

COMPETITIVE PATTERN OF FOREIGN DIRECT INVESTMENT IN INDIA

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Abstract Globalisation can be summarised as opening-up of markets, leading to transfer of capital, technology and people. However, another important dimension of globalisation is multilateralism. The international economic reforms encourage multilateralism leads allocative efficiency. Multilateralism implies importing capital from a variety of sources as may be most efficient. India's FDI policy is in alignment with global FDI. In 1991, India had receiving FDI from 86 investing countries, which reached to 137 investing countries in 2013. This indicates global attractiveness and preferred investment destination. The paper examines FDI investing pattern of source countries in India. The period of study is 1991- 2013. The paper applies a set of new indices like Index of Rank Dominance (IRD) and Bodenhorn's measure of Mobility and Turnover. The most dominant country is USA. The RIRD (Relative Index of Rank Dominance) are top heavy. The first five countries are investing more than 60 percent FDI in India. Asian Tiger countries invested around 11 percent and BRICS countries have insignificant FDI in India. The competitive pattern of FDI has been declined among three different grouping countries. The global FDI in India has been declined 8 percent per annum in spite of favoured investment destination.

Keyword: Globalisation, Foreign Direct Investment, Dominance, Competition, Mobility and Turnover

JEL classification: F21; F23

INTRODUCTION

Globalisation provides opportunities of rapid economic development; developing countries require external capital to supplement their limited financial resources and access to advanced technologies. While external capital can come in different forms like aid, loans, and investments, for sometime now, due to aid weariness and debt crises, investments on account of private sector have become the preferred mode of financing development in these countries. Such investments are categorised into two main types: portfolio and direct. Portfolio investments have a short horizon. In other words, investors do not make long term commitments in their host countries. Though foreign portfolio investments are welcomed due to their non-debt creating nature and perceived contribution to the development of the capital market, they have also been a source of concern because of the volatility and asset price bubbles that they cause which, in turn, can result in the destabilisation of economies. Foreign direct investment (FDI), on the other hand, provides stable long term capital for investment, besides bringing with it the much needed intangible assets like technology, managerial skills, international marketing network, brand names, etc.

India relaxed her foreign investment regime in 1991 as a part

of the overall liberalisation of the economic policy frame. Even though the policy shift came in the wake of a serious external payment crisis, the expectations from foreign direct investment (FDI) were quite clear and were in line with the standard outcomes associated with FDI.

A notable feature of the new FDI policy was that even before the WTO (which imposed certain restrictions on trade related investment measures) came into being; India voluntarily withdrew major performance requirements, especially those facilitating indigenous linkages, exports and transfer technology. Restrictions on payments for technology were also relaxed. Implied in this was the belief that restrictions on the level of foreign-held equity and payments for technology had denied India the benefits of FDI and a freer regime would attract large amount of FDI and the expected benefits would automatically follow. In the context of low level of FDI inflows in the initial years, the FDI policy was gradually relaxed further by throwing open more individual sectors, raising the hitherto existing caps on foreign holding and changing the way inflows are measured (Rao & Dhar, 2011).

Relaxations to the FDI policy are still continuing. Though a limit of 24% FDI in the equity of small scale units was placed in 1991, this was also done away with recently. Today

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a unit is small in scale (of investment) and not necessarily in ownership. Simultaneously, the list of items reserved for micro and small enterprises (MSMEs) has been pruned to just 20.

Competition is an essence of globalisation, which is based on multilateralism rather than bilateralism. Globalisation cannot be effective without multilateralism. One of the major objectives is of international economic reforms was to encourage multilateralism. The economic basis of multilateralism lies in allocative efficiency. Multilateralism implies importing capital from a variety of sources as may be most efficient. Competition is a dynamic concept rather than static, which directs flow of foreign capital from an efficient source to efficient location. Foreign capital in the form of FDI ensure to efficient and effective utilisation of other factors of production in the host country. Since, India become a part of globalisation in 1991, FDI inflows have been increased many folds quantitatively. Also the patterns of composition and direction of sources of FDI in India have been changed and increased. In 1991, India had receiving FDI from 86 investing countries, which reached to 137 investing countries in 2013. This indicates global attractiveness and preferred destination foreign investment in India. Now India is considered as most preferred destination next to China for foreign investment. The question that this most preferred investment destination is for some particular countries or in general. The question is whether India is receiving competitive and qualitative foreign investment. The paper examines whether India provides level playing field of competitive environment and opportunity for all countries to FDI in India.

