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Composition of Outward Foreign Direct Investment from India

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Abstract

After the liberalization regime of 1991, the major policy changes undertaken regarding overseas investment, such as, industrial deregulation and trade liberalization, led to major changes in the Indian economy. This leads to increase competence in Indian investors to compete on a global level on a sustained basis. The paper intends to drag attention towards the composition of outward foreign direct investment (OFDI) from India. It also examines the competition for Indian overseas investment among different sectors. Indian overseas investment in manufacturing sectors is getting the utmost importance, followed by service sectors in different country groupings from 2008 to 2019, using the rank dominance index.

Keywords: Competition, Dominance, Emerging economy MNEs, F21, F23, F60, G30, JEL classification, Outwards FDI, South-North FDI.

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Introduction

Globalization is the most important aspect that has acted as a catalyst in revolutionizing the world towards a shared and harmonious future. Acting upon this principle, the World Trade Organization (WTO) and international monetary fund (IMF) stepped in to liberalize the participating countries' investment regimes. It has helped countries benefit from investing in other economies through mutual and sustainable welfare. There are various aspects of globalization, and foreign direct investment (FDI) is one of them, which generally starts with exports. FDI is basically known to be the investing behavior of multinational corporations (MNCs). In this process, MNCs try to gain access to comparative advantages that other countries have. Such advantages could be in the form of better access to international markets, technologies, natural resources, and people. The main motivation behind FDI is to increase production efficiency and reduce the costs associated with it by venturing into other countries with suitable country-specific and firm-specific advantages. Adopting such strategies make them capable of competing on the global front.

Traditionally, it was believed that only MNCs from developed nations have the ability (in terms of country-specific and country-specific advantages) to compete internationally. These were assumed to be the capital source that either went into other developed countries and developing countries. Therefore, it was developed countries that were responsible for emanating the wave of development and domination. On the other hand, developing countries were mostly the receiver of capital that came from developed nations to gain access to their unexplored markets or unexploited natural resources. But, as the interaction between developed and developing countries increased, the investment practices from developing countries went through major changes. It was a time for the multinationals from emerging markets known as emerging multinationals (EMNEs). It was due to their acquired competence from their exposure to international firms and the transfer of technology and strategies from the developed countries. A significant rise in the FDI outflows from developing countries questioned the very basic FDI theories as they were incompetent to explain this new uptrend of emerging multinational enterprises. **Ramamurti (2012)** attributed it to the unique characteristics that these MNCs have, such as, operating in difficult business environments and being more familiar with the customer needs and peculiarities of working in other developing countries.

Despite the rise of MNCs' importance from countries, like Brazil, Russia, China, and India, still the work done in these countries is really extant. This paper aims to be able to get some insights into the practices of outward FDI from multinational corporations from India. India is now the world's twenty-first largest outward investor, which is significant considering its historically minuscule FDI outflows. India's MNCs have gone through a major structural shift in terms of geographical choices, sector-wise preferences. They have departed from their historical pattern of focusing on trade and textile investment in other developing countries. In recent times, sectors that have given synergy to MNCs from India are IT, pharmaceuticals, telecommunications, automotive, metals, and other service sectors. Therefore, our interest

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lies in determining the composition of FDI outflows from India.

Objectives of the Study

The study would undertake to achieve the following objectives:

- To analyze the trends and patterns of outward FDI from India, especially during the post-liberalization period.
- To analyze the composition of outward FDI from India in terms of joint ventures and wholly-owned subsidiaries.
- To study the dominance pattern of various sectors in decisions regarding the outward FDI from India.

Literature Review

This section of the paper provides an overview of a few of the many studies conducted on FDI. The literature review is conducted on various levels. Firstly, a review of the work done outward FDI from developing countries. Secondly, we found our niche, where we review the literature of OFDI from India and see if there is ample work done on the composition of the OFDI from India.

