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TRENDS AND PATTERNS OF GREENFIELD INVESTMENT AND CROSS- BORDER MERGERS AND ACQUISITIONS INFLOWS IN INDIA

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Abstract

Foreign Direct Investment (FDI) has played an important role in the process of globalization during the last two decades. The rapid growth in FDI by multinational corporations may be accredited to significant changes in technologies, greater liberalization of trade and investment regimes, and privatization of markets in India. In this paper, an attempt has been made to analyse the Greenfield investment and cross-border mergers and acquisitions inflows in the country and also is discussed the most beneficial FDI to the growth of the country. To achieve this objective, data from 2000-2018 has been analyzed. The study found that Greenfield FDI and Cross-Border Mergers & acquisition inflows in India show a positive trend over the period under the study. Greenfield Direct Investment inflow was more than merger and acquisition due to the adoption of more liberal foreign policy and series of measures are undertaken by the Government of India.

Key words: Foreign Direct Investment, Greenfield Investment, Cross-Border Mergers & Acquisitions, Economic Growth, Globalization

INTRODUCTION

The rapid growth in Foreign Direct Investment by multinational enterprises may be attributed to significant changes in technologies, greater liberalization of trade & investment regimes, and deregulation & privatization of markets in many countries including developing countries like India. According to IMF definition contained in the Balance of Payments Manual Fifth Edition (BPM-5) Foreign Direct Investment has 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. Greenfield investment and M&A's contribute positively to promote economic growth (Adhana & Saxena, 2016).

It is well-known that foreign direct investment (FDI) plays a pivotal role in augmenting economic growth in countries that face a shortage of financial capital, human capital, and technology necessary for growth (Adhikary, 2012). In this respect, the Indian Government has taken economic reforms in 1991 which makes the country one of the major performers of global economies by placing the country as the 4th largest and the 2nd fastest growing economy in the world. India also ranks as the 11th largest economy in terms of the industrial output and the 3rd largest pool of scientific and technical manpower (Hooda, 2011).

FDI ENTRY MODES: GREENFIELD INVESTMENT AND MERGERS AND ACQUISITIONS

The flow of foreign direct investment could occur through international acquisition or Greenfield investment. When a firm undertakes FDI, it becomes a multinational enterprise. FDI occurs when a company invests in real assets in a foreign country to produce or to market a product. According to the US Department of Commerce, foreign investment is considered as FDI whenever an organization takes an interest of 10 percent or more in a foreign company. This may be defined as FDI in which investment involves the establishment of a completely new operation in a foreign land. Acquisition generates cash flow in a shorter time than in the case of Greenfield investment, since the acquired firm, by definition does not have to build from the ground. Furthermore, acquisition deals may be more attractive than Greenfield investment since license acquisition offer immediate access to local firm existing resources such as land manufacturing facilities, distribution channels, supply networks, skilled labor, and customer base. But the new FDI policy of India it also made so easy to invest in Greenfield as well as Mergers and Acquisitions.

In India, FDI means investment by the non-resident entity or a person resident outside India in the capital of an Indian Company under Schedule 1 of Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000 (Bhasin, 2012). Foreign Direct investment can be done with two entry modes these are Greenfield investment and cross-border merger and acquisitions. Greenfield investment means investment in a foreign country with the establishment of new entities and setting up offices, buildings, plants, factories, and infrastructure from the ground. We can call it working capital because it generates the setting up a new entity from the start. When Greenfield investment has taken place, then capital movement happens. This affects the accounting books of the direct investor as well as the direct investment enterprise. Capital raised from the Greenfield investment is used to purchase the raw materials, fixed assets, services required for the business, and for the payment to the workers in the host country. Greenfield FDI plays a vital role in capital formation and creates employment in the host country. The host country's productive capacity increases through direct expenditures by the direct investment enterprise (UNCTAD, 2009).

