

Impact of Foreign Aid on Economic Development of India

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Abstract – Using developed countries as a sample, this research empirically examines the effect and influence of international assistance (ODA) on sustainable development (GDP). As control factors, we use FDI (foreign direct investment) and society (population). The findings of the panel data show that international assistance and economic development have a U-shaped relationship. International assistance has a detrimental effect on a country's economy at first, but over time, it leads to a country's economic growth favourable way. Furthermore, the findings clearly endorse the hypothesis that FDI and POP are more prevalent significant determinants of GDP, implying that GDP is less likely to increase be reliant on ODA. Strengthening the legal system will be critical for these countries, as their over reliance on ODA may have negative consequences for overall development. Importantly, good international assistance administration can guarantee that The Sustainable Development Goals (SDGs) are a collection of eight goals that aim to make the world a better place met.

Keywords – Capital Formation, Infrastructure, Foreign Aid, Economic Growth, Developing Countries

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INTRODUCTION

India's economic growth, especially in the post-liberalized period, is a glorious example of international economic cooperation. Foreign assistance from countries of various philosophies, in addition to United Nations and other foreign organisations, has played a major role in her proposed economic growth. Support has played a critical role in the country's overall economic growth, in addition to assisting in the extraction of untapped natural resources and infrastructure development. In particular, international assistance helps with three things: (a) providing extra foreign exchange inputs, (b) supplementing domestic savings, and (c) facilitating technology transfer. The extent to which institutional foreign assistance will contribute to the expansion of the economy's productive potential is dependent on the recipient country's judicious External assist use, ambition, and overall disposable capital. Around the same time, its precision provides opportunities for development well past the stage where it is used. Furthermore, capital goods imports may free up non-aid resources for current use, while consumer goods aid may help free up domestic resources for capital formation. Despite the fact that net help's share of overall plan spending has been decreasing since the Seventh Plan and has been less than 20% since the Eighth Plan, gross aid disbursements have been rapidly growing, leading to the country's high external debt load. For a long time, and also in recent years, India's balance of payments has been severely strained by mounting debt-service

responsibilities. International assistance is a supporting hand, but the primary goal of foreign aid is to assist the recipient nation in achieving self-sustaining and self-generating development in a fair amount of time without focusing on foreign aid.

The voluntary transfer of money from country to nation is known as foreign aid. Any capital flow to developed countries is included in this transition. A developed world is typically one that lacks a strong economic base and has a poor Index for Human Development (HDI). A credit or a credit grant may be used to provide foreign assistance. That may be a flexible loan or a hard loan. This difference assumes that whenever the assistance would be repaid in foreign currencies, the loan is considered a hard loan. It's a soft loan if it's in the home currency. Hard loans are made by the World Bank, whereas soft loans are made by its affiliates. The word "development collaboration," coined World Health Organisation (WHO), refers to the notion that an alliance should occur between donor and receiver, rather than the conventional circumstance in which one side's resources and technical expertise controlled the relationship. The majority of development assistance comes from Western developed nations, although certain poorer nations still contribute. Help might be bilateral (submitted directly from one government to another) or multilateral (given to an international body For example the World Bank (UNDP), UNICEF (UNAIDS) etc.) and then distributes it to developed countries). Currently, the percentage is about 70%

bilateral and 30% multilateral. Official development assistance accounts for around 80–85 percent of all development assistance (ODA). Profit organisations such as "non-governmental organisations" (NGOs), trusts, among other charities for growth account for the remaining 15–20 percent (e.g., Oxfam). Furthermore, remittances from refugees serving or staying in the Diaspora account for a large portion of foreign transfers. Aid is widely regarded as one of the most significant components of the global development partnership effort, and it entails a transfer of funds from industrialised to emerging countries. This form of funding, also Identified as official aid for growth (ODA) is primarily covered in this portion. However, as we can see, this is not the only kind of financial assistance provided by developing countries. There are several other ways of assistance, both from government and nongovernment agencies that are far less relevant than ODA. After 1961, 23 developing countries (including the European Union) have agreed to provide official development assistance through the OECD's Development Assistance Committee (DAC). The DAC currently has 29 participants, with the amount predicted to rise in the coming years. At the same period, the OECD is responsible for tracking and collecting data on all development flows, including those from DAC and non-DAC sponsors, multilateral assistance organisations, and other private investment and philanthropy.