OBJECTIVE OF THE STUDY

This paper examines FDI investing pattern of source countries in India. Whether investing countries are competitive enough or some few countries are dominating FDI in India due to their economic and strategy alliance with India within each of three country grouping - global level, developed countries and developing countries.

LITERATURE REVIEW

Bhanumurthy and Sinha (2014) state that there is two relevant criteria for evaluating the performance of the Indian economy in regional terms, in respect of FDI flows, according to our understanding are efficiency and equity. Since FDI is primarily a relocation of international production it is based on the principle of optimal resource allocation. The notion of efficiency, in this context, refers to the tendency of FDI to flow to those regions or states which have efficient production. The other side of the coin is that an efficient state deserves to get a greater share of FDI. This

spells out the notion of equity. The results show that there is an extremely high negative correlation (-0.996) between equity and efficiency. The states that are more efficient receive less of FDI flows. This leads towards non-economic forces in operation that influence FDI flows and regional development.

Sahoo (2014) states that while the Modi government is serious about improving the investment climate, foreign firms need to better understand the Indian market and have their own R&D in India to design products to cater to the price sensitivity of the Indian consumer market. Although the reform measures announced by the new government are only small steps, these measures have revived the hope of investors that in the coming months, the Modi government will take more incremental steps to restore investor confidence and once again make India into one of the most attractive destinations for FDI in the world.

Shin's (2014) article examines the pattern of foreign direct investment inflows in India through three periods (1) 1969-75, when the policy regime was 'anti-FDI', (2) 1975-91, when promotion of FDI was 'selective', and (3) after 1991, when policy regime is 'Pro-FDI'. It shows how the ideas and interests of different political groups have affected the institutional changes that have influenced FDI inflows. It also suggests that competition between provincial states has positively contributed to the growth of FDI inflows since economic reforms of 1991.

Rao and Dhar (2011) opine that India's inward investment regime went through a series of changes since economic reforms were ushered in two decades back. The expectation of the policy makers was that an "investor friendly" regime will help India establish itself as a preferred destination of foreign investors. These expectations remained largely unfulfilled despite the consistent attempts to increase the attractiveness of India by further changes in policies that included opening up of individual sectors, lowering the hitherto existing caps on foreign holding and improving investment procedures. But after 2005-06, official statistics started reporting steep increases in FDI inflows. This paper is an attempt to explain this divergence from the earlier trend.

The paper by Kumar (1998) examines the emerging trends and patterns in FDI inflows to India. A major objective is to evaluate the role that policy liberalisation has played in shaping these patterns. This is attempted with an analysis of changes in India's shares in FDI outflows from European and other triad sources of FDI as well as by analysing the changes in the shares of major source countries with policy liberalisation.

DATA AND RESEARCH METHODOLOGY

$$I_{RD} = \frac{\sum_{i=1991}^{2013} (\text{Rank Score})_i}{\text{Maximum Rank Score} \times \text{No. of Years}}$$

Data Sources

The paper employs panel data over a period of twenty three years to analyse the patterns of FDI investing countries in India. The period selected for the study is 1991- September 2013. The countries investing FDI in India have been reached to 137 in 2013. However, 47 countries have been continuously investing in India since 1991, including 24 developed and 23 developing countries. The data for FDI investing countries FDI flows in India were obtained from online statistics- http://dipp.nic.in/English/Publications/SIA_NewsLetter/SIA_NewsLetter.aspx.

Research Methodology - Dominance Patterns

Dynamic changes in the pattern of outward FDI of investing countries in India would result in changing ranks of investing countries in terms of FDI inflows in India. This represents a state of competition amongst investing countries in India. It is normally not possible for any single investing country to dominate FDI inflows in India for whole period 1991 to 2013. Even if a country is not at top in one or more years it should be possible to capture the dominating country. It is interesting to know whether there is any dominant country or a constant flux in the ranking of different countries. Dominance pattern have studied in three ways:

1. The rankings patterns of investing countries, which is a discrete measure of dominance.
2. Index of Rank Dominance (IRD) which is a relative dominance measure by ranks, (Murthy, 2011). This is measure of continuous dominance.
3. Bodenhorn's measure of competition.

