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USA Foreign Aid to Major Recipient Country: An Overview

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Abstract

Foreign aid is the inflow of capital from developed nations to 'Less developing countries' in the form of cash, goods & services, for economic development and capital formation. The foreign aid services are used in Indian states for making better health, availability of food at the time of drought & flood, sustainability, education and it has multi-purpose role for giving good employment opportunities, infrastructure development, improving living standard, promoting the growth, removal of poverty, improving GDP and Increases Purchasing Power Parity. Nowadays USA's agency USAID gives the best educational, medical treatment, shelter and food facility to developing countries and has applied of green revolution technology for increasing the quantity of production of agricultural products.

Keywords: Economic Development, Capital formation, health, food, democracy & self-governance, sustainability and the environment.

Introduction

Foreign aid is the transfer of goods and services from develop country to developing country for assistance purposes. Nowadays USA become the one and only economically and financially strongest country to make help for 'Less Developing Countries'. USA gives foreign aid services on concessional terms with their repayment obligation to India, this improves the GDP, Purchasing Power Parity, Per Capita Income, Economic Development of Indian Economy, removal of poverty and unemployment. This aid facility is good to India from USA at the time of flood, earthquake for recover the losses from such incidence. The USA also gives the medical facility into poor states of India for meat out the causes and deases.

This foreign aid component includes loan, grants in aids, sale of surplus products and technical assistance. The USA Foreign aid loan amount creates debt-burden to India, where India government has to be make repayment after a certain period of time.

The primary motive of USA is to make good political, strong and economic relation with India, therefore emergency relief program of USA working with moral and humanitarian reasons.

Beneficiary Aspects of Usa Foreign Aid To India

➤ Foreign Aid Bridges Saving Gap And Balance Of Payment

India has low saving rate because of low national income, more poverty in few states and very per capita income as well as more quantity of imports than the exports. All these reason creates problem for Indian in capital formation, economic development and deficit in balance of payments. USA Foreign aid amount can meat out gap in between both of it.

➤ Developmental Requirements Are Met

Through USA foreign aid amount Indian economy can improve itself with regard to industry and power. Therefore Indian government makes the better utilization of this amount for purchasing raw materials and utilization of modern technology based machines.

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➤ **Establishment Of Modern Economic And Social Infrastructure**

The Indian Economy is always grows with the presence of economic activities therefore foreign aid amount can be utilize for availing the social infrastructure facilities and infrastructure development of Indian industries for good employment opportunities to people.

➤ **Level Of Technological Increases**

Through the use of USA foreign aid amounts India will have possibility to make Technical collaboration, use of modern technology based machines for improving the productivity of company and mass reach of goods to customers.

➤ **Meeting Emergencies**

The Indian government can utilize USA foreign aid amount at the time of flood, earthquake, drought and other natural calamities.

➤ **Defense Modernization**

The Indian government can utilize USA foreign aid amount for improving the defense activities like modern fighter planes, f-16 and other modern welfare technology. This is useful for financing the defense resources.

➤ **Increase In Tax Revenue**

The Indian government uses foreign aid amount for establishing the production plants and industries which provide goods and services to customers. Through charging the tax on revenue (sale) and profit of company government can gain increment in income tax and sales tax.

➤ **To Raise The Standard Of Living**

The Indian government can utilize the USA foreign aid money for construction purposes like e.g. establishment of new plants, industries and for real estate because this leads to national income and productivity. Through opening of USA based MNC's then there local people will have a good opportunity to get employment.

Factors Related To the Use of Usa Foreign Aid Amount

❖ **Availability of Funds**

Being a financially and economically strongest country of the World, USA can support to India through fund for further development of financial and service sector of Indian industries. This helps for capital formation and economic development of the country.

❖ **Capacity to Absorb Capital**

As per the present GDP and developmental growth rate of India has sufficient capacity to absorb capital from USA for Capital formation and Economic development purposes. This absorb capital includes plan and developmental projects for changing the structure of an economy.

❖ **Availability of Resources**

India can make better use of resources from USA for removal of poverty, unemployment, economic development and capital formation.

❖ **Capacity of recipient country to repay loans**

The debt burden of India creates problem for repayment of such loaned amount if there is lack of sufficient amount at right time. This repayment capacity can be judge through liquidity position and foreign exchange resources of the country.