Kruse and Wang (2017) threw some light on the outward FDI pattern of BRICS nations. They conducted panel data regression with country-fixed effects on variables, such as, market size, labor cost, exchange rate, inflation, interest rate, political risks, corruption, openness, and technology. The study results came out as a striking difference between developing and developed nation's OFDI drivers and market size, inflation, interest rate, political risk, and openness found to have a significant effect on OFDI. Similarly, **Andreff (2014)** conducted a study to study the differences and similarities between Brazil, Russia, India, China, and South Africa (BRICS) countries. There have been many studies on the outward FDI pattern from these countries individually, as **Amal and Thago (2012)** and **Carvalho and Duysters (2012)** studied the host country factors and drivers and challenges in Brazilian FDI. **Bulatov (1998)** studied Russian firms' motivation to go abroad, which included the opportunities, the need to be in foreign markets, strengthening trade links, and looking for activities in other nations. Studies related to determinants of OFDI from India and China have been discussed above as well. India and China are one of the most researched countries for OFDI. **Amighini *et al.* (2012)** used disaggregated data from 2003 to 2008 to differentiate between state-owned enterprises and privately-owned firms. The results showed that POF is attracted to large markets and strategic assets, whereas, SOE is attracted to natural resources. Similarly, **Buckley (2007)** studied the factors that determine China's OFDI.

Apart from all the studies conducted on developing countries, India seems to have an eminent place in investing in other countries. Along with China, India has evolved to be an important source of capital among developing countries. The motivation has been gaining access in the overseas market, natural resources, technology, and being more competitive than domestic rivals **(Athreya & Kapur, 2009)**. Therefore, due to its importance among the developing countries, an ample amount of research has been conducted on OFDI from India, which specifies the factors that determine the outflow of FDI. **Anwar *et al.* (2008)** highlighted the pull factors that any host country should have to attract Indian multinationals by using disaggregated country-level data between 1970 and 1990. According to the theory's insights, six macroeconomic variables have been used to study their impact on attracting Indian firms' FDI. According to the test, the variables that have a significant effect on Indian firm's decision on investing in other countries are real Gross domestic product (GDP), real GDP per capita income, GDP deflator, and geographical distance of host country, whereas, market size, political stability, natural resources, and market openness of host countries are positively related to India's OFDI. **Duanmu and Guney (2009)** studied the reason behind the boost in Chinese and Indian OFDI. Also, they tried to find out if there is any commonality between the determinants of Indian and Chinese FDI.

The author has used hypothesis testing on various macroeconomic variables, such as, market size, currency, natural resources, trade restrictions, and low corporate taxes attract both the countries. Whereas, there has been a difference in view for economic regions, depreciated host country currency, and better institutions that are more important in China's case compared to India. The point that has created more ripples is the GDP growth index because both the countries are negatively related to GDP growth, making them countercyclical. Suppose we discuss about the work on a firm level. In that case, we have **Kumar (2007)**, who determines the trend and features of OFDI from MNCs having India as their home country with the help of exclusive panel data covering 4,271 Indian companies in the manufacturing sector from 1989–90 to 2000–01. The author believes that the ownership advantage [according to Ownership-Location-Internalization model (OLI)] is their ability to ingest, adopt, and strengthen the technologies that are imported instead of producing them. To know the source of ownership, certain variables were used in the hypothesis testing. Out of which, technological effort, product differentiation, the cost-effectiveness of process, firm size, and export orientation are positively related to OFDI. In contrast, technological dependence and local ownership are negatively related. The variable that had a significant effect on OFDI by Indian firms was learning from production experience. **Jain (2013)** studied the case of Indian outward FDI on both firms, as well as, country level. It determined that market size, FDI openness, and technology are the significant factors that determine the outward flow of FDI. Whereas, on the firm-level, the author used various variables that represented the OLI and Linkage-Leverage-Learning (LLL) framework. The result that came out was the synthesis of OLI, and the LLL model works best and can most appropriately explain India's outbound investment. **Rajan (2009)** studied the trends, determinants, and implications of OFDI from India from 2000 to 2005, with the help of a panel data of 57 source countries and 57 host counties. He used the gravity model on various factors. The result came out to be as follows: GDP of both host and host countries, the ratio of Research and Development (R and D) to GDP, energy production in host countries, and market capitalization in host countries were positive and significant. The distance was negative