On other hand, Acquisitions can be defined as an investment involving long- term relationships between the host country and foreign country, reflecting a long-lasting interest and control of a resident entity of one economy in an enterprise resident of another economy other than that of the foreign direct investor. FDI implies that the investor exerts a significant degree of influence on the management of the enterprise resident in the other economy. Such a transaction involves both the initial transaction between the two entities and all subsequent transactions between them. FDI may be undertaken by individuals as well as business entities. It takes the form of acquiring the stock of the existing foreign enterprises to participate in the management of the concerned enterprise; establishing abroad new subsidiary with 100% ownership; participating in a joint venture through stock holdings; and establishing new branches or expanding existing ones **(**Chopra,2004).

REVIEW OF LITERATURE

A number of studies have been carried out covering various aspects of foreign direct investment. Some of the relevant studies relating to the present topic are being reviewed here as under**: -**

ENTRY MODES WISE REVIEWS

Acquisitions are more likely for multi-domestic companies and Greenfields are more likely for global companies. Greenfields are more strongly controlled by headquarters than acquisitions and have a higher level of expatriate presence (Harzing. 2001). **Calderon, Loayza & Serven (2004**) found that an expansion of M&As is actually followed by an increase in Greenfield FDI. The booming of Cross Border M&As is only result of one shot privatization process. In their study related to the causality between the forms of FDI and domestic investment and economic growth. The highest assets firms choose Greenfield FDI, the lower assets firms M&As or joint ventures and those with the least assets exporting according to the Raff et. al. (2004). Further Nocke & Yeaple (2006) also found that firm with different capabilities choose different modes of foreign markets access. Hence, the optional government policy towards foreign direct investment should be tailored to the particular type of FDI: Greenfield vs. cross- border M&As. But Marinescu and Constantin (2008) revealed in their study that Greenfield dominate the trade sector, while acquisitions were geared towards industry and services. **Neto ET. al., (2010)** found that Greenfield investments exert a positive impact on economic growth in both developed and developing countries. Conversely, M&A have a negative effect on the economic growth of developing countries, but insignificant on developed countries. The above review of literature proves beneficial in identifying the research issues and the research gaps,

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which are mainly the edifices on which the objectives of the present study are based on. There is hardly any study in India which documents the trends and pattern of Greenfield FDI and cross-border merger and acquisition in India. Thus, the present study is an endeavor to discuss the trends and pattern of Greenfield investment and Cross-border merger and acquisition in India and Its determinants and its impact on the growth of India.

RESEARCH ISSUES AND RESEARCH GAP

The above review of literature proves beneficial in identifying the research issues and the research gaps, which are mainly the edifices on which the objectives of the present study are based on. There is hardly any study in India which documents the trends and pattern of Greenfield FDI and cross-border merger and acquisition in India. Thus, the present study is an endeavour to discuss the trends and pattern of Greenfield investment and Cross-border merger and acquisition in India. The present study tries to find out entry modes of the Foreign Direct Investment inflows in India and find out the most beneficial mode both of them.

TABLE 1: Tabular Presentation of the Literature

Title	Author/s & Year	Objectives	Methodology	Findings	Research Gap
Entry Mode Choice in Emerging Markets: Greenfield, Acquisition, and Brownfield	**Meyer, Klaus E. & Estrin, Saul, (1998)**	Making strategic decision by foreign affiliate among the options for entry mode through Greenfield, Acquisition and Brownfield	Theoretical and empirical analysis	Brownfield hoped to enrich both business analysis and public policy discussion on FDI by showing a more differentiated spectrum of entry modes	This study is limited to the subject, can do research on the topic that which resources do the foreign and local firms contribute to the new operation
Acquisitions versus Greenfield Investments; International strategy and management of entry modes	**Harzing, Anne-Wil (2001)**	To study the factors shown to influence the choice between foreign acquisitions and Greenfield investments	Binomial logistic regression, Mann-Whitney test	Acquisitions are more likely for multi-domestic companies and Greenfields are more likely for global companies. Greenfields are more strongly controlled by headquarters than acquisitions and have a higher level of expatriate presence	This study is limited to manufacturing sector only and one can look beyond the initial choice of entry made to include a further exploration of the operational challenges of managing Greenfields and acquisitions.
Greenfield Foreign Direct Investment and Mergers and Acquisitions: Feedback and Macroeconomic effects	**Calderon,Cesar and Loayza, Norman and Serven, Lui, (2004)**	To evaluating the extent greenfield FDI follow an increase in cross-border M&As, Causality between the two forms of FDI and domestic investment and economic growth.	Bivariate vector autoregressions, Granger Causality Test	expansion of M&As is actually followed by an increase in Greenfield FDI Greenfield and M&As FDI lead domestic investment but are led by GDP growth. Growth causes investment, investment does not lead to growth whether this is a reflection of poor-quality investment	The fact that economic growth depends on a multitude of factors that cannot be fully captured by developments in FDI or domestic investment is a subject for further research.

