International Journal of Applied Social Science ***RESEARCH PAPER***
Volume 5 (5), May (2018) : 507-517 ISSN : 2394-1405
Received : 20.03.2018; Revised : 03.04.2018; Accepted : 18.04.2018

Relationship Between Saving-Investment and Economic Growth in India

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ABSTRACT

The present study is designed to evaluate savings-investment relationship with economic growth and study period also covers 1980-81 to 2017-18, used time-series data analyses in India. Domestic investment poses lesser risk than external debt for the borrowing country, although the latter promises higher return. We used advanced time series analysis to find out the relation between obtained variable *viz.*, unit root test, VAR vector error correction model and causality test. According to study the long run vector error correction explains that every 1 per cent increase in output, causes 246 all variable but in short-run dynamic vector error correction estimation revealed 356 per cent increase in savings and 840 percent investment in India and the t-statistics for saving rate is found to be significant (2.58666). Savings and Investments are statistically significant and have positive impact to national output. Further it indicates that improvement in investment over the years has necessitated an increase in gross domestic savings.

Key Words : Constraints, Improved production technology, Socio-economic profile, Suggestions

INTRODUCTION

The saving and investment rates could play critical role in the progression of economic growth. It has attracted and sustained the interest of economists both at theoretical and empirical levels. The close relationship between the savings, investment rates of the economy and the growth rate is a stylised fact and has been well documented in the literature on savings and investments receiving considerable attention in India and many countries around the world. The relationship between saving, investment and economic growth has puzzled economists ever since economics became a scientific discipline. Generally, a portion of income is saved and put into investment. In a closed economy, the economy as a whole can save only as much as its income. The economy as a whole may reduce the consumption expenditure in relation to a given level of income and consequently increase its propensity to save.

Saving and investment are two key macro variables with micro foundations, which can play a significant role in economic growth, inflation stability and promotion of employment. National savings are critically important to help maintain a higher level of investment which is a key determinant for economic uplift' so it is necessary to analyse saving investment behavior for policy implications.

How to cite this Article: Srinivas, Beeralaguddada (2018). Relationship Between Saving-Investment and Economic Growth in India. *Internat. J. Appl. Soc. Sci.*, **5** (5) : 507-517.

The role of domestic saving and domestic investment is important for promoting economic growth.

The role of domestic saving and domestic investment in promoting economic growth has received considerable attention in India and also in many countries around the world. The central idea of Lewis's (1955) traditional theory was that an increase in saving would accelerate economic growth, while the early Harrod-Domar models specified investment as the key to promoting economic growth. On the other hand, the neoclassical Solow (1956) model argues that the increase in the saving rate boosts steady-state output by more than its direct impact on investment, because the induced rise in income raises saving, leading to a further rise in investment. Jappelli and Pagano (1994) claimed that saving contribute to higher investment and higher GDP growth in the short-run, whereas, the Carroll-Weil hypothesis (Carroll and Weil, 1994) states that it is economic growth that contributes to saving, not saving to growth.

The optimism about the Indian economy has been on an ascent in recent years. This has led to a resurgence of interest in the linkages among saving, investment and economic growth in India. Further, the recent empirical literature on saving made the interest towards the themes of capital accumulation, technological progress and economic growth - a shift away from the 1980s and the 1990s when discourse on macroeconomic issues was dominated by concerns with short term stabilisation and adjustment. Since the inception of economic planning in India, the emphasis has been on saving and investment as the primary instruments of economic growth and increase in national income. One of the objectives of economic plan (for e.g., Eleventh five year plan) is to increase the production in the economy and thus economic growth. To increase the production, capital formation is considered as the crucial determinant; and capital formation has to be backed by the appropriate volume of saving. Increase in saving, use of the increased saving for increased capital formation, use of the increased capital formation for increasing saving, and use of the increased saving for a further increase in capital formation constituted the strategy behind economic growth.

