Benefits of FDI in Service Sector of India: An Empirical Study in Emerging Market Settings

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Abstract
Foreign direct investment, as it typifies innovation and expertise just as remote capital has in ongoing decades come to be viewed as a motor of development and advancement. Understanding the impacts of remote direct venture (FDI) and global generation has subsequently become a basic theme in scholastic and approach circles. Information overflow, in reverse and advance linkages with nearby firms, the potential for innovation move, new procedures, improved administrative aptitudes, worker preparing, and access to global generation systems and markets all can possibly expand efficiency and yield, make business, help differentiate sends out, and change the creation structure of the economy by energizing development and cultivating improvement. Even with such a panoply of potential advantages, created just as creating nations have generously decreased obstructions to as well as offered extraordinary motivating forces to draw in, outside direct speculation. However the effect of the expanding job of FDI on have economies has been hard to survey. To be sure, exact proof for FDI producing the normal constructive outcomes is questionable at the small scale just as large scale levels.

Keywords:- FDI, Service Sector, Markets, Macro, Micro, Policy

Introduction
Numerous approach creators and scholastics battle that outside direct venture (FDI) can have significant beneficial outcomes on a host nation's improvement exertion. Notwithstanding the immediate capital financing it supplies, FDI can be a wellspring of important innovation and ability while encouraging linkages with neighborhood firms, which can help kick off an economy. In view of these contentions, industrialized and creating nations have offered motivations to empower remote direct interests in their economies. As of late, be that as it may, the exceptional benefits of FDI and especially the sorts of impetuses offered to outside firms by and by have started to be addressed. Powering this discussion is that exact proof for FDI creating positive overflows for have nations is vague at both the smaller scale and full scale levels.

In spite of the fact that the hypothetical work on FDI focuses to preferences, possibly, overflows could by and by be little. Then again it may be the case that we are glancing in an inappropriate spots. For instance, the full scale observational work that has broke down the impacts of total FDI inflows-stocks on have economies doesn't, for the most part because of information constraints, control for the segment in which
FDI is included. Despite the fact that it may appear to be normal to contend that FDI can pass on extraordinary focal points to have nations, such gains may contrast crosswise over essential, assembling, and administrations parts.

2. Literature Review
Holland et al (2000) assessed a few investigations of Eastern and Central Europe, creating proof of the significance of market size and development potential as determinants of outside direct speculation.

Satomi K. at el (2007), in their examination on Macro Determinants of Foreign Direct Investment Inflows to Japan found a positive connection between source nation size and remote direct venture in light of the fact that, bigger economies infer more noteworthy accessibility of capital assets and elusive resources (specialized information and showcasing ability) that can be utilized to set up outside creation to fulfill shopper need in an objective nation. Subsequently, they propose that nations with an enormous number of focused global firms ought to have the option to make bigger interests in the universal market.

Barthel et al, (2008), in their investigation of the attributes and determinants of remote direct interest in Ghana turned out with factors impacting outside firm goal. They especially put together their investigations with respect to information recovered from the World Bank 2007 venture administration (616 firms were overviewed) and mostly all alone study of 54 worldwide endeavors working in Ghana. From their discoveries, the most significant variables impacting the decision of Ghana as a venture goal is the macroeconomic and world of politics and the most significant macroeconomic and political components affecting speculation today are political soundness with 33% of the reactions, trailed by financial development execution (20.1%) and swapping scale system (16.5%).

Alfaro et al. (2004) contend, based on examining the job nearby money related organizations play in diverting the commitments of FDI to monetary development, that underdevelopment of neighborhood budgetary markets can restrain an economy's capacity to misuse the capability of FDI overflows. The aftereffects of the examination of development on FDI to GDP (and different controls factors) demonstrate that FDI, all alone, doesn't apply a powerful positive effect on development. At the point when the communication term is incorporated, nonetheless, the relapse results become positive and huge, driving the creators to place that acknowledgment of the positive advantages of FDI is unexpected a nation's ownership of a solid money related segment.

Alfaro and Charlton (2013), utilizing industry-level proof got from information on OECD nations, show the connection among FDI and development to be more grounded for ventures that are increasingly dependent on outside financing. These outcomes, just as being predictable with the current large scale writing on the speculated advantages of FDI, are additional proof of significant cross-industry contrasts in the impacts of FDI.

