

## Foreign Direct Investment Strategies: Comparison between Foreign Multinational Firms from Different Countries of Origin Investing in India

**Alka Sanjeev**

*Faculty of Commerce and Management, SGT University, Gurugram India*

**Mohd. Afaq Khan**

*Department of Management Studies, Aligarh Muslim University, India*

**R K Wadhwa**

*Global Business Consultants, Ex-Prof IIFT, New Delhi, India*

**[Abstract]** The paper investigates the factors that influence international enterprises' investment in India. Further, the difference in investment motives between MNC's from the chosen geographic regions is also investigated. The data on the benefits of FDI inflows in India and perceived motives was collected using a survey method. Confirmatory factor analysis and the independent sample t-test were utilized for statistical analysis. Based on the analysis of 271 foreign firms in India, we find that the foreign direct investment motives as propounded by Dunning differed significantly between firms originating from countries representing different continents. The study showed that the strategic asset-seeking factor was not prominent in India.

**[Keywords]** international direct investments, FDI motives, country of origin, internationalization process

### Introduction

According to economic theory, multinational corporations (MNCs) have specific goals in mind as they invest abroad; it is purposeful, goal-oriented and linked to various motives (Benito,2015). An eclectic paradigm propounded by Dunning (1993) suggested certain location advantages of the host country as motivation for FDI. Franco and Rentocchini (2008) emphasized that the underlined motives which spur FDI decisions form an essential point in the study of FDI. According to Jain (2009), corporations' internationalization initiatives influence their location decisions. The literature on FDI divides investment into four categories: resource seeking, efficiency seeking, strategic asset seeking, and market seeking (1998). Are these motives equally prevalent along different country groups? The pattern of foreign investment, according to Dunning (1993), should differ depending on the country of origin. Lecraw (1993) also claims that FDI reasons differ, depending on where the investors are from. Chand prapalert (1999) suggests that the investment behaviors and attitudes of multinational firms from different countries might portray different characteristics. Motivations may be influenced by the economic progress of both the host and the home country of investment corporations (Vecino, 2006). The motives are related to developing and developed country classification, since these groups of countries have distinctive economic variables. The goal of this study is to discover the variations and similarities in investment motives among MNCs from various countries of origin.

### Literature Review

The different location-specific advantages as proposed in the eclectic paradigm differ in their importance among countries. Foreign investors embark on market-seeking motives also refer to interchangeably as a market-related factor to take advantage of new markets or to maintain existing markets. The factor is pertinent, as large markets result in scale economies resulting in greater revenues. Market-seeking FDI is targeted at countries with current and future market potential, while the resource-related FDI intends to enhance a firm's supply, to sustain its competitive position (Cui, Meyer & Hu,2014). Resource-seeking also

refers to interchangeably as resource related investors invest abroad in host countries where the necessary resources are readily available (Resmini,2000). The FDI that is resource-related could be influenced by the availability, competitive price, and quality of resources. Both market-related and resource-seeking companies can improve their quality standards, raise productivity and capability of resources, and stimulate economic growth in a nation through the transfer of resources and capabilities (Dunning,1994). The efficiency-seeking FDI also refers to interchangeably as efficiency-related FDI, aims to create new sources of competitiveness and goes to host countries with low manufacturing costs (Botric&Skuflic,2006). It often succeeds the market-seeking FDI, since it comes from integrating operations world-wide to gain global synergy (Dunning &Lundan,2008). Strategic asset-seeking FDI also refers to interchangeably as strategic asset-related FDI, differs from the above-mentioned motives, as it aims to transform the foreign investor's competitive position and core-competency (Dunning &Lundan,2008). Strategically motivated FDI may connect any of the other three location-influencing motivations with strategic intentions, such as the need to gain "synergistic" knowledge and innovative ideas (Dunning, 1998; Resmini, 2000). Strategic asset-seeking investment can integrate the acquired firm's competitive advantage with that of the acquiring firm. However, Dunning (1993) points out that several large MNEs seek to achieve pluralistic objectives. These multinational companies, therefore, undertake FDI, which incorporates the features of each of the motives listed above.

The motives of foreign investment have been studied for different countries to ascertain if they varied across different countries or remained the same. Tatogluand Glaister (1998) inferred that the MNC's from different countries were influenced by different host country location factors. In their research, Zhao and Zhu (2000) found that location-specific factors were significantly different among investors from various countries. The drivers of inward FDI changed significantly across country groups and regions, according to Mellahi et al. (2003). Kinoshita and Campos (2003) found that the contribution from country of origin was small in the services sector, but the results were robust in the manufacturing sector, according to KarpatyandPoldahl (2006).