The index of rank dominance (IRD) is an innovative measure which tells us a coefficient that expresses the degree of dominance of an ordinal measure such as rank. IRD has further refined as a relative- Relative Index of Rank Dominance (RIRD), which measures dominance in a relative sense. This gives the proportionate weight of the rank dominance index.

Index of Rank Dominance

Amongst the top twenty countries respectively which of the country's has the dominant position (i.e. highest rank) for the longest period is estimated with the help of index of rank dominance (Bhanumurthy, 2011).

I_{RD} = is the index of Rank Dominance.

Rank Score = 10, 9, 8... (in decreasing order of rank). It means country at first rank get 10 score and at second rank get 9 score and so on.

If a country at top position in a particular year, then get maximum rank score is 10. The study period is 1991-2013, i.e. 23 years. So, total score is equal to maximum rank score X number of years, i.e. $23 \times 10 = 230$.

There are four properties of this new index:

1. The value of I_{RD} lies between 0 and 1, that is,
 $0 < I_{RD} \leq 1$

I_{RD} measures in relative terms the position of the most dominant countries over period from 1991 to 2013 for investing FDI. The value of I_{RD} lies between zero and one but never become zero because in this index, countries included must be at least one time be placed in the top ten positions over the period 1991 to 2013. The maximum value of I_{RD} shall be one provided a country has been at top position in all years from 1991 to 2013 in investing FDI in India.

2. IRD is a measure of continuous dominance.
3. RIRD enables measuring the relative continuous dominance.
4. IRD is a measure that applies to panel data. That is it measures the dominance and amongst 'N' countries over a time periods of 'T' years.

Mobility and Turnover

This is as a sum of rank changes among the top FDI investing countries. Mobility is a churning in rank position of the leading FDI investing countries. It means changes in rank position within leading countries. The measure of turnover as the number of countries below the leading FDI home countries replace the countries belonging to the leading FDI home countries. In mobility and turnover the changes in rank of current year are with respect to previous year. This measures the competition among FDI investing countries in order to exploit the factors of production in India. This mobility and turnover are based on Bodenhorn (1990). Measure of mobility and turnover over the periods 1991 to 2013 are calculated and the significance of their difference are tested. This is done with a view to understand whether dominance pattern of FDI investing countries in India has changed, Bhanumurthy and Deb (2008).

EMPIRICAL RESULTS AND ANALYSIS

Ranking Patterns of Investing Countries

Ranking patterns explain position of particular investing country in quantitative and relative terms. Country at higher rank is possible only due to higher quantitative FDI investing in India with respect to other investing countries. Table 1 explains overall changes in ranks of top ten investing countries in India across world. These top ten countries have been selected on the basis index of rank dominance (table 4). These top ten countries have only Mauritius and Singapore as developing countries investing in India. There is no member of strategic group of developing countries at WTO i.e. BRICS (Brazil, Russia, India, China, and South Africa) have substantially investing in India. During initial phase of opening of Indian economy, there was higher competition across countries for investing in India. This is evident from

higher frequency of change in ranks of investing countries up to year 2000. Since 2000, the ranks of investing countries have been becoming somewhat stable. This stability shows India as less competitive place across countries or may be due to India's strategic and political alliance with these investing countries. India needs to relook and check whether it getting best available competitive FDI from across countries (Table 1). This pattern of ranks of investing countries across world has also been followed within developed countries group. Actually, FDI originated from capital abundant developed countries. Hence, there is a similarity of investing patterns across world and developed countries (Table 1 and Table 2). However, the ranking pattern is different within developing countries group. The ranking pattern of FDI in India has been frequently changing amongst developing countries. This is clearly evident from Table 3. Russia and China, member of BRICS countries, are within top ten FDI investing developing countries in India. FDI from developing countries is a recent phenomenon. However, FDI from developing countries is far behind developed countries quantitatively.

