A STUDY OF FDI FLOWS IN INDIA VIS-A-VIS MERGER AND ACQUISITIONS

Azeem Ahmad khan*

Abstract: *In this research paper, an effort has been made to evaluate the FDI flows in India through Merger and Acquisitions, a composite view of effective practices that have been emerged from inbound investors' experience conducting M&As in India. However, a number of successful deals shortlisted based on their size and prominence in the Indian market. Foreign Direct investment is a subject of interest in India. The countries of the world, particularly developing economies, are rival with each other to attract foreign capital to boost their domestic rates of investment and also to acquire new technology and managerial skills. The wave of liberalization and globalization sweeping across the world has unlocked many national markets for international business. It is stated that FDI has to play a vital role in the existing world economy. Therefore Cross border merger and acquisitions have emerged as the single largest way of integrating the world economies on the basis of investment done way back where they accounted majority of FDI flows.*

Key Words: *FDI, GDP, Inbound, Outbound, Mergers and Acquisitions.*

***Department of commerce, Aligarh Muslim University, Aligarh, Uttar Pradesh, India**

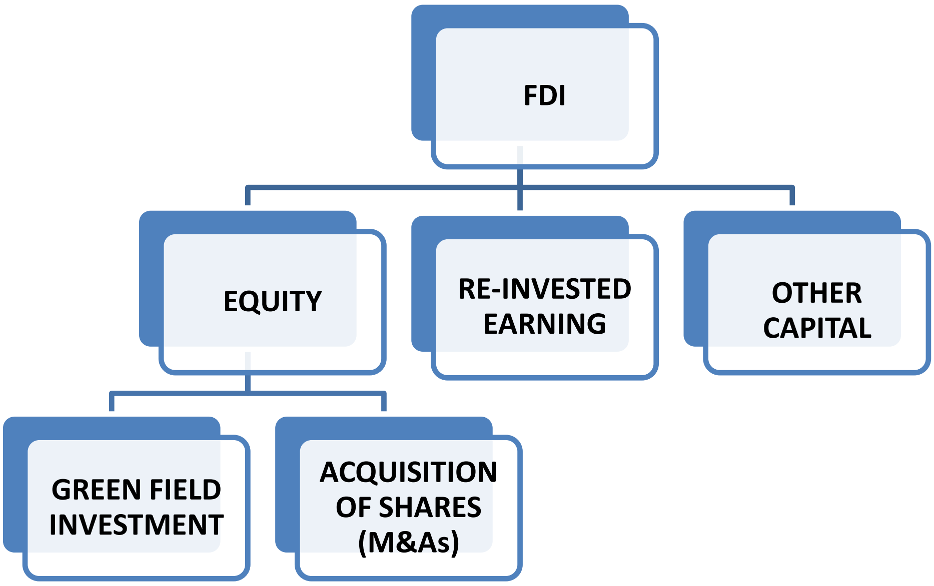
1. INTRODUCTION

In the globalized world, the choice of entry mode of FDI is considered a strategic decision by the foreign investors. The key driving forces in such decisions depend on the investor's interest in seeking resources, markets, and efficiency or strategic asset ownership in the host country. While the major motive of any investment is profit, a firm may opt for a particular entry strategy best suited to its short- or long-term interests.Foreign direct investment (FDI) constitutes three components; viz., equity; reinvested earnings; and other capital. Equity FDI is further sub-divided into two components, viz., Greenfield investment; and acquisition of shares, also known as Merger and Acquisitions (M&As). Reinvested earnings represent the difference between the profit of a foreign company and its distributed dividend and thus represents undistributed dividend. Other capital refers to the intercompany debt transactions of FDI entities. The component of FDI displaysin (see figure1). Equity FDI may also include "brownfield investment", a term often used in the FDI literature. This represents a hybrid of Greenfield and M&As foreign investment. Such investment formally appears as M&As, though its effect resembles greenfield investment. In brownfield investment, the foreign investor acquires a firm and undertakes near-complete renovation of plants and equipment's, labour and product lines (UNCTAD 2000).[1]During January-June 2012, the country had received US$ 10.1 billion of FDI.Foreign direct investment in India has increased by about 35 per cent to USD 13.6 billion during the first half of 2013 with merger and acquisitions accounting for the bulk of inflows.The foreign direct investment (FDI) in India has increased by 34.7% to US$ 13.6 billion during the first half of 2013 (January-June 2013) among bulk of inflows coming from the merger and acquisitions an UNCTAD report stated. In India FDI through mergers and acquisitions has registered a growth of 65.7% during the first half of 2013 to US$1.8 billion as against US$1.1 billion in January-June 2012.Foreign Direct Investment in India decreased to 2390 USD Million in June of 2014 from 753 USD Million in May of 2014. Foreign Direct Investment in India averaged 997.70 USDMillion from 1995 until 2014, reaching an all time high of 5670 USD Million in February of 2008 and a record low of -60 USD Million in February of 2014. Foreign Direct Investment in India is reported by the Reserve Bank of India.In doing so, the