There is no prior literature that extensively examines the strategic motive of MNC's according to the nationality of the foreign firm in India. It's likely that the investment motives of multinational companies from various countries of origin vary significantly. It may be beneficial to consider the investment behavior of firms from the US, Europe, and South-East Asia and find out the differences, if any. Hence, the paper aims to explore this dimension.

### **Objective of the Study**

To determine whether the investment motives differ between the firms from different countries of origin. The study endeavours to find out if the location decisions based on country specific advantages differ based on the nationality of foreign firms.

### **Research Methodology**

The quantitative research used a **descriptive research design**. The design is chosen since it provides a comprehensive and detailed explanation of the phenomena under study. It is also **conclusive** as it concentrates on collecting primary data, testing and validating the conceptual model, presenting findings, making interpretations, and drawing conclusions.

Questionnaires have been used to collect data in this survey research. Data for the analysis was collected via online questionnaires. The research instrument was divided into three parts. The first part consisted of demographic questions relating to name and address of the company, country of origin, designation of the respondent, and total work experience of the respondent. The second part was designed to measure the perceptions of the respondents about the strategic reasons for equity investment via wholly owned subsidiaries (WOS's) in the Delhi-NCR region. The motive section was comprised of 34 statements based on a seven-point Likert scale. The instrument was prepared with nine items relating to market-related factors, six items related to resource-related factors, eleven items relating to efficiency-seeking factors, and eight items related to strategic-asset related factors. All the statements were created with a seven-point Likert scale. The responses were indicated as 1 (Not at all important), 2 (Unimportant), 3 (Slightly

unimportant), 4 (neutral), 5 (Moderately important), 6 (Very important) and 7 (Extremely important). The third part included six items designed to capture the respondents' overall perception about performance benefits as a consequence of foreign investment in the host country, India.

**The target population** of the study consisted of the top managerial employees working in wholly owned subsidiaries of foreign MNCs in India. The sampling unit constituted top management employees, including general managers, managing directors, vice-presidents, presidents and CEO's of foreign MNCs. We collected data from WOS of MNC's in the National Capital Region, from April 2018 to April 2019.

**The sampling frame** is comprised of WOS's of MNC's extracted from the Company Master Data, extracted from the government database, for the selected region until April 21, 2018. Companies whose registration dates ranged from April 2008 to April 2018 were included in the study. A **non-probability judgmental (or, purposive sampling)** technique was used in the research; top management employees having requisite work experience in the subsidiary were chosen by the researcher for the study. The study has 271 participants.

**Cronbach alpha** was used to assess the scale's internal consistency. Two academicians and two corporate practitioners helped to validate the questionnaire. **Confirmatory factor analysis** was used to examine quantitative data in order to determine the scale's construct validity. The difference between the two groups was determined using an **independent samples t-test**.

