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A STUDY OF FOREIGN DIRECT INVESTMENT FLOWS IN INDIA VIS-A-VIS MERGER AND ACQUISITIONS

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ABSTRACT:

The world economies, particularly developing economies, are rivals with each other to attract foreign capital. The wave of liberalization and globalization sweeping across the world has unlocked many national markets for international business. 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.

Riding on the foreign direct investment policy liberalisation and reforms in the last financial year, India received $64.37 billion in investments in 2018-19. This is the highest ever FDI received in India. According to a report by Department for Promotion of Industry and Internal Trade (DPIIT), it was up from $60.98 billion received in the previous financial year. In India Foreign Direct Investment (FDI) worth $286 billion has been received in last five years. The Government of India is working on a road map to achieve its goal of US$ 100 billion worth of FDI inflows.

The present study focuses on the trends of FDI Flows in India during 2000-01 to 2018-19. In this research paper, an effort has been made to evaluate the foreign Direct Investment flows in India through Merger and Acquisitions. The paper also presents entry routes for foreign acquisitions with sectoral caps. In the end paper examines the relationship between various components of foreign direct investments i.e. equity and reinvested earnings with total FDI.

KEYWORDS— DPIIT, FDI, Mergers and Acquisitions

I. INTRODUCTION:

Foreign direct investment means acquiring ownership in an overseas business entity. It is the movement of capital across national frontiers, which gives the investor control over the asset acquired. FDI occurs when an investor based in one country (the home country) acquires an asset in another country (the host country) with the intent to manage it.

For a country where capital is not readily available, Foreign Direct Investment (FDI) has been an important source of funds for companies. Under FDI, overseas money, either by an individual or entity, is invested in an Indian company. According to Organization for Economic Co-operation and Development (OECD), an investment of 10% or above from overseas is considered as FDI. In India, foreign direct investment policy is regulated under the Foreign Exchange Management Act, 2000 governed by the Reserve Bank of India.

One can invest in India - either under Automatic Route which does not require approval from RBI or under Government Route, which requires prior approval from the concerned Ministries/Departments via a single window - Foreign Investment Facilitation Portal (FIFB) administered by the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India.

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 displays in (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).

The Indian government’s favourable policy regime and robust business environment have ensured that foreign capital keeps flowing into the country. In the current FY (2018-19), the country registered highest ever FDI inflow of USD 64.37 billion. The data of DPIIT under the commerce and industry ministry shows that path-breaking reform measures undertaken during the last financial year have resulted in India surpassing the USD 60.2. FDI received in 2016-17 and registering an inflow of USD 60.98 billion during 2017-18, a new all-time high. The FDI inflows were USD 45.14 billion during 2014-15 when Prime Minister Narendra Modi-led NDA government assumed power. The inflows were USD 55.55 billion in the following year. India has received USD 1.81 billion foreign direct investment from China during April 2014 to March 2019. Moreover, India received FDI worth USD 13.62 billion during the period from the US.

Market size

According to Department for Promotion of Industry and Internal Trade (DPIIT), FDI **equity inflows** in India in 2018-19 stood at US$ 44.37 billion, indicating that government's effort to improve ease of doing business and relaxation in FDI norms is yielding results. Data for 2018-19 indicates that the services sector attracted the highest FDI equity inflow of US$ 9.16 billion, followed by computer software and hardware – US$ 6.42 billion, trading – US$ 4.46 billion and telecommunications – US$ 2.67 billion. Most recently, the total FDI equity inflows for the month of March 2019 touched US$ 3.60 billion.

During 2018-19, India received the maximum FDI equity inflows from Singapore (US$ 16.23 billion), followed by Mauritius (US$ 8.08 billion), Netherlands (US$ 3.87 billion), USA (US$ 3.14 billion), and Japan (US$ 2.97 billion).

COMPONENT OF FDI:

According to International Monetary Fund (IMF) definition contained in the Balance of Payments Manual, Fifth Edition (BPM-5) Foreign Direct Investment (FDI) has three components; viz., equity; reinvested earnings; and other capital (or inter-company debt transactions). Equity FDI is further sub-divided into two components, viz., Greenfield investment; and acquisition of shares, also known as Merger and Acquisitions (M&A's).

