DETERMINANTS OF SECTORAL FDI INFLOW IN INDIA

By

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ABSTRACT IN ENGLISH

This study analyses inward Foreign Direct Investments (FDIs) at industry level for the fourteen sectors in India. The time period for our analysis is 1992-2004. We have divided these thirteen years into three different time periods as we look to see if there is any effect on different periods of FDI inflow. CMIE data is used for our analysis. We run a Generalised Least Square (GLS) panel model for our econometric analysis and we find that FDI inflow is higher in the sectors where firm-specific assets in the form of brand recognition and product differentiation through marketing and advertisement are higher. The higher raw material cost, acts as an entry barriers for FDI inflow. The size of interest payment plays a negative role in attracting FDI. We also find that sectors with higher export intensity and lower import intensity attract greater FDI. The sectors where market size is large or where intangible assets in terms advertisement is large, attracts more FDI than the other sectors. Our broad conclusion is that FDI is concentrated in sectors with larger markets, higher advertisement, higher export orientation, lower debt, lower wage payment, and lower import intensity.