and significant. **Beule and Bulcke (2012)** studied the factors, such as, institutional distance, income distance, natural resources in host country, strategic assets, and other control variables, such as, market size and openness from 2003–04. He used a gravity model with conditional logistic regression. Institutional distance, natural resources, strategic assets were positive and significant, whereas, income difference in both the countries was negative and significant. One more facet of large economies, like India, was introduced by **Nayyar (2018)**, where she argued that a country like India, where heterogeneity exists across the country, plays an important role. Therefore, studying institutions on a national level is not enough to undermine the potential of sub-national institutions (states). To gain better access, the institution-based strategy has to be studied on a sub-national level.

Looking at another aspect of Indian outflows, which is sectoral distribution, **Goldar (2013)** studied the data from July 2007 to January 2012. A total of 798 manufacturing firms were taken to analyze the geographical preference. Out of 798 firms, one-third of the firms opted for developed regions and the rest, developing countries. The authors also used the Aw-lee model to determine the effect of manufacturing firms' productivity level on the FDI outflows. It is inferred that firms with high productivity are more likely to invest in other countries than firms with low productivity. The higher the productivity, higher the chances of investing in industrialized nations. Also, talking about technological competence, firms with greater technological acquisition engagement are more likely to invest in industrialized nations. **Thomas and Narayana (2017)** studied FDI from manufacturing firms from 1998–2009. Variables, such as, firm-level total factor productivity, import of technology, export intensity, firm size, ownership, and RandD. Productivity, RandD, and technological imports were positively associated and significant for OFDI from manufacturing firms. A paper was also published by **UNCTAD (2005)** to study the OFDI by SMNEs and MSMEs. They considered technology, skills, and marketing expertise, establishing trade supporting infrastructure as the drivers of OFDI apart from access to overseas markets and natural resources.

As the above-discussed paper about manufacturing firms, SMSEs invests in both developed and developing countries. It also highlights the policy measures that are required in this area. The service sector also constitutes a major portion of the FDI from India. **Pradhan (2006)** gave an account of OFDI from the service sector. It rose at a faster pace than the manufacturing sector since the economic liberalization of 1991. From 1975–1990, OFDI from the service sector mainly chose developing countries as their preferred destination. But, it changed after the 1990s, and developed countries became the investment destination. It happened due to the structural changes, as well as, Indian investment development path. The author also used the Tobit model on firm-specific variables from 1989–2001. The firm's age, firm size, RandD, export orientation, and profit were positively associated with OFDI from the service sector, whereas technological imports were negatively associated.

After studying all the papers regarding FDI, there is a lack of work that has been done on OFDI from developing countries. In that area also, we found our niche, i.e., the OFDI from India, where work at a sectoral level during the period of 2008–19 is lacking majorly. I found that the papers above could not give a better account of the competitive and dominant aspects of sectors that play a vital role in the OFDI from India. This literature gap is the main motivation for taking up the topic.

Data and Research Methodology

Our empirical work will be accomplished at the macro level; we will require different methodologies and access different data from different sources, respectively. For the macro-level analysis, the data would be collected from the Reserve Bank of India (RBI). As far as the methodology is concerned, we will be using tables, figures, and descriptive statistics for showing the trends and patterns of OFDI from India.

The focus was to study yearly data from 2008–19. To study the composition of OFDI from India, data was further classified in terms of Joint Ventures (JVs) and wholly owned subsidiary (WOS), and various sectors as classified by RBI.

Research Methodology

Globalization has been promoting international capital investment. We are examining the trends of FDI outflows from India in terms of its composition and direction of investment.

Growth Index

Growth index of FDI means the growth of FDI concerning base year FDI.

$GI_{FDI} = FDI_t/FDI_b \times 100$

GI_{FDI} = Growth index of FDI

FDI_t = FDI at t year

FDI_b = FDI at base year

Base year = 2008

t = 2008, 2009, 2010, …, 2019

FDI outflows from India had been consistently increasing from 2008 to 2019 in absolute terms.