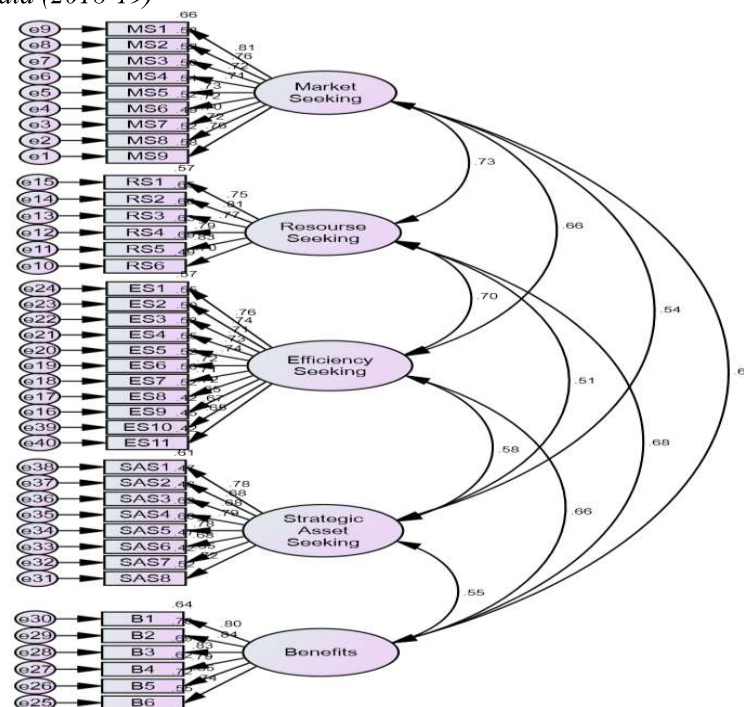
### Data Analysis

#### Validity Analysis Using CFA

The measurement model ascertains the construct validity of the scale. The variables are assumed to be reflective and first order. The high correlation among the measures of a construct establishes the convergent validity. To support convergent validity, the CR estimate of each construct is expected to be greater than 0.7. The AVE statistics should also be greater than 0.5. To ascertain discriminant validity, the correlation among the constructs should be moderate to low. Also, the AVE is expected to be greater than the MSV for each dimension. Figure 1 shows the construct loadings and correlation coefficients.

Figure 1

CFA Model of Investment Influencing Factors and Perceived Benefits (Source: SPSS Amos(21.0) was used to analyze primary data (2018-19)



**Table 1** (Source: SPSS Amos (21.0) analysis of primary data (2018-19))*Regression Weights-Investment Influencing Factors and Performance Benefits*

			Construct Loadings	Estimate	Standard Error	Critical Ratio	P Value
MS9	<---	Market Seeking	.760	1.000			
MS8	<---		.722	1.038	.085	12.204	***
MS7	<---		.701	.936	.079	11.813	***
MS6	<---		.723	.954	.078	12.225	***
MS5	<---		.735	1.057	.085	12.457	***
MS4	<---		.707	1.043	.088	11.916	***
MS3	<---		.719	.968	.080	12.157	***
MS2	<---		.763	1.117	.086	13.010	***
MS1	<---		.814	1.089	.078	14.032	***
RS6	<---	Resource Seeking	.697	1.000			
RS5	<---		.831	1.262	.100	12.651	***
RS4	<---		.791	1.288	.107	12.091	***
RS3	<---		.774	1.124	.095	11.853	***
RS2	<---		.807	1.167	.095	12.315	***
RS1	<---		.754	1.084	.094	11.563	***
ES9	<---	Efficiency Related	.651	1.000			
ES8	<---		.722	1.316	.126	10.415	***
ES7	<---		.706	1.249	.122	10.232	***
ES6	<---		.720	1.234	.119	10.398	***
ES5	<---		.740	1.170	.110	10.638	***
ES4	<---		.730	1.177	.112	10.521	***
ES3	<---		.707	1.211	.118	10.241	***
ES2	<---		.743	1.315	.123	10.663	***
ES1	<---	.757	1.281	.118	10.836	***	
B6	<---	Perceived Benefits of FDI	.744	1.000			
B5	<---		.850	1.107	.077	14.340	***
B4	<---		.788	1.063	.081	13.188	***
B3	<---		.833	1.063	.076	14.023	***
B2	<---		.835	1.128	.080	14.061	***
B1	<---		.800	1.063	.079	13.411	***
SAS8	<---	Strategic Asset Seeking	.721	1.000			
SAS7	<---		.651	.997	.097	10.248	***
SAS6	<---		.683	1.001	.093	10.769	***
SAS5	<---		.777	1.229	.100	12.250	***
SAS4	<---		.786	1.221	.098	12.397	***
SAS3	<---		.682	.082	10.739	***	
SAS2	<---		.683	.097	10.770	***	
SAS1	<---		.779	.095	12.290	***	
ES10	<---	Efficiency Related	.669	.114	9.767	***	
ES11	<---	Efficiency Related	.649	1.016	.107	9.528	***

Results of CFA analysis are shown in Table 1. The construct loadings of items included in the measurement model are more than 0.5. The high construct loading score indicates that all items in the study significantly capture investment motivations and performance gains. Furthermore, every statement's critical

ratio was greater than 1.96, indicating significance. Thus, each statement reflecting a particular investment reason in India has a high association to that motive. Thus, the convergent validity is ensured. Table 2 shows the estimated correlation values between the various construct pairs.

**Table 2***Correlations*

			Estimate
Market Related	<-->	Resource Related	.734
Market Related	<-->	Efficiency Related	.663
Market Related	<-->	Benefits	.693
Market Related	<-->	Strategic Asset Related	.541
Resource Related	<-->	Efficiency related	.696
Resource Related	<-->	Benefits	.683
Resource Related	<-->	Strategic Asset Related	.513
Efficiency Related	<-->	Benefits	.660
Efficiency Related	<-->	Strategic Asset Related	.582
Benefits	<-->	Strategic Asset Related	.552

*Source: SPSS Amos(21.0) was used to analyze primary data (2018-19).*

The extracted factors have a moderate Pearson correlation value, indicating that there is discriminant validity among the extracted factors, as seen in Table 2. Table 3 below shows the calculated indicators of the validity measures.