[1] Department Of Industrial Policy & Promotion , 'FDI in India and its growth linkages' National council of Applied Economic Research, (Ministry Of Commerce & Industry, Government of India) retrieved from http://dipp.nic.in/english/publications/reports/fdi_ncaer.pdf

perspective of a multinational acquirer on doing deals in India, including what they have learned from the process and their effective practices that resulted in a successful deal[2].Cross-border mergers and acquisitions (M&As) and large retained earnings kept in foreign affiliates were a driving force behind the current global FDI growth, rather than investment in new productive assets through greenfield investment projects.[3]Also KPMG (Klynveld Peat Marwick Goerdele) report brings together unique insights and experiences of global acquirers who have successfully conducted M&Asin India over the last six years, including what they have learned from the process and their effective practices that resulted in a successful deal.[4]

Figure 1: Shows the Component of FDI



Source:DIPP, 'FDI in India and its growth linkages' National council of Applied Economic Research, (Ministry of Commerce & Industry, Government of India)

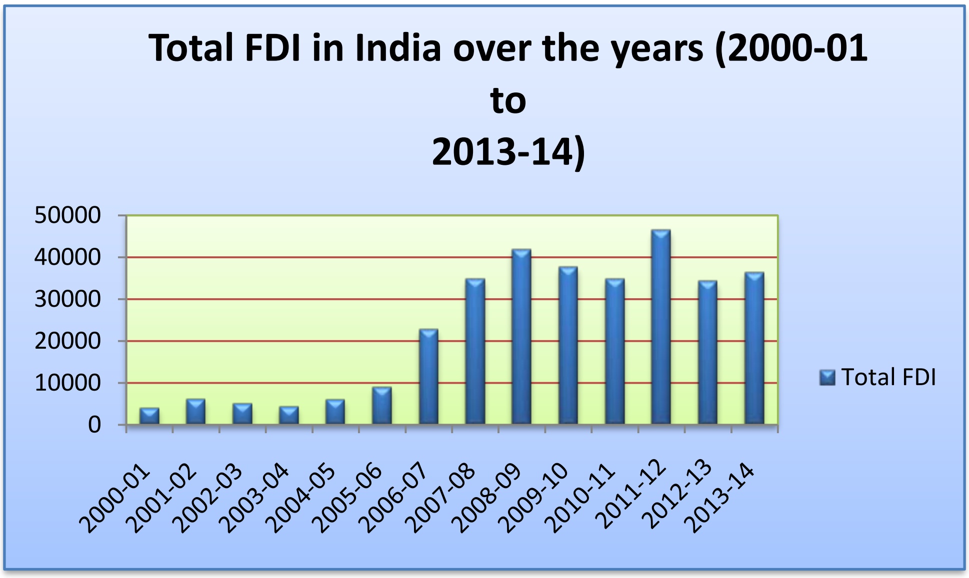
FDI inflows in India

FDI has contributed in the process of growth in the world economy in general and the developing world in particular. FDI plays an important role in the transmission of capital and technology across home and host countries. Benefits from FDI inflows are expected to be positive, although not automatic. From the study it is clear that FDI has positive impact on

[2] Doing deals successfully in India Lessons from the Dealmakers retrieved from www.kpmg.com/in
[3]http://www.business-standard.com/article/news-cm/fdi-in-india-rise-35-in-first-half-of-2013-unctad-113110500146 _1.html
[4]Kpmg Report, Doing deals successfully in India Lessons from the Dealmakers, pp-5, (*A Swiss Entity*, 2014) retrieved from www.kpmg.com/in