Mergers vs Joint Ventures vs Greenfield Investment: A comprehensive treatment of foreign direct investment.	**Raff, H., Ryan, M., & Stahler, F., (2004)**	To study the choice of firms export to a foreign market, while others establish a subsidiary through foreign direct investment and choice between different types of entry mode.	ANOVA, Correlation, Multinomial Logit Model, Descriptive statistics	They found that the highest assets firms choose Greenfield FDI, the lower assets firms M&A or joint ventures and those with the least assets exporting. This prediction is confirmed in our empirical analysis using firm level Japanese data.	
Acquisition versus Greenfield Foreign Entry: Diversification mode choice in Central and Eastern Europe	**Harzing, Anne-Wil (2001)**	To investigate the influence of experimental organizational learning on the choice between acquisition and a greenfield investment	Mean, Standard Deviations, Correlation, Cluster analysis, T-test	Study revealed that a host country's institutional structure does affect not only the investors' ownership strategies, but also their foreign diversification mode choice: unstable institutional environments tend to discourage acquisition investments and to encourage greenfield establishments	The insufficient number of respondents by industry prevents from investigating in depth industry-level factors that might influence the foreign diversification mode decision. Second time range of the collected data implies a methodological weakness. Third a number of Questionnaires were not entirely completed.
On the effects of Economic Integration on Greenfield Investments & cross-border Mergers and Acquisition Location pattern	**Bertrand, Olivier, (2005)**	To Study the linkage between economic integration and horizontal foreign direct investment location.	Partial Equilibrium Model	Found that existence of complex linkage between economic integration and FDI location pattern depending simultaneously on set up fixed costs, the competitive mode of market integration and the product differentiation.	
Cross-border Merger and Acquisition Vs Greenfield foreign direct investment: The role of firm heterogeneity	**Nocke, V., & Yeaple, S., (2006),**	To study the role of heterogeneity on the modes of FDI viz. Cross-border Merger and Acquisition Vs. greenfield foreign direct investment.	General Equilibrium Model	Analyzed that firm with different capabilities choose different modes of foreign markets access. Hence, the optional government policy towards foreign direct investment should be tailored to the particular type of FDI: Greenfield vs. cross- border M&As.	The policy implications of their theory raises a number of modeling issues (government objectives, set of policy instruments) etc.
Greenfield vs. Acquisition in FDI: Evidence from Romania	**Marinescu, N., Constantin, C.(2008)**	To study comparison between Greenfields and acquisitions as foreign Direct Investment alternatives used by transnational corporations.	Pearson Correlation, Simple percentage method	Greenfields are linked to trade and located mainly in Bucharest having low profit margin. Acquisitions tend to Gather in other regions than Bucharest and operate in Industry and services, with higher profit margin.	This is limited to Romania so one can do research in this matter in other countries at international level.

OBJECTIVES OF THE STUDY

The study specifically encompasses within its scope the following objectives:

- To study the trends and patterns of Greenfield FDI and Cross-border Mergers and Acquisitions inflow in India
- To find out the most beneficial FDI to the growth of the country
- To give suggestions on the basis study.

RESEARCH METHODOLOGY

Data collections of information have been based on secondary data. To achieve the first objective data has been collected from various UNCTAD (world investment reports) from 2000-2018. For second objective data has been collected from various RBI bulletin. And lastly we have given suggestions on the basis of our study.

