EMERGENCE OF MULTINATIONALS FROM INDIA

Vandana Jain*

India has been increasingly becoming a lucrative investment avenue for overseas investors, post liberlisation regime of 1991. While India has surged as one of the top recipient of foreign capital, the Indian companies have also calibrated their mettle at the international level by engaging in overseas investments and mergers and acquisitions. The paper in this perspective attempts to highlight this emerging trend of India as a source of foreign capital. The paper presents some data on the emerging trends and structure of Indian Outward Foreign Direct Investment (FDI) post liberlisation regime. It will elucidate the possible drivers pushing Indian corporates to include overseas investments as a part of corporate strategies.

Key Words: Foreign Direct Investment, India, Multinational Corporations, Mergers and Acquisitions.

I. Introduction

During the last couple of decades, FDI has become one of the highly sought after topic of research and debate amongst researchers and academicians alike. Over the years, numerous researchers have contributed towards the theory and practice of FDI by the Multinational Corporations (MNCs). The established theories of international business suggest that the competitive advantage allows the firms to expand business and secure higher returns. The theoretical perspectives on the international operations of firms have evolved from researchers like Hymer (1960), Kindleberger (1969), Caves (1971), Aliber (1970), Buckley and Casson (1976), asserting that FDI is due to market imperfections and foreign firms must possess some sort of Firm Specific Advantages (FSA) in order to compete in an alien foreign market. But all these theories explained the outward investments by MNCs from developed countries. Such MNCs already possessed some technical and non technical FSA which were exploited by them in the host countries. However during the last three to four decades, we notice a significant change in the origin of MNC's and their respective choices of destination for foreign investments. Until the 1980s, more than 90 per cent of global outward FDI originated from the developed

*Assistant Professor, DU and P.hd. student, Department of Commerce, DU.

countries (WIR Report 2005). However, since the early 1990s, developing countries and especially the Asian developing countries have seen a rapid growth in their outward investments. The share of South, East and South-East Asia in global outward FDI increased from less than 1 per cent in 1980 to almost 10 per cent in 2004. Moving closer towards India, we find firms like Reliance Industries, Tata Steel, Aditya Birla, Fortis and PSUs like ONGC, OIL and BPCL etc. have exhibited their mettle by aggressively tapping overseas strategic assets like advanced technology, natural resources, new products, brands and marketing and distribution channels through overseas joint ventures or mergers and acquisitions (M&As). Though literature is replete with theories explaining overseas investment by MNC's from developed countries, but little is known as to "HOW' the MNCs from developing countries have risen at the international level in a comparatively short span of time. Through this study, an attempt is being made to assess the theoretical framework that can plausibly explain this new phenomenon of emergence of MNCs from developing countries like India.

The paper is composed of five sections, including introduction in the first section. The second section throws light on the emerging Trends and Patterns of Indian Outward FDI during the post liberlisation period. This section also enumerates the objectives of the present paper as well as the research methodology to be employed for the study. The third section analyses the related literature supporting the arrival of MNCs from developed as well as developing countries. The significant motives pushing Indian Corporates for outward FDI are discussed in the fourth section. The last section provides the concluding remarks and the possible areas for the further research.

II. Trends and patterns of Indian Outward FDI

The emerging patterns and trends of Indian outward FDI during the post liberlisation period, (after 1991) have been illustrated in this section. The Table 1 demonstrates the global trends of outward FDI during the time period 1990-2007. Over the relevant time period, outward FDI by the developing countries has moved up significantly from 8.11% in 1990 to 14.66% in 2007. Considering the potential of Indian MNC's, the share of India's outward FDI in world outward FDI has also improved from a miniscule level of USD 124 million in 1990 to USD 1859 million in the year 2000. Further, FDI outflows from India to the world increased to the level of USD 29412 million in the year 2007.