The component of FDI displays in (see figure);

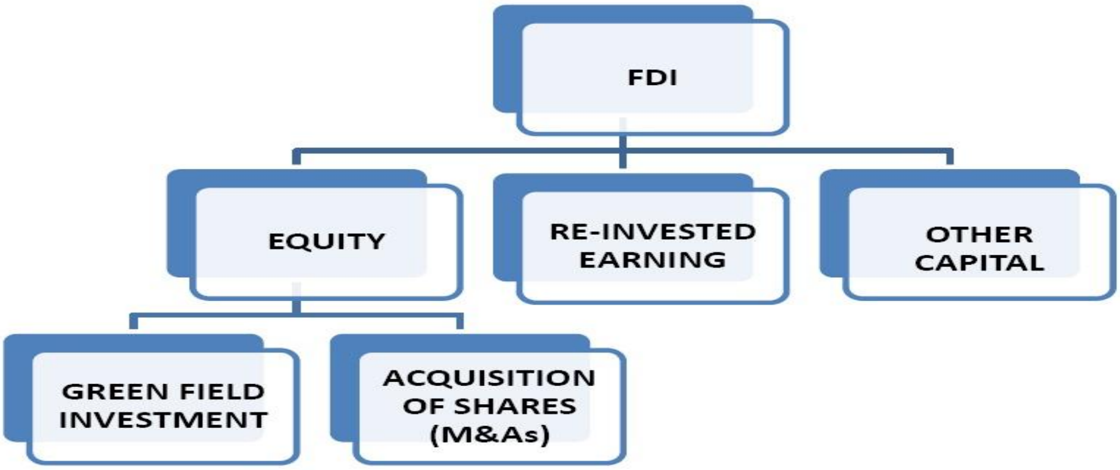

Figure 1: Component of FDI

Source: IMF's Balance of Payments Manual, Fifth Edition (BPM-5)

II. REVIEW OF LITERATURE

In order to achieve a better understanding of issues involved in the foreign direct investment, literature conducted by past researchers due consideration is important. Therefore a special focus is given on past literature.

Sood N., (2015) analyzed the contribution of FDI for GDP growth. The study concluded that that the association and dependence of GDP on FDI in India is found to be statistically significant whereas the relationship and dependence of investment by FII on total GDP in India is insignificant. The correlation between GDP and FDI is very high and at 1% level of significance, this correlation is significant because the value of LOS 0.001 is more than Sig Value 0.00. It means the association between FDI and economic growth in India is significant. The value of R-square is 0.801, which means 80% changes in GDP are due to changes in FDI and remaining 20% changes in GDP are due to other unexplained factors. On the other hand, the correlation between GDP and FII is moderate. At 1% level of significance, this correlation is insignificant because the value of LOS 0.001 is less than Sig Value 0.026. It means the association between FII and economic growth in India is insignificant.

Singh, Gurmeetand and Paul, Justin (2014) 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). 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.

Sahu, Kabita, K., (2013) in her paper “Does Urbanisation Promote Foreign Direct Investment? Lessons and Evidences from China and India”, found a strong relationship between urbanisation and FDI inflow. Cities in China with good infrastructure and established industrial base are able to attract more FDI. Least square trend of urban population was calculated and it was found that there is significant positive slope and coefficient & urban population increases at high rate every year. Least square trend of FDI to China during period 1979 to 2010 shows that FDI has positive and significant trend with large coefficient of 3480.07 per year. As per her study the FDI and per capita GDP are two significant determinants of urbanization. Urban Population was considered as a function of both FDI and Per capita GDP.

Ray, Sarbapriya. (2012) 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.

Agarwal G., and Khan M. A. (2011) analysed 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 J. (2010) analysed 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. Furthermore, country-wise comparison of FDI inflow also indicates that FDI inflow into India has increased considerably in comparison to other developing countries in the recent years. Thus, the study indicates that the FDI inflows into India responded positively to the liberalisation measures introduced in the early 1990s.

Singh (2009) stated in their study that foreign direct investment (FDI) policies play a major role in the economic growth of developing countries around the world. Attracting FDI inflows with conductive policies has therefore become a key battleground in the emerging markets. The paper highlighted the trend of FDI in India after the sector-wise economic reforms.

Basu ,P., Nayak ,N.C. and Archana, V. (2007) in their paper intended to study the qualitative shift in the FDI inflows in India in – depth in the last fourteen odd years as the bold new policy on economic front makes the country progress in both quantity and the way country attracted FDI. It reveals that the country is not only cost – effective but also hot destination for R&D activities. The study also finds out that R&D as a significant determining factor for FDI inflows for most of the industries in India.