Percentage Share

With globalization and WTO, India's outflows have increased many times of absolute term for each country group over the last decades. We are here examining the change in sectoral choices of FDI outflows from India in proportionate terms.

Dominance Patterns

It is interesting to know whether there is any dominant sector or a constant flux in different sectors' ranking. We have studied dominance by applying the index of rank dominance (IRD), a relative dominance measure by ranks **(Murthy, 2011)**. This is a measure of continuous dominance. It is an innovative measure that 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 **(Murthy, 2011)**.

$$I_{RD} = \frac{\sum_{i=1990}^{2009} (Rank\ score)_i}{Maximum\ rank\ score \times No.of\ years}$$

I_{RD} = Index of rank dominance
Rank score = 5, 4, 3, ... (in decreasing order of rank)
There are four properties of this new index:

1. The value of lies between 0 and 1, i.e.,
   $0 < I_{RD}$

I_{RD} measures in relative terms, the dominant center's position over the period from 2008–19 for attracting FDI from India. The value of lies between zero and one but never become zero because, in this index, sectors included must be at least one time be placed in the top five positions over the period 2008–19. The maximum value of shall be one, provided a sector has been at the top position in all years from 2008–19 in attracting FDI from 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, i.e., it measures dominance and amongst "N" countries over "T" years.

Empirical Results and Analysis

General Trends of OFDI

It has always been assumed that FDI naturally moves from developed nations to developing nations or from more industrialized nations to less industrialized nations. However, a new trend emerged in the world economy termed reverse FDI, flowing from capital-poor economies to capital-rich economies. Although industrialized nations continue to be the topmost source of outward FDI, the emergence of developing and transition economies have changed the world economic dynamics since the 1990s. It has given a very significant push towards the theoretical underpinning of outward FDI from developing countries. An increasing trend in global OFDI and the proportion of OFDI from developing and BRICS nations can be seen in Table 1. In the year 1990, most of the FDI was coming from developed nations. Over time, this difference decreased. But, in the year 2019, due to the less OFDI from developing economies, the difference in the share of OFDI from developed countries and developing countries increased.

After the great depression of the 1930s, all the world nations out posted barriers to FDI and eventually led to World War II. After the war, nations understood the importance of free trade flow and formulated the general agreement on tariff and trade (GATT). The world investment and, most importantly, FDI has been accelerating economic growth since the inception of the UN development decade in the 1960s. FDI was also considered the topic of debate, whether it promotes economic growth or exploitation of a country's resources by big MNCs. A major change has been noticed in the last three decades globally, where the governments had started supporting FDI. They got convinced by the fact that the benefits of FDI have outperformed its costs. All the world countries have liberalized in this period at their own pace, time, and intensity.

Discussing India and its policy, there was a very hostile business environment after independence. Indian business environment was considered to be inward-looking and marked by protectionism against FDI and imports. Domestic production and consumption were considered to be appropriate in that period. In the case of OFDI outflows, Indian firms were only interested in developing countries, as there was a restrictive approach before 1991. The first OFDI policy was formulated in 1969 by describing guidelines on Indian joint ventures abroad. India attained its liberalization in 1991. The policy aimed to reduce government intervention in the business and promote competition in the market by discouraging monopoly. In this era, governments at the world level also integrated like never before. Investing in other countries was considered the developed countries phenomenon as they had more country-specific and firm-specific advantages than developing countries. But with the efforts of governments of developing countries, countries, such as, India, China, and South Korea started investing in other countries as well. The Indian government made policies for inward and outward FDI. Time and again, FDI norms have been

Table 1: Global trends of FDI outflows ($ millions and percent)