It appears that there is no comprehensive study available on the analysis of the interdependence between saving and investment of the household, private corporate and public sectors with that of economic growth. So many empirical research will be used in this study and it aimed to investigate any possible savings/investment relationship with economic growth in India.

Mobilization and saving and investment activities are very important tools for promoting financial stability but Indian economy purely dependent on Agriculture and other sectors nearly 40 per cent of the GDP contributing to this sector, this situation are common issues and the per capital income of the people of the state is very poor in comparison with other countries. Thus, the savings and investment in organized sector is very poor and this gap is increasing day by day. During 2015-16, gross saving is estimated at Rs. 44.05 lakh and even with a decline in its share, the household sector continued to be the highest contributor to gross savings with a share of 59.2 per cent in 2015-16. The share of saving of the financial corporations in the gross savings decreased from 8.3 per cent in 2014-15 to 6.5 per cent in 2015-16. The dis-saving of the general government decreased from 4.6 per cent of gross savings in 2014-15 to 3.1 per cent in 2015-16.

The gross capital formation (GCF) at current prices is estimated at Rs. 45.45 lakh crore for 2015-16 as compared and the rate of capital formation in 2011-12 to 2015-16 was marginally higher than the rate of savings because of net capital inflow from the rest of the world (RoW). Hence, the researcher have selected the present area of study as research topic to identify the growth rate of savings, investment and economic growth in India and also to find out the problems encountered and remedial measure to overcome the problems of s savings and investment of the state.

Review of literature:

The Harrod-Domar growth Theory (Harrod, 1939 and Dormar, 1946) is based on the experience of capitalist economies and attempt to analyze the requirement for a steady growth. The theory attempts to discover the rate of income growth necessary for a smooth and uninterrupted working of an economy. This model indicates there is a direct link between the rate of economic growth and the level of current investment.

Endogenous growth theory or the new growth theory was developed in the 1980's as a response to criticism of the neo-classical growth model. In neo-classical models, the long run rate of growth is exogenously determined by either assuming a savings rate or a rate of technical progress. However, the savings rate and rate of technological progress remain unexplained. Endogenous growth theory tries to overcome this shortcoming by making growth an endogenous variable. Several competing models have been developed by various authors like Romer (1986) and Schumpeter (2006).

Agarwal (2001) examined that the causality between GDP and saving for a number of Asian countries. He found evidence that higher savings rates cause higher growth rates in Bangladesh and Pakistan and higher growth rates cause higher savings rates in India and Sri lanka.

Narayana (2005) showed that low capital mobility also causes high savings and investment correlation in a study on China during they period of restricted capital mobility as indicated by low foreign direct investment.

Dipendra (2009) was examined that the relation between savings and economic growth in India. The goal of the study was to check the long-run relationship between GDP and savings. An engel-granger co-integrated method was used and the results showed that gross savings of the private sector have a bigger impact on GDP than gross domestic savings.

Abu (2010) has described the relationship between savings and economic growth in Nigeria using granger causality techniques and co- integration for the period 1970 to 2007. his results indicate that the variables are co- integrated in such a manner that one can conclude there is a long run equilibrium relationship between them and that causality is from economic growth to savings

Mehta (2014) have analyzed that nexus between saving, investment and economic growth in India. This paper examines the relationship between gross domestic product, gross domestic savings and gross domestic investment for India during the period 1951 to 2012. vector error correction method and co- integration techniques are used for analyzing the relationship between gross domestic product, gross domestic savings and gross domestic investment in this study.

Jain and Baliyan (2014) study examined that the determinants of saving and investment in the process of economic development it is pound that the saving rate rises with both level and the rate of growth of disposable income and the magnitude of the impact of the former is smaller than that of the latter. The real interest rate on bank deposits has a significant positive impact, but the magnitude of the is modest.