Table 2 demonstrates the number of green field investment projects undertaken as well as received by South, East and South-east Asian countries during the period 2004-09. While the investment coming from the rest of the world as well as going to the rest of the world have been surging continuously during 2004-09, the green field investment inflows to these countries are more than the investment outflows from them to the rest of the

world. India has emerged as the top destination as well as top source for highest numbers of green field projects among firms from these regions. All the countries under consideration have undergone liberalized investment regimes as well as host of other government sponsored programmes, specifically promoting outward FDI. The increasing investment outflows from countries like India, China, Hongkong etc. depict their increased capabilities in tapping resources around the world and competing with the giant MNCs from developed countries.

Table 1: Global trend of Outward FDI 1990-2007, (US $ Millions)

Year	World	Developing economies	Developing economies shares in World %	India
1990	1785267 (09.10)	144862 (04.00)	08.11	124
2000	6148211 (18.10)	861842 (12.90)	14.02	1859 (00.49)
2007	15602339 (27.90)	2288073 (16.50)	14.66	29412 (2.60)

Note: figure in parentheses are percentage of GDP,

Sources: UNCTAD (2008)

Table 2: Number of Greenfield FDI projects by South, East and South-East Asian Countries , by Source/Destination, 2004–2009

Country	World as a Destination						World as a Source					
	2004	2005	2006	2007	2008	2009 (Jan-Jun)	2004	2005	2006	2007	2008	2009 (Jan-Jun)
China	98	140	133	240	244	40	545	244	402	190	483	238
Hong Kong	102	99	116	117	161	24	127	125	158	146	202	39
India	**203**	**192**	**295**	**215**	**345**	**57**	**693**	**590**	**983**	**690**	**958**	**218**
Korea, Republic of	171	185	216	195	229	45	106	120	88	72	82	23
Malaysia	78	73	71	73	131	27	125	93	125	167	209	39
Mauritius	-	1	-	2	5	-	7	5	1	4	13	-
Philippines	14	6	9	24	18	3	75	66	63	95	135	32
Thailand	18	19	36	29	48	16	126	120	112	122	327	84
Singapore	102	85	100	92	172	30	179	159	196	245	290	73

Source: World Investment Report, 2009, UNCTAD.

India's Value of Cross Border Mergers and Acquisitions during 2000-2008 are shown in Table 3. During the same period, the acquisitions of overseas firms by Indian corporates exceed the sales of Indian firms to overseas MNCs. These patterns highlight the building capacities by Indian firms, which enabled them to be formidable players overseas. Some of the acquisitions by Indian companies in the recent past include Ranbaxy acquisition of RPG Aventis in France and Tata Steel acquisition of Corus for the whopping USD 12 billion, making the biggest foreign acquisition till date in India. Another sister concern of Tata group, Tata Tea acquired Tetley of the United Kingdom, one of the world's biggest tea companies for $430 million, thus gaining the control of a full value chain in tea processing. Further, Titan Industries has set up a network of foreign affiliates in Europe and Asia to conduct its overseas business and build its brand internationally.

Table 3: India's Value of Cross Border Mergers and Acquisitions 2000-08, (US $ Million)

Year	Sales	Purchases
2000	1219	910
2001	1037	2195
2002	1698	270
2003	949	1362
2004	1760	863
2005	3754	4958
2006	4740	6586
2007	5580	30414
2008	2254	8556
Total	22991	56114

Source: UNCTAD, World Investment Report 2008

Table 4 reveals the patterns of inward and outward FDI from India during the period 1991-2009. While the inward FDI was consistently rising during the period 1991-2000, it surged rapidly post the year 2000, primarily due to number of relaxations accorded in inward FDI policy by Indian Government. Comparative analysis of the FDI inflows and FDI outflows clearly depicts that FDI inflows have continuously remained higher than the FDI outflows. However, the gap between the inward FDI and outward FDI flows, which was very deep before the year 2000, has been narrowed down substantially since

the year 2000. The FDI outflows rose from a meager $509 million in the year 2000 to $ 2978 million in the year 2005, an increase of nearly 6 times. Further, the year 2006 saw a sharp rise in the outward FDI to $ 14344 million, buoyed by the robust economic growth of India. The year 2007-08 did not register such a significant increase as the global economic melt -down also engulfed Indian economy, raising doubts over the profitability of overseas investments in India. But gradually Indian economy is picking up and coming out from the economic slowdown. Such pattern of outward FDI investment reflects the increasing competitiveness of Indian firms at various frontiers.