INTERPRETATION AND ANALYSIS

Table No 2: Top 12 Sectors attracting highest FDI equity inflows

Sector	(Amount in US $ Million)																		
	April-March																		
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Service Sector	NA	NA	326	269	469	543	4664	6615	6116	4353	3296	5216	4833	2225	3253	6889	8684	6709	9158
Computer software & Hardware	NA	NA	644	532	539	1375	2614	1410	1677	919	780	796	486	1126	2200	5904	3652	6153	6415
Telecommunication (Radio, Paging Cellular mobile, telephone service)	NA	NA	223	116	129	624	478	1261	2558	2554	1665	1997	304	1307	2895	1324	5564	6212	2668
Construction (Roads & highways)	NA	NA	NA	NA	152	151	985	1743	2801	2862	1103	3141	1332	1226	758	4511	1861	2730	2258
Housing & Real Estate	NA	NA	NA	NA	0	38	467	2179	2801	2935	1227	731	1332	1226	769	113	105	540	213
Automobile Industry	NA	NA	NA	NA	122	143	276	675	1152	1208	1299	923	1537	1517	2570	2527	1609	2090	2623
Power	NA	NA	118	113	166	87	157	967	985	1437	1272	1652	536	1066	657	869	1113	1621	1106
Metallurgical Industry	NA	NA	47	32	182	147	173	1177	961	407	1098	1786	1466	568	472	NA	NA	NA	NA
Hotel & Tourism	NA	NA	NA	NA	NA	14	89	1427	412	266	308	993	3011	486	777	1333	916	1046	NA
Petroleum	NA	NA	NA	NA	NA	14	89	1427	412	272	556	NA	NA	NA	NA	NA	NA	NA	NA
Chemicals (other than fertilizer)	NA	NA	129	20	198	390	205	229	749	362	2354	4041	292	878	6691	1470	1393	1308	1981
Drug & Pharmaceutical	NA	NA	40	109	292	172	215	NA	NA	213	209	3232	1123	1279	1523	754	857	1010	266

Source: Data compiled from various Fact Sheets on Foreign Direct Investment complied as on 20 November, 2019, NA stands for ‘Not available’

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Table No 3: Share of Top Investing Countries FDl Equity Inflows in India (Financial Years)

Amount in Rs crore
(US $ Million)

Sr. No.	Country	Aug1991-March 02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
1	Mauritius	27446 (6731)	3766 (788)	2609 (567)	5141 (1129)	11441 (2570)	28759 (6363)	44483 (11096)	50794 (11208)	49633 (10376)	31855 (6987)	46710 (9942)	51654 (9497)	29360 (4859)	55172 (9030)	54706 (8355)	105587 (15728)	15941	8084
2	Singapore	1997 (515)	180 (38)	172 (37)	822 (184)	1218 (275)	2662 (578)	12319 (3073)	15727 (3454)	11295 (2379)	7730 (1705)	24712 (5257)	12594 (2308)	35625 (5985)	41350 (6742)	89510 (13692)	58376 (8711)	12180	16228
3	Japan	5099 (1299)	1971 (412)	360 (78)	575 (126)	925 (208)	382 (85)	3336 (815)	1889 (405)	5670 (1183)	7063 (1562)	14,089 (2,972)	12243 (2237)	10550 (1718)	8769 (1447)	17275 (2614)	31558 (4709)	1633	2965
4	U.K	4263 (1106)	1617 (340)	769 (167)	458 (101)	1164 (266)	83 89 (1878)	46 90 (1176)	3840 (864)	3094 (657)	3434 (755)	36,428 (7,874)	5797 (1080)	20426 (3215)	1252 (2084)	5938 (898)	9953 (1483)	847	1351
5	Netherland	3856 (986)	836 (176)	2247 (489)	1217 (267)	340 (76)	2905 (644)	2780 (695)	3922 (883)	4283 (899)	5501 (1213)	6,698 (1,409)	10054 (1856)	13920 (2270)	20960 (3436)	17275 (2643)	22633 (3367)	2800	3870
6	U.S.A	12248 (3188)	1504 (319)	1658 (360)	3055 (669)	2210 (502)	3861 (856)	4377 (1089)	8002 (1802)	9230 (1943)	5353 (1170)	5,347 (1,115)	3033 (557)	4807 (806)	11150 (1824)	27695 (4192)	15957 (2379)	2095	3139
7	Germany	3455 (908)	684 (144)	373 (81)	663 (145)	1345 (303)	540 (120)	2075 (514)	2750 (629)	2980 (626)	908 (200)	7,452 (1,622)	2658 (490)	6093 (1038)	6904 (1125)	6361 (986)	7175 (1069)	1124	886
8	France	1947 (492)	534 (112)	176 (38)	537 (117)	82 (18)	528 (117)	583 (145)	2098 (467)	1437 (303)	3349 (734)	3,110 (663)	3487 (646)	1562 (255)	2251 (367)	3937 (598)	4112 (614)	511	406
9	U.A.E	NA	NA	NA	NA	NA	NA	1039 258)	1133 (257)	3017 (629)	1569 (341)	1,728 (353)	972 (180)	1562 (255)	2251 (367)	6528 (985)	4539 (675)	1050	898
10	Cyprus	NA	NA	NA	12 (3)	310 (70)	266 (58)	3385 (834)	5983 (1287)	7728 (1627)	4171 (913)	7,722 (1,587)	3487 (646)	3401 (557)	3634 (598)	3317 (508)	4050 (604)	417	296

Source: Data compiled from various Fact Sheets on Foreign Direct Investment complied as on 15 Jan 2020, NA stands for 'Not Available'.

Foreign Direct Investment has played a vital role in the growth of the Indian economy and the government continues to promote more this type of investment. Attracting foreign direct investment has to turn into an essential part of the economic development strategies for India. Foreign investment has been a booming factor that has bolstered the economic life of India. Therefore, we have bifurcated the FDI into two entry mode viz. Greenfield and cross-border mergers and acquisitions inflow to analyze the trends and patterns and which one is the most beneficial to the host country. We have found that the trends and patterns of Greenfield investment from 2001 to 2005 it is incubating. It touched its peak in 2008 i.e. US$ 64634 million which showed the impact of liberalization of the economy since the early 1990s as well as gradual opening up of the capital account. It is found that a Greenfield FDI and Cross-Border Mergers and acquisition inflow in India shows a positive trend over the period under the study. Greenfield Direct Investment inflow was more than merger and acquisition because of the adoption of more liberal foreign policy and series of measures are undertaken by the Government of India. Greenfield investment is beneficial for the host country most for bringing advancement of knowledge, skill, technology, exports, employment, and expertise management.

On the contrary, Cross-border merger and acquisition is also beneficial for increasing exports, and expertise management. But through mergers and acquisitions, it may create foreign exchange drain from India. It can be concluded that Greenfield Investment plays a vital role in the growth of the country than Cross border mergers and acquisitions. Overall Foreign Direct Investment inflows in India also show a positive trend. Based on observation, it can be suggested that the host country is more benefited from the Greenfield FDI therefore GOI of India should stress to attract more FDI through the Greenfield channel. To fulfill this objective and a balanced view needs to be taken in this regard, the regulatory policies should be made favorable and policymakers should avoid uncertainties for boosting greenfield FDI in India to ultimately increase employment, advanced technology, infrastructure development, GDP, Trade and Foreign reserves.

Table 4: Greenfield Foreign Direct Investment in India from 2001-2018

Year	Amount	INDEX %	No. of Projects	INDEX %
2001	14383	100	156	100
2002	15170	105	303	194
2003	16303	113	452	290
2004	27264	190	705	452
2005	22280	155	598	383
2006	58797	409	1011	648
2007	40251	280	730	468
2008	64634	449	1017	652
2009	50330	350	758	486
2010	39869	277	784	503
2011	46672	324	977	626
2012	31089	216	796	510
2013	23699	165	589	378
2014	26196	182	715	458
2015	60481	421	723	456
2016	60802	423	845	542
2017	25524	177	705	451
2018	55943	389	802	514

Source: UNCTAD FDI Statistics data retrieved on 27.03.2020

It is evident from the above table that from 2000 to 2006 Greenfield FDI inflows in India were US$ 58797 million (409 index percent). In the year 2006, Greenfield investment doubled compared to 2005. The country received more Greenfield FDI in the year 2008, was US$ 64634 million (449 index percent) sudden hike in Greenfield investment compared to the previous year was rapid economic growth has led to improved investor confidence in the country. According to the Government of India, the country's economy is expected to grow by 9.2 percent in the 2006-07 fiscal years. The sustained growth in income has made the country increasingly attractive to market-seeking FDI. Indeed, foreign retailers such as Wal-mart have started to enter the Indian market.

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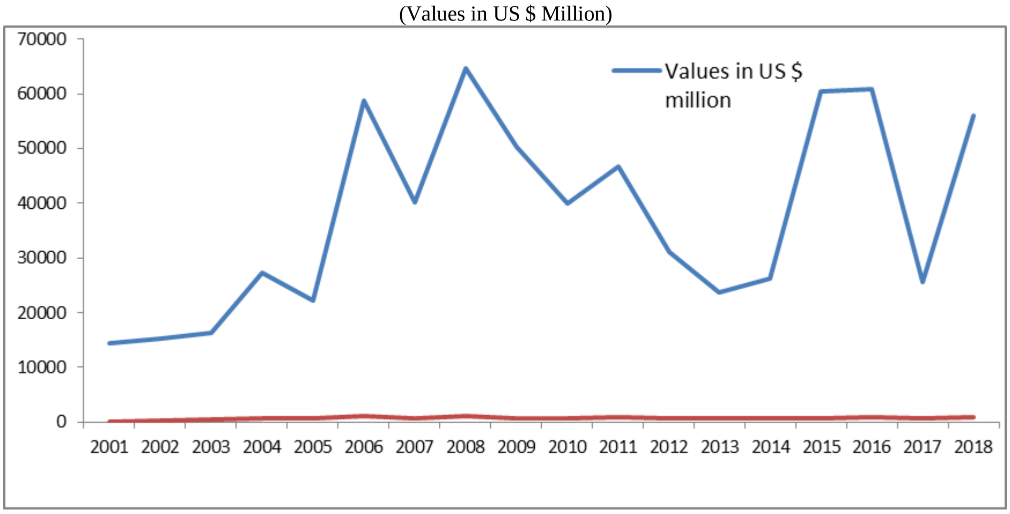
At the same time, several United States TNCs, such as General Motors and IBM, are rapidly expanding their presence in the country, as are several large Japanese TNCs, such as Toyota and Nissan. Private equity firms are also playing a role. But it is clear from the table that during the year 2009 to 2013 inflows were only US$ 23699 million (165 index percent). It was due to country foreign investment policies having so many restrictions etc. But in the year 2016 once again sudden and huge hike in Greenfield investment inflow was US$ 60802 million (423 index percent). It was happened because of preventing so many restrictions regarding new Foreign Investment policy as well as new economic policies etc. and this trend was continued in the succeeding years. In the year 2107, it was a huge downfall due to some political and foreign trade issues. Therefore we can conclude based on the trend and pattern of Greenfield investment that it depends on the internal as well as external factors of the host country.

Figure No: 1: Trends and Patterns of Greenfield Investment Inflows in India

(Values in US $ Million)



The number of Greenfield investments in India increased from 247 projects in 2000 to 1011 projects in 2006 but declined to 730 projects in 2007. According to OCO consulting (cited in Bloodgood, 2007, pp. 2-6), Greenfield investment in India is largely intended for new facilities rather than for the extension of existing units. The share of expansion projects has been declining steadily over the period from 22 percent of the reported projects in 2002 to 11 percent in 2006. During the period 2002 to 2006, 15 of the 300 Greenfield projects that were reported exceeded $1 billion in their worth. These investment projects were concentrated in heavy industries, property, tourism and leisure, and electronics. Further, a classification based on their business function indicates their spread among manufacturing, construction, resource

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extraction, and R&D. The investor countries included Canada, Germany, Japan, Luxembourg, the Netherlands, Singapore, South Korea, and Venezuela, the UAE, the UK, and the US. The beneficiary industries of these Greenfield investments included a wide range of industries such as steel, electronic components and semiconductors, construction, mining, real estate, and machinery (Chadha, 2009)· While India remains among the top 10 largest recipients of FDI, inflows fell by an estimated 5 percent to $42 billion in 2016 as a result of equity divestments by foreign investors. This reflects a broader trend of declining investment in emerging markets in 2016. Importantly, though, India has positive momentum in Greenfield projects. In the year 2017, the country attracted the highest among the announced Greenfield investments based on capital expenditure for the second year in a row; with notable gains in manufacturing (A.T. Kearney, 2017). It is very clear from the above table and figures no 1 that Foreign Direct Investment through Greenfield mode is continuously growing in India.

Table 5: Trends and Patterns of cross-Border Mergers and Acquisitions inflow in India

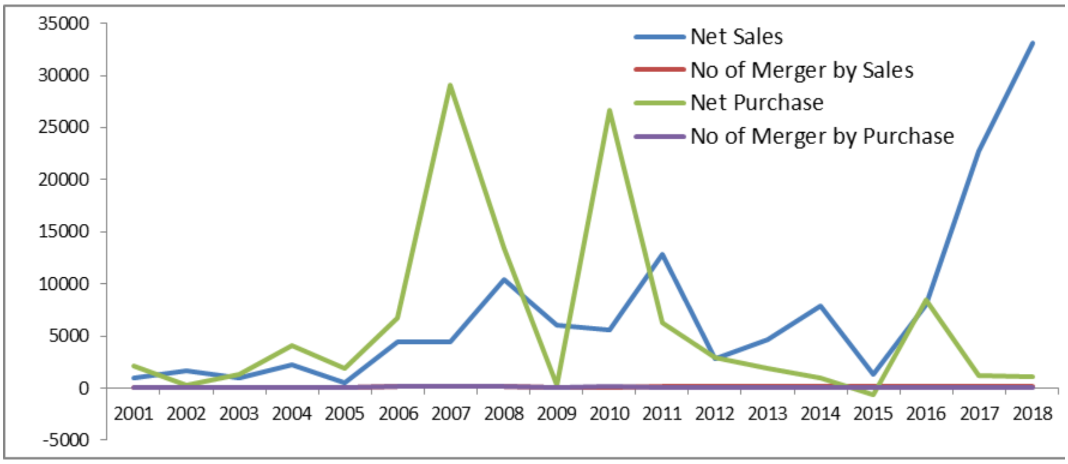
Year	Net Sales	Index %	No of Merger by Sales	Net Purchase	Index %	No of Merger by Purchase	Ratio of Sales to Purchases
2001	1037	**100**	73	2195	**100**	21	**0.47**
2002	1698	164	32	270	12	27	6.29
2003	949	92	54	1362	62	47	0.70
2004	2274	219	72	4082	186	56	0.56
2005	526	51	104	1877	86	100	0.28
2006	4424	427	141	6715	306	146	0.66
2007	4405	425	157	29083	1325	183	0.15
2008	10427	1005	144	13482	614	163	0.77
2009	6049	583	114	291	13	65	20.79
2010	5613	541	122	26642	1214	143	0.21
2011	12795	1234	134	6282	286	103	2.03
2012	2805	270	133	2988	136	67	0.93
2013	4644	448	142	1922	88	49	2.41
2014	7857	758	125	1021	47	60	7.69
2015	1323	128	139	-613	-28	54	-2.15
2016	7958	767	128	8462	386	87	0.94
2017	22763	2195	134	1212	55	67	18.78
2018	33178	3199	130	1105	50	63	30.02

Source: UNCTAD FDI/MNE database, (www.unctad.org/fdistatistics), data retrieved on 27.03.2020

Cross-Border Merger and Acquisition entails the taking over or merging of capital, assets, and liabilities of existing enterprises. It has been a major driver of FDI flows for the past few years, particularly among and in developed countries, but also some developing countries (UNCTAD/WIR, 2000). Cross-border mergers and acquisitions are becoming popular as transnational corporations take advantage of widespread liberalization and deregulation to gain market shares, consolidate operations, improve efficiency and dilute the cost associated with investing in research and development and information technology. Although the formation of regional groupings has been the prime movers of the bulk of the cross-border M&As in the developed world, M&As have also emerged as the preferred mode of FDI inflows to the developing countries. A merger is referred to as the combination of two or more companies to share resources in order to achieve common objectives. A merger implies that, as a result of the operation, only one entity will survive. In business, there are three types of mergers: statutory merger, subsidiary merger, and consolidation (Bertrand, 2007).

The growth in the number of M&A's deals in India has been less impressive than the number of Greenfield investments. Based on the Zephyr Mergers and Acquisition database, Bloodgood (2007) found that 167 M&A deals in India accounted for investment worth $5.6 billion during 2007. Out of 15 M&A transactions during 2002-06, several were made with US firms, as well as with firms from Mauritius, the UK, Switzerland, and the British Virgin Islands. These 15 most significant deals were spread across manufacturing sectors, such as electronics, cement, pharmaceuticals, and food processing.

Figure 2: Trends and Patterns of Cross-Border Mergers and Acquisitions Inflows in India



The service sector included computer software services, investment-banking services, BPO, insurance, and port services. According to information in UNCTAD's world investment Report (2008), the value of cross-border M&A sales by India increased from $4,424 million in 2006 to $4,405 million in 2007 and purchases from $6,715 million in 2006 to $29,083 million in 2007. The number of sales deals increased from

141 to 157 and purchases from 146 to 183. This implies that the average sales deal size increased from $29.4 million in 2006 to $33.4 million in 2007 also supported by Chadha, R., et.al, (2009). During the year 2001 to 2008, Cross border merger and Acquisition by sales was US$ 10,427 million & by Purchase US$ 13,482 million. In the year 2009 merger by purchase was more than merger by sales by US$ 5,758 million. But it was a higher positive ratio of sales to purchase. In the year 2011 merger by sales doubled by US$ 12,795 and merger by purchase decreased to half of the previous year inflow i.e. US$6,282 million. If we see the above table it clear from data that in the year 2015 merger by purchase gone negative by US$ -613 million and the ratio of sales to purchase is -2.15. The trend of cross- border mergers and acquisitions in the year 2018 again hike merger by sales i.e. US$ 33,178 million and merger by purchase US$ 1,105 million and the higher positive ratio of sales to purchase i.e. 30.02.

Table 6: Trends and Patterns of Greenfield Investment and Cross-Border Mergers & Acquisitions Inflows

(Values in US $ Million)

Year	Greenfield Investment	Cross-Border Mergers & Acquisitions (Net Sales)	Ratio of Greenfield Investment to Mergers & Acquisitions by Sale
2001	6383	1037	6.15
2002	7170	1698	4.22
2003	8631	949	9.09
2004	9399	2274	4.13
2005	8424	526	16.01
2006	23604	4424	5.33
2007	15688	4405	3.56
2008	26198	10427	2.51
2009	15485	6049	2.55
2010	18631	5613	3.31
2011	25866	12795	2.02
2012	21175	2805	7.54
2013	18954	4644	4.08
2014	12897	7857	1.64
2015	13591	1323	10.27
2016	18221	7958	2.28
2017	9802	22763	0.43
2018	55943	33178	1.68

Source: Data composed from UNCTAD FDI/MNE database, (www.unctad.org/fdistatistics), data retrieved on 27.03.2020

The above table reveals five important stages where Greenfield investment has more impact on the inflows of foreign investment in comparison to cross-border mergers and acquisitions. In the first stage, it lays in the year 2005 where the Greenfield investment ratio to Mergers & Acquisitions by sales is higher i.e. 16.0. After achieving the highest ratio in this year ratio gone down to down and sometimes up and stopped at 1.64 in the year 2014. The second stage is in the year 2011 if we talk about Greenfield investment, we see it doubled this year in comparison to the previous year i.e. 25866, and similarly, the cross border merger and acquisition have also doubled compared to previous year i.e. 12795. But if we talk about the ratio, then it is less compared to the previous year. This means that there has been more investment in cross border merger and acquisition then Greenfield investment in comparison to the previous year. The third stage is in the year 2012, where the ratio between Greenfield investment and cross border merger and acquisitions is improved than the previous year i.e.7.54. The fourth stage was where foreign direct investment inflow was more in the Greenfield investment than mergers and acquisitions and that was 10.27.

In the fifth stage, the ratio has gone suddenