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INWARD AND OUTWARD FOREIGN DIRECT INVESTMENTS AND EXPORTS FROM INDIA

Abstract:

The study attempts to find out the influence inward and outward foreign direct investments have on exports from India. Explaining in the gravity model framework the study finds that both GNI and the relative price have a positive and statistically significant influence on exports from India for the year 2007/2008. It is also observed that both stocks of IFDI and OFDI have a positive and statistically significant influence on exports from India. The elasticities of India's exports with respect to all the above four variables are generally inelastic. The elasticity of exports with respect to the relative price increases substantially (from 0.59 to 1.00) when only the lag effects of IFDI and OFDI on exports are considered. Plausibly this was the case as especially when OFDI is taking place from India to set up plant and machinery and start initial production relative price considerations are not high or cannot be adhered to.

Keywords:

Inward and Outward FDI, Exports

JEL Classification: F14, F21, F20