Table 4: India's FDI Inflows and outflows, 1991- 2009, (US $ Millions)

Year	Inward FDI	Outward FDI
1991	75	-11
1992	252	24
1993	532	0.35
1994	974	82
1995	2151	119
1996	2525	240
1997	3619	113
1998	2633	47
1999	2168	80
2000	3585	509
2001	5472	1397
2002	5627	1679
2003	4323	1879
2004	5771	2179
2005	7606	2978
2006	20336	14344
2007	25127	17281
2008	41554	17685
2009	34613	14897

Sources: UNCTAD (2009)

Further, outward FDI by Indian MNC's, underwent a considerable change in the 1990s in terms of not only magnitude, but also the geographical focus and sectoral composition (Kumar, 2004). Table 5 depicts the changing sectoral composition of outward FDI by the Indian MNCs. Among the various sectors, manufacturing sector and trading sector have done exceedingly well as compared to other sectors like, financial services and non financial services. The remarkable growth of IT and ITES sector has also contributed significantly towards the increasing share of non-financial sector during the period 2000-08.

Table 5: Sectoral Distribution of India's OFDI, 2000-01 to 2007-08 (US $ Millions)

SECTOR	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Manufacturing	169	528	1271	893	1170	3407	3545	6240
FinancialServices	6	4	3	1	7	160	28	26
Non- Financial services	470	350	404	456	304	895	7486	1635
Trading	52	79	82	113	192	377	1739	8993
Others	12	20	38	31	100	207	656	1010
TOTAL	709	981	1798	1494	1776	5050	13459	17910

Source: RBI; Annual Reports, 2005-06 and 2007-08.

Table 5a: Direction of India's outward FDI (percent share), 1996-2005

Country	1996-2001	2001-2005
Australia	0.1	6.7
British Virgin Islands	10.3	2.3
Hong Kong	5.9	1.9
Mauritius	8.2	7.7
Russia	23.2	16.2
Singapore	2.0	5.0
Sudan	0.0	15.2
United Kingdom	5.4	5.5
United States	20.4	11.7

Source: adapted from Banga (2007) based on data from the RBI.

The scenario for the outward FDI has not only changed in terms of sectoral composition but geographical composition also. The Tables 5a and 5b reflect the direction of outward FDI from India during the period 1996-2005 and during the calendar year of 2008. It can be inferred from these two tables that the direction of outward FDI from India has moved towards developed countries from developing countries. Countries like USA, Mauritius and Russian federation are able to acquire a larger share of Indian outward FDI during the period 1996-2005.

Table 5b: Direction of India's outward FDI (percent share), (April to December 2008)

Country	April-December 2008
Mauritius	10.4
Netherlands	20.6
Singapore	18.9
United Kingdom	14.5
United States	13.2

Source: Rajan (2009), Data from the RBI.

Note: Data consists of equity, loan and guarantee.

It has been argued that the shift in the geographical and sectoral composition of Indian outward FDI has been in line with the changes in the outward FDI motives from essentially being market-seeking to strategic asset-seeking ones to support exporting firms with a local presence (Kumar, 1996, 1998). Earlier outward FDI from India was concentrated in African and Asian countries, as our low yet cheap technology could be adapted in developing regions. As Indian firms built the indigenous capabilities in the area of technology, R&D and skilled jobs, the direction of Indian outward FDI shifted from developing countries to developed countries. India has ranked herself 7th in UK during 2003-04 in terms of creation of job vacancies and number of project initiated through FDI. Similarly Indian outward FDI was ranked 13th in France in terms of commencing new projects into France (UNCTAD, 2004).