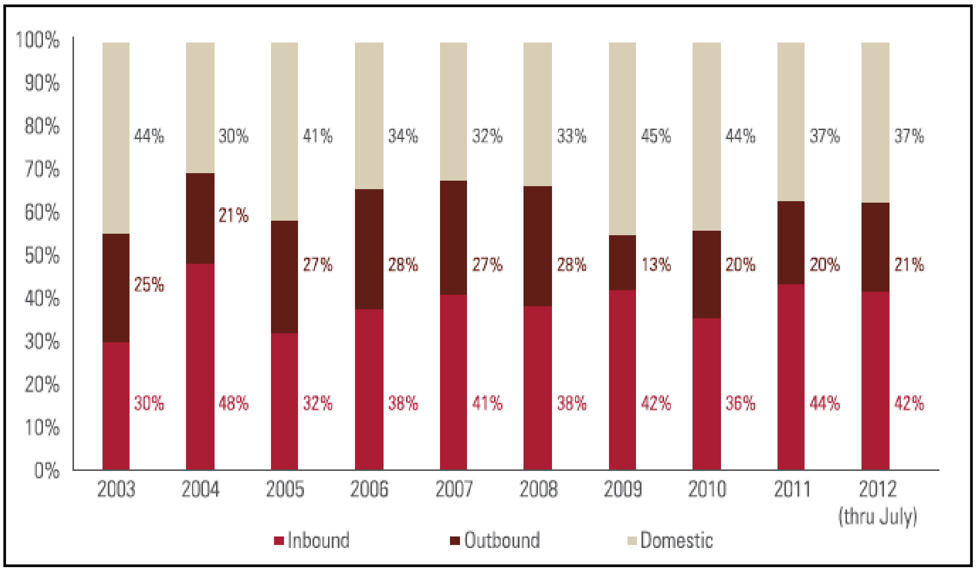
exports, imports and has greatly contributed to foreign exchange reserves. In developing countries like India there has been a felt need for building up the foreign exchange reserves to meet our trade deficits. FDI can prompt knowledge transfer and capital accumulation to support the manufacturing for exports. Financial year 2000-01 shows the FDI inflows into 4029 US$ million but in next year FDI inflows raised up to 52 per cent reached to 6130 US$ million for the year 2001-02 . The FDI inflows declined by 18 per cent in the year 2002-03 and stirred to 5035 US$ millions. For the year 2003-04 again FDI inflows declined by 14 per cent and reached up to 4322 US$ millions. After three years of consecutive decline, FDI flows to developed countries grew robustly in 2004-05, reaching an estimate of Rs. 6051 US$millions, 40 per cent up from 2003-04, while further FDI flows increased to Rs. 8961 US$millions i.e., 48 per cent in 2005-06. These trends stand in stark contrast with the previous year, which saw a strong recovery with further amount rose to Rs. 22826 US$millions (155 per cent) in 2006-07. Large-scale swings (from contraction in 2010 to expansion in 2011 or vice versa) were also observed for a number of major FDI recipients with major investment of Rs. 46556 US$millions (33.60 per cent) in 2011-12. For the year 2012-13 FDI inflows declined 26 per cent and reached to 34298 US$ millions which are unfavourable for the growth and development of India. In the present year FDI inflows in India increased up to 6 per cent and reached 36396 US$millions (figure 2). This study establishes the relationship between the FDI inflows and exports, imports foreign exchange reserves and capital formation in the Indian economy. A greater inflow of foreign capital has lead to growth in the exports of goods and services and also growth of the foreign exchange reserves over the period of study. These results have great policy implications giving a direction to the policymakers that further liberalization attempts can be made. A facilitating policy regime with minimum interventions may be ideal to maximize the benefits of FDI inflows. As a result, on the contrary against FDI, inbound M&As has seen more deal activity than both domestic and outbound M&As for a majority of the past decade. (See in figure 3)

Figure2: Total FDI in India over the years (2000-01 to 2013-14)



Source: *Appendix 2*

Figure 3: Shows the Indian M&As Volume in respect of Inbound, Outbound and Domestic Mergers and Acquisitions.



Source:Merger Market

2. REVIEW OF LITERATURE

Singh, Gurmeetand Paul, Justin (2014)[5]revealed that Foreign Direct Investment (FDI) plays an important role in the growth process of a country. There are two types of FDI: Inward Foreign Direct Investment (IFD1) and Outward Foreign Direct Investment (OFDI).

[5]Singh, Gurmeet. and Paul, Justin.(2014), "Foreign Direct Investment in India- Trends, Pattern and Linkage" SMART Journal of Business Management Studies, Vol. 10, No.1, Jan to June 2014, pp 19-29