Stern, Nicholas (2001) has thrown light on investment climate among Indian states citing the survey conducted by the World Bank and CII, states that the entrepreneurs viewed Maharashtra, Karnataka, Gujarat, Tamilnadu, and Andhra Pradesh as better place to produce than Delhi, whereas Punjab, Kerala, West Bengal and Uttar Pradesh were perceived to be worse. The estimated cost difference between the best and the worst states was about 30 per cent, which is a very large hurdle for the poor- policy states to overcome in trying to attract investment. He was of the opinion that rapid success in poverty reduction requires real progress in both the investment climate and the empowerment of poor people.

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 FIPB /Acquisitions Route, Equity Capital of Unincorporated Bodies, Re-Invested Earnings and other Capital. The present study would go to investigate the various routes of FDI inflows in India and its relationship with total FDI.

III. OBJECTIVES OF STUDY:

The study has been geared to achieve the following objectives;

1. To study the trends of FDI flows in India during 2000-01 to 2018-19 (up to March 2019)
2. To examine the relationship between FDI through FIPB /Acquisitions Route and total FDI in India

3. To examine the relationship between Equity Capital of unincorporated Bodies and total FDI in India
4. To analyze the impact of equity inflows and Re-invested earnings on total FDI in India
5. To find out the difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies.

IV. 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 Route and total FDI in India.

$H2_0$: There is no significant relation between Equity Capital of unincorporated Bodies and total FDI in India.

$H3_0$: There is no significant impact of equity inflows and Re-invested earnings on total FDI in India.

$H4_0$: There is no significant difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies.

V. RESEARCH METHODOLOGY:

Type of Research: Quantitative and Analytical Research

Data: Data of FDI Equity inflows from year 2000-01 to 2018-19

Data Collection Method: This study has been carried out with the help of secondary data only, all the data has been collected from the various sources such as websites & reports and compiled as said by the need of the study.

Sources of Data Collection: The study is based on the published data. The data was extracted from the various journals, magazines and websites particularly from the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry and Reserve Bank of India. Graphs and tables have also been used wherever required to depict statistical data of FDI during the study period.

METHODOLOGY OF THE STUDY:

Firstly, For analyzing the relationship between FDI through FIPB /Acquisitions Route and total FDI, secondly FDI inflows from Equity Capital of unincorporated Bodies and total FDI in India and thirdly for studying impact of equity inflows and Re-invested earnings on total FDI in India, Correlation and Regression analysis is used. In addition to find out the difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies in India t-test is applied.

VI. ENTRY ROUTES FOR FOREIGN ACQUISITIONS AND SECTORAL CAPS:

There are primarily two entry routes for Foreign Companies for making investment in Indian Companies:

1. **Automatic Route**
2. **Approval Route**

Automatic Route

It is that entry route that does not require prior approval of the Reserve Bank of India.

Government Route

Government route requires prior approval of Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion, Government of India.

What is the Cap on Acquisition by Foreign Companies?

Sector cap is the limit indicated against each sector or activity where the amount of foreign acquisition can be made. Following is an illustration depicting various sectors under the Automatic and the Approval Route.

Automatic Route in selected sector/activities

Serial No.	Sector/Activity	Cap
01.	Agriculture	100%
02.	Plantation Sector	100%
03.	Manufacturing	100%
04.	Air-Transport Service	100%
05.	Construction Development	100%
06.	Credit Information Companies	100%
07.	NBFCs Registered with RBI	100%
08.	Insurance	100%
09.	Pension	100%
10.	Asset Reconstruction Companies	100%

Approval Route in selected sectors/activities

Serial No.	Sector/Activity	Cap	Government Approval
01.	Defence	100%	Beyond 49%
02.	Print Media-Publishing of Newspapers and periodicals	26%	Up to 26%
03.	Investment by foreign Airlines	49%	Up to 49%
04.	Satellites- Establishment and Operation	100%	Up to 100%
05.	Telecom Services	100%	Beyond 49%
06.	Banking-Private Sector	74%	Beyond 49%
07.	Banking-Public Sector	20%	Up to 20%
08.	Broadcasting content service(FM Radio)	49%	Up to 49%
09.	Pharmacy- Brownfield	100%	Beyond 74%
10.	Private Security Agencies	74%	Beyond 49%

Source: Consolidated FDI Policy, 2017

Note: Cap may change as per Government notification

Are there any Prohibitions from Foreign Acquisitions?