Further, owing to accumulation of large pool of financial, technical and human resources Indian MNCs have registered their presence in the list of top 500 fortune companies in the world. These firms are primarily from manufacturing sector, where Indian firms have banked on their huge reservoir of natural resources. Prominent business houses like Tata group, Reliance group and Aditya Birla group have successfully entered into diversified business ventures. These companies have chosen different entry modes like

Joint ventures, M&As and 100% owned subsidiaries, for entering overseas markets. Table 6 highlights some of the Indian companies making to the list of Fortune 500 companies, ranked by the volume of their revenues. The table shows that companies from manufacturing sector (IOC, RIL, BP, ONGC etc.) as well as from service sector (SBI) are gradually but steadily marking their arrival at the international level.

Table 6: Indian MNCs in the Fortune 500 List, 2008

S. No.	Company	Global 500 Rank	Revenues (US$ millions)	City
1	Indian Oil	116	57,427	New Delhi
2	Reliance Industries	206	35,915	Mumbai
3	Bharat Petroleum	287	27,873	Mumbai
4	Hindustan Petroleum	290	27,718	Mumbai
5	Tata Steel	315	25,707	Mumbai
6	Oil & Natural Gas	335	24,032	Dehradun
7	State Bank of India	380	22,402	Mumbai

Source: Prasad (2009), Data from Fortune.

II a. Objectives of the Study

The study would undertake to achieve the following objectives:

1. To explain the emergence of MNCs from the developing countries, like India in the backdrop of relevant literature, and
2. To identify the various factors that trigger outward FDI from developing countries.

II b. Research Methodology

This paper is analytical in nature. It would explore the theoretical perspective relating to emergence of FDI from developing countries, meanwhile identifying the various factors causing FDI from them. It would also review the relevant international business (IB) theories that can most suitably explain the arrival of MNC's from developing countries like India.

III. Literature Review

Tracing the evolution of MNC's, it is revealed that in the first place MNCs emerged from the developed countries. Earlier studies on FDI were offshoots of international

trade theory which stressed the comparative advantage of the host countries as the most important determinant of FDI. This view successfully explained "resource-seeking" or "asset-seeking" FDI. In this motive, FDI is viewed as a means to acquire strategic assets (i.e., natural resources, technology, marketing, and management expertise) present in a host country. But this perspective could not explain as to why countries choose FDI over trade. As a result "market-seeking" FDI was proposed as an alternative theory. Hymer (1976) postulated that the imperfect markets are the prime cause of FDI by MNCs. As a result FDI is carried out to replace excessive transaction costs involved in trade hence FDI was promoted as "Tariff Jumping". However, with the increased globalization of markets across geographical boundaries during the decade of 1980, an urge was felt to explain the FDI that was still taking place despite of interconnected and integrated markets. Internalization theory (Rugman, 1986) was then proposed as another explanation. This view illustrated FDI as a means to replace markets by internalizing the operations, especially in intermediate product markets across affiliates in various host countries. This kind of FDI was proposed as "efficiency seeking". However, the above theories were insufficient in explaining as to why FDI tended to exploit relevant assets in some countries but not in others. In this perspective, Dunning's Ownership, Locational and Internalization (OLI) approach specifically combined the locational factors with firm-specific advantages and transaction costs elements (Dunning, 1993) for explaining international production. Among the existing theories that explain the occurrence of FDI, Dunning's eclectic theory on international production emerged as the most comprehensive approach. In the last 20 years, extensive literature on MNCs have evolved around Dunning's OLI framework, which groups the motives to undertake FDI in three categories— Ownership, Location and Internalisation advantages. Ownership advantages correspond to some product, know-how, reputation or production process, which are not possessed by other firms in the host countries. These advantages are called "knowledge based FSA", that can be easily transferred across other countries while being exclusive to the home country firm.