3. Objectives of the Study
- To determine the advantages of FDI in the service sector of India
- To find the impact of FDI in the service industry on various macro and microeconomic aspects
Hypothesis of the Study:

Ho 1 FDI boosts the competitiveness of the industry and has no impact on the overall development of the service sector in India.
Ha 1 FDI boosts the competitiveness of the industry and have significant impact on the overall development of the service sector in India.
Ho 2 FDI creates new employment opportunities and has no impact on the overall development of the service sector in India.
Ha 2 FDI creates new employment opportunities and has significant impact on the overall development of the service sector in India.
Ho 3 FDI re-rated the growth and has no impact on the overall development of the service sector in India.
Ha 3 FDI re-rated the growth and has significant impact on the overall development of the service sector in India.
Ho 4 FDI improved the business standards and has no impact on the overall development of the service sector in India.
Ha 4 FDI improved the business standards and has significant impact on the overall development of the service sector in India.
Ho 5 New business opportunities have emerged due to FDI and have no impact on the overall development of the service sector in India.
Ha 5 New business opportunities have emerged due to FDI and have significant impact on the overall development of the service sector in India.
Ho 6 Entrepreneurial opportunities increased due to FDI and have no impact on the overall development of the service sector in India.
Ha 6 Entrepreneurial opportunities increased due to FDI and have significant impact on the overall development of the service sector in India.
Ho 7 FDI have no impact on the innovation and overall development of the service sector in India.
Ha 7 FDI have significant impact on the innovation and overall development of the service sector in India.
Ho 8 FDI ensures the holistic growth and have no impact on the innovation and overall development of the service sector in India.
Ha 8 FDI ensures the holistic growth and have significant impact on the innovation and overall development of the service sector in India.

4. Research Methodology

This study mainly focuses on finding the impact of various advantages of Foreign Direct Investment on the service sector of India. The study is exploratory cum descriptive in nature however, after exploring the factors from the extant a quantitative approach has been used. Survey was done on 238 people in Delhi NCR who belong to multiple professions. The respondents were Industrialists, Academicians, Policy Makers and Journalists. The data has been collected through purposive sampling from the mentioned respondents. A structured questionnaire was used to collect the data. The questions of the questionnaire were close ended. The scaling technique used was Likert five point scale. Stepwise multiple regression was used to analyze the data and determine the impact thereof.
5. Data Analysis and Interpretation:

5.1 Demographic Profile

Table 1 Demographic Profile of the Respondents

<table>
<thead>
<tr>
<th>Variables</th>
<th>No. of Respondents</th>
<th>% age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-30</td>
<td>46</td>
<td>19.3%</td>
</tr>
<tr>
<td>30-40</td>
<td>82</td>
<td>34.5%</td>
</tr>
<tr>
<td>40-50</td>
<td>63</td>
<td>26.5%</td>
</tr>
<tr>
<td>50 and above</td>
<td>47</td>
<td>19.7%</td>
</tr>
<tr>
<td>Total</td>
<td>238</td>
<td>100%</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>146</td>
<td>61.4%</td>
</tr>
<tr>
<td>Female</td>
<td>92</td>
<td>38.6%</td>
</tr>
<tr>
<td>Total</td>
<td>238</td>
<td>100%</td>
</tr>
<tr>
<td>Profession</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrialists</td>
<td>53</td>
<td>22.3%</td>
</tr>
<tr>
<td>Academicians</td>
<td>64</td>
<td>26.9%</td>
</tr>
<tr>
<td>Policy Makers</td>
<td>55</td>
<td>23.1%</td>
</tr>
<tr>
<td>Journalists</td>
<td>66</td>
<td>27.7%</td>
</tr>
<tr>
<td>Total</td>
<td>238</td>
<td>100%</td>
</tr>
</tbody>
</table>

It is found that 19.3% of the respondents belong to the age bracket of 20-30 while 34.5% of them belong to 30-40 age brackets and only 26.5% of them belong to the age group of 40-50 and 19.7% of them are 50 and above. The survey has 61.4% males and 38.6% females. There are people from multiple professions out of which 22.3% are industrialists, 26.9% are academicians, 23.1% are policy makers and 27.7% are journalists.