Lottery, Gambling, chit funds, Nidhi Companies, Transferable Development Rights, and real estate business or construction of farm houses prohibit any kind of foreign acquisition. Investment from Pakistan and Bangladesh in sectors like defence, Space and Atomic Energy is strictly prohibited. Investment by these companies can be received in sectors other than defined above; however they are subject to prior government approval.

What are the modes through which a foreign Company goes for Indian Acquisition?

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. There are broadly five modes through which a foreign company can acquire control over the Indian Company:

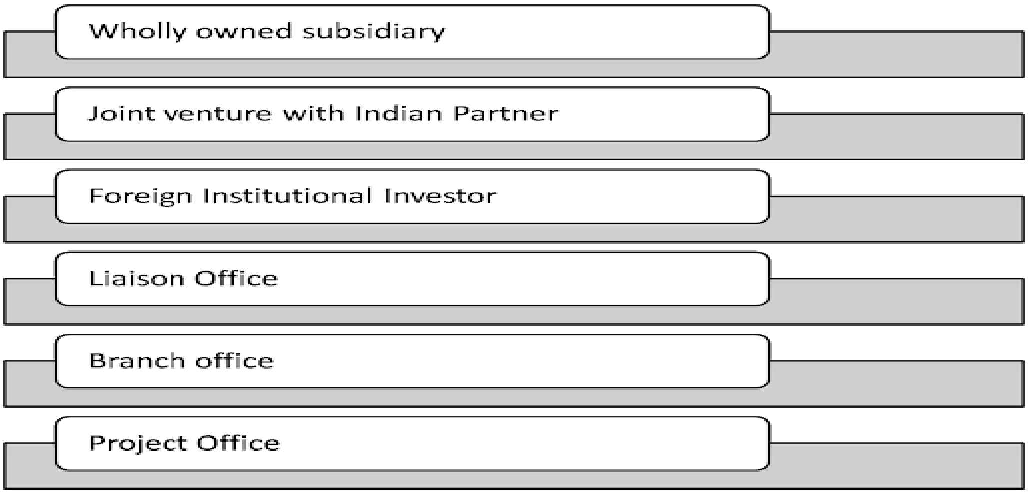

Figure 2: Modes of Acquisition by a Foreign Company

VII. FINANCIAL YEAR-WISE FDI INFLOWS DATA & HYPOTHESIS TESTING:

Amount in 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 2017-18 (up to March 2018)								
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**	**(+) 155 %**	**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**	25,606	1,540	8,668	1,931	**37,745**	**(-) 10 %**	**29,048**
11.	**2010-11**	21,376	874	11,939	658	**34,847**	**(-) 08 %**	**29,422**
12.	**2011-12**	34,833	1,022	8,206	2,495	**46,55**	**(+) 34**	**16,812**

						6	%	
13.	**2012-13**	21,825	1,059	9,880	1,534	**34,298**	(-) 26%	**27,582**
14	**2013-14**	24,299	975	8,978	1,794	**36,046**	**(+) 5%**	**5,009**
15.	**2014-15**	30,933	978	9,988	3,249	**45,148**	**(+) 25%**	**40,923**
16.	**2015-16**	40,001	1,111	10,413	4,034	**55,559**	**(+) 23%**	**(-) 4,016**
17.	**2016-17**	43,478	1,223	12,343	3,176	**60,220**	**(+) 8%**	**7,735**
18.	2017-18(April 2017-March 2018)	**44,857**	**816**	**12,370**	**3,920**	**61,963**	**(+) 3%**	**22,165**
CUMULATIVE TOTAL (from April, 2000 to March, 2018)		**378,534**	**14,924**	**126,274**	**26,720**	**546,452**	**-**	**216,475**

ANALYSIS AND INTERPRETATIONS:

HYPOTHESES 1: There is no significant relation between FDI through FIPB /Acquisitions Route and total FDI in India.

SET THE NULL AND ALTERNATIVE HYPOTHESES:

The null and alternative hypotheses can be stated as below:

$H1_0$: There is no significant relation between FDI through FIPB /Acquisitions Route and total FDI in India.

$H1_1$: There is a significant relation between FDI through FIPB /Acquisitions Route and total FDI in India.

