ABSTRACT

Capital flows are most helpful when the magnitude of those flows is steady and stable. The international capital flow such as direct and portfolio flows has huge contribution to influence the economic behaviour of the countries positively. The present study attempts to explain the effects of private capital inflows (INV) on some macro economic variables in India using the time series data from 1991 to 2011. The study also examine the impact of international capital flows on economic growth, trends and composition. Cointegration test confirms the presence of long-run equilibrium relationships between a few pair of variables like private capital inflows (INV) and economic growth (GDP). Cointegration test confirms the presence of long-run equilibrium relationships between a few pair of variables like private capital inflows (INV) and economic growth (GDP).

The important observations emerge from pair-wise Granger causality test which shows there is the long-run equilibrium relationship is restored between the following pairs of variables viz., economic growth and Foreign Direct Investment (FDI), economic growth and Foreign Portfolio Investment(FPI),economic growth and Foreign institutional Investment(FII),etc.