THINK INDIA JOURNAL

ISSN:0971-1260

Vol-22-Issue-10-November-2019

A Correlation Analysis with Ease of Doing Business and FDI Inflows In India

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ABSTARCT : Business environment is one of the key factors determining the health of an economy in the global perspective. In the obvious that in the present situation , the business sector has to take the key responsibility in pioneering the road of economic development and stabilizing the financial health of the economy. This study investigates the impact of ease of doing business in India on the foreign direct investment inflows of the country from 2001-02 to 2017-18. The present study intended to explore the degree of relationship between the total foreign direct investment of India and the ease of doing business rank for the last 10 years. The finding of the study suggests that the improvement of the ease of doing business position of a country enables more inflows of Foreign Direct Investment of a country.

Keywords: Business, Foreign, Direct Investment, financial, development, environment

ISSN:0971-1260
Vol-22-Issue-10-November-2019

I. INTRODUCTION

An economy can not develop well without a private sector .In a developing country like India private sector plays a pivotal role in shaping the economy. The Union Budget of India 2019-20 has given special emphasis on private investment and infrastructure. Investment and Infrastructure can drive India to achieve USD 5 trillion by 2024-25. In the current global perspective private sector has turned out to be a development boosting parameter of an economy.

Foreign Direct Investment is a type of investment that
Made by a firm or individual of one country into business interests located in another country. FDI is a key contributor to the economic growth and development of a country.

Doing business provides us a quantitative indication regarding business regulation and the protection of property rights that can be compared across 190 countries globally. Doing business uses a simple averaging approach to rank the countries based on some selected parameters.
Ease of doing business is an index published by the World Bank.
In the recent years the concepts of East of doing business and Foreign investment are widely discussed and observed parameters.

II. MATERIALS AND METHODS

ISSN:0971-1260

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The present paper is descriptive is nature. The study is mainly based on the secondary sources of data. Data have been collected from the Government published reports ,world bank reports, various journals , official website of Government of India.

Data gathered from the mentioned sources are analyzed with the help of graphical diagrams and correlation analysis . The degree or the extent of relationship between two variables , ease of doing business and foreign direct investment inflows are analyzes by correlation approach.

III. RESULTS AND DISCUSSION

A. *Analysis of FDI inflows in India in Last 10 Years :*

Table 1: FDI Inflows in India in Last 10 Years.

Sl. No	Financial Year	Total FD Inflows
1	2010-11	36,847
2	2011-12	46,556
3	2012-13	34,298
4	2013-14	36,046
5	2014-15	45,148
6	2015-16	55,559
7	2016-17	60,220
8	2017-18	61,963
9	2018-19	64,974
10	2019-20	65,432

Source : World Bank Data

ISSN:0971-1260
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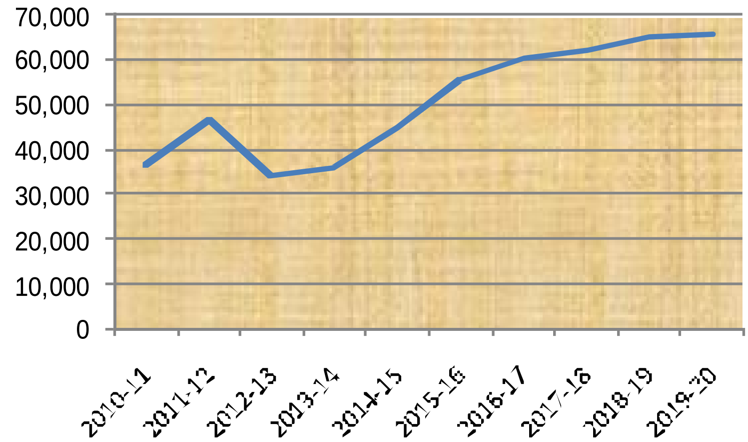

Fig. 1. FDI Inflows.

It can be concluded from the table and the figure that the net FDI inflows to India shows an increasing trend in the recent decade (From the financial year 2010-11 to the financial year 2019-20) . However in the financial year 2012-13 the total FDI inflows to India decreased to 34,298 USD Million from 46,556 USD Million in the financial year 2011-12

From 2012-13 a gradual increasing trend is observed for the FDI inflows to India. In the year 2012-13 the net FDI inflows to India stood at 34,298 USD Million and it went up to 65,432 USD Million in the financial year 2019-20.

Foreign direct investment is not only a driver of economic growth and development for a developing economy , it is also a major source of non debt financial resource for the development of India. Hence the increasing trend of FDI inflow is a good indicator for the progress of the economy. FDI has emerged out as the most stable component which can be used to finance the current account deficit.

ISSN:0971-1260

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In the last decade , our country India has become an investment hub. As a engine of growth FDI has key role to play. For the years under study FDI inflow has shown a positive trend. In spite of having a rising trend ,the FDI inflow of India is less as compared to the other developed nations. It is expected that in the coming future this trend will sustain.

The governments , foreign and domestic institutions should work in collaboration with an objective to attract more FDI inflows to the country.