Year	*Total FDI outflows*	*OFDI from developed countries (%)*	*OFDI from developing countries (%)*	*OFDI from BRICS countries*	*OFDI from India*
1990	243,878	230,767 (95)	13,111 (5)	1,488	6
1995	356,889	303,966 (85)	52,307 (15)	6,318	119
2000	1,164,956	1,071,786 (92)	90,003 (8)	7,134	514
2005	841,092	704,694 (84)	118,351 (14)	35,440	2,985
2010	1,386,061	961,715 (69)	373,906 (27)	147,859	15,947
2015	1,594,317	1,172,867 (74)	389,267 (24)	171,058	7,572
2016	1,452,463	1,043,884 (72)	383,429 (26)	206,440	5,072
2017	1,425,439	925,332 (65)	461,652 (32)	227,627	11,141
2018	1,014,173	558,445 (55)	417,554 (41)	168,828	11,447
2019	1,313,770	916,878 (70)	396,891 (30)	170,388	12,104

Source: www.unctad.org

Table 2: Growth index of global OFDI trends

Year	*Total FDI outflows*	*OFDI from developed countries*	*OFDI from developing countries*	*OFDI from BRICS*	*OFDI from India*
1990	100	100	100	100	100
1995	146	132	399	425	1,983
2000	478	464	686	479	8,567
2005	345	305	903	2,382	49,750
2010	568	417	2,852	9,937	265,783
2015	654	508	2,969	11,496	126,200
2016	596	452	2,924	13,874	84,533
2017	584	401	3,521	15,298	185,683
2018	416	242	3,185	11,346	190,782
2019	539	397	3,027	11,451	201,736

Source: unctad.org

Table 3: Joint venture and WOS (2008–2019) $ million

Time	*Joint ventures*	*Wholly-owned subsidiary*
2008	2,731.73	14,746.28
2009	2,048.15	15,402.02
2010	13,555.17	26,941.35
2011	8,626.34	25,311.57
2012	5,353.02	20,248.15
2013	9,381.15	20,307.7
2014	15,901.68	22,792.79
2015	3,841.34	18,646.03
2016	4,582.00	20,966.01
2017	4,318.98	16,801.51
2018	3,951.97	14,458.56
2019	3,982.43	11,594.35

Source: Calculations based on RBI data

Table 4: OFDI from India—growth index of JV-WOS

Time	*Joint ventures*	*Wholly-owned subsidiaries*
2008	100	100
2009	75	104
2010	496	183
2011	316	172
2012	196	137
2013	343	138
2014	582	155
2015	141	126
2016	168	142
2017	158	114
2018	145	98
2019	146	79

Source: Authors' estimation

relaxed to attract foreign investors. With the introduction of the "Make in India" program, 100% FDI under automatic route has been declared for almost all the sectors. To encourage industries to invest overseas, various policies were introduced. In 1992, automatic approval was introduced for small investments less than $2 million, whereas, in 1995, this limit was raised to $4 million. Recently, RBI has reduced the limit to 100 percent of the firm's net worth under the automatic route. Therefore, the increase in the magnitude of FDI outflows and inflows worldwide are due to their respective governments' efforts and how these governments have liberalized the business environment. Table 1 is prepared by extracting data from United Nations Conference on Trade and Development (UNCTAD) , which depicts the global trends of OFDI changed after 1991. Table 2 depicts the growth index of global OFDI trends. Indian OFDI has remained very low since 1990 as compared to global trends. Still, its growth index was way more than global trends, which somewhat directs the increasing investment of Indian overseas investment in other countries.

Composition of India OFDI

This section of the paper deals with India's direct investment composition in the last decade, starting from 2008 to 2019. After the policy liberalization in 1991, Indian FDI increased from all the sectors by many folds. It was $6 million in 1990, reached $1,397.4 million in 2000, whereas, $11,783.5 million in 2014. Not just the volume, the number of investors had also increased dramatically from just 60 investors in the 1980s to 7,793 in 2014. Joint ventures and WOS are the two vital parts of FDI. The analysis of FDI outflows in terms of JV and WOS can be seen in Table 3. Both WOS and JVs registered the highest outflow in 2014 with $15,901 million and $22,792.79 million. They have moved in similar tangent over time, but investment in JVs remained less than WOS investment over the period. The growth index of JVs and WOS are presented in Table 4. It is quite clear from Figure 1 that JVs registered more growth as compared to WOS after 2010. It was in 2014 that JVs registered the percentage point of 582.11 above the level of 2008. Investors preferred the service sector as it required lesser capital, and it was easy to establish a WOS **(Pradhan, 2008)**. But as the nation started moving towards industries, it required more capital. Hence, JVs started to interest investors. Also, India's firms started looking for technology and strategic assets to compete in the global market during this period. Therefore, it was necessary to establish joint ventures to gain strategic assets.