Major Problems Related To Utilization of Usa Foreign Aid Amount

• **Increase in Foreign Aids Debt Servicing**

India year by year foreign aid services from USA. This raises the external debt burden on Indian Economy for e.g. Services of USAID to India, loan to India.

• **Increase in Production Cost**

The production cost can increase because of heavy expenditure made for production activities like purchase of raw materials and machine and payment to experts.

• **Habit of Dependence on Foreign Loan and Misuse of Aid**

If the Indian government using domestic resources without any policy and not using current technology for developmental purpose. This increases dependency on aid giving countries.

• **Exploitation of Donor Country**

This situation can occur because of political instability and unsuitable foreign policy in regard to giving foreign aid money to India.

• **Commodity Aid Discourages Domestic Agriculture Output**

If the Indian government using foreign based agricultural products which are in form of aid for improving the agricultural productivity. Then it increases cost of production and price for giving goods and services.

• **Dependence of Raw Material on Donor Country**

If the India has lack of raw material for making qualitative goods to consumer. Then it may be main cause to import raw material.

• **Saving Investments and Balance of Payment**

Through the use of USA's aid amount Indian government can fulfill gap in between domestic savings and foreign investments for making better situation of Balance of Payment.

Review-Literatures or Present State of Knowledge

➤ **James H. Williams 2014,¹**

In research paper titled '**Foreign Aid to India**' has explained the similarities and differences in educational assistance given by USA to India. Researcher has discussed about aid security, humanitarian and development dimension of United States. Finding of the study, United States offers a perspective on foreign aid in related to education and development.

➤ **Craig Burnside & David Dollar 2014,²**

In article titled '**Aid, Policies and growth to India**' have checked the positive growth, fiscal, monetary and trade

practices in Indian states. Researchers have discussed the utility of foreign aid and examined the determinant of policy in regard to foreign aid. Finding of the study, positive result is on growth rate of developing country by apply of reallocation policy.

Need of the Study

Nowadays USA has become a major aid providing country to the India. In the reviews authors have discussed about use of foreign aid for knowing the similarities and differences in developmental assistance and educational assistance given by USA along with this have checked the impact on growth in Indian States with good fiscal, monetary and trade practices. The less discussion is made about use of foreign aid amount to India for Economic Development and Capital Formation therefore it's become necessary to conduct the research work on this topic.

Objectives

To know the reasons and uses of such USA Foreign aid amount to India for Economic Development and Capital Formation purpose.

Research Design and Methodology

To make the present study scientific, the researcher has used following Research Design:

(a) Collection Of Data

This study is totally based on secondary data which has collected from official website of USA Loans and Overseas.

(b) Scope

Proposed study includes two most countries named India and US.

(c) Duration

This study based on data from 2001 to 2014.

(d) Analysis

The data collected by using above stated methods has tabulated and analyzed by using suitable statistical techniques like, Descriptive method and Test of Significant, etc.

U.S. Foreign Aid (in millions of dollars) to Major Recipient Country:
2000-01 to 2013-14

Region/ Country	2000-01	20 01- 02	2002 -03	2003 -04	2004 -05	2005 -06	2009 -07	2007 -08	2008 -09	2009- 10	2010 -11	2011 -12	2012 -13	2013 -14
Unit indicator	(million dollars)													
Total	16,836	20, 02 7	25,8 91	33,6 14	37,1 76	39,4 07	40,8 57	48,9 23	44,957	33, 94 7	31,2 36	29,8 32	34,3 19	38,8 06
Afghanistan	106	58 5	1,07 7	2,03 2	2,25 2	3,74 0	5,81 3	8,89 2	8,764	3,0 46	4,69 7	8, 875	9,56 2	8,95 4
Albania	55	42	51	59	43	54	35	46	37	34	46	42	49	46
Algeria	3	4	4	4	2	4	6	13	12	11	18	27	18	28
Angola	88	12 6	161	116	67	52	49	58	55	54	50	47	43	46
Antigua and Barbuda	1	4	0	2	1	0	1	0	1	0	3	4	6	14
Argentina	4	3	5	4	2	3	9	4	4	3	5	5	7	9
Armenia	92	82	75	80	76	175	81	215	63	60	82	148	145	158
Austria	0	0	0	0	0	0	0	0	0	9	4	2	9	12
Azerbaijan	29	54	58	60	64	56	56	37	48	44	45	47	48	45
Bahamas	7	7	6	8	4	7	9	20	13	13	16	25	29	36
Bahrain	6	39	95	25	21	17	18	5	9	0	7	18	13	23
Bangladesh	162	10 1	102	93	84	82	93	171	172	17 1	164	145	129	136
Barbados	2	1	1	1	2	3	1	0	1	0	3	2	7	8
Belarus	6	3	6	4	13	13	15	12	14	14	12	12	19	23
Belgium	0	0	0	0	1	0	32	24	12	12	10	21	24	25
Belize	3	3	2	3	3	3	6	4	7	4	6	5	6	9
Benin	29	29	31	29	25	23	263	93	59	58	51	47	49	54
Bhutan	1	0	1	0	0	0	0	0	0	0	2	2	3	5
Bolivia	203	18 8	209	183	162	224	181	128	101	10 1	221	348	143	193
Bosnia and Herzegovina	160	79	77	85	47	53	42	37	46	42	48	54	68	71
Botswana	2	3	15	22	42	44	214	211	104	10 3	119	107	123	136
Brazil	40	25	42	25	47	39	21	39	43	43	47	46	47	51
Bulgaria	60	55	55	43	44	40	27	26	21	12	22	35	39	47
Burkina Faso	15	16	15	18	33	21	28	45	509	50 8	513	615	218	314
Burma (Myanmar)	2	5	4	8	15	11	17	83	28	28	26	29	24	20
Burundi	35	26	44	49	59	50	38	46	63	63	57	41	49	49