**Table 3***Validity Measures*

FDI Motives	Composite	Average Variance	
	Reliability	Extracted	Maximum Shared Variance
Benefits	0.919	0.655	0.480
Market Related	0.915	0.546	0.539
Resource Related	0.901	0.603	0.539
Efficiency Related	0.917	0.503	0.484
Strategic Asset Related	0.897	0.521	0.339

*Source: Primary data (2018-19) analysis compiled with the Stats tool package*

The CR value of each construct is more than 0.7, according to the findings. In addition, each construct's predicted AVE value exceeds 0.5. As a result, the findings support the factors' convergent validity. The AVE is higher than the MSV, indicating that the constructs have discriminant validity.

**Table 4***Fornell-Larcker Criteria*

	Perceived Benefits	Market Related	Resource Related	Efficiency Related	Strategic Asset Related
Benefits	0.809				
Market Related	0.693	0.739			
Resource Related	0.683	0.734	0.777		
Efficiency Related	0.660	0.663	0.696	0.709	
Strategic Asset Related	0.552	0.541	0.513	0.582	0.722

Source: Primary Data (2018-19) analysis using Stats tool package

The diagonal entries are the square root of the AVE estimate, whereas the off-diagonal values represent the correlation between the constructs. The square root of each construct's AVE is greater than the correlation with other constructs; hence the scale has discriminant validity.

### ***Independent Samples T-Test***

Among other motives highlighted in the statements listed in the table below, the market-seeking motives include a desire to join a new market, to assist global expansion, and to respond to the expanding potential of the Indian market. This study tries to understand whether the market-seeking motive of foreign investment is same for firms originating from different countries. The responses of subsidiaries of foreign multinational firms in India are compared, and an independent samples t-test is applied for hypothesis testing.

H<sub>01</sub>: There exists no significant difference between the market-seeking investment motives among foreign firms from North America, Europe, and Southeast Asia.

Table 5 shows the results of the independent samples t-test. The probability value of the t-statistic is determined to be less than 5% of the level of significance in most of the statements showing the market-seeking purpose of foreign direct investment between enterprises in the designated regions. Hence, the null hypothesis mentioned above can be rejected with a ninety-five percent confidence level. As a result, it can be argued that the market-related motives of enterprises from North America, Europe, and Southeast Asia are notably different. The mean score of all the statements, as indicated in the results, is found to be higher in the case of firms from Southeast Asia as compared to the mean scores of statements in case of firms from North America and Europe. As a result of findings, it may be inferred that the market-seeking motive is higher in the case of firms from Southeast Asia and less for firms from North America, Europe.

**Table 5***Market-Related Factor- Independent Samples t-test*

Statements	Groups		t-statistic (p-value)	Remark
	N.America/ Europe Mean (Standard Deviation)	Southeast Asia Mean (Standard Deviation)		
To take advantage of an export opportunity in India	4.354 (1.403)	4.811 (1.040)	-2.991 (0.003)	Significant difference exists
To cater to the huge market potential	4.559 (1.403)	4.964 (1.257)	-2.313 (0.022)	Significant difference

				exists
To meet the changing lifestyles	4.483 (1.395)	4.835 (1.12)	-2.210 (0.028)	Significant difference exists
Want to enter a new market	4.489 (1.482)	4.988 (1.33)	-2.760 (0.008)	Significant difference exists
To facilitate international expansion	4.569 (1.480)	4.964 (1.229)	-2.296 (0.023)	Significant difference exists
To avail benefits of RTA/ BTA/PTA	4.473 (1.340)	4.694 (1.195)	-1.358 (0.176)	Significant difference does not exist
Increasing Consumer purchasing power and per capita income	4.462 (1.383)	4.835 (1.111)	-2.367 (0.019)	Significance difference exists
To access diverse cultures, institutions systems and consumer demands	4.457 (1.463)	4.882 (1.266)	-2.440 (0.016)	Significant difference exists
To get access to large Indian market	4.306 (1.338)	4.741 (1.145)	-2.745 (0.007)	Significant difference exists
Overall Score	4.461 (1.135)	4.857 (0.779)	-3.335 (0.001)	Significance difference exists

Source: SPSS (21.0) analysis of primary data (2018-19)

Another principal motive of investment that influences the companies in investing in other parts of the world is the resource-seeking motive. The resource-seeking motive is reflected in the search for availability of skilled labor and natural resources, managerial, technical skills, and organizational and marketing expertise. The physical infrastructure available in a nation also boosts resource-seeking investment. The prevalence of local partnerships for the joint promotion of knowledge, too, is an important resource-seeking motive. The study aims to test the following hypothesis:

H<sub>02</sub>: There exists no significant difference between the resource-seeking investment motives between foreign firms from North America, Europe, and Southeast Asia.

