

## **ABSTRACT**

From the point of view of developing countries, FDI is accepted as panacea for various types of scarcities - financial capital, entrepreneurship, technological know-how, efficient managerial techniques, and access to market abroad. FDI provides stimulus to competition, innovation, savings and capital formation, and through these, to job-creation and economic growth.

While there is no denying the fact that there has been an impressive growth in FDI in terms of its magnitude of inflows to India, it is still very insignificant as compared to the country's potential. The policies of liberalization have not yet helped India improve her share of FDI inflow from major European countries and USA. Given the target of the government towards achieving a high growth of GDP, it is crucial to raise the ratio of FDI actual to approvals.

It is in this context appropriate to ascertain if there are any industry-segments and states that shows better disposition to attracting FDI and the factors responsible for the same. The study is rendered from two standpoints: industry and state perspectives. Also to study the characteristic features of states attracting FDI, this study confines itself to eight states of India from the four regions. The impact of FDI on various economic and social factors has also been explored. Primarily, panel data model, SUR model and PCA have been employed for the present study.

At the industry level, the most important and hitherto unknown factor that has come to light is the significance of R&D in attracting FDI in the country. Marketing, export and energy intensive industries attract FDI much more than others. High effective wage rate acts as deterrent to FDI, while it is positively influenced by SDP growth, and provision of infrastructure. As far as impact of FDI is concerned, the reveals that FDI leads to improvement in labour productivity and employment. It also crowds-in domestic investment and at the same time exerts a positive impact on R&D.

**Key Words:** R&D-Intensity; Marketing-Intensity; Export-Intensity; Energy-Intensity; Effective Wage Rate; SDP Growth Rate; Infrastructure; Labour Productivity; Employment; and Domestic Investment