For the purposes of this analysis, foreign assistance may be divided into the following five main categories: goals, terms and conditions, time frame, resource exchanges, and so on. The five categories of assistance may come in the form of loans or grants:

1. **Economic Aid:** It requires assistance geared toward the recipient country's socioeconomic and human growth. Its long-term goal is to improve society's well-being. This form of assistance is mostly provided to developed countries with a solid economic base.
2. **Financial Aid:** It applies to aid that is only intended to address the receiving country's financial situation for a limited time. Its sole purpose is to defer current issues to the future. This form of assistance is mostly provided to developing countries (UDCs) and low-income countries (LMICs) in their early stages of economic development.
3. **Technical aid:** It refers to assistance provided to LDCs by International organisations like the UN, as well as individual governments, foundations, and organisations, with the goal of providing the basic skills required to foster development.

4. **Military Aid:** It refers to the assistance provided to an ally in the defence Sector to assist in the war against another nation. It is granted to developing countries in order for them to retain sovereignty of their own territories.
5. **Food Aid:** Food assistance is provided to countries that are in desperate need of food, especially if they have recently suffered a natural disaster.

Foreign aid decline

Strange funding is steadily decreasing. In consideration of real valuation and inflation, rich countries have slashed assistance funding by 8.4%. Last year, the governments of the OECD's 22 economies contributed around EUR 66 billion, or around 0.28 percent of the GDP of the organization's 22 donor countries; in 2006, it was 0.31 percent of GDP (Missionary International Services News Agency, 2008). Development assistance flows fell to \$59.2 billion in 1994 after gradually increasing during the 1980s and peaking at \$60.9 billion in 1992. In 1994, the Economic Co-operation and Development Organization (OECD) members pledged 0.30 percent of their total GNP to development assistance, the lowest level in twenty-one years and fewer than half of the universal requirement of 0.70 percent. While the OECD argues that actual assistance increased by 2.4 percent, Patrick Bond of the Centre for Civil Society (CCS) in South Africa, and author of *Looting Africa*, reports that rich countries cut help by 8.4% in 2007, despite a 6% increase in weapons spending. Defense investment in the world is about 13 times that of international development assistance." The causes of this deterioration are not difficult to identify. International funding has long been charged with squandered by inefficient aid organisations pumping funds through the coffers of greedy third-world nations, according to critics. One of the ends of the Cold War major factors contributing to this decline. After the close The Cold War, global humanitarian aid has decreased dramatically. ".....according to African Development Indicators 2001, two important sources of finance, foreign direct investors (FDI) and official aid, are both declining in size, and seem to favour those countries with lucrative mining and oil industries in the case of FDI, or countries with lucrative mining and oil industries In the event of official said," Elisa said in a World Bank news release. International aid's actual worth/monetary value is steadily decreasing due to inflation and other economic factors. For certain nations, a fall in grant flow is a decline in the proportion of the food assistance. The emerging partner has also refused bi-lateral funding due to allegations of grant misuse by government departments.

Foreign Aid and Development

Foreign assistance to developed nations has become a critical stream of funding for sustainable development. Numerous reports of assist efficacy, In the contrary, have struggled to reach an agreement. According to several assistance efficacy reports, humanitarian aid has bad effects domestic capital mobilisation. Others believe that assistance has a beneficial effect on economic development. The concern now is how international assistance impacts developed country economic development.