Location advantages arise when a firm finds it profitable to produce directly in the host market, rather than producing at home and exporting abroad, due to tariffs, transportation costs, cheap factor prices etc. Internalisation advantages exhibit the most abstract concept within the OLI framework and generically refer to political, legal and corporate governance issues, such as the boundaries of the firm. *In a way, we could say that the first two points explain the motives for being a MNC, while the third one refers to the entry mode, namely the form of involvement in a foreign country, i.e. choice between outsourcing and integration across different markets.*

The existing studies of FDI have focused mainly on the FDI's from developed countries, examining either *why FDI occurs from a developed country to another developed*

country, or from a developed country to less developed countries (LDCs) or newly industrialized economies (NIE'). OLI framework remains insufficient in explaining the rise of MNCs firms from developing regions like Asia-pacific, as firms from these regions emerged despite of not possessing FSAs unlike the firms from the developed countries.

To explain this new phenomena of late comer firms rapidly catching up with incumbent global players, Mathews (2006a), has proposed an alternative framework to OLI, which he terms as '*Linkages, Leverage and Learning (LLL)*' framework. This alternative account is based on a study of the experiences of latecomer and newcomer MNCs, particularly those hailing from the Asia Pacific region—such as Acer, Ispat International (now Mittal Steels), Li & Fung and the Hong Leong Group. Mathews has termed these new comer firms as '*Dragon Multinationals*', which till erstwhile have dwelled on the peripheral region in the world economy. These firms have successfully internationalized their operations and in some cases, they have become leading firms in such sectors as building materials, contract manufacturing, steel production, financial services, hotels and hospitality etc. These firms without possessing initial resources, skills and knowledge, social capital and without proximity to major markets, succeeded in spite of the initial disadvantages, by leapfrogging to advanced technological levels and leveraging their way into new markets through partnerships and joint ventures.

Mathews (2006a), argues that it is changes in the character of the world economy, and in particular the global interlinked character (what could be called the worldwide web of inter firm connections) that can be seen as a prime motive for driving the new approaches to and patterns of internationalization. He argues that the innovative features that these MNEs share, such as their accelerated internationalization, strategic innovation and organizational innovation, fit particularly well with the characteristics of the emergent global economy. In the interlinked globalised world, the innovative characteristics of dragon MNCs make a case for their success at the international level. Despite two distinct frameworks OLI and LLL, explaining FDI from a home country to the host country, the fact is that neither OLI nor LLL framework are "theories" of the international production. They are, at best, conceptual frameworks that bring together the elements of an explanation as to how firms became international competitors (Mathews; 2006b). The OLI framework is comparatively static in its postulates and emphasizes the ownership and internalization of prior resources as the primary explanation for FDI by MNCs. On the other hand, the LLL framework is dynamic and emphasizes the capture of external resources (e.g. through "asset augmentation") as a strategic goal for internationalization of domestic operations. The OLI framework explains as to 'WHY' does a firm from developed country undertake FDI into another country. Whereas the LLL framework

primarily answers as to "HOW" MNCs from developing nations emerged despite originally lacking FSAs. To analyse the growth of MNCs from developing nations, insights are necessary from OLI as well as LLL frameworks.

IV. What Causes FDI from Developing Countries like India?

Unlike the firms in developed countries, firms in developing countries may not possess the traditional ownership advantages, such as brand names, superior quality products and advanced technology etc. Most of the MNCs from developing countries emerged due to host of FSAs well as government sponsored initiatives. These firms have for long built on their large pool of finances, adapted technologies and acquired new management skills and practices to adapt their operations in the fast paced technology driven world. In this section, an attempt is being made to identify various factors that have motivated Indian firms to explore the erstwhile uncharted territory of outward FDI.