B. *Analysis of Ease of Doing Business score of India in the last 10 years :*

Table 2: Ease of Doing Business rank of India in last 10 Years.

Sl. no	Year	Ease of Doing Business Rank
1	2010-11	133
2	2011-12	134
3	2012-13	132
4	2013-14	134
5	2014-15	142
6	2015-16	130
7	2016-17	130
8	2017-18	100
9	2018-19	73
10	2019-20	63

Source: World Bank Data

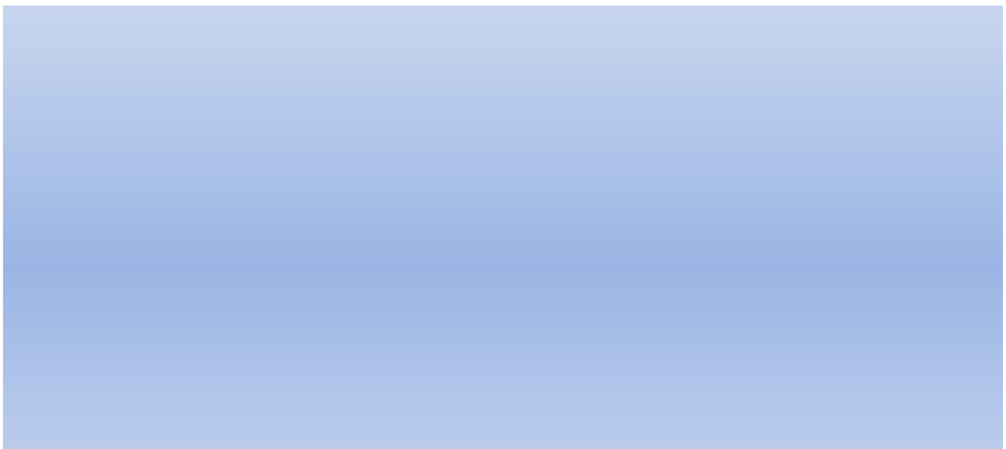

Fig. 2. Ease of doing Business rank of India.

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The ranks of ease of doing business of India in the last decade , that is from the financial year 2010-11 to the financial year 2019-20) have been analyzed in the table 2 and in its supporting figure 2. In the year 2010-11 , the rank of India in the ease of doing business index was 133. In the next financial year its goes to 134th rank. The ranks in the ease of doing business index of India in the financial years 2013-14 and 2014-15 were 134 and 142 respectively.

From the financial year 2014-15 onwards the position of India in the mentioned index tends to improve gradually. In the recent financial year , 2019-20 , the rank of India improved to 63 from 142 in the financial year 2014-15.

Recently, India has been performing very well regarding the ease of doing business index. The rank of India in the Ease of doing business index improved significantly by 37 positions from 100 in 2017-18 to 63 in 2019-20.

In the coming years it is expected that this rank will further improve. It is worth mentioning that while India's rank has improved notably in the last few years , there is much scope to attract more FDI inflows to the country and which will in turn accelerate the process of economic growth and development.

The Government of India is implementing various business regulatory reforms to improve the ease of doing business standing , which goes a very long way towards influencing the foreign investors. It will also attract the foreign companies for their market expansion.

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C. *Analysis with the help of correlation approach*

Table 3: Correlation Between FDI Inflows and Ease of Doing Business Rank

Year	FDI inflows	Ease of doing business rank	Coefficient of correlation
2010-11	36,847	133	-0.74
2011-12	46,556	134	
2012-13	34,298	132	
2013-14	36,046	134	
2014-15	45,148	142	
2015-16	55,559	130	
2016-17	60,220	130	
2017-18	61,963	100	
2018-19	64,974	73	
2019-20	65,432	63	

The data collected from various secondary sources are analyzed with the help of correlation approach. Correlation is a very important statistical tool that enables us to study the extent of relationship between two or more variables. In this study we analyzed two series of data (FDI Inflows and Ease of doing Business Rank) for the last decade.

The two arrays of data are first arranged in Microsoft excel sheet and then correlation was seen between them. The coefficient of correlation between them was found to be -0.74. It indicates a negative correlation between the mentioned parameters.

ISSN:0971-1260

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It can be concluded from the above analysis that a negative relationship exists between the two series of data. In other words, when FDI inflows to India increases , the rank of Ease of doing business improves.

We have come to know that higher amount of FDI inflows would lead to improve the rank of Ease of doing Business of India.

IV. CONCLUSION:

From the analysis it is found that the total FDI inflows to India shows a positive trend in the last decade. In the coming future the net FDI inflow is expected to grow further. We have found that the rank of India in ease of doing business is improving over the years. It stands as a ray of hope for India.

The coefficient of correlation between FDI inflows and the ease of doing business rank of India in the last 10 years was found to be -.74 which shows a strong negative correlation between the two mentioned variables

V. FUTURE SCOPE.

i) The study will help to understand the significance of FDI and Ease of doing business in the context of India.

ii) The policymakers will get a bird eye view of the importance and significance of FDI and Ease if doing business, which will help to frame necessary policies to improve the rank of India in global perspective.

ISSN:0971-1260

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