Cambodia	45	54	63	93	98	71	75	76		83	80	79	68	64	72
Cameroon	6	8	16	13	13	10	7	20		24	24	19	14	24	34
Cape Verde	5	6	6	7	9	104	4	18		9	9	86	70	65	62
Central African Republic	0	1	16	19	16	4	37	31		36	36	39	41	49	57
Chad	9	5	7	59	63	82	98	127		222	222	159	146	141	183
Chile	3	2	4	3	4	2	2	3		7	6	8	3	4	7
China (P.R. Hong Kong)	0	0	1	0	0	0	0	0		1	1	2	1	3	8
China (P.R.C.)	11	23	28	39	40	45	65	103		62	62	61	65	60	64
China (Tibet)	0	0	1	0	0	0	0	0		0	0	0	1	2	5
China, Republic of (Taiwan)	0	0	0	1	1	2	43	21		32	32	29	42	39	42
Colombia	264	536	683	758	824	1,348	497	888		895	839	849	972	756	769
Comoros	0	0	0	0	1	1	0	2		0	0	2	1	3	4
Congo (Brazzaville)	3	2	5	7	3	14	11	3		5	5	7	6	5	5
Congo (Kinshasa)	99	82	112	117	121	171	150	260		349	325	264	571	217	298
Costa Rica	4	3	5	5	5	5	7	9		9	7	6	5	6	7
Cote d'Ivoire	4	3	25	34	40	36	87	79		91	91	86	83	81	84
Croatia	71	62	42	29	30	17	14	6		5	4	18	16	16	23
Cuba	4	8	7	9	14	17	12	32		20	20	21	28	23	26
Cyprus	16	12	1	8	35	25	14	17		11	11	12	14	18	19
Czech Republic	11	14	29	10	8	14	32	8		9	5	6	4	5	6
Djibouti	3	3	22	32	8	13	14	10		12	10	14	21	24	28
Dominican Republic	46	35	39	45	36	47	57	54		69	68	63	61	56	72
Ecuador	65	89	89	91	87	76	66	52		46	45	43	57	50	55
Egypt	1,716	2,202	1,716	1,958	1,563	1,787	1,972	1,492		1,785	483	653	845	956	978
El Salvador	139	145	61	70	59	69	252	223		156	145	119	217	360	412
Equatorial Guinea	1	0	0	0	0	0	0	0		0	0	0	0	0	0
Eritrea	80	31	96	86	133	11	13	15		17	17	19	16	15	19
Estonia	8	8	11	9	8	9	5	11		13	10	17	12	16	18
Ethiopia	212	179	602	436	693	317	463	996		940	939	786	754	846	945
Fiji	0	0	1	2	2	3	1	2		3	3	4	3	6	7
France	0	0	0	0	0	0	.	2		0	0	1	1	2	4
Gabon	2	2	3	3	2	2	2	1		1	1	2	0	1	3
Gambia	4	2	4	3	2	5	2	12		6	5	4	3	6	7
Georgia	97	190	92	124	106	251	97	274		622	609	546	854	364	418
Germany	1	0	0	1	0	0	0	0		0	0	1	1	0	3
Ghana	70	62	76	73	72	94	431	230		175	174	114	146	194	213
Greece	5	1	8	1	1	1	1	1		1	1	1	1	0	1
Grenada	0	0	0	2	2	0	0	0		0	0	2	0	2	3
Guatemala	80	92	83	77	96	106	84	111		141	140	167	145	167	168
Guinea	72	51	50	55	45	37	34	26		31	31	42	47	46	54
Guinea0Bissau	2	2	2	1	15	5	6	1		2	2	5	3	3	5
Guyana	17	6	11	20	24	22	31	30		23	23	27	26	24	27
Haiti	94	63	84	163	224	243	210	310		369	366	264	289	316	347
Honduras	52	50	71	66	271	89	63	74		42	42	69	48	43	51
Hungary	13	14	23	13	14	7	10	30		6	4	21	27	29	32
India	222	228	178	190	214	177	161	148		133	132	195	195	193	172
Indonesia	195	204	181	161	588	269	236	208		226	209	482	472	461	513
Iran	0	0	1	10	1	3	5	7		1	1	8	6	4	7
Iraq	0	2	3,885	8,675	9,482	10,563	7,959	7,506		2,256	2,253	5,289	6,024	3,521	5,467
Ireland	44	0	50	0	37	.	27	.		30	30	34	39	38	39
Israel	2,839	2,7	3,72	2,72	2,71	2,54	2,51	2,42		2,432	52	2,15	2,14	2,15	3,12