International Help Effect

The impact of international assistance on development is a hot topic of discussion. When aid is an important part of an economy, it is difficult to ascertain the development effect of the assist; there are little "experiments" in foreign funding number the According to the regulations donors use to pick recipient countries, according to Galiani, There are a number of points country's development curve where assistance inflows fall. They use the significant improvements in help during this time to assess how aid affects development, and they come to the conclusion that aid has a considerable positive effect. While assistance has had some negative impacts on most African countries' growth and development, evidence indicates that development aid, in particular, has a significant and Positive economic development effect and development. Aid to construction has a beneficial impact on growth and it will encourage long-term sustainable growth and development by encouraging infrastructure and human capital developments.

International assistance is intended to do three things: (a) augment domestic savings, (b) provide extra foreign exchange supplies, and (c) promote technology transfer. To what extent foreign aid may contribute to the growth of a country's productive potential is based on the recipient country's judicious utilisation of foreign aid, commitment, and overall disposable capital. International funding, in the contrary, generates growth opportunities well above the stage which it belongs used. Importing capital goods can free up non-aid resources for current use, while Assistance in the context of consumer goods may also free up domestic resources for capital creation. As a result, determining the exact effect of assistance is complex. As a result, we will address the importance of aid engagement in developing the effective capacity.

1. **Foreign aid has helped to raise the level of investment:** The average pace of spending has risen significantly from over 10% of national income at the beginning of First Plan to nearly 25% of national income today. This rise in the pace of spending necessitated a similar increase in foreign exchange outlay, which was beyond the

country's means. The nation has been in a severe foreign exchange crisis since 1972-73. It would have been almost unthinkable for the nation to overcome this adversity without assistance.

2. **Aid used to stabilise food prices and import raw materials:** A large amount of the overall assistance used was in the form of aid in kind or commodity, the majority of it was used to buy food crops, which helped to stabilise food grain prices. A portion The aid was given used to purchase raw materials or replacement parts that were in abbreviation the market, resulting in a significant rise in the country's production.
3. **Aid used for the enlargement of irrigation and power potential:** External assistance has made a major contribution to agriculture's productive capability by expanding the country's irrigation ability. International funding also aided in the modernization of manufacturing techniques in the dairy and fisheries industries. Foreign funding has significantly aided the country's power capacity. It also enabled the nation to import machinery and facilities, allowing it to expand installed capacity from 2.3 million K.W. in 1950 to 2.3 million K.W. today (113 million K.W. in 1999-2000)
4. **Aid for improving transport:** Transportation absorbed a considerable portion of the overall used funding, 14 percent, with the railways receiving 12 percent. It has contributed significantly to the reconstruction and upgrading of railway transportation, and even the expansion of rolling stock and locomotives.
5. **Aid used for building up steel industry:** Foreign funding has played a critical role in the country's ability to build capacity in such a simple line of development as steel. About 80% of the assistance used by the manufacturing sector has gone to expand and create capability in the steel industry. West Germany, The Soviet Union former, and the United Kingdom provided the required assistance.
6. **Aid used to develop petro-chemical and electronics industry:** India is attempting to grow the petrochemical and electronics sectors everything and all. The Face 'sunrise industries,' as they are commonly known, are the forerunners of a new industrial revolution. This cannot be achieved without the assistance External assistance and the legislature is now putting forth all efforts to modernize our

industrial structure by forming international partnerships.

7. **Aid used to enlarge technical resources:** External assistance has also aided in the expansion of technological expertise by providing specialist services, educating Indian professionals, and assisting in the establishment of new or expanding established educational research and training institutions in the region.