They analyzed the trends and pattern of FDI in India. They examined the structure of IFDI in India in the past 21 years (1990-2012), data were collected from various published sources. The trend in India's Foreign Direct Investment after the economic reforms, was assessed to analyze the impact of IFDI on the economic growth of be country in terms of GDP. They concluded that GDP, OFDI and Export have positive significant effect on IFDI in India. **Nayak,Ranjan Kumar** (2013)[6] has examined the growth patterns and changing nature of Indian inward Foreign Direct Investment, with an emphasis on the post liberalization period, since FDI, along with trade, has been an important mechanism which was brought about a greater integration of Indian economy with world economy. **Goel, Shashank. , et al.,** (2012)[7]examined in their paper that foreign Direct Investment Model reveal that Trade GDP, Reserves GDP, and financial Position variables exhibit a positive relationship with FDI while R&D, GDP and Exchange rate variables exhibit a negative relationship with FDI inflows.**Ray, Sarbapriya. (2012)[8]**attempted to analyze the causal relationship between Foreign Direct Investment (FDI) and economic growth in India and tries to analyze and empirically estimate the effect of FDI on economic growth in India, using the co-integration approach for the period, 1990-91 to 2010-11. The empirical analysis on basis of ordinary Least Square Method suggests that there is positive relationship between foreign direct investment (FDI) and GDP.**Anitha, R. (2012)**[9]foundthatFDI inflow into the country during the Post Liberalization period. Further, the trends of FDI inflow into the country was projected for a period of five years from 2010-11 to 2014-15 using Autoregressive Integrated Moving Average (ARIMA)forecasting technique.**Singh Y., Bhatnagar A.** (2011)[10] found after the comparative analysis of FDI in India and china that both enjoy healthy rates of economic growth but FDI inflow in china is higher than India. **Khan A.Q.** and**Siddiqui Ahmad**

[6]Nayak ,Ranjan Kumar, 'Trend and Patterns Of FDI Inflow Into India', *International journal of Research in Commerce, Economics & Management*, Volume No. 3, ISSUE NO. 05 (MAY) ISSN 2231-4245 (2013)

[7]Goel,Shashank, Kumar ,K. Phani and Rao, K. Sambasiva , 'Trends and Patterns of FDI in India and its Economic Growth,*Asian Journal of Research in Business Economics and Management* , Vol.2 Issue 4, April (2012), ISSN 2249 7307

[8]Ray, Sarbapriya. (2012), "Impact of Foreign Direct Investment on Economic Growth in India: A Co integration Analysis" Advances in Information Technology and Management (AITM),Vol. 2, No. 1, 2012, ISSN 2167-6372, World Science Publisher, United States retrieved from , United States www.worldsciencepublisher.org

[9]Anitha, R. (2012), "Foreign Direct Investment and Economic Growth in India" international journal of Marketing, Financial services & Management Research, Vol. 1, Issue 8, Aug. 2012 retrieved from http://indianresearchjournals.com/pdf/IJMFSMR/2012/August/8.pdf

[10]Singh, Y., and Bhatnagar, A., 'FDI in India and China; A comparative analysis, *International Journal of Business Economics and Management Research*, *2*(4), 139-153. (2011)

Taufeeque (2011)[11]studied the impact of FDI on Indian economy and a comparison with China & USA. The paper has also been ventured into carving out set of strategies to deal with the issues & problems in attracting FDI for promotion & growth of international trade. The double log model has been used to find elasticity between different factors in their paper. They also highlight the impact of FDI on employment. They discussed that FDI helps in boosting growth of GDP a country.**Bhanagade D.B, Shah A. Pallavi** (2011)[12]examined in their paper that the impact of FDI on Indian Economy where they also emphasize on the investments, sectors attracting highest FDI inflows and FDI leads to Generation of Employment opportunities. Therefore the growth of inflow of FDI would lead to positive growth of Gross capital formation. In India, the growth of GDP is largely influenced by FDI. **Chaturvedilla**(2011)[13]in his paper, analyze the FDI inflows with special reference to sector wise inflows in India. The paper also explored the sector wise distribution of FDI in order to know the dominating sector which has attracted the major share of FDI in India. And to find out the correlation between FDI and Economic Development, It reveals that there is high degree of significance between FDI and economic development. **Agarwal G., and Khan M. A.** (2011)[14] analyzed the Impact of FDI on GDP through Comparative Study of China and India and they found that 1% increase in FDI would result in 0.07%increase in GDP of China and 0.02% increase in GDP of India. They found that China growth is more affected by FDI, than India's growth. **Singh S., Singh M.** (2011)[15]they examined the trend of FDI inflow to India, during 1970–2007 using time series data. **Sirari, Singh Arjun and Bohra, Singh Narendra (2011)[16]** described that FDI is a tool for economic growth through its strengthening of domestic capital, productivity and employment. FDI also played a vital role in the up gradation of technology, skills and managerial capabilities in various sectors of the economy. They attempted to analyze significance of the FDI Inflows in Indian service sector