The significant factors motivating Indian firms for overseas investments are accounted as follows:

1. ***Efficiency-seeking***: Due to faster integration of markets across globe, Indian firms are also revamping their structure by establishing regional networks across different markets. For instance, Tata Motors' acquisition of Daewoo Heavy Vehicles of Korea in 2005 has led to a regional production networking strategy whereby small and medium-sized vehicles are manufactured in Indian plants and sold through Daewoo outlets and brands, while, simultaneously, heavy trucks built at the Daewoo plant are sold by Tata outlets in India and other countries under the Tata brand name (Kumar, 2006).

2. ***Risk aversion and Diversification:*** Another strong reason for Indian firms to become MNCs can be attributable to their risk aversion behaviour. To surmount the ups and downs of being in one kind of business, many firms undertook diversification path to catapult a diversified basket of returns where the gains from one type of business can offset the losses from another type. For e.g. recently Videocon, a major player in consumer electronics industry, acquired oil exploration fields in Africa to diversify its business operations and mitigate the risk exposure.

3. ***Building of Capabilities***: Due to import substitution policy during the pre liberlisation regime, many Indian firms established themselves strongly by upgrading their technologies and management skills. As a result, now they can compete with other MNCs at the global scale, with lesser costs. Software services companies such as Infosys and Wipro due to low-cost expansion strategy

have been able to draw major outsourcing work from countries like UK and USA.

4. ***Inward FDI***: In the absence of specific development measures by developing economies, inward FDI flows may be a potential determinant in influencing the outward FDI by domestic firms. Inward FDI is expected to improve the technological standards, efficiency and competitiveness of domestic industries. The higher the FDI inflows, the higher will be the capability of domestic investors to undertake investments abroad (Caves, 1996). Further, outward FDI from developing economies to the developed countries may also take place to access advanced technology and better processes.

5. ***Enhancing Marketing and Distribution networks:*** Many a times, domestic firms are tempted to acquire overseas firms that have established world-wide marketing and distribution channels. By entering into joint ventures or taking over such overseas entities, firms from developing countries may gain a strong foothold internationally. For instance, when Tata tea acquired the famous U.K based Tetley Tea, the intention was clear- to strengthen the distribution channels abroad and cater to those markets where the presence of its products was miniscule.

6. ***Resource-seeking***: In order to ensure uninterrupted supply of key resources many Indian firms have acquired overseas companies. This has been the significant reason behind proposed acquisition of Royal Dutch-Shale company by Reliance Industries Ltd. or Tata Steel acquisition of Corus.

7. ***Technology and research based:*** This refers to an aspiration by Indian companies to buy technology, processes, and management know-how and marketing and distribution networks. Many Indian pharmaceutical companies have sharpened their technological capabilities by acquiring pharmaceutical companies around the globe. For instance, Ranbaxy acquired RPG Aventis in France, Dr Reddy's Labs acquired Beetapharm in Germany, Cadila acquired generics business of Alpharma in France, to access the state of the art technology.

8. ***Market-seeking***: Presence of foreign players in the domestic market and intense competition from the domestic firms has reduced the market share of Indian firms. This has pushed Indian companies to seek new avenues overseas for their products. For instance, Firms like Bharti Airtel acquired stake in Zain, another telecom company to explore African continent for its products.

9. ***Adoption of Trade Related Investment Measures (TRIMs):*** Post 1991 liberlisation policy, Indian economy has emerged as a safe and promising investment avenue for many MNCs abroad. After signing the TRIMs the Indian government has substantially liberalized the investment regime for both inward as well as outward FDI. Many sectors like telecommunications, civil aviation, electricity, retail, insurance, hospitality and the latest being education sector have been opened for FDI inflows. Indian firms are also allowed to raise financial instruments like ADRs, GDRs, and ECBs from overseas market. To bring the investment regime at par with the WTO standards, conducive and lucrative avenues have been facilitated by Indian government.

10. ***Increasing Positive Saving Rate:*** The Indian economy has experienced an increasing positive saving rate for the last decade or so. The liberlisation policy coupled with buoyant economic growth has led to a consistent surge in the saving rate. Meanwhile most of the western developed countries have registered a remarkably low saving rate for the last decade. For instance, if we take into account the saving rate in USA before the economic meltdown of 2007, we find it was hovering around 5% or so, whereas it has been around 24% and 50% in India and China respectively during the last decade. As a result, the likes of developed countries have paved the way for developing countries as the new source of investments avenues.