Table 5 and Table 6 depict the growth indices of JVs and WOS's sectoral distribution over the years. If we compare the trends in both the areas, we can notice the growth of few sectors is more prominent in JVs than WOS and *vice versa*. Investment in the construction sector, transport, storage, and communication services has grown more in JVs. Whereas, growth of investment in the community, social, and personal service; financial, insurance, real estate, and business services, and manufacturing was greater in WOS over the years.

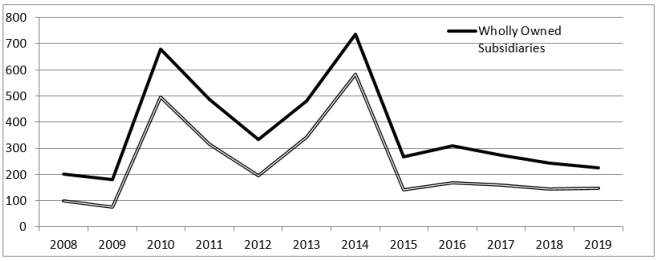

Figure 1: Growth trend of JVs and WOS

Table 7 shows the percentage share of different sectors every year. In 2008 and 2009, manufacturing sectors had almost half the share in OFDI by 44.9 and 52.3%. The manufacturing sector topped the chart but lately the difference between manufacturing and financial, insurance, real estate, and business services started eliminating in 2017 and overtook in 2019. After 2013, the agricultural sector share increased every year and reached 22.8 percent in 2014, whereas the share of the manufacturing and financial services sectors was lesser. Other than these two sectors, the ranking pattern of other sectors changed every year. Lack of understanding about other sectors that whether there is any similar pattern or there is a constant fluctuation in their ranking took us towards Index of Rank dominance.

Index of Rank Dominance (IRD)

IRD has the following properties, *viz.*, it always lies between 1 and 0, and it is a measure of continuous dominance. RIRD

Table 5: OFDI from India—JV sectoral growth index from 2008–19

Time	*AHFF*	*CSP_Ser*	*Cons*	*FIRB_Ser*	*Mfg*	*Miscs*	*TSC_Ser*	*WRRH*	*EGW*
2008	100	100	100	100	100	100	100	100	100
2009	66	85	1,055	38	50	57	2,190	62	217
2010	281	49	183	72	68	623	388,180	57	1,170
2011	1,076	39	496	94	83	163	88,530	583	8,104
2012	139	40	213	107	82	0	95,787	119	670
2013	597	124	1,150	57	126	13	160,374	167	539
2014	1,670	50	938	41	85	50	348,642	102	645
2015	201	38	432	119	108	152	2,879	173	3,785
2016	38	50	415	128	135	5	14,345	404	220
2017	188	24	305	93	155	14	5,944	216	680
2018	168	82	520	80	126	108	6,829	177	2,486
2019	139	18	2,757	90	79	73	1,711	73	1,452

Source: Authors' estimation; Note: AHFF: Agriculture, hunting, forestry, and fishing; CSP_Ser: Community, social, and personal service; Cons: Construction; FIRB_Ser: Financial, insurance, real estate, and business services; Mfg: Manufacturing; Miscs: Miscellaneous; TSC_Ser: Transport, storage, and communication services; WRRH: Wholesale, retail trade, restaurant, and hotels; EGW: Electricity, gas, and water