Table 6 shows the outcome of the independent samples t-test. The results demonstrate that the t-statistics for all statements showing resource-seeking motives of inward FDI between enterprises from North America, Europe, and Southeast Asia is less than 5% of the level of significance. As a result, the null hypothesis can be rejected with a 95% confidence level. As a result, it may be argued that the resource-seeking factor of foreign direct investment differs significantly between enterprises from North America, Europe, and Southeast Asia. The mean score of all the statements is found to be higher in firms from North America, Europe as compared to the mean scores in case of foreign companies from Southeast Asia. Therefore, it can be concluded from the results that the resource-seeking motive is higher in case of firms from North America and Europe and less for firms from Southeast Asia.

**Table 6***Resource-Seeking Factor-Independent Samples T-test*

Statements	Groups		t-statistic (p-value)	Remark
	N.America/ Europe Mean (Standard Deviation)	Southeast Asia Mean (Standard Deviation)		
Availability of natural resources	4.828 (1.303)	4.376 (1.184)	2.720 (0.007)	Significant difference exists
Availability of semi-skilled/ skilled labor	5.010 (1.323)	4.564 (1.169)	2.667 (0.008)	Significant difference exists
Obtain management, technical, marketing, and organizational skills	4.828 (1.3606)	4.411 (1.094)	2.477 (0.014)	Significant difference exists
Local partners' willingness to work together to promote knowledge and/or capital-intensive resource exploitation	4.919 (1.517)	4.329 (1.218)	3.150 (0.002)	Significant difference exists
The level of Physical infrastructure	4.747 (1.377)	4.4118 (1.284)	1.900 (0.059)	Significant difference exists
Access to good quality intermediate inputs	4.768 (1.305)	4.364 (1.183)	2.434 (0.016)	Significant difference exists
Overall Score	4.850 (1.122)	4.409 (0.929)	3.156 (0.002)	Significant difference exists

Source: SPSS (21.0) analysis of primary data (2018-19)

FDI inflows in India are heavily influenced by the efficiency-seeking motive. These include the hunt for low-cost skilled labor, cost advantages in raw materials, the ability to lower operational costs, government incentives, the presence of agglomerative economies / the availability of specialized geographical clusters, and a higher educational level. These reasons might influence efficiency-seeking investment in a country. The study endeavors to test the following hypothesis:

H<sub>03</sub>: There exists no significant difference between the efficiency-seeking investment motives in India between the firms from North America/ Europe and Southeast Asia.

Table 7 depicts the results of the independent samples t-test. The probability value of t-statistics in case of all statements suggesting the efficiency-seeking motive of inbound foreign direct investment between enterprises from North America, Europe, and Southeast Asia is less than 5% of the level of significance, as evidenced by the results. As a result, it may be argued that efficiency-seeking motives of FDI in MNCs from North America/Europe and Southeast Asia differ significantly. The mean score of all the statements, as indicated in the results, is found to be higher in the case of firms from North America and Europe to the mean scores in the case of companies from South-East Asia. As a result of the findings, it can be concluded that the efficiency-seeking drive is stronger in North American and European enterprises and weaker in Southeast Asian firms.