International assistance position economic development

According to neoclassical analysis, the role of international saving (including aid) is to supplement domestic saving, raise spending, and thereby accelerate development, i.e. aid stimulates additional private capital flow because capital accumulation is needed for rapid and self-sustaining growth. Since there are some disagreements on what can be considered international assistance, economists describe it as any capital transfer from developed countries to LDCs that meets two requirements. Todaro states that, first and foremost, the goal should be non-commercial from the donor's perspective, and second, it should be defined by favourable words (e.g. External assistance loans hold interest rates lower than those in the domestic capital market open to the recipient country). The term "financial assistance," which is now commonly used and recognised, refers to both official and concessional grants, in cash or in kind, aimed at moving money from industrialised to developing countries for the purposes of growth or income distribution. The characteristics of foreign assistance are diverse. Help comes in several forms, including balance of payment assistance, mission assistance, nutritional assistance, technological assistance, and human resource assistance. According to Todaro, international funding may be divided into two categories: public development assistance (bilateral aid) from various national governments and global donor organisations e.g. Commercial development aid and World Bank from nongovernmental organisations (NGOs).

International funding is also intended to achieve a broad variety of objectives. Help may be related the evolution of free entrepreneurship and the capitalist economy, democratisation and human freedom, population reduction, and environmental protection on the side of the developed countries (OECD 1990). The pursuit of economic prosperity has become a shared principle goal. Help has long been used to compensate for the absence of existing Commercial markets with money might support developing countries. The lack of investment resources, both globally and inside LDCs, It says it's had hampered poor countries' development opportunities and even doomed them to a life of suffering in a so-called "vicious loop." As a result, aid was intended to

supplement domestic spending. According to neoclassical analysis, the role of international saving (including assistance) is essential supplement domestic saving, raise spending, and thereby accelerate development, i.e. Further private capital flow induces help because capital accumulation is needed for rapid and self-sustaining growth. Both are thought to increase the economy's productive potential and foster technical development. Aid can had an effect on development by influencing the pace of expenditure. The aim of international transactions is to supplement domestic investment capital.

Another point in favour of assistance is its function in alleviating suffering and redressing wage disparities in developed nations, which is often linked to economic development (UNDP 1996). Furthermore, recent focus on fostering democracy, civil rights, and environmental concerns in the 1980s complicated these feelings. New goals were developed in the 1990s, Support for export markets in LDCs, for example. Help would be unable to achieve all of these goals at the same time. Help is now mostly seen as a way of improving recipient countries' utilisation of domestic services. Help is now focused on promoting the implementation of growth-oriented economic, Commerce and monetary policy, rather than on development programmes Health, schooling and farming. Some forms of assistance, while welcome, or not or may not have a significant effect on GNP development only yield noticeable effects over a long period of time. Another issue is obtaining accurate and comparable LDC data, in particular African low-income countries. Furthermore, some observers assume that meaning and estimation issues exist, resulting in statistical variation up to 50% of the population 'true' estimates. However, whether or not there's a house link between savings, international assistance, investment, and development in LDCs remains to be seen.

LITERATURE REVIEW

Adanne Eze et. al. (2013) from 1984 to 2017, this research looked at the connection between international assistance and economic development in Nigeria. This work used The Lag Distributed Autoregressive Bounds approach for cointegration. International assistance did not add to Nigeria's economic development, according to the findings. In addition, short as well as long term, the macroeconomic policy climate did not lead to economic development. Furthermore, the results revealed the international influence assistance on Nigeria's economic development was dependent on the consistency of the country's macroeconomic policy climate. In consequence, the argument that help efficacy is based on the policy climate was true for Nigeria. As a result, this study shows that government

officials are creating a sound, predictable macroeconomic policy system to stimulate domestic savings and ensure that foreign assistance can be used successfully. Moreover, the economy needs to be diversified by viable alternatives, such as agriculture, industrialization and commerce, in order to eliminate over-dependence on international aid as a major means of supporting economic growth. Moreover, it should be effective to work with the Commission on Economic and Financial Crimes and Independent Corrupt Practices and Other Related Offenses to convince development partners and other aid donors that public funds, including foreign aid, are now no longer working for personal gains, and that.