[11]Khan.A.Q and Siddiqui Ahmad, Taufeeque, "Impact of FDI on Indian Economy: A Comparison with China & USA". *International Journal of Business & Information technology*, vol-1 no 1 2011
[12]Bhanagade, D.B and Shah, Pallavi .A, "Study of Impact of FDI on Indian Economy", *International Referred Research Journal*vol-II. (2011)
[13]Chaturvedi, Illa , "Role of FDI in Economic Development of India: Sectoral Analysis", *International Conference on Technology & Business* (2011),
[14]Agarwal, Gaurav and Khan M. A., "Impact of FDI on GDP: A Comparative Study of China and India", *International Journal of Business and Management* Vol. 6, No. 10; October (2011)retrieved from file:///G:/fdi/10596-37451-1-PB.pdf
[15]Singh S., Singh M., "Trends and prospects of FDI in India", *Economic Affairs*, Volume (56), Issue (1) (2011)
[16]Sirari, Singh Arjun and Bohra, Singh Narendra (2011), "Foreign Direct Investment (FDI) in India Service Sector" International Journal of Economics and Research, Vol.2, Issue 2, pp 10-18 retrieved from http://www.ijeronline.com/documents/volumes/Vol2issue2/ijer20110202(2).pdf

since 1991 and relating the growth of service sector FDI in generation of employment in terms of skilled and unskilled. They observed that at the sectoral level of the Indian economy, FDI has helped to raise the output, productivity and employment in some sectors especially in service sector. Indian service sector is generating the proper employment options for skilled worker with high perks.

Singh J. (2010)[17] analyzed Economic Reforms and Foreign Direct Investment in Indian Policy, Trends and Patterns in the context of increasing competition among nations and sub national entities to attract Foreign Direct Investment (FDI) and suggest that the FDI inflows, in general, show an increasing trend during the post-reform period. **Bajpai and Sachs's (2009)[18]** attempted to identify the issues and problems associated with India's current FDI regime and more importantly the other associated factors responsible for India's unattractiveness as an investment location. They found that despite India offering a large domestic market, rule of law, low labor costs, and a well working democracy, her performance in attracting FDI flows has been far from satisfactory level.

3. RESEARCH GAP

The review of literature reveals that numerous studies have been conducted to assess relation between FDI and its growth. Moreover, several research articles have raised the significant issues with regard to FDI also. However, this research paper goes a step further to examine the relation of FDI inflows in relation to M&As. The present study would go to investigate the various routes of FDI inflows in India and its relationship with total FDI. It also seeks to discuss the directional relationship between FDI through FIPB/acquisition route and total FDI in order to assess whether FDI is mainly causing by FIPB/acquisition route and is prerequisite for attracting FDI in India. The present study also try to find out relation between FDI and GDP (% growth rate) in order to assess whether FDI is causing growth or growth rate is prerequisite for attracting FDI in India. Further, in the research paper an attempt has been made to find out the difference between FDI inflows and FIIs and FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies with

[17]Singh, Jatinder, "Economic Reforms and Foreign Direct Investment in India: Policy, Trends and Patterns",*The IUP Journal of Financial Economics*, (2010), Retrieved from http://www.scribd.com/doc/211220491/7

[18]NirupamBajpai and Jeffry D. Sachs (2000): "FDI in India: Issues and Problems", Haward University, Development Discussion paper no. 759 Retrieved from http://www.learningace.com/doc/118493/b8728515f4fc4bfa6db17950cad0f46d/759

greater focus in respect of equity Investment.It against this backdrop the following objectives have been pursued in this study:-

4. OBJECTIVES OF THE STUDY

1. To study the overall FDI inflows in India since last decade.
2. To examines the relationship between the FDI inflows through FIPB /Acquisitions Route and total FDI in India.
3. To examines the relationship between FDI inflows from Equity Capital of Unincorporated Bodies and Total FDI in India.
4. To study the causal relation between FDI and the GDP (%growth rate) in India.
5. To analyze the difference between FDI inflows and FIIs in India.
6. To find out the difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies.

5. HYPOTHESES OF THE STUDY

The Hypotheses investigated in the study are listed below:

$H1_{0-}$ There is no significant relation between FDI through FIPB /Acquisitions Routeand total FDI in India.

$H2_{0-}$ There is no significant relation between Equity Capital from unincorporated Bodies and total FDI in India.

H30- There is no significant relation between FDI Inward and the GDP (%growth rate) in India.

$H4_0$- There is no significant difference between FDI and FIIs in India.

$H5_{0-}$ There is no significant difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies.

6. METHODOLOGY OF THE STUDY

This study has been carried out with the help of secondary data only, all the data has been collected from the various sources and compiled as said by the need of the study. The major sources includes World Bank , UNCTAD, RBI bulletins, annual reports and handbook of statistics on Indian economy, Department of Industrial Policy and Promotion (DIPP), SIA newsletter, books, journals and the like. Firstly, For analyzing the relationship between FDI through FIPB /Acquisitions Route and total FDI and secondly FDI inflows from Equity Capital from unincorporated Bodies and total FDI of India, thirdly FDI Inward and the GDP (%growth rate)used Correlation and Regression analysis. The data of FDI inward transform into Natural log for the analysis. In addition to find out the difference between the FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies and FDI and FIIs in India applying t-test.