Table 2 Model Summary

<table>
<thead>
<tr>
<th>Mode</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.950a</td>
<td>.903</td>
<td>.903</td>
<td>.40104</td>
</tr>
<tr>
<td>2</td>
<td>.961b</td>
<td>.924</td>
<td>.923</td>
<td>.35615</td>
</tr>
<tr>
<td>3</td>
<td>.965c</td>
<td>.932</td>
<td>.931</td>
<td>.33860</td>
</tr>
<tr>
<td>4</td>
<td>.972d</td>
<td>.945</td>
<td>.944</td>
<td>.30324</td>
</tr>
<tr>
<td>5</td>
<td>.974e</td>
<td>.948</td>
<td>.947</td>
<td>.29658</td>
</tr>
<tr>
<td>6</td>
<td>.974f</td>
<td>.949</td>
<td>.948</td>
<td>.29346</td>
</tr>
</tbody>
</table>

Predictors: (Constant), FDI boosts the competitiveness of the service industry, FDI creates new employment opportunities in the service industry, FDI has re-rated the growth of the service Industry in India, FDI has
improved the business standards of serve Industry in India, New business opportunities have in the service industry have emerged because of FDI, FDI has increased Entrepreneurial Opportunities in India

The model summary, as presented in the table 2 shows that six steps were taken for the optimization of the model and results. The 5th step shows value of R square as .949 which finds that around 95% of the variance is explained by the model, which is significant. The value of adjusted R Square is more. Hence it is satisfactory.

Table 3 ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>372.426</td>
<td>6</td>
<td>62.071</td>
<td>720.777</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>19.893</td>
<td>231</td>
<td>.086</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>392.319</td>
<td>237</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*a. Dependent Variable: Overall Development of Service Sector in India

b. Predictors: (Constant), FDI boosts the competitiveness of the service industry, FDI creates new employment opportunities in the service industry, FDI has re-rated the growth of the service Industry in India, FDI has improved the business standards of serve Industry in India, New business opportunities have in the service industry have emerged because of FDI, FDI has increased Entrepreneurial Opportunities in India

Table 3 shows the ANOVA statistics. Under the model column – number 6 represents the values which have come out at 6th step. The ANOVA table tells whether the independent variable is significantly affected by the dependent variable. Referring table 3, Sig. column, the value is .000, which is less than the critical value of p - .05, hence there is a significant impact of independent variables on dependent variable. With the value in sig. column (e) is also added with .000, which means (see table footnote) that it is significant when the dependent variable (Overall Development of Service Sector in India) is predicted by the six independent variables namely- FDI boosts the competitiveness of the service industry, FDI creates new employment opportunities in the service industry, FDI has re-rated the growth of the service Industry in India, FDI has improved the business standards of serve Industry in India, New business opportunities have in the service industry have emerged because of FDI, FDI has increased Entrepreneurial Opportunities in India

Table 4 Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-.804</td>
<td>.148</td>
<td>-5.427</td>
<td>.000</td>
</tr>
<tr>
<td>FDI boosts the competitiveness of the service industry</td>
<td>.690</td>
<td>.111</td>
<td>.627</td>
<td>.000</td>
</tr>
<tr>
<td>FDI creates new employment opportunities in the service industry</td>
<td>.256</td>
<td>.035</td>
<td>.321</td>
<td>.000</td>
</tr>
</tbody>
</table>
FDI has re-rated the growth of the service Industry in India.  
FDI has improved the business standards of serve Industry in India.  
New business opportunities have emerged in the service industry because of FDI.  
FDI has increased Entrepreneurial Opportunities in India.  

The coefficients table 4 shows which variable out of the total 8 independent variables, 6 variables significantly affect the dependent variable. There are FDI boosts the competitiveness of the service industry, FDI creates new employment opportunities in the service industry, FDI has re-rated the growth of the service Industry in India, FDI has improved the business standards of serve Industry in India, New business opportunities have in the service industry have emerged because of FDI and FDI has increased Entrepreneurial Opportunities in India. The list of excluded variables or the variables which have insignificant impact on the overall development of Service Sector in India of are listed in the table 5.

### Table 5 Excluded Variables

<table>
<thead>
<tr>
<th>Model</th>
<th>Beta In</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>FDI has increased innovations in Service industry</td>
<td>.060*</td>
<td>1.165</td>
</tr>
<tr>
<td>6</td>
<td>FDI ensures the holistic growth in the service industry</td>
<td>-.250*</td>
<td>-1.485</td>
</tr>
</tbody>
</table>

Table 5 shows the list of excluded variables. These are the variables that do not affect the overall development of service sector in India, significantly. These variables are – FDI has increased innovations in Service industry and FDI ensures the holistic growth in the service industry.