Paul et. al. (2014) Use of yearly data 1975/76 to 2016/17, this paper empirically explores the foreign effect assistance on economic development and poverty alleviation in India. We use Pesaran et. al. (2001)'s Distributed Lag Autoregressive process (ARDL), which is more suited to experiments of minimal samples and fractionally integrated variables. International assistance has an important beneficial effect on Short-term but not long-term economic growth, according to empirical data. The findings also show that, Short as well as long term, funding has little substantial effects on poverty alleviation. As a result, the report suggests that international assistance is a significant force in economic growth in the short term, but has no impact Long-term development. Furthermore, during the study time, the assistance had no substantial impact on poverty alleviation in India.

Aguilar et. al. (2014) Using three multidimensional poverty specifications, this paper introduce a new global profile of multidimensional poverty. The paper compares global monetary poverty profiles with the current World Bank measure of combined monetary and non-monetary poverty; examines how global poverty varies by specification, the level of multidimensionality, and presents a collection of estimates of global multidimensional poverty disaggregated characteristics in 2015. We discover the following: (i) at a global level, the overall characteristics of global multidimensional poverty are similar to those of global monetary poverty at \$1.90 per day; (ii) at a disaggregated level, we discover that poverty in rural areas is characterised We discover suffering at a national level in rural areas, by simultaneous education deprivation and access to proper facilities (water, sanitation, power and housing) is characterised by overlapping deprivations.

Mahembe, E. et. al. (2017) The theoretical correlation and dissemination process by which Official Help for Growth (ODA) or international aid affects poverty is explored in this paper. The report further discusses several of the almost important discussions about the importance of international assistance in terms of growth and poverty reduction in particular. The key results of this exploratory

analysis Show you're there no well established economic theory for allocating international assistance. Several theories have been proposed, but the majority of them have received harsh criticism. As a consequence, there are two distinct and radical points of view: those who claim that international aid will help to create a virtuous cycle of economic prosperity and poverty reduction, and those that think that foreign aid causes poverty and stunted progress. Finally, a third party believes that as we identify the mechanisms by which international assistance influences growth, we would expect to see varying degrees of positive effects on Poverty reduction and growth, based on the mechanism chosen, the characteristics of the recipient nation, and domestic economic policies.

Tang et. al. (2017) I create an "institutional efficiency index" that includes six governance indices culled from the WGI database. "Crime," "government efficiency," "political stability," "regulatory consistency," "accountability," and "rule of law" are the benchmarks. Now, in order to create a "institutional quality index" that tests a country's governance structure as well as political situation, Level of GDP development has been calculated using these six governmental quality metrics, and the coefficients of these indicators have been replaced into the "institutional quality equation" (see question below). In consequence, the following institutional quality index was established.

Foreign assistance position in India

In the pre-war era, there was an ideological and psychological obstacle to The Overseas Use assistance in the case of Indian economic development. It is discovered that attitudes about the use of international assistance have changed in the postwar era. The Government of India's Industrial Policy Resolution of 1948 opened the gates to international capital. However, there was one stipulation: the majority of ownership and successful management must be in the possession of Indians, and sufficient training facilities for Indian workers must be given. Drawings from the IMF to satisfy demands on hard currency begun in India after independence early 1948 with the inflow of international economic aid. India was first borrowed from the World Bank in 1949, for the extension and modernization of India's railways. In January 1950, the Colombo Plan was developed to promote industrial and general economic development in the Countries in South and South-East Asia. On June 30, 1951, this proposal went into effect. India is one of the countries that benefited greatly from the Colombo Plan in terms of economic development (A council for technical cooperation with headquarters in Colombo offers assistance in planning, Public Administration, Health Services, Agricultural and industrial activity for scientific research and staff preparation and training equipment). The International Bank for

Reconstruction and Growth, the countries of the Joint Capital and the US

METHODOLOGY OF THE STUDY

Data collection

GDP data were generated by the World Development Indicators (WDI), and FDI, ODA and POP data were provided at the United Nations Trade & Development Conference (UNCTAD). For the years 2005 through 2013 (nine years), developing country data was collected, and the list is available in the Appendix.