7. ANALYSES AND INTERPRETATIONS

$H1_0$(Null Hypothesis) = There is no significant relation between FDI through FIPB /Acquisitions Route and total FDI in India.

Table1: indicates that the relationship between FDI through FIPB /Acquisitions Route and total FDI in India defined the correlation coefficient (r) is 0.994 which is a very high degree of positive correlation. The coefficient of determination (r^2) is 0.988 indicating that 98.8 per cent of variance is explained by this relationship. The regression equation Y on X shows that every unit change in X that is FDI through FIPB /Acquisitions Route in India there is 1.366 units change in Y that is Total FDI in India. The Intercept value is 1749.291 indicating the role of other factors. Table 2 shows that the t- value is 31.017 for 14 years of data undertaken for the analysis and also indicates the p- value is 0.000 which is less than 0.05 at 5% level of significance, which leads to significant statistically, hence there is significant relation between FDI through FIPB /Acquisitions Route and total FDI in India.

Table 1: Model Summary of Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.994[a]	.988	.987	1900.05547

a. Predictors: (Constant), FIPB

Source: Appendix 1

Table 2: Shows the Output of Analysis (Coefficients[a])

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1749.291	856.355		2.043	.064
	FIPB	1.366	.044	.994	31.017	.000

a. Dependent Variable: TOTALFDI

Source: Appendix 1

$H2_0$ (Null Hypothesis) = There is no significant relation between Equity Capital from unincorporated Bodies and total FDI in India.

Table 3 indicates that the relationship between Equity Capital from Unincorporated Bodies and total FDI in India defined the correlation coefficient (r) is 0.734 which is a very high degree of positive correlation. The coefficient of determination (r^2) is 0.539 indicating that 53.9 per cent of variance is explained by this relationship. The regression equation Y on X shows that every unit change in X that is Equity Capital from unincorporated Bodies in India there is 19.439 units change in Y that is Total FDI in India. The Intercept value is 8134.178 indicating the role of other factors. Table 4 shows the t- value is 3.749 for 14 years of data undertaken for the analysis and also indicates the p- value is 0.003 which is less than 0.05 at 5% level of significance, which leads to significant statistically, hence there is significant relation between Equity Capital from Unincorporated Bodies and total FDI in India.

Table 3: Model Summary of Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.734[a]	.539	.501	11617.22077

a. Predictors: (Constant),

Source: Appendix 1

Table 4: Shows the Output Of Analysis (Coefficients[a])

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8134.178	5064.897		1.606	.134
	Equity capital from Unincorporated bodies	19.439	5.185	.734	3.749	.003

a. Dependent Variable: Total FDI

Source:Appendix 1

$H3_0$(Null Hypothesis) -There is no significant relation between FDI inflows (Inward) and GDP (growth rate) of India.

In table 5, therelationship between GDP of India and FDI flows (Inward) in India defined the correlation coefficient (r) is 0.026 which is a low degree of positive correlation. The coefficient of determination (r^2) is 0.001 indicating that 0.1 per cent of variance is explained by this relationship. The regression equation Y on X shows that every unit changes in X that is FDI flows (Inward) in India there is -0.012 units change in Y that is GDP of India. The

Intercept value is 2.033 indicating the role of other factors. Table 6 indicates the t- value is -0.082 for 12 years of data undertaken for the analysis and also indicates the p- value is 0.937 which is more than 0.05 at 5% level of significance, which leads to statistically insignificant, hence there is no significant relation between FDI inflows (Inward) and GDP of India.Hence the null hypothesis is accepted.

Table: 5 Output of Analysis (Model Summary)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.026[a]	.001	-.099	.44087

a. Predictors: (Constant), LNFDI

Source: Appendix 2

Table: 6 Output of Analysis (Coefficient)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.033	1.804		1.127	.286
	LNFDI	-.012	.151	-.026	-.082	.937

a. Dependent Variable: LNGDP(growth rate)

Source: Appendix 2

$H4_0$ (Null Hypothesis) = There is no significant difference between FDI and FIIs in India.

This hypothesis examines the difference between FDI and FIIs in India, the mean of FDI is 23136.5714 and for the FIIs the mean is 11763.2857 when undertakes the fourteen year data used. The standard deviation for the FDI is 16446.72493 and for the FIIs had 10966.11443 and the mean difference was 11373.28571 shows in the table 7. Levene's Test for Equality of Variances indicates thatFDI and FIIs are significantly differ therefore unequal variance result are used.Table 8 indicates that the t-statistics is 2.153 along with the p-value is 0.042 which is less than 0.05 at 5% level of significance, which leads to the conclusion that the difference is statistically significant. Therefore the Null Hypothesis is rejected. Hence it is concluded that there is significant difference between FDI and FIIs in India.