Table 1: Change in Ranks of Top Ten FDI Investing Source Countries (World Level) in India

Countries	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Mauritius	44	44	12	4	4	3	2	4	1	1	4	2	1	1	1	1	1	1	1	1	2	1	1
Singapore	19	10	15	8	11	13	11	10	9	7	8	8	10	10	3	4	2	2	2	2	3	2	2
U.K.	6	4	2	2	5	6	3	3	4	6	1	3	4	5	4	2	7	4	9	8	1	6	3
Netherlands	2	5	7	9	12	8	10	12	11	30	3	6	3	3	6	5	4	6	6	5	7	4	4
Japan	3	3	8	5	6	7	8	8	6	3	5	4	5	6	5	9	5	9	5	4	4	3	5
Germany	4	7	9	3	10	5	5	9	8	4	7	12	7	4	8	7	8	7	8	15	5	7	6
U.S.A	1	1	1	1	1	1	1	1	3	2	2	1	2	2	2	3	3	3	3	3	8	9	7
Cyprus	42	46	45	47	46	45	39	35	38	33	25	28	23	28	9	15	6	5	4	6	6	5	8
France	8	14	11	13	16	4	12	11	7	8	6	5	11	7	16	10	13	8	10	9	9	8	9
Switzerland	5	2	4	16	20	19	14	15	12	14	14	14	6	9	7	12	10	15	14	7	12	12	14

Source: Author's estimation

Table 2: Change in Ranks of Top Ten FDI Investing Developed Countries in India

Countries	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
U.K.	6	4	2	2	3	4	2	3	2	4	1	2	3	4	2	1	5	2	6	6	1	4	1
Netherlands	2	5	4	7	8	6	6	8	8	18	3	5	2	2	4	3	2	4	4	3	5	2	2
Japan	3	3	5	4	4	5	4	5	4	2	4	3	4	5	3	6	3	7	3	2	2	1	3
Germany	4	7	6	3	7	3	3	6	6	3	6	8	6	3	6	5	6	5	5	9	3	5	4
U.S.A	1	1	1	1	1	1	1	1	1	1	2	1	1	1	1	2	1	1	1	1	6	7	5
Cyprus	23	23	23	24	24	24	23	22	20	19	17	17	16	16	7	11	4	3	2	4	4	3	6
France	7	10	8	8	11	2	7	7	5	5	5	4	8	6	11	7	8	6	7	7	7	6	7
Switzerland	5	2	3	10	12	12	8	10	9	10	11	9	5	8	5	9	7	10	10	5	9	9	10
Italy	8	6	9	5	10	13	5	11	3	7	8	11	11	9	9	10	13	8	9	10	10	12	11
Australia	12	8	11	6	5	7	9	4	7	11	12	10	9	11	15	12	11	14	14	12	14	14	16

Source: Author's estimation

Table 3: Change in Ranks of Top Ten FDI Investing Developing Countries in India

Countries	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Mauritius	21	22	4	1	2	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Singapore	4	2	6	2	4	5	5	4	3	3	2	3	3	2	2	2	2	2	2	2	2	2	2
U.A.E.	13	7	2	6	13	12	9	11	13	5	6	8	5	3	4	3	4	4	3	4	3	4	3
Hongkong	1	3	5	3	6	4	7	6	7	2	7	11	8	6	6	6	6	8	4	7	4	6	4
Malaysia	16	1	12	9	3	13	3	2	5	8	4	2	2	8	10	10	14	9	10	11	9	5	5
South Korea	3	4	8	4	7	1	4	5	2	6	5	9	4	4	3	4	7	6	7	6	5	3	7
China	7	21	7	8	5	15	22	14	10	14	13	22	20	18	13	17	20	10	9	19	7	7	8
Cayman Island	17	11	14	17	19	16	2	20	12	4	10	5	16	5	5	9	3	5	8	10	6	10	10
Russia	2	6	16	5	10	20	23	12	14	23	21	18	21	21	23	8	19	3	18	9	22	21	11
British Virgin Island	9	16	13	16	14	18	12	13	8	10	8	6	6	16	8	5	5	7	5	8	8	8	12