		88	9	2	4	4	0	5			9	5	3	7	
Jamaica	35	26	26	41	66	37	36	22		28	26	29	34	35	38
Japan	0	0	0	0	0	0	0	4		0	0	3	2	4	6
Jordan	272	33 9	1,69 6	637	683	562	542	879		816	57 8	648	614	649	715
Kazakhstan	47	66	61	78	66	110	105	112		91	86	76	81	77	81
Kenya	155	10 9	126	187	262	391	515	718		918	91 7	812	745	715	789
Kiribati	1	1	1	1	1	1	1	1		0	0	1	1	3	5
Korea Republic	0	0	0	0	1	1	24	188		14	14	16	15	17	23
Korea, Democratic Republic	162	11 8	42	56	8	0	14	6		2	2	28	26	28	29
Kosovo	105	73	43	53	43	0	0	207		136	13 3	142	124	146	216
Kuwait	0	0	0	0	1	1	1	0		0	0	1	1	1	1
Kyrgyzstan	32	60	56	43	49	45	48	76		50	48	58	51	46	51
Laos	5	10	7	5	7	3	4	7		7	7	8	7	9	7
Latvia	7	9	12	11	7	12	16	9		6	3	11	16	14	17
Lebanon	53	15	67	36	25	174	209	198		215	15 5	127	146	159	162
Lesotho	2	2	3	5	4	4	39	362		38	37	57	54	57	61
Liberia	54	16	45	138	148	152	257	312		225	17 3	219	246	276	226
Libya	0	0	0	0	0	25	4	10		11	11	15	19	16	19
Lithuania	8	9	14	11	9	7	10	4		3	1	3	4	3	5
Macedonia	64	77	68	50	48	45	35	32		33	29	24	36	34	39
Madagascar	50	36	47	47	89	55	67	119		68	68	62	76	67	69
Malawi	39	61	39	53	84	73	105	103		135	13 5	134	128	142	156
Malaysia	2	2	3	2	12	5	7	53		40	39	36	34	38	48
Maldives	0	0	0	0	5	0	0	0		0	0	1	2	3	5
Mali	48	51	52	58	55	65	381	142		222	22 2	154	169	156	195
Malta	8	0	6	0	0	1	0	1		1	1	2	2	1	3
Marshall Islands	41	50	47	42	44	51	48	48		49	49	45	43	48	42
Mauritania	7	7	20	13	23	13	12	24		17	17	19	18	17	19
Mauritius	0	1	0	0	1	1	1	0		1	0	1	1	0	1
Mexico	55	96	68	94	102	185	89	95		499	46 6	246	365	248	236
Micronesia (Federated States)	82	99	99	95	94	100	100	79		108	10 8	108	142	194	197
Moldova	51	39	39	47	32	27	47	20		28	26	27	35	38	39
Mongolia	18	26	23	32	19	16	17	325		39	37	23	28	26	28
Montenegro	0	0	0	0	0	17	9	10		6	5	8	7	6	9
Morocco	42	29	42	35	55	53	82	525		244	23 6	217	146	217	217
Mozambique	214	90	93	113	127	160	237	799		325	32 5	342	296	256	256
Namibia	16	15	32	31	50	64	91	131		396	39 6	269	219	351	368
Nepal	51	66	55	55	73	60	81	106		89	89	76	68	76	73
Netherlands	0	0	0	0	0	0	2	1		1	1	3	2	0	3
Nicaragua	67	54	67	62	96	163	58	145		46	44	81	82	76	73
Niger	11	15	14	20	27	34	38	50		44	44	57	51	64	71
Nigeria	98	11 1	93	132	151	187	340	485		501	49 8	354	446	175	187
Oman	1	26	82	26	26	19	15	24		19	11	29	34	31	39
Pakistan	188	1,0 80	587	441	758	954	975	963		1,783	1,3 54	873	659	873	875
Palau	14	14	14	15	13	27	27	27		27	27	31	31	46	53
Panama	17	21	20	26	21	34	29	16		30	27	26	27	27	31
Papua New Guinea	1	0	0	1	0	0	2	3		3	3	2	1	2	3
Paraguay	16	16	14	19	13	53	18	17		57	57	51	47	38	45
Peru	216	28 6	230	273	191	338	165	159		149	14 8	164	146	246	247
Philippines	151	20 8	205	238	167	212	169	161		185	15 5	128	136	241	256
Poland	18	44	32	37	93	34	32	31		79	49	78	79	68	74
Portugal	1	1	1	3	1	1	1	2		11	11	18	37	2	4