Table 7: The Output of Analysis (Group Statistics)

GROUP	N	Mean	Std. Deviation	Std. Error Mean
FDI	14	23136.5714	16446.72493	4395.57213
FIIs	14	11763.2857	10966.11443	2930.81736

Source: Appendix 1

Table 8: The Output of Analysis (Independent Samples Test)

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference Lower	Upper
Equal variances assumed	7.810	.010	2.153	26	.041	11373.28571	5283.06206	513.79612	22232.77531
Equal variances not assumed			2.153	22.651	.042	11373.28571	5283.06206	435.12514	22311.44629

Source: Appendix 1

H5$_0$ (Null Hypothesis) = There is no significant difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies.

This hypothesis examines the difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies, the mean of FDI through FIPB /Acquisitions Route is 15661.7857 and for the Equity Capital of Unincorporated Bodies the mean is 771.7857 when undertakes the fourteen year data used. The standard deviation for the FDI through FIPB /Acquisitions Route is 11969.42468 and for the Equity Capital of Unincorporated Bodies had 621.42444 and the mean difference was 14890 shown in table 9. Levene's Test for Equality of Variances indicates thatFDI through FIPB /Acquisitions Route and Equity Capital from Incorporated Bodies are significantly different, therefore unequal variance results for t-test are used. Table 10 indicates the t-statistics is 4.648 along with the p-value is 0.000 which is less than 0.05 at 5% level of significance, which leads to the conclusion that the difference is statistically significant. Therefore the Null Hypothesis is rejected. Hence it is concluded that there is significant difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies.

Table 9: Group statistics of Analysis

	Group	N	Mean	Std. Deviation	Std. Error Mean
FDI	FIPB	14	15661.7857	11969.42468	3198.96331
	Equity From Incorporated Bodies	14	771.7857	621.42444	166.08267

Source: Appendix 1

Table 10:shows the Output of Analysis (Independent sample t-test)

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
FDI	Equal variances assumed	64.625	.000	4.648	26	.000	14890.00000	3203.27172	8305.58069	21474.41931
	Equal variances not assumed			4.648	13.070	.000	14890.00000	3203.27172	7973.52223	21806.47777

Source: Appendix 1

8. CONCLUSION

It can be observed from the above analysis that the major foreign direct investment comes in India through Mergers and Acquisitions (M&As). The result of the study shows that the large amount of FDI comes through FIPB/ Acquisitions route in India.The researcher founds that the FDI through FIPB/Acquisition route and total FDI has significant relationship, the p-value is 0.00 which is less than 0.05, and therefore the relation is statistically significant. Mergerand Acquisitions (M&As) help in increasing the FDI inflows in India. The relation between the equity capital from unincorporated bodies and total FDI has shown the p-value 0.003 which is also statistically significant. The results also shows that the relationship of FDI Inward and GDP (% growth rate) are statistically insignificant, the *p*-value 0.937 which is greater than 0.05, therefore statistically insignificant. On the basis of above discussion and data analysis, it is clear that the FII and FDI are influencing the economic development to a greater extent. But after the analysis, the result shows that there is a significant difference between the FDI and FIIs in India. The t-value is 2.153 and p- value 0.042 which is less than 0.05 therefore it is statistically significant. Therefore it is concluded that the FDI is needed for India's development. But the difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies statistically significant and shows the t- value is 4.648 with the p-value 0.000 which is less than 0.05. So it is concluded that the difference is significant and leads to conclusion that other sources of Investment rather than Mergers and Acquisitions are least effective and still efforts are require for attracting foreign Investors.

Appendices

Appendix 1: Exhibit the trend of GDP growth and FDI inward flows in India over the years.