Table 7

*Efficiency-seeking Motive: Independent Samples t-test*

Statements	Groups N.America/ Europe Mean (Standard Deviation)	South East Asia Mean (Standard Deviation)	t-statistic (p-value)	Remark
Low-cost of semi-skilled/skilled labor	4.661 (1.306)	4.423 (1.208)	1.423 (0.156)	Significant difference does not exist
Investment incentives	4.693 (1.378)	4.329 (1.218)	2.090 (0.038)	Significant difference exists
Better educational infrastructure	4.720 (1.289)	4.376 (1.281)	2.042 (0.042)	Significant difference exists
Opportunity to reduce operating costs	4.784 (1.242)	4.317 (1.104)	2.973 (0.003)	Significant difference does not exist
Advantage in logistics cost	4.666 (1.250)	4.270 (1.016)	2.558 (0.011)	Significant difference does not exist
Raw material cost advantages	4.795 (1.327)	4.541 (1.210)	1.504 (0.134)	Significant difference does not exist
Importing components without encountering trade barriers	4.887 (1.344)	4.364 (1.252)	3.030 (0.003)	Significant difference exists
To obtain economies of scale	4.731 (1.384)	4.388 (1.346)	1.908 (0.057)	Significant difference exists
Low energy, oil, and gas prices	4.854 (1.178)	4.376 (1.057)	3.198 (0.002)	Significant difference exists
Presence of agglomerative economies	4.704 (1.341)	4.529 (1.075)	1.057 (0.292)	Significant difference exists
Opportunities for new initiatives/encouraging entrepreneurial environment	4.5806 (1.215)	4.235 (1.076)	2.247 (0.025)	Significant difference exists
Overall Score	4.734 (0.978)	4.3775 (0.796)	2.946 (0.004)	Significant difference exists

Source: Primary Data (2018-19) analysis using SPSS (21.0)

The strategic asset-seekers hunt for opportunities of acquisition, acquiring first-mover advantage, discouraging potential competitors, or integrating the supply chain etc. The study attempts to test the below

mentioned hypothesis.  $H_{04}$ : There exists no significance difference between the strategic asset-seeking investment motives between the firms from North America/Europe and South-East Asia. Table 8 depicts the results of the independent samples t-test. The results reveal that in most cases, the probability value of t-statistics of the strategic asset-seeking motive is higher than 5% of the level of significance. Hence, we fail to reject null hypothesis as mentioned above with ninety-five per cent confidence level. As a result, the strategic asset-seeking motive is not significant.

**Table 8**

*Strategic Asset Seeking Factor: Independent Samples t-test*

Statements	Groups		Groups	Remark
	N.America/ Europe Mean (Standard Deviation)	N.America/ Europe Mean (Standard Deviation)		
To gain first mover advantage	4.548 (1.343)	4.505 (1.259)	0.246 (0.806)	Significant difference does not exist
To pursue firm acquisition opportunities	4.784 (1.334)	4.447 (1.331)	1.935 (0.054)	Significant difference exists
Need to integrate backwards and/or forward	4.569 (1.147)	4.5176 (1.119)	0.350 (0.726)	Significant difference does not exist
Market presence to discourage potential competitors	4.559 (1.343)	4.423 (1.425)	0.756 (0.450)	Significant difference does not exist
Presence and competitiveness of related firms	4.602 (1.396)	4.423 (1.391)	0.978 (0.329)	Significant difference does not exist
To reduce geographical diversification risk	4.494 (1.295)	4.447 (1.286)	0.281 (0.779)	Significant difference does not exist
Technological, innovatory & other created assets	4.532 (1.376)	4.623 (1.299)	0.515 (0.607)	Significant difference does not exist
Exchange of localised tacit knowledge and interactive learning opportunities	4.435 (1.225)	4.505 (1.221)	0.439 (0.661)	Significant difference does not exist
Overall Score	4.565 (0.998)	4.486 (0.987)	0.607 (0.544)	Significant difference does not exist

*Source: SPSS(version 21.0) analysis of primary data (2018-19)*

### Conclusion

As shown in Table 5, the market-related motives of inward FDI between firms from the chosen regions are significantly different, with the market-related motive higher in the case of wholly owned subsidiaries of firms from Southeast Asia and less for the subsidiaries of foreign MNCs from North America and Europe. This was partially confirmed by Moon (2007), who concluded that the South Korean outward FDI is market-seeking, as it is mainly driven due to saturated domestic market, especially in other developing and emerging economies. Anand and Delios (1996) suggested that the Japanese FDI in India

sought increased market access and did not primarily involve transfer of technology and management skills. Also, Choudhury (2009) demonstrated in a study that the primary reason for a Japanese firm to invest in India is to get access to the local market. Japanese investment strategies were majorly market-driven (Vazquez & Vadlamannati, 2009; Buckley, Horn, & Cross, 2013). Gill (2014) suggested that the Korean MNCs in India were driven by market size and low wages.

Yeaple (2003) found that US MNCs is more likely to be found in case the scale economies are low and in countries with a large market sizes. Kundu et al. (2005) found evidence to prove that German companies' increasing outward orientation is highly influenced by India's current market size and future market potential, its pool of high-skilled labor, and the potential for cost reduction. Gorg, Muhlen, and Nunnenkamp (2010) concluded in their study that emerging markets show high growth potential; hence, the western organizations are localizing their product portfolios to match the need of consumers. Pisoni (2014) studied Italian FDI in India to determine the internationalization goals and found that the main goal is market-seeking. Italian companies have organized their subsidiaries to acquire the market share. Also, Kumar and Bhatia (2017) suggested that the formation of bilateral investment treaties influences inward FDI into India from selected European countries.

The resource-related motives of inward FDI between firms from the chosen regions have been found to be significantly different, as shown in Table 6. It can be concluded that resource-seeking motive is higher in the case of firms from North America and Europe and less for firms from South-East Asia.

Lipsey (2000) in his study concluded that US MNCs allocates more labor-intensive parts of their output to developing countries. On the other hand, the capital-intensive, or skill-intensive, parts are allocated to the parent facilities located in home countries. Vazquez and Vadlamannati (2009) suggested that in the case of Japanese MNCs, there is little indication that labor-intensive operations have been allocated to foreign locations. The study also suggested that the Japanese FDI in India is targeted at investing in labour and technology-intensive production. However, according to the JBIC survey on overseas business operations in 2014, Japanese corporations are most interested in potential labor market growth, labor costs, the size of the local market, and India's potential as a production base for exports, indicating that resource-related factors influence FDI from Japan.

Table 7 shows that the efficiency-seeking drive is stronger in North American and European enterprises and lower in Southeast Asian firms. Nachum and Zaheer (2005) concluded that outward FDI from the United States was market and efficiency driven. This was corroborated by Zheng's (2013) study, which suggested that the inward FDI in India from developed economies is primarily efficiency-seeking; however, FDI is market-seeking in the case of MNC's from developing economies.

Table 8 results indicate that we fail to reject the null hypothesis. MNCs from various regions do not invest for the purpose of acquiring strategic assets. Emerging market MNEs, according to Kedia, Gaffney, and Clampit (2012), are more prone to undertake knowledge-related FDI. It emphasized that MNEs from emerging market economies pursue knowledge to make up for their shortcomings. We did not find any research suggesting that foreign MNCs in India are attracted to strategic-asset related factors.

### ***Limitation***

The limitations associated with this empirical research are as follows:

- The study mainly includes respondents, many of whom disclosed that foreign investment decision to the host country were generally done through group consensus rather than relying on only one person in an organization. However, the study, on an average, covered one executive from the surveyed corporations.
- It is difficult to generalize because of the limited sample of enterprises explored and the subjectivity of the participants in the survey. The study used the survey method to collect data via online research and follow-up calls, leading to personal biases.
- Online survey research may lead to self-selection bias (Thompson et al. 2003).

### *Scope for Further Research*

The various FDI types (joint ventures, Greenfield investment, and acquisition) have varied costs and impacts on a company's capacity to leverage existing strengths or acquired resources. Hence, the research of firm behavior emphasizes the importance of FDI modes. Future studies can include a comparison between WOS and joint ventures to identify the differences and similarities between factors influencing foreign investment.