11. ***Accession to WTO Regime***: In the WTO regime the relationship between trade and FDI has become far more complex. There are now reasons to believe that trade can cause outward FDI. Along with the rising flows of outward FDI from the Asian developing countries, the most striking feature of the decade of 1990s was the growing volumes of trade, especially between the developing and the developed economies. The tradable component of GDP in Asia reached almost 70 per cent in 2005, and the region particularly stands out for its performance in exports. The volume of exports has increased annually by 8.5 per cent since the second half of the 1990s. The region now accounts for around 27 per cent of global exports and around 23 per cent of global imports in value terms (WTO, 2004).

12. ***Liberalisation and Privatization:*** During the decades of 1980 & 1990s, developing countries like India, China, Malaysia, Singapore, and South-Korea opened their doors to foreign entities, to pave the way for accelerated economic growth. The reforms, encompassing industrial deregulation, trade liberalization, relaxation of FDI norms and foreign technology norms, subjected Indian industry

to major restructuring. The capacity to compete with foreign firms and face import competition in the domestic market was instrumental in building Indian firms' confidence to compete with foreign firms in world markets (Gopinath 2007, Nayyar 2008). As part of the new Investment policy, relaxation of restrictions on overseas investment began in 1992. The first step was to introduce an automatic route for overseas investment up to $4 million. Initially, the authority for approval of proposals upto $15 million was vested with Reserve Bank of India, but proposals of more than $15 million still had to be approved by the Minister of Finance. In 2002, the upper limit for automatic approval was raised to $100 million per annum, of which50 percent could be obtained from any authorized dealer of foreign exchange. Presently, the Indian companies are allowed to invest in foreign equity upto 400% of their net-worth.

V. Summary and Implications of the Rise of Indian MNCs

For explaining the emergence of MNCs from developing countries like India, the present study underpins LLL framework as well as OLI framework. The Indian firms have capitalized on their FSAs to register their presence in global markets. The present paper identifies key motives for outward FDI by Indian MNCs. Various reasons like acquisition of strategic assets, creation of brand values, securing advanced technology, accessing new products and new markets etc. have intensified the urge to go overseas. This unprecedented growth of Indian firms was bolstered due to liberlisation of investment scenario in the year 1992 by Indian Government.

Further, the evaluation of the geographic spread of aggregate outward investments from India highlights the fact that Indian firms are increasing the number of host country markets across the developed and developing regions. Considerable importance has been attached by Indian MNCs to the developed markets for allocating larger share of overseas investments. The overall figures on Indian outward FDI suggest our MNCs are pursuing a strategy of serving wider geographic segments across the globe.

Liberalisation of outward FDI policy encapsulated various measures like permitting investment in business activities other than core business sector, bringing investment friendly acts like Foreign Exchange Management Act (FEMA) in place of draconian act like Foreign Exchange Regulation Act (FERA) and giving more financing options (like issuing ADRs, GDRs, ECBs, FCCBs) to Indian firms. This policy changes resulted in increased capital outflows from India, especially after the year 2000.

Yet doubts are raised on the true capabilities of Indian firms in managing acquired MNCs. However, there exists a need to empirically study further- whether the Indian

firms would continue to remain motivated in the long run for investing abroad. As outward FDI leads to net external flows from the domestic economy, the tradeoff between the foreign investment and domestic investment can also be explored as another area for future research. Further, while operating abroad, many firms are faced with several challenges, including cross-cultural issues, which can be considered as significant factor influencing locational choice for outward FDI. Finally, a similar study of FDI from other emerging countries like China or Brazil would provide an interesting comparison and may contribute to a better understanding of the process of globalization by MNCs from emerging economies.

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