Empirical results

Empirical literature data shows that ODA has a positive or negative impact on GDP. We also have ODA² which examines the nonlinear interaction between ODA and economic growth and the probability of an interaction between ODA and economic development. Two control variables (FDI and POP) were used in the assessment model to address the concept of ODA dependence. The FDI is an external capital metric with an optimistic sign. POP, by contrast, is a labour force indicator of the country. The growth of economic stability in the labour market is expected to improve. Consequently, before estimating, the symbol for POP is considered positive. Prior to the estimation the GDP, ODA, ODA², FDI and POP variables have been converted. Previous studies utilised various models, such as ODA, ODA², FDI and POP extensively; see, for instance. The models are expressed as follows:

$$GDP = f(ODA, ODA^2, FDI, POP)$$

When GDP is the gross domestic product ODA stands for official development aid, ODA² stands for squared official development aid, FDI stands for direct foreign investment and POP stands for the public. Where GDP stands for gross domestic product In order to analyse the effect of foreign aid on economic development, the following models of regression have been used: pooled OLS (POLS), random effects (RE), fixed effects (FE) (FERB)

$$GDP_{it} = \beta_0 + \beta_1 ODA_{it} + \beta_2 ODA^2_{it} + \beta_3 FDI_{it} + \beta_4 POP_{it} + \varepsilon_{it}$$

Where index I = 1,..., N indicates nations, indice t = 1,..., T refers to the interval of time, and it refers to the word error. In order to verify that the POLS model is suitable for this analysis, an evaluation of Breusch-Pagan Lagrange (BPLM) multiplier is used. If BPLM findings are refused, POLS are not suitable for this analysis. A Hausman test will be used to decide whether RE or FE are the best models for this study. The RE model is as follows:

$$GDP_{it} = \beta_0 + \beta_1 ODA_{it} + \beta_2 ODA^2_{it} + \beta_3 FDI_{it} + \beta_4 POP_{it} + \delta_i + u_{it}$$

Where δ_i is the person unique impact and u_{it} is the standard distribution error expression. δ_i may be used calculate the unobservable characteristics. The following is the FE model:

$$GDP_{it} - \overline{GDP}_{it} = \beta_1(ODA_{it} - \overline{ODA}_{it}) + \beta_2(ODA^2_{it} - \overline{ODA^2}_{it}) + \beta_3(FDI_{it}) + \beta_4(POP_{it} - \overline{POP}_{it}) + (u_{it} - \bar{u}_{it})$$

As the mechanism is converted to a FE model, persistent and human factors are minimised. The stable FE model will be used to check the statistical results in this article if the Hausman test indicates that the FE model is the most strong. This is since the robust FE model used the consistent standard errors. The FE model would also be used as the final model of the inquiry.

RESULTS AND DISCUSSION

Table 1: Result Random effects, fixed impacts and fixed impacts for pooled OLS Regression results of robust models

	Model 1	Model 2	Model 3	Model 4
Independent variables:	Pooled OLS	Random Effects	Fixed Effects	Fixed Effects Robust
LODA	-0.726*** (-7.53)	-0.053*** (-3.17)	-0.051*** (-3.06)	-0.051* [-1.72]
LODA ²	0.037*** (3.99)	0.004*** (2.78)	0.004*** (2.73)	0.004* [1.82]
LFDI	0.122** (2.55)	0.036*** (5.05)	0.036*** (5.08)	0.036*** [2.68]
LPOP	1.021*** (39.23)	0.782*** (17.84)	0.746*** (7.44)	0.746*** [3.43]
CONS	2.641*** (9.76)	2.206*** (5.59)		
BPLM	3109.46***			
Hausman	19.76***			
N	853	853	853	853

The t statistics are shown in parentheses (.) and the stable standard error is shown in brackets [.] In 1 per cent, 5 per cent, and 10 per cent respectively, the asterisks **, **, and * signify statistical significance. LODA stands for official help for construction, LODA² stands for official development assistance squared, LFDI stands for foreign direct investment, LPOP stands for population, CONS stands for constant, and BPLM stands for Breusch-Pagan Lagrange multiplier.