### **References**

- Anand, J., & Delios, A. (1996). Competing globally: How Japanese MNCs have matched goals and strategies in India and China. *The Columbia Journal of World Business*, 31(3), 50-62.
- Benito, G. R. (2015). Why and how motives (still) matter. *The Multinational Business Review*, 23(1), 15-24.
- Botrić, V., & Škuflić, L. (2006). Main determinants of foreign direct investment in the southeast European countries. *Transition Studies Review*, 13(2), 359-377.
- Buckley, P. J., Horn, S. A., Cross, A. R., & Stillwell, J. (2013). The spatial redistribution of Japanese direct investment in the United Kingdom between 1991 and 2010. *Business History*, 55(3), 405-430.
- Chandrapalart, A. (1999). The determinants of US direct investment in Thailand- A survey on managerial perspective. Retrieved from <https://www.semanticscholar.org/paper/The-Determinants-of-U.S.-Direct-Investment-in-A-on-Chandrapalart/1d2c495281f601e1f46351564c9ddc765cf374d7>
- Choudhury, S. R. (2009). *Japan's Foreign Direct Investment Experiences in India: Lessons Learnt from Firm Level Surveys* (No. 243). Working Paper.
- Cui, L., Meyer, K. E., & Hu, W. H. (2014). What drives firms intent to seek strategic assets by foreign direct investment? A Study of emerging economy firms. *Journal of world Business*, 49, 488-501.
- Dunning, J. H. (1993). Trade, location of economic activity and the multinational enterprise: A search for an eclectic approach. *The theory of transnational corporations*, 1(1993), 183-218.
- Dunning, J. H. (1998). The eclectic paradigm of international production : A restatement & some possible extensions. *Journal of International Business Studies*, 19(1).
- Dunning, J. H., & Lundan, S. M. (2008). Institutions and the OLI paradigm of the multinational enterprise. *Asia Pacific Journal of Management*, 25(4), 573-593.
- Franco, C., Rentocchini, F., & VittucciMarzetti, G. (2008). Why do firms invest abroad? An analysis of the motives underlying foreign direct investments. *An Analysis of the Motives Underlying Foreign Direct Investments (December 15, 2008)*.
- Gill, A. (2014). Internationalization of firms: An analysis of South Korean FDI in India. *Seoul Journal of Economics*, 27, 87-114.
- Görg, H., Mühlen, H., & Nunnenkamp, P. (2010). FDI liberalisation, firm heterogeneity and foreign ownership: German firm decisions in reforming India. *The Journal of Development Studies*, 46(8), 1367-1384.
- Jain, N. K. (2009). Resource, strategies, location determinants, and host country location choice by emerging market firms. Retrieved from <https://digitalcommons.fiu.edu/etd/147>
- Japan Bank for International Cooperation (JBIC), (2014). Survey on overseas business operations by Japanese manufacturing companies, FY2014.
- Karpaty, P., & Poldahl, A. (2006). The determinants of FDI flows: Evidence from Swedish manufacturing and service sector. *The Swedish Network for European Studies in Economics and Business*. Discussion paper No. 339. <http://www.snee.org/filer/papers/339.pdf>
- Kedia, B., Gaffney, N., & Clampit, J. (2012). EMNEs and Knowledge-seeking FDI. *Management International Review*, 52(2), 155-173.
- Kim, W. C., & Hwang, P. (1992). Global strategy and multinationals' entry mode choice. *Journal of international business studies*, 23(1), 29-53.
- Kinoshita, Y., & Campos, N. F. (2003, June). Why Does FDI Go where it goes? New Evidence from the

- Transition Economies. *William Davidson Institute Working Paper*, 573.
- Kundu, K. K., Lanzeni, M. L., Asuncion-Mund, J., Giesel, B., & Walter, N. (2005). German FDI to India: untapped potential. *Frankfurt am Main, Deutsche Bank Research*.
- Lecraw, D. J. (1993). Outward direct investment by Indonesian firms: Motivation and effects. *Journal of international business studies*, 24(3), 589-600.
- Lipsey, R. E. (2000). Inward FDI and economic growth in developing countries. *Transnational Corporations*, 9(1), 61-95.
- Mellahi, K., Guermat, C., Frynas, J., & Bortmani, A. H. (2003). Motive for Foreign Direct Investment in Oman. *Thunderbird International Business Review*, 45(4), 431-446.
- Moon, H. C. (2007). Outward foreign direct investment by enterprises from the Republic of Korea. *Global Players from Emerging Markets: strengthen enterprise competitiveness through outward investment*, 93-106.
- Nachum, L., & Zaheer, S. (2005). The persistence of distance? The impact of technology on MNE motivations for foreign investment. *Strategic Management Journal*, 26(8), 747-767.
- Pisoni, A., Cortili, M., & Onetti, A. (2014). The Internationalization Strategies of Italian MNCs in India. *Journal of Transnational Management*, 19(3), 227-243.
- Resmini, L. (2000). The determinants of foreign direct investment in the CEECS: New Evidence from Sectoral Patterns. *Economics of Transition*, III, 665-698.
- Tatoglu, E., & Glaister, K. W. (1998). Western MNCs FDI in Turkey: An analysis of Location specific factors. *Management International Review*, 38(2), 133-159.
- Vazquez-Rozas, E., & Vadlamannati, K. C. (2009). Direct foreign investments in India: potential & performance of FDI Inflows from United States as strategic major investor. *Applied Econometrics and International Development*, 9(2), 210-224.
- Yeaple, S. R. (2003). The role of skill endowments in the structure of US outward foreign direct investment. *Review of Economics and statistics*, 85(3), 726-734.
- Zheng, P. (2013). The variation in Indian inward FDI patterns. *Management International Review*, 53(6), 819-839.
- Zhao, H., & Zhu, G. (2000). Location factors and country-of-origin differences: An empirical analysis of FDI in China. *Multinational Business Review*, 8(1), 60.