YEAR	GDP GROWTH (ANNUAL %) OF INDIA	LNGDP	FDI INWARD FLOWSINDIA (CRORES)	LNFDI
1970	5.2	1.64866	454.6	6.1194179
1971	1.6	0.47	476.6	6.1666776
1972	-0.6	-	177.9	5.1812216
1973	3.3	1.19392	379.1	5.9378
1974	1.2	0.18232	569.7	6.3451099
1975	9.1	2.20827	850.9	6.7462946
1976	1.7	0.53063	511.1	6.2365653
1977	7.3	1.98787	-360.6	-
1978	5.7	1.74047	180.9	5.1979444
1979	-5.2	-	485.7	6.1855911
1980	6.7	1.90211	791.6	6.6740562
1981	6	1.79176	919.2	6.8235037
1982	3.5	1.25276	720.8	6.5803617
1983	7.3	1.98787	56.4	4.0324692
1984	3.8	1.335	192.4	5.2595765
1985	5.3	1.66771	1060.9	6.9668729
1986	4.8	1.56862	1177.3	7.070979
1987	4	1.38629	2123.2	7.6606797
1988	9.6	2.26176	912.5	6.8161881
1989	5.9	1.77495	2521	7.8324109
1990	5.5	1.70475	2366.9	7.7693364
1991	1.1	0.09531	750	6.6200732
1992	5.5	1.70475	2520	7.8320142
1993	4.8	1.56862	5320	8.5792286
1994	6.7	1.90211	9740	9.1839964
1995	7.6	2.02815	21510	9.9762732
1996	7.5	2.0149	25250	10.136581
1997	4	1.38629	36190	10.496538
1998	6.2	1.82455	26330	10.178464
1999	8.8	2.17475	21680	9.9841455
2000	3.8	1.335	35879.9	10.487933
2001	4.8	1.56862	54776.4	10.911014
2002	3.8	1.335	56296.7	10.938391
2003	7.9	2.06686	43210.8	10.673845
2004	7.9	2.06686	57778.1	10.964365
2005	9.3	2.23001	76217.7	11.241349
2006	9.3	2.23001	203278	12.222328
2007	9.8	2.28238	253499	12.443115
2008	3.9	1.36098	471387	13.063435
2009	8.5	2.14007	356573	12.784293
2010	10.5	2.35138	211255	12.260819
2011	6.3	1.84055	361904	12.799134
2012	3.2	1.16315	255428	12.450697

Source: World Bank Data retrieved

fromhttp://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?page=4

Appendix:2 Financial Year-Wise FDI Inflows Data:

A. AS PER INTERNATIONAL BEST PRACTICES: (Data on FDI have been revised since 2000-01 with expended coverage to approach International Best Practices) *(Amount US$ million)*

S.No.	Financial Year (April-March)	FOREIGN DIRECT INVESTMENT (FDI)						Investment by FII's Foreign Institutional Investors Fund (net)
		Equity		Re-invested earnings +	Other capital +	FDI FLOWS INTO INDIA		
		FIPB Route/ RBI's Automatic Route/ Acquisition Route	Equity capital of unincorporated bodies #			Total FDI Flows	%age growth over previous year (in US$ terms)	
FINANCIAL YEARS 2000-01 to 2013-14 (up to March, 2014)								
1.	**2000-01**	2,339	61	1,350	279	4,029	-	1,847
2.	**2001-02**	3,904	191	1,645	390	6,130	(+) 52 %	1,505
3.	**2002-03**	2,574	190	1,833	438	5,035	(-) 18 %	377
4.	**2003-04**	2,197	32	1,460	633	4,322	(-) 14 %	10,918
5.	**2004-05**	3,250	528	1,904	369	6,051	(+) 40 %	8,686
6.	**2005-06**	5,540	435	2,760	226	8,961	(+) 48 %	9,926
7.	**2006-07**	15,585	896	5,828	517	22,826	(+) 146 %	3,225
8.	**2007-08**	24,573	2,291	7,679	300	34,843	(+) 53 %	20,328
9.	**2008-09**	31,364	702	9,030	777	41,873	(+) 20 %	(-) 15,017
10.	**2009-10 (P) (+)**	25,606	1,540	8,668	1,931	37,745	(-) 10 %	29,048
11.	**2010-11 (P) (+)**	21,376	874	11,939	658	34,847	(-) 08 %	29,422
12.	**2011-12 (P)**	34,833	1,022	8,206	2,495	46,556	(+) 34 %	16,812
13.	**2012-13 (P)**	21,825	1,059	9880	1534	34298	(-) 26%	27,582
14	**2013-14 (P)(Apr,2013-Mar, 2014)**	24299	984	9047	2066	36396	(+) 6%	5010
Cumulative Total (from April, 2000 to Mar, 2014)		219,265	10,805	81,229	12,613	323,912	-	149,663

Source:(i) RBI's Bulletin May, 2014 dt. 12.05.2014 (Table No. 34 – FOREIGN INVESTMENT INFLOWS).

(ii) Inflows under the acquisition of shares in March, 2011, August, 2011 and October, 2011, include net FDI on account of transfer of participating interest from Reliance Industries Ltd. to BP Exploration (Alpha).

(iii) RBI had included Swap of Shares of US$ 3.1 billion under equity components during December 2006.

(iv) Monthly data on components of FDI as per expended coverage are not available. These data, therefore, are not comparable with FDI data for previous years.

(v) Figures updated by RBI up to March, 2014. '#' Figures for equity capital of unincorporated bodies for 2010-11 are estimates. (P) All figures are provisional "+" Data in respect of 'Re-invested earnings' and 'Other capital' for the years 2009- 10, 2010-11, 2012-13 and 2013-14 are estimated as average of previous two years.