Tasan *et al*. (2014) study explained that the relationship between savings and economic growth the case for Iran this paper asses relationship between savings and total non-oil economic growth for Iran. We also analyze the long-run causality among the above variables in Iran's economy. Annual data for the period 1972-2010 is used with an Auto regressive distributed lag model for the empirical results. The results of the study show that there is a positive and significant effect on savings. In addition, the results show that there is a long run causal relationship between savings and economic growth, and between saving and non-oil economic growth and that these relations are two-way.

Avispa Mahanty *et al*. (2017) revisited the casual nexus between savings and economic growth

in India. An empirical analysis this paper attempts to analyze the long run association between savings and growth. And investments the causality issue in Indian context for period 1950-51 to 2011-12. Firstly, the study identifies the structural break in the year 1980 by employing Bi-perron test with unknown time. Further, it examines the association and the direction of causality between savings and real economic activity.

Objectives of the study:

The following specific objectives of the proposed study are as follows:

1. To evaluate the saving and investment situation in India
2. To examine the relationship between savings, investments and economic growth India

Statement of hypothesis:

In order to achieve the objective, the following hypotheses are formulated as follows:

1) There is no relationship between savings and investment and economic growth in India

2) The impact of global financial instability does not affect the confidence of investors in the financial market in India

3) There is no difference between previous investment and savings performance with the current performance in India

METHODOLOGY

The study will basically focus on savings-investment relationship with economic growth in India. The study period also covers 1980-81 to 2017-18, and we used time-series data analyses. The data used in this study is secondary data taken from Reserve Bank of India various annual reports and Report of Currency & Finance RBI Publications.

Model specifications:

According to Dollar and Kraay (2001), there is an econometric model reflecting a positive relationship between Investment and Economic Development in the developing economies. From the review of literatures and theoretical framework in the previous chapter, it is observed that there existed a causal link between Investment and Economic growth. In line with the theoretical model put forth by Dollar and Kraay (2001), the model adopted in this study is expressed below.

For the purpose of this study, the understated model will be used:

$\Delta Yy = \beta_0 + \beta_1 \Delta X_t - Y\ (Y_{t-1} - \alpha_{xt-1}) + E_t$ .... Equation (1)

In which the error term has no MA part and the co-integrating parameter in the error correction mechanism (ECM, the part in parentheses) is (1-a). The equilibrium shows a long run proportionality between Yt and Xt when both variables are measured in logarithms. That is: $Yt - \alpha Xt$

Suppose that in the steady state there is a constant rate of growth, say g. That is: $\Delta Yt = \Delta Xt = g$

Then the equilibrium relationship is $Y_t - \sim X_t = \frac{_0 - g(1-y)}{y}$ Next to test for unit roots and co-integration, the parameters are estimated by fitting the error correction model.

Estimation techniques and method:

The empirical analysis is presented in the following stages: Unit root test, Cointegration vector error correction and Granger causality analysis. Basically, the idea is to ascertain the order of integrations of the variables and the number of times the variables have to be differenced to arrive at stationary. This enables us to avoid the problems of spurious or inconsistent regression that are associated with nonstationary time series models.

Applying the ADF test to the residuals from the estimate of regression equation tests the hypothesis of co-integration. If the calculated t –value for the ADF are greater than the mackinnon critical values, the variables are considered to be stationary. If it is found to be significant then, the second step is followed whereby the residual from this static regression are used as an error correction term in the dynamic first difference regression estimation. If the error term is stationary then the variables are co-integrated; implying a long run equilibrium (non-spurious) relationship exist among the set of variables as expressed by the OLS equation.

The VEC model is used for analyzing the interrelation of time series and the dynamic impacts of random disturbances of the system of variables. It is adopted for this work because it is commonly used for forecasting systems of interrelated time series and for analyzing the dynamic impact of random disturbances on the system variance. Thus, the VAR model captures the feedback effects allowing current and past values of the variables (Savings and Investment) in the model. But, the estimation and inference processes are complicated by the presence of the endogenous variables which appear on both sides of the equation.