Analyse the Data:

The R value can be computed as indicated in the table:

Table A: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.997[a]	.993	.993	1685.33896

Predictors: (Constant), FIPB

ANOVA[a]

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	6941417908.047	1	6941417908	2443.845	.000[b]
Residual	45445878.398	16	2840367.400		
Total	6986863786.444	17			

a. Dependent Variable: Total FDI

b. Predictors: (Constant), FIPB

Table B: Shows the Analysis of Output (Coefficients)

Coefficients [a]

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1919.046	699.108		2.745	.014	437.004	3401.089
	FIPB	1.352	.027	.997	49.435	.000	1.294	1.410

a. Dependent Variable: Total FDI

ARRIVE AT STATISTICAL CONCLUSION:

Table A: indicates that the relationship between FDI through FIPB /Acquisitions Route and total FDI in India defined the correlation coefficient (r) is 0.997 which is a very high degree of positive correlation. The coefficient of determination (r2) is 0.993 indicating that

99.3 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 1.352 units change in Y that is Total FDI in India. The Intercept value is 1919.046 indicating the role of other factors. Table B shows that the t- value is 49.435 for 18 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**.**
Moreover the value of R is in positive. Null hypothesis is rejected and alternative is accepted. There is high degree of positive correlation relation between FDI through FIPB /Acquisitions Route and total FDI in India.

HYPOTHESES 2: There is no significant relation between Equity Capital of unincorporated Bodies and total FDI in India.

The null and alternative hypotheses can be stated as below:

$H2_0$: There is no significant relation between Equity Capital of unincorporated Bodies and total FDI in India.

$H2_1$: There is significant relation between Equity Capital of unincorporated Bodies and total FDI in India.

Analyse the Data:

The R value can be computed as indicated in the table:

Table C: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.643[a]	.413	.376	16008.14829

a. Predictors: (Constant), Equity Capital of Unincorporated Bodies

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2886690800.030	1	2886690800.030	11.265	.004[b]
	Residual	4100172986.414	16	256260811.651		
	Total	6986863786.444	17			

a. Dependent Variable: Total FDI

b. Predictors: (Constant), Equity Capital of Unincorporated Bodies

Table D: Shows the Analysis of Output (Coefficients)

Coefficients [a]

Model		Un-standardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	11045.914	6880.901		1.605	.128	-3540.944	25632.772
	Equity Capital of Unincorporated Bodies	23.293	6.940	.643	3.356	.004	8.581	38.005

a. Dependent Variable: Total FDI

ARRIVE AT STATISTICAL CONCLUSION:

Table C indicates that the relationship between Equity Capital of Unincorporated Bodies and total FDI in India defined the correlation coefficient (r) is 0.643 which is a very high degree of positive correlation. The coefficient of determination (r2) is 0.413 indicating that 41.3 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 of unincorporated Bodies in India there is 23.293 units change in Y that is Total FDI in India. The Intercept value is 11045.914 indicating the role of other factors. Table D shows the t- value is 3.356 for 18 years of data undertaken for the analysis and also indicates the p- value is 0.004 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.

Moreover the value of R is in positive. Null hypothesis is rejected and alternative is accepted. There is high degree of positive correlation relation between FDI through FIPB /Acquisitions Route and total FDI in India.

HYPOTHESES 3: There is no significant impact of equity inflows and Re-invested earnings on total FDI

SET THE NULL AND ALTERNATIVE HYPOTHESES:

The null and alternative hypotheses can be stated as below:

$H3_0$: There is no significant impact of equity inflows and Re-invested earnings on total FDI in India.

$H3_1$: There is a significant impact of equity inflows and Re-invested earnings on total FDI in India.

Analyse the Data:

Table E: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999[a]	.999	.999	750.34953

a. Predictors: (Constant), REINVESTEDEARNING, EQUITYINFLOW

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6978418420.235	2	3489209210.118	6197.261	.000[b]
	Residual	8445366.209	15	563024.414		
	Total	6986863786.444	17			

a. Dependent Variable: TOTALFDI
b. Predictors: (Constant), REINVESTEDEARNING, EQUITYINFLOW

Table F: Shows the Analysis of Output (Coefficients)

Coefficients [a]

Model		Un-standardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	65.699	364.368		.180	.859	-710.934	842.332
	EQUITY INFLOW	1.103	.031	.832	35.749	.000	1.037	1.168
	RE-INVESTEDEARNING	.882	.115	.179	7.678	.000	.637	1.127

a. Dependent Variable: TOTAL FDI

ARRIVE AT STATISTICAL CONCLUSION:

The Value of R square is 0.999, indicating that 99.9 percent of variation in the Total FDI is explained by the equity inflows and Re-invested earnings. It may be seen that the value of R square in the simple linear regression model (Equity Inflows and Total FDI) was 0.413, which was increased to 0.999 with the inclusion of an additional variable i.e. Re-Invested Earning in the regression model. This is always the case as the value of R square increases when an additional explanatory variable is added to the model. The estimated regression equation as obtained in Table F may be written as:

Y = 65.699 + 1.103 + 0.882

The table indicates that the p- value is 0.000 which is less than 0.05 at 5% level of significance, which leads to significant statistically, hence null hypothesis is rejected and alternative hypothesis is accepted. So there is a significant impact of equity inflows and Re-invested earnings on total FDI in India.

Hypotheses 4: The null and alternative hypotheses can be stated as below:

$H4_0$: There is no significant difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies.

$H4_1$: There is significant difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies.

Analyse the Data:

Table G: Group Statistics

	TYPE	N	Mean	Std. Deviation	Std. Error Mean
FDI	1.00	18	21029.6667	14942.09939	3521.88660
	2.00	18	829.1111	559.43447	131.85997

1 = FDI through FIPB, 2 = Equity Capital of Incorporated Bodies

Table H: 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
FDI	Equal variances assumed	43.342	.000	5.732	34	.000	20200.55556	3524.35416	13038.20615	27362.90496
	Equal variances not assumed			5.732	17.048	.000	20200.55556	3524.35416	12766.40147	27634.70964

Statistical Conclusion:

This hypothesis examines the difference between FDI through FIPB/Acquisition Route and Equity Capital of Incorporated Bodies in India, the mean of FDI through FIPB/Acquisition Route is 21029.6667 and for the Equity Capital of Incorporated Bodies the mean is 829.1111 when undertakes the eighteen years data used. The standard deviation for the FDI through FIPB/Acquisition Route is 14942.09939 and for the Equity Capital of Incorporated Bodies had 559.43447 and the mean difference was 20200.55556 shows in the table. Levene's Test for Equality of Variances indicates that FDI through FIPB/Acquisition Route and Equity Capital of Incorporated Bodies in India are significantly differ therefore unequal variance result are used. Table indicates that the t-statistics is 5.732 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 and alternative hypothesis is accepted. Hence it is concluded that there is significant difference between FDI through FIPB/Acquisition Route and Equity Capital of Incorporated Bodies in India.

In other way, table represents the mean, standard deviation and standard error of the mean for FDI through FIPB/Acquisition Route and Equity Capital of Incorporated Bodies in India. The results of t test as represented in table assuming both the equal and unequal variances indicate that the null hypothesis is rejected. This is because the p values both for equal and unequal variances are equal to 0.000/2 = .000 and 0.000/2 = .000 respectively. Since the p values in both the cases are less than 0.05, assuming the level of significance, the hypothesis of equality of the mean of FDI through FIPB/Acquisition Route and Equity Capital of Incorporated Bodies in India is rejected in favour of alternative hypothesis. Therefore, it can be concluded that FDI through FIPB/Acquisition Route is higher than Equity Capital of Incorporated Bodies in India

VIII. CONCLUSION:

It can be observed from the above analysis that the major foreign direct investment comes in India through Mergers and Acquisitions (M&A s). 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 have significant relationship, the p- value is 0.00 which is less than 0.05, and therefore the relation is statistically significant. Merger and Acquisitions (M&A s) 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 0.004 which is also statistically significant.

But the difference between FDI through FIPB /Acquisitions Route and Equity Capital of Unincorporated Bodies statistically significant and shows the t- value is 5.732 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 that FDI through FIPB/Acquisition Route is higher than Equity Capital of Incorporated Bodies in India.

India has become the most attractive emerging market for global partners (GP) investment for the coming 12 months, as per a recent market attractiveness survey conducted by Emerging Market Private Equity Association (EMPEA).

Annual FDI inflows in the country are expected to rise to US$ 75 billion over the next five years, as per a report by UBS. The Government of India is aiming to achieve US$ 100 billion worth of FDI inflows in the next two years.

The World Bank has stated that private investments in India is expected to grow by 8.8 per cent in FY 2018-19 to overtake private consumption growth of 7.4 per cent, and thereby drive the growth in India's gross domestic product (GDP) in FY 2018-19.

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