Source: Author's estimation

Index of Rank Dominance

The most dominant country is USA. The next dominating countries are Mauritius and United Kingdom. The RIRD shows that FDI inflows in India are top heavy. The first five countries which include USA, Mauritius, United Kingdom, Japan, and Netherlands are investing more than 60 percent FDI in India. The top ten countries have invested around 85 percent of FDI in India. Asian Tiger countries (South Korea, Singapore, Hong Kong, and Taiwan) have invested around 11 percent FDI in India. BRICS countries which are emerging developing countries group at WTO, have insignificant FDI in India (Table 4).

Table 4: Index of Rank Dominance of FDI Investing Countries in India during 1991-2013

Countries	Score	IRD	RIRD
U.S.A	192	0.835	0.152
Mauritius	183	0.796	0.145
United Kingdom	153	0.665	0.121
Japan	127	0.552	0.100
Netherlands	106	0.461	0.084
Singapore	96	0.417	0.076
Germany	93	0.404	0.074
France	46	0.200	0.036
Cyprus	39	0.170	0.031
Switzerland	38	0.165	0.030
South Korea	23	0.100	0.018
Italy	22	0.096	0.017
Malaysia	22	0.096	0.017
Australia	20	0.087	0.016

Countries	Score	IRD	RIRD
U.A.E.	14	0.061	0.011
Hong Kong	13	0.057	0.010
Thailand	13	0.057	0.010
Belgium	10	0.043	0.008
Israel	9	0.039	0.007
Cayman Island	9	0.039	0.007
Oman	8	0.035	0.006
Sweden	6	0.026	0.005
Bermuda	5	0.022	0.004
Canada	4	0.017	0.003
South Africa	4	0.017	0.003
Taiwan	2	0.009	0.002
Spain	2	0.009	0.002
Denmark	1	0.004	0.001
Ireland	1	0.004	0.001
Saudi Arabia	1	0.004	0.001
Russia	1	0.004	0.001
Indonesia	1	0.004	0.001
Total		5.496	1

Source: Author's estimation

Table 5 gives overall FDI pattern of developed countries in India. The most important country, USA has score 213 out of 230 and investing FDI in India around 17 percent of developed countries group. The first five countries which include USA, United Kingdom, Japan, Netherlands, and Germany are investing more than 67 percent FDI in India. The top ten countries have invested around 90 percent of developed countries FDI in India.

Table 5: Index of Rank Dominance of FDI Investing Developed Countries in India during 1991-2013

Countries	Score	IRD	RIRD
U.S.A	213	0.926	0.169
United Kingdom	183	0.796	0.145
Japan	168	0.730	0.133
Netherlands	147	0.639	0.117
Germany	134	0.583	0.106
France	88	0.383	0.070
Switzerland	67	0.291	0.053
Cyprus	55	0.239	0.044
Italy	50	0.217	0.040
Australia	34	0.148	0.027
Sweden	30	0.130	0.024
Belgium	23	0.100	0.018
Canada	19	0.083	0.015
Spain	16	0.070	0.013
Denmark	9	0.039	0.007
Israel	9	0.039	0.007
Bermuda	7	0.030	0.006
Ireland	6	0.026	0.005
New Zealand	1	0.004	0.001
Total		5.474	1

Source: Author's estimation

Table 6 explains FDI pattern of developing countries in India. The top FDI investing country is Mauritius. The first five countries which include Mauritius, Singapore, South Korea, Hong Kong, and UAE are investing more than 60 percent FDI in India. The top ten countries have invested more than 80 percent of developing countries FDI in India. Asian Tiger has invested more than 37 percent of developing countries. However, BRICS have only 7.2 percent FDI of developing countries in India.

Table 6: Index of Rank Dominance of FDI Investing Developing Countries in India during 1991-2013

Countries	Score	IRD	RIRD
Mauritius	205	0.891	0.162
Singapore	187	0.813	0.148
South Korea	139	0.604	0.110
Hong Kong	126	0.548	0.100
U.A.E.	115	0.500	0.091
Malaysia	93	0.404	0.074
Cayman Island	62	0.270	0.049

Countries	Score	IRD	RIRD
British Virgin Island	53	0.230	0.042
Russia	34	0.148	0.027
China	32	0.139	0.025
Thailand	28	0.122	0.022
Oman	27	0.117	0.021
South Africa	25	0.109	0.020
Indonesia	22	0.096	0.017
Taiwan	21	0.091	0.017
Saudi Arabia	20	0.087	0.016
Bahrain	19	0.083	0.015
Phillipines	18	0.078	0.014
Kuwait	15	0.065	0.012
Panama	10	0.043	0.008
Channel Island	8	0.035	0.006
Bahamas	3	0.013	0.002
Sri Lanka	2	0.009	0.002
Total		5.496	1

Source: Author's own estimation

Initially, FDI outflows have been considered as developed countries phenomenon. Because of these countries have surplus investible productive capitals, superior technology and management skills. With setting up of multilateral WTO, the process of globalisation got momentum across the world and particular in developing countries during 1990s. Globalisation provides level playing field to the developing countries to compete with the developed countries under the umbrella of WTO. Development is a long term phenomenon. Even after 23 year of globalisation, developing countries are far behind developed countries. However, competition amongst developing countries is very high compared to competition between developed and developing countries. Therefore, FDI from developing countries in India is not very high.

Mobility and Turnover

The mobility and turnover is high in initial phase of internationalisation of India during 1990s. The world and developing countries have high mobility and turnover than developed countries. It means competition among developing countries is higher than developed countries for FDI in India. The differential mobility between highest and lowest is 95, 31, and 54 for the world, developed, and developing countries respectively. Higher differential mobility indicates the competitive pattern is changing and lowest differential mobility stable competition. Developed countries have lowest differential mobility among three grouping countries.

It means the competition among developed countries is less volatile and changing. Thus, the degree of competition for FDI in India is high among developing countries than developed countries because of higher mobility and turnover (Table 7). This is also reflected from line chart.

Table 7: Bodenhorn's Mobility and Turnover of FDI in India during 1991-2013

Year	World	Developed Countries	Developing Countries
1992	58	22	46
1993	107	30	72
1994	58	24	57
1995	82	27	48
1996	79	26	54
1997	78	23	52
1998	51	24	41
1999	41	19	28
2000	47	32	43

2001	45	38	41
2002	51	22	48
2003	38	27	37
2004	13	14	41
2005	39	26	22
2006	57	45	24
2007	38	31	28
2008	47	21	38
2009	18	16	20
2010	19	18	36
2011	27	22	26
2012	12	21	22
2013	12	22	18

Source: Author's estimation

The compounding annual growth rate (CAGR) is 8 percent at world level which is highly statistically significant but sign is negative. It means the competition across the countries for FDI in India has been declining at the rate of 8 percent per annum (Table 8).

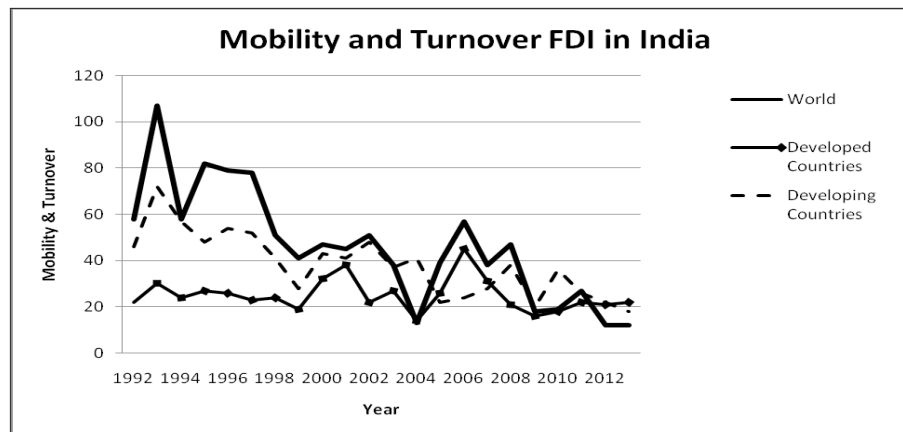


Fig. 1: Line Graph of Mobility and Turnover

Table 8: Mobility and Turnover of FDI investing Countries (World level) in India during 1991-2013

Regression Statistics					
Multiple R	0.806				
R Square	0.649				
Adjusted R Square	0.632				
Standard Error	0.386				
Observations	22				
ANOVA					
	Df	SS	MS	F	Significance F
Regression	1	5.509	5.509	37.053	0.000
Residual	20	2.973	0.149		
Total	21	8.482			
	Coefficients	Standard Error	t Stat	P-value	
Intercept	161.61	25.95	6.23	0.00	
Year	-0.08	0.01	-6.09	0.00	

Source: Author's estimation

The growth rate is one percent and has negative sign but statistically not significant in case of developed countries grouping. However, negative sign indicates decline in competition amongst developed countries for FDI in India (Table 9).

The growth rate of developing countries is 4.8 percent and has negative sign and statistically high significant. This shows the competition amongst developing countries is also declining. However, the rate of declining competition

amongst developing countries is lower than world level (Table 10).

CONCLUDING REMARKS AND POLICY IMPLICATION

Mauritius is the top country of origin for FDI flows into India primarily driven by the tax haven status enjoyed by Mauritius. However, this data is rather misleading. Mauritius

Table 9: Mobility and Turnover of FDI investing Developed Countries in India during 1991-2013

Regression Statistics					
Multiple R	0.235				
R Square	0.055				
Adjusted R Square	0.008				
Standard Error	0.267				
Observations	22				
ANOVA					
	Df	SS	MS	F	Significance F
Regression	1	0.083	0.083	1.167	0.293
Residual	20	1.421	0.071		
Total	21	1.504			
	Coefficients	Standard Error	t Stat	P-value	
Intercept	22.565	17.939	1.258	0.223	
Year	-0.010	0.009	-1.080	0.293	

Source: Author's own estimation

Table 10: Mobility and Turnover of FDI investing Developing Countries in India during 1991-2013

Regression Statistics					
Multiple R	0.817				
R Square	0.668				
Adjusted R Square	0.651				
Standard Error	0.224				
Observations	22				
ANOVA					
	Df	SS	MS	F	Significance F
Regression	1	2.010	2.010	40.196	0.000
Residual	20	1.000	0.050		
Total	21	3.010			
	Coefficients	Standard Error	t Stat	P-value	
Intercept	98.983	15.048	6.578	0.000	
Year	-0.048	0.008	-6.340	0.000	

Source: Author's estimation

has low rates of taxation and an agreement with India on double tax avoidance regime. To take advantage of that situation, many companies have set up dummy companies in Mauritius before investing to India. Also, a major part of the investments from Mauritius to India are actually round-tripping by Indian firms, like that between Mainland China and Hong Kong. Over the last decade, the fast pace of economic growth and progressive policy liberalisation has made India an attractive destination for world's investments. United States have been at the forefront of investments in India strengthening the partnership between the two largest democracies in the world. In the years to come this partnership will grow to next level. The United States technological innovation will complement India's skilled resources. India's large middle class consumer market will go hand in hand with strategic investments by the United States. Complementing this partnership will be the regulatory regime in both the countries. India's FDI policy has progressively evolved into more and more liberal and further opening up of the service sector which has been most preferred sector for FDI will help realize India its true potential of economic growth on world's arena.

The Ernst & Young's 2012 India Attractiveness Survey says investors view India as an attractive investment destination. In the survey's global ranking, India is the fourth destination for foreign direct investment (FDI) just below the United States, China, and Britain. China is the largest competitor of India in terms of attractiveness, according to the survey.

The expectation, out of investors-friendly FDI policy, is that the competition will increase across countries among three different countries groping for FDI in India. The result is not in line of the expectation. The results indicates decline in competition amongst countries. This may be due to the most of FDI in India are based on bilateral investment treaty (BIT) rather than multilateralism. For example, tax incentives to some particular countries based on BIT strategy. This means there is no level playing field for all foreign investors across the counties. In general, the overall competition has been declined for FDI in India in spite of India considered as most preferred investment destination at global level.

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