RESULTS AND DISCUSSION

The gross domestic saving of India is divided into two parts – Public Saving and Private Saving Private. Saving is further divided into two parts, those are Household Saving (Investment) and Corporate Saving (Investment) but researcher used booth aggregate data.

While India's saving and investment rates have steadily increased over time, their composition has undergone a considerable change. The most noticeable trend is the growing divergence gross domestic saving. Public saving declined from its peak level of 15.43 per cent in 1981-82 to 13.54 per cent in 2001-02, from where it again declined to 9.52 per cent in 2016-17. During the same period, saving rates of both the household and private corporate sectors have steadily increased, offsetting the decline in the public sector. The private corporate sector, whose saving rate was stagnant till the late 1980s, has recently emerged as the sector with the fastest rising saving rate.

Similar compositional changes have occurred in investment as well. Until late 1980s public investment rate was dominating (16.10 %) and reached its peak of 28.23 per cent in 1991-92. Following the liberalization in early 1990s, the role of public sector has gradually reduced in number of sectors, and its place has been taken over by the private sector. Hence, the private corporate investment has steadily increased offsetting the decline in the public sector investment. The share of public sector investment in total investment was stagnant at around -1.96 per cent till 2000s, and has declined to 4.74 per cent in 2016-17. However, its share in total investment broadly remained the same.

Lag selection procedure:

Before preceding unit root, co-integration and vector error correction test, we investigated the

Table 1 : Saving and Investment Situation in India (Rs. in Billion)

Year	Gross Domestic Savings	AAGR	Gross Domestic Investment	AAGR
1980-81	265.90	0	286.84	0
1981-82	306.92	15.43	333.03	16.10
1982-83	349.56	13.89	375.22	12.67
1983-84	392.39	12.25	417.56	11.28
1984-85	457.86	16.68	490.78	17.54
1985-86	534.14	16.66	596.48	21.54
1986-87	586.93	9.88	650.48	9.05
1987-88	737.07	25.58	805.32	23.80
1988-89	874.92	18.70	997.96	23.92
1989-90	1067.30	21.99	1190.09	19.25
1990-91	1344.08	25.93	1526.04	28.23
1991-92	1435.30	6.79	1469.07	-3.73
1992-93	1646.21	14.69	1784.37	21.46
1993-94	1929.94	17.24	1977.85	10.84
1994-95	2466.68	27.81	2585.61	30.73
1995-96	2892.65	17.27	3100.45	19.91
1996-97	3183.87	10.07	3361.25	8.41
1997-98	3797.90	19.29	4020.92	19.63
1998-99	4181.59	10.10	4365.21	8.56
1999-00	5168.46	23.60	5388.34	23.44
2000-01	5155.45	-0.25	5282.99	-1.96
2001-02	5853.75	13.54	5711.46	8.11
2002-03	6562.29	12.10	6277.43	9.91
2003-04	8237.75	25.53	7624.16	21.45
2004-05	10507.03	27.55	10640.41	39.56
2005-06	12351.51	17.55	12797.54	20.27
2006-07	14859.09	20.30	15314.33	19.67
2007-08	18363.32	23.58	19007.62	24.12
2008-09	18026.2	-1.84	19313.80	1.61
2009-10	21823.38	21.06	23631.32	22.35
2010-11	26217.42	20.13	28414.57	20.24
2011-12	70980.00	170.74	30268.37	6.52
2012-13	79573.00	12.11	33692.02	11.31
2013-14	88678.00	11.44	36081.93	7.09
2014-15	97062.00	9.45	41197.66	14.18
2015-16	105396.00	8.59	44189.19	7.26
2016-17	115428.00	9.52	46285.20	4.74

Notes: AAGR: Average Annual Growth Rate
Source: Reserve Bank of India Annual Reports of various Issues

most appropriate lag selections through applying VAR lag order selection criteria. Likelihood Ratio (LR), Final prediction Error (FPE), Log likelihood (LogL), Akaike information, Schwars information and Hannan – Quinn information criteria have been separately calculated.1 lag level have been commonly selected for a group of statistics. Following the lag order selection test savings/investment relationship with economic growth have been analyzed in India. Vector auto-regression model is estimated from 1980-81 to 2016-17.

Table 2 : Lag Selection Criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-20.77667	NA	0.000848	1.441010	1.577056	1.486786
1	130.0299	265.0539*	1.58e-07*	-7.153325*	-6.609140*	-6.970223*
2	132.7459	4.279836	2.34e-07	-6.772479	-5.820156	-6.452052
3	134.4791	2.415951	3.79e-07	-6.332066	-4.971605	-5.874312
4	147.8003	16.14689	3.14e-07	-6.593956	-4.825356	-5.998876

* indicates lag order selected by the criterion
LR: sequential modified LR test statistic (each test at 5% level) FPE: Final prediction error
AIC: Akaike information criterion SC: Schwarz information criterion
HQ: Hannan-Quinn information criterion

The savings rate of India in natural logarithm. It shows the effect of an unexpected one percentage point increase in savings as a result of changes in investment, as it works through the recursive VAR system with the coefficients estimated from actual data. This estimated impulse responses show patterns of persistent common variation. An unexpected fluctuation in savings trends upwardly over 37 years, and is associated with a persistent increase in investment and savings.

Table 3 : Results of Unit Root Test

Variables	ADF		PP	
	Level	First difference	Level	First difference
LGDP	-0.597538	-5.195736***	-0.597538	-5.197812***
LGDS	1.168162	-6.169563***	1.168162	-6.169563***
LGDI	-1.168657	-6.110321***	-1.192982	-6.110321***

Notes: ADF:Augmented Dickey–Fuller PP: Phillips–Perron
The t-statistics refer to the MacKinnon (1996) one-sided p values table
*** Significant at the 1% level : -3.626784 ** Significant at the 5% level:-2.945842
* Significant at the 10% level: -2.611531

GDP (Natural Log GDP):

The computed Augumented Dickey Fuller and Phillips–Perron Unit Root Test (ADF) test statistic tests (-5.195736) is greater than the critical values 1% level : -3.626784, 5% level :-2.945842, 10% level: -2.611531, and PP test statistics (-5.197812) therefore after taking the first difference we can reject the null hypothesis H_0 that there is no unit root. It means the gross domestic product series doesn't have a unit root problem and the GDP series is a stationary series at 1%, 10% and 5% significant level.

Gross Domestic Savings (LGDS):

The computed Augumented Dickey Fuller and Phillips–Perron Unit Root Test (ADF) test statistic tests (-6.169563) is greater than the critical values 1% level : -3.626784, 5% level:-2.945842, 10% level: -2.611531, and PP test statistics (-6.169563) therefore after taking the first difference we can reject the null hypothesis H_0 that there is no unit root. It means the gross domestic savings series doesn't have a unit root problem and the gross domestic savings series is a stationary series at 1%, 10% and 5% significant level.

Gross Domestic Investment (LGDI):

The computed Augumented Dickey Fuller and Phillips–Perron Unit Root Test (ADF) test

statistic tests (-6.110321) is greater than the critical values 1% level : -3.626784, 5% level:-2.945842, 10% level: -2.611531, and PP test statistics (-6.110321) therefore after taking the first difference we can reject the null hypothesis H_o that there is no unit root. It means the gross domestic investment series doesn't have a unit root problem and the gross domestic investment series is a stationary series at 1%, 10% and 5% significant level.

Therefore, we can conclude that both Savings, Investment and Gross Domestic Product series are non-stationary series, but the 1st - difference would generate the stationary.

