Trends of FDI inflow in Service Sector in India

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### ABSTRACT

India service sector contributes the large share in the growth of GDP of India. India's economy boosts up due to liberalization in 1990's and provides a fast way to economic growth of country. Foreign Direct investment (FDI) considered as growth engine for the economic development for developing as well as underdeveloped countries. It plays a significant role in infrastructural development technological development, capital formation and creation more employment opportunities. The present paper is an attempt to study the trends of FDI in service sector in India over a period of 2006-07 to 2017-18. The paper is also attempt to give some suggestion to attract more foreign direct investment to India. The secondary data has been used for the study. The result shows that there are rising trends in FDI inflows in service sector (Financial and non financial) and some other sector. FDI in service sector play a crucial role in economic development by contributing near about 60 percent to GDP.

**Keywords :** Foreign Direct investment, service sector, Gross Domestic product, Economic Growth.

#### Introduction

Service sector is the most emerging sector of the Indian economy. This sector contributes for around 60 percent of the country's GDP. This sector has become most prominent sector not only in India but flourish whole over the world ultimately contributing in global output and employment opportunities. FDI inflow to service sector in India has recorded to be the highest among other sectors. According to data released by Department Of Industrial Policy and Promotion (DIPP) India received Rs 432490 Cr for FDI service sector during the period 2017-18. The share of service sector reached up to 50 percent of Gross state value added in 15 out of 33 states and UT's contributing more than 80 percent in Chandigarh and Delhi. Service exports show good performance during past decade and rise steadily reached upto 3.5 percent in 2018.

#### Literature Review

**Abbas and Akbar (2011)** analyse the impact of foreign Direct Investment on Gross Domestic product of SAARC countries. In this paper they found trends of

foreign direct investments result in improving GDP and growth of the country. They concluded that during the period of study 2001 to 2010 a positive and significant relationship between GDP and FDI has noticed but no significant relationship between GDP and inflation.

**Yadav (2014)** in his paper explores the role of foreign direct investment in the economic development of country. He analyse that service sector the fastest growing sector contributes near about 57 percent in 2013-14 to Indian economy. He concluded that foreign direct investments has positive and significant impact on GDP.

**Yadav (2016)** examine critical analysis of Indian economy giving importance specially to the service sector. He found that service sector plays an important role in employment generation and contributes near about 64% to India's GDP in year 2015-16. FDI in service sector has positive impact on GDP and economic growth of country.

**Kumari (2013)** in his paper revealed the present and future aspect of FDI in India. Study confined to the time period from 2000 to 2010. She concluded that FDI

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