Qatar	0	0	0	0	1	1	1	0		4	4	2	3	0	6
Romania	67	56	67	49	63	53	35	26		21	8	38	31	61	69
Russia	541	44 7	722	941	1,58 5	1,53 0	1,59 3	1,26 1		479	39 6	349	647	549	615
Rwanda	39	47	48	59	83	103	122	172		170	16 9	187	342	173	193
Samoa	1	1	1	1	1	1	1	1		1	1	0	0	1	1
Sao Tome and Principe	0	0	1	1	1	1	0	1		1	0	0	0	0	1
Saudi Arabia	0	0	0	0	1	2	1	1		1	1	2	1	1	3
Senegal	41	46	51	53	48	65	72	78		144	14 3	129	543	134	364
Serbia	0	0	0	0	0	129	119	58		51	49	68	76	65	71
Serbia and Montenegro \3	205	16 3	142	119	90	5	0	0		0	0	48	42	58	64
Seychelles	0	0	0	0	4	0	0	0		0	0	6	4	3	5
Sierra Leone	73	60	42	35	28	27	19	12		17	16	27	34	56	62
Singapore	0	0	0	0	0	0	7	1		8	8	6	7	2	5
Slovak Republic	16	12	17	8	13	6	6	7		3	1	4	3	1	3
Slovenia	6	5	6	4	6	1	4	2		3	2	2	4	3	4
Somalia	26	35	31	31	45	103	132	351		281	17 9	173	142	213	271
South Africa	70	10 6	86	130	187	262	399	568		571	57 0	512	348	481	541
Spain	0	0	0	0	0	0	3	0		2	2	3	2	2	5
Sri Lanka	28	31	31	39	160	49	44	69		90	82	84	81	76	79
St. Kitts and Nevis	0	0	0	1	0	0	0	0		0	0	0	2	1	3
St. Lucia	0	0	0	1	0	0	0	0		2	0	2	1	0	3
Sudan	96	12 2	188	482	1,04 3	908	1,18 0	1,41 6		1,213	1,1 74	1,84 6	1,75 6	792	964
Suriname	1	1	2	2	1	2	2	2		3	2	3	2	1	3
Swaziland	0	0	1	4	3	3	8	15		23	23	27	32	42	48
Syria	0	0	0	0	0	3	2	37		19	19	24	29	31	38
Tajikistan	62	77	47	50	64	48	33	70		48	47	47	41	50	54
Tanzania	107	60	80	100	137	188	233	1,05 6		377	37 7	278	312	419	514
Thailand	35	35	35	23	56	51	50	55		70	67	64	67	73	91
Timor0Leste	33	31	30	22	29	27	30	35		35	34	40	48	42	54
Togo	6	4	6	4	3	3	8	4		5	5	3	2	3	5
Tonga	1	1	1	2	1	1	2	2		2	2	2	1	1	3
Trinidad and Tobago	2	1	1	1	0	0	2	1		1	1	1	0	0	1
Tunisia	9	10	6	13	12	11	11	11		16	2	24	27	29	35
Turkey	7	27 8	29	50	54	23	30	21		19	15	17	19	16	24
Turkmenistan	7	12	7	7	11	9	14	23		10	9	8	29	18	19
Uganda	95	10 1	180	219	291	279	366	456		474	47 0	412	728	413	456
Ukraine	146	17 0	90	132	149	154	165	111		167	15 8	150	146	146	194
United Arab Emirates	0	1	0	0	1	1	11	1		0	0	11	16	18	20
United Kingdom	0	0	0	0	3	0	20	2		1	1	2	1	1	2
Uruguay	1	2	2	1	1	0	1	1		2	1	4	1	0	0
Uzbekistan	60	13 6	76	43	42	45	17	14		12	12	31	49	39	40
Vanuatu	1	1	2	2	2	60	4	13		5	5	18	14	15	19
Venezuela	12	16	16	13	10	10	8	19		7	7	13	12	17	18
Vietnam	25	19	45	47	39	48	68	88		104	10 3	94	84	76	79
West Bank/Gaza \4	240	21 8	191	139	350	274	165	575		1,039	1,0 39	784	977	872	945
Yemen	41	24	42	79	30	45	40	37		175	17 1	145	264	268	314
Zambia	51	72	66	103	144	196	204	263		292	29 2	251	364	347	356
Zimbabwe	23	50	31	33	61	31	141	234		286	28 6	174	236	294	287