Co-integration Tests:

In this analysis, the hypothesis of existence of any long-run equilibrium relationship between savings - investment and economic growth function is tested by using Johansen co-integration method natural log for Indian economy during 1980-81-2016-17. Same was also implemented for savings function. If Savings / Investment function shows a possible long-run equilibrium relationship during study period in India, then it means that the stochastic trend in savings is related to the stochastic trend in investment. Thus, by co-integrated variables, it will be constrained to equilibrium relationship in the long-run.

The Johansen method applies the maximum likelihood estimations to determine the presence of co-integrating vectors in non-stationary time series. The trace test and Eigen value test determine the number of co-integrating vectors. This implies stationary long-run equilibrium relationships between the variables. Table 4 [Savings to Investment] shows the trace and the maximum Eigen value tests using Savings and Investment According to these tests, for both Savings and Investment case the result have one co-integrating vector both statistically and economically significant at 5% significance level.

Table 4 : Result of the Co-integration Test based on Johnson Juselius method

Johansen Test for Cointegration (Trace Test)					
Hypothesized No. of CE(s)	Trace Statistics	0.01 Critical Value	0.05 Critical Value	Prob.**	Conclusion
None	0.295607	20.32406	29.79707	0.4011	One Cointegration
At most 1	0.135716	8.059386	15.49471	0.4591	Relationship
At most 2	0.080950	2.954520	3.841466	0.0856	
Johansen Test for Cointegration (Maximum Eigenvalue Test)					
None	0.295607	12.26467	21.13162	0.5218	One Cointegration
At most 1	0.135716	5.104867	14.26460	0.7285	Relationship
At most 2	0.080950	2.954520	3.841466	0.0856	

Max-eigenvalue test indicates no cointegration at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Above Table 4 describes the results of the co-integration test. There are two test statistics for co-integration, the Trace test and Maximum Eigen value test. The Trace-Statistic value is shown to be greater than the critical values at both 1% and 5% levels. Therefore, we reject the null hypothesis of no co-integrated equation among the variables. Thus, we conclude that there is at most one co-integrated equation among the variables. The results of Maximum Eigen value test statistics also express same here. Finally, we can say that there is a long run relationship between gross domestic product (GDP), gross domestic saving (GDS) and gross domestic investment (GDI).

Vector Error Correction Tests:

The results of the Vector error correction Estimates are presented below:

Table 5 : Results of Vector Error Correction Model

Error correction:	LGDP	LGDS	LGDI
Ecmt-1	-0.246366*	0.181194	0.052220
	[-2.58666]	[0.36379]	[0.20832]
LGDP	-0.021449	0.041849	-0.661941
	[-0.11571]	[0.04317]	[-1.35682]
LGDS	-0.035677	-0.014952	0.026684
	[-0.90154]	[-0.07225]	[0.25620]
LGDI	-0.008400	0.151667	0.027224
	[-0.10752]	[0.37123]	[0.13240]
C	0.134429*	0.144865	0.216112*
	[5.70357]	[1.17532]	[3.48385]

Notes: t-statistics in [] and * denotes the rejection of null hypothesis at 1% level.

Vector error correction analysis:

The results for long run vector error correction estimation revealed that every 1 per cent increase in output, causes 0.246366 all variable but in short-run dynamic vector error correction estimation revealed 0.035677 per cent increase in savings and 0.008400 per cent investment in India and the t-statistics for saving rate is found to be significant (2.58666 and also it is inelastic. The error term shows that 246 per cent disturbance have been eliminated between long-run and short-run estimations.

The coefficients of the variables (Savings and Investment) are statistically significant and have positive impact. The coefficient sign is found to be negative as expected. This further indicates that improvement in investment over the years has necessitated an increase in GNS (Gross National Savings).

Generally, the results obtained from the estimated equation revealed that the model is well-behaved and the explanatory variables explain well over 20 per cent of the variations in the dependent variable. This is adjudged by the value of the coefficient of determination (R2).