**Results of the Hypotheses testing:**

**Ho 1 FDI boosts the competitiveness of the industry and has no impact on the overall development of the service sector in India.**  
**Ha 1 FDI boosts the competitiveness of the industry and have significant impact on the overall development of the service sector in India.**

The value under significant column of table 4 is .000, which is less than the value of ‘p’ at 5% significance level (.05) that is why, the null hypothesis is rejected. Hence it may be concluded that FDI boosts the
competitiveness of the industry and significant impact on the overall development of the service sector in India.

*Ho 2* FDI creates new employment opportunities and has no impact on the overall development of the service sector in India.

*Ha 2* FDI creates new employment opportunities and has significant impact on the overall development of the service sector in India.

The value under significant column of table 4 is .000, which is less than the value of ‘p’ at 5% significance level (.05) that is why, the null hypothesis is rejected. Hence it may be concluded that FDI creates new employment opportunities and has significant impact on the overall development of the service sector in India.

*Ho 3* FDI re-rated the growth and has no impact on the overall development of the service sector in India.

*Ha 3* FDI re-rated the growth and has significant impact on the overall development of the service sector in India.

The value under significant column of table 4 is .000, which is less than the value of ‘p’ at 5% significance level (.05) that is why, the null hypothesis is rejected. Hence it may be concluded that FDI re-rated the growth and has significant impact on the overall development of the service sector in India.

*Ho 4* FDI improved the business standards and has no impact on the overall development of the service sector in India.

*Ha 4* FDI improved the business standards and has significant impact on the overall development of the service sector in India.

The value under significant column of table 4 is .000, which is less than the value of ‘p’ at 5% significance level (.05) that is why, the null hypothesis is rejected. Hence it may be concluded that FDI improved the business standards and has significant impact on the overall development of the service sector in India.

*Ho 5* New business opportunities have emerged due to FDI and have no impact on the overall development of the service sector in India.

*Ha 5* New business opportunities have emerged due to FDI and have significant impact on the overall development of the service sector in India.

The value under significant column of table 4 is .001, which is less than the value of ‘p’ at 5% significance level (.05) that is why, the null hypothesis is rejected. Hence it may be concluded that new business opportunities have emerged due to FDI and have significant impact on the overall development of the service sector in India.

*Ho 6* Entrepreneurial opportunities increased due to FDI and have no impact on the overall development of the service sector in India.
Ha 6 Entrepreneurial opportunities increased due to FDI and have significant impact on the overall development of the service sector in India.

The value under significant column of table 4 is .015, which is less than the value of ‘p’ at 5% significance level (.05) that is why, the null hypothesis is rejected. Hence it may be concluded that entrepreneurial opportunities increased due to FDI and have significant impact on the overall development of the service sector in India.

Ho 7 FDI have no impact on the innovation and overall development of the service sector in India.
Ha 7 FDI have significant impact on the innovation and overall development of the service sector in India.

The value under significant column of table 5 is .245, which is more than the value of ‘p’ at 5% significance level (.05) that is why, the hypothesis is accepted. Hence it may be concluded that FDI have no impact on the innovation and overall development of the service sector in India.

Ho 8 FDI ensures the holistic growth and have no impact on the overall development of the service sector in India.
Ha 8 FDI ensures the holistic growth and have significant impact on the overall development of the service sector in India.

The value under significant column of table 5 is .139, which is more than the value of ‘p’ at 5% significance level (.05) that is why, the hypothesis is accepted. Hence it may be concluded that FDI ensures the holistic growth and have no impact on the overall development of the service sector in India.

Conclusion

The intrusion of FDI in India has brought immense changes in the market scenario of the nation. India is a progressive country and a very crucial part of the ‘Global village’, a term coined by Marshall McLuhan. It has almost been a decade that the country is flourishing in a faster rate. The imposition was of great assistance to businesses and has opened up more employment opportunities. FDI has a positive effect on most of the spheres but is a bane to the retail market and many other sectors in the economy.

The revelation showed that FDI enhances the competitiveness of the service industry. It helps in creating new employment opportunities in the service industry. It has also re-rated the growth of the service Industry in India. The business standards of serve Industry in India has improved due to FDI. There has also been emergence of new business opportunities in the service industry because of FDI and it also has increased Entrepreneurial Opportunities in India. However, FDI has not helped in any kind of innovation in the service sector and has also not been of much help in the holistic growth of the service sector in the country. FDI ruins the creativity and individuality of the elements in different market segments but helps in boosting the morale of upcoming entrepreneurs, employees and budding marketers. It also helps the customers in choosing the best from the rest.
References