In the solid POLS, RE, FE and FE models, ODA's effect on economic growth is analysed. POLS are not the correct model, as the BPLM results suggest. In addition, the FE is the better model, according to the Hausman test. Given this robust standard error in the FE model, the FE robust model was also used for this study to validate the statistical inferences. On the basis of this point, the final results were presented in columns 3 and 4. Surprisingly, observational findings indicate a U-shaped relationship between ODA and economic development. There is a negative relationship between economic development and ODA, while economic growth has a positive

relation to ODA². The adverse economic development effects of ODA are consistent with the findings of Mallik and Liew. This observation can be explained in many forms. In the first place, international aid can be attributed to the "poor strategy," in line with the dispute between Addison, Tarp and Niyonkuru over misadministration of the ODA by receiving countries.

Second, ODA can increase citizens' use, which gives citizens more free time. This reduces the availability and efficiency of the workforce and has a negative effect on overall development. Thirdly, the expansion of international support would reduce the accumulation of capital and the labour scarcity in the long term. They also said that international aid causes the currency to rise, which affects the balance of paid contributions. This would increase the risk of economic growth, as exports become more expensive and exports are reduced. This will lead to a deficit in those countries. In view of the positive effects of the ODA², social infrastructure, economic infrastructure, and services and manufacturing industries might help to improve over time. This may have a positive effect on economic development and increase job prospects in the economy through the different effects of international aid. In the long run, economic prosperity would be brought about.

Another way would contribute to long-term economic development by bringing aid into existing, productive programmes, investment in capital, more equitable and extensive social services, and motivating the vulnerable. The recipient government must, in order to distribute ODA equally to all economic sectors, exercise responsible, legislative, regulatory and economic governance. Foreign direct investment has been found to have a positive impact on economic development. This means that 1 percent FDI growth is equivalent to an increase of 0.036 percent in economic growth, which was statistically significant in Model 3. This study shows that an improvement in FDI helps to increase economic growth in the developed countries. Borensztein believes that FDI is an effective tool for technology transfer and economic growth. This is capable of propagating technologies worldwide and having a disruptive effect. FDI, on the other side, would pull foreign capital to support the global expansion of developing countries. The analytical findings also demonstrate that Model 3 increases economic development by 1% in population by 0.746%. In developed nations, this means that the population is increasing economic growth. A larger population means a larger workforce in developed countries. It would contribute to the creation of broad demand and to economic development. In addition, the effect of the population is greater than ODA and FDI. This is a major factor in economic development for the population. ODA has a slight impact on economic development in countries in comparison. ODA is therefore less susceptible of being a source of long-term economic development.

CONCLUSION

This article examined the effect of international aid on economic development. Surprisingly, the link between international assistance and economic development showed a U-shape using data for developed countries between 2005 and 2013. In addition, we discovered a positive correlation between the population and the economic growth of FDI. Superbly, the results clearly support the notion that GDP is more likely to be influenced by ODA, since FDI and pop are more important determinants of GDP. This disproves the contention that the receiving countries rely on the donors. This is not to say, for these groups of countries the assistance would not help to develop; instead, it was not statistically the most important determinant of growth. The improvement of laws and regulatory systems for these countries is critical according to this Article, but overreliance on outside aid may have a negative effect on overall development. For example, the government should track and monitor the inclusive distribution of foreign aid. A future extension of the empirical paradigm will include governance and its collaboration term to gain a greater understanding of these complex interrelations. All sides (donors and beneficiaries) must work together to ensure the proper implementation of ODA management and to achieve positive results. It is important to ensure the Sustainable Development Goals (SDG) are being achieved by a good International Assistance Administration.

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