Table 6 : Granger Causality Tests

Null Hypothesis:	F-Statistic	Prob.
LGDS does not Granger Cause LGDP	0.00874	Reject
LGDP does not Granger Cause LGDS	2.01276	
LGDI does not Granger Cause LGDP	4.07758	Do not Reject
LGDP does not Granger Cause LGDI	1.32220	
LGDI does not Granger Cause LGDS	2.29457	Reject
LGDS does not Granger Cause LGDI	0.65690	

Note: 1% Significance level

Granger Causality Tests:

Granger-causality test statistics with 2 lags reveals that at least one variable helps to predict another variable. Table 5 summarizes the Granger-causality results for the two variables VAR. It shows the p - values associated with the F-statistics for testing whether the relevant sets of coefficients are zero. Investment helps to predict savings at the 5% significance level (the p-value is 0.0271 or 1%). Therefore, we can draw a conclusion that there is a bi-directional causal relationship

from investment towards savings in India. Saving GDP concerned national output promoted by savings and there is a uni-directional causal relationship with savings and output in India.

There is supporting evidence that there is bi-directional causality found from investment to savings in India, where savings turns into consumption especially for imported commodities. With our findings, there is a very strong consistency with the theory and a huge trade deficit in India trade balance validates our results.

Conclusion:

This study is designed to evaluate savings-investment relationship with economic growth during 1980-81 to 2016-17 in India. Domestic investment poses lesser risk than external debt for the borrowing country, although the latter promises higher return. If an investment financed by external borrowing does not bring return, the country faces the same external claim as when the investment had turned out well. But if the domestic investment is not profitable, the recipient country shares the loss with the investor. In the same way, if the domestic investment is positive, the country will have to share some of its profit with the domestic investor.

According to long run vector error correction explains that every 1 per cent increase in output, causes 246 all variable but in short-run dynamic vector error correction estimation revealed 356 per cent increase in savings and 840 per cent investment in India and the t-statistics for saving rate is found to be significant (2.58666). Savings and Investments are statistically significant and have positive impact to national output. Further it indicates that improvement in investment over the years has necessitated an increase in GNS

India's domestic investment policy should move towards attracting more investors through market expansion. This leads to the fact that investment flows which would on a normal day have come from countries of surplus capital like south eastern to capital deficient countries like India would now be going to stable economic growth in SAARC countries. With the variations in domestic investment, India needs to improve her domestic investment and domestic savings, in order to keep greater level of earnings. Foreign investment cannot add much to the economic development of India when linked to only capital supply than to ventures.

In conclusion, with the Indian government's main aim to see to an atmosphere for local investment, the legislature should understand that for a successful development, domestic investment should be encouraged, considering the fact that they add to the bulk of investment activities in the country.

Policy Recommendations:

The following strategies are thus proposed to policy makers and government since domestic investment contributes to the growth and development of India.

1) The government of India should encourage domestic investors though creating transparency in the operations of domestic companies within the economy.

2) The Indian government should create a more pleasant business environment, which will, attract domestic investors as well savings into almost all the sectors of the economy.

3) The government needs to enhance the infrastructural facilities to enable the domestic investors function well.

4) Human capital investment should be supported as well.

5) Government should fully engage in the liberalization of all the sector of the economy in order to attract both domestic and public investors.

6) For India to have more domestic and foreign investments, efforts should be made at managing the issues of government association with external image which involves seriousness and openness in the battle against degradation.

7) Govt. of India should make proper policies on saving and investment in gross root level than only we achieve economic growth and financial stability too.

Acknowledgement :

First of fall, I would like to express my gratitude and sincere thanks to Vijayanagara Sri Krishnadevaraya University Dept of Economics for giving this opportunity and infrastructure facility particularly Dr Basavaraja S Benni Chairman Department of Economics and Dean Social Science Main Campus, Vijayanagara Sri Krishnadevaraya University to doing this research work for his constant suggestions, support to making this paper in a clear manner and also I would like thanks to my M.A 4th Sem Project Students to collected data.

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