Table 6: OFDI from India—WOS sectoral growth index during 2008–2019

Time	*AHFF*	*CSP_Ser*	*Cons*	*FIRB_Ser*	*Mfg*	*Miscs*	*TSC_Ser*	*WRRH*	*EGW*
2008	100	100	100	100	100	100	100	100	100
2009	88	70	60	61	131	57	89	111	590
2010	134	151	51	133	201	203	501	164	31
2011	322	96	390	176	129	51	202	202	15
2012	112	192	184	117	130	74	63	141	86
2013	313	282	66	86	106	8	243	239	12
2014	863	207	127	110	115	47	128	184	7
2015	388	165	109	122	82	14	203	217	59
2016	704	141	90	139	75	51	112	242	379
2017	386	225	72	129	37	35	257	164	444
2018	255	53	145	99	47	21	237	151	354
2019	148	64	109	96	44	13	27	179	294

Source: Authors' estimation

Table 7: Yearly percentage share of OFDI from different sectors

Year	*AHFF*	*CSP_Ser*	*Cons*	*FIRB_Ser*	*Mfg*	*Miscs*	*TSC_Ser*	*WRRH*	*EGW*
2008	4.8	3.3	5.1	25.4	44.9	1.7	5.2	8.8	0.8
2009	4	2.5	6.4	14.8	52.3	1	5	9.1	4.8
2010	3.4	1.7	1.3	13.6	34	1.7	38.4	5.5	0.2
2011	12.1	1.4	10.5	21.6	27.8	0.5	12.7	12.2	1.1
2012	4.1	3.6	7	21.4	39.8	0.9	13.8	8.8	0.6
2013	11.1	4.8	4.3	12.9	30.5	0.1	23.8	12.3	0.1
2014	22.8	2.4	4.2	11.7	22.5	0.4	29	6.9	0.1
2015	12.9	3.3	5.2	23.9	30.5	0.3	8.5	14.3	1.1
2016	18.4	2.6	3.9	23.9	26.7	0.6	5.6	16.3	2.1
2017	13.9	4.6	3.8	26.5	22.8	0.5	12	12.9	3.1
2018	10.7	1.9	8.2	23.1	26.7	0.4	12.7	13	3.2
2019	7.9	1.9	16	27.1	25.9	0.3	1.9	15.9	3

Source: Authors' estimation

Table 8: OFDI from India—dominance pattern of top five sectors during 2008–19

Sectors	*Total score*	*IRD*	*RIRD*
Mfg	55	0.92	0.31
FIRB_Ser	46	0.77	0.26
TSC_Ser	28	0.47	0.16
WRRH	27	0.45	0.15
AHFF	17	0.28	0.09
Cons	7	0.12	0.04
		3	1

Source: Authors' estimation

measures relative continuous dominance. Table 8 shows the IRD of the top 5 sectors over the last decade from 2008–19.

The manufacturing sector topped the chart. It was the most favorable sector to invest in all these years, followed by financial, insurance, real estate, and business services (as discussed earlier). The manufacturing, financial, and other services accounted for more than 70% of OFDI from India (Table 8).

Conclusion

OFDI from India has always caught attention due to its increasing importance in the world economy. This paper attempts to examine the trends of overseas direct investment from India so that better insights could be gained about the composition of OFDI from 2008–19. This analysis is expected to be a part of the new trend towards the multilateral capital flows in the form of FDI, leading to efficient resource allocation globally.

Using a two-level analysis, this paper presents the different dimensions and trends of OFDI from India. On the first level, global FDI trends are studied with the help of growth indices and percentage share of global FDI, OFDI from developing, developed countries, BRICS nations, and India. Indian OFDI has remained very low since 1990 compared to global trends, but its growth index was way more than global trends.

On the second level, the composition of OFDI was analyzed with the help of growth indices and index of rank dominance. In the case of JVs and WOS, WOS had a larger share in the outward direct investment, but the growth index of JVs was more than the growth index of WOS. It could be because of the increased preference towards developed nations. The trend suggested that WOS is preferred in developing countries and JVs in the case of developed countries. Index of rank dominance depicted the manufacturing sector's dominance, followed by financial, insurance, real estate, and business services sector.

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