FLOW OF USA FOREIGN AID (IN MN. \$)

Year	Flow of USA Foreign aid to India	% growth rate Rate Over Previous Year	Flow of USA Foreign aid to World Countries	% growth Rate rate over previous Year	% share of US foreign aid to aid to India India in comparison to World Countries
2000-01	222	-	16,836	-	1.32%
2001-02	228	2.63%	20,027	15.93%	1.14%
2002-03	178	-28.08%	25,891	22.65%	0.69%
2003-04	190	6.32%	33,614	22.97%	0.57%
2004-05	214	11.21%	37,176	10.73%	0.58%
2005-06	177	-20.90%	39,407	5.66%	0.45%
2006-07	161	-9.93%	40,857	3.54%	0.39%
2007-08	148	-8.78%	48,923	16.48%	0.30%
2008-09	133	-11.27%	44,957	-8.82%	0.30%
2009-10	132	-0.75%	33,947	-32.43%	0.39%
2010-11	195	32.31%	31,236	-8.67%	0.62%
2011-12	195	0%	29,832	-4.71%	0.65%
2012-13	193	-1.03%	31,319	4.75%	0.62%
2013-14	172	-12.21%	38,806	19.29%	0.44%
CAGR	-1.81%	-2.11%	0.06%	1.37%	-3.54%

<http://gbk.eads.usaidallnet.gov>

H₀: No significant change in the foreign aid received by India and world countries from USA.

The calculated t-test value is (-13.96), which is less in comparison to T-test table value at 5% level of significance; therefore this H₀ has been rejected.

Interpretation

The table clearly reveals that the % of change over previous year of flow of US Foreign aid to India is zigzag with the time it is negative Compound Annual Growth Rate (-1.81%) and negative flow during study period.

This table also clearly reveals that in 2001-02 India was getting 1.32% of US Foreign aid to World. But there after this % is almost less than 0.5% presently in year 2013-14 it is 0.44%.

Conclusion

Achieving the objective of this study 'To know the reasons and uses of USA Foreign aid amount to India for Economic Development and Capital Formation', researcher has discussed about the use of foreign aid for various reasons like fulfilling the saving gap, for meeting the problems related to Balance of Payment, for establishment of modern economic and social infrastructure, for raising the technology level, meeting emergencies, for defense modernization and also for the raising living standard. Thus foreign aid plays an important role.

As per the finding of this study use of foreign aid amount depends upon some factors. Which are as follows like, Availability of funds, capacity to absorb capital, availability of resources, and the capacity of recipient country to repay loans etc. all these factors have played important role in Indian states for removal of poverty, for getting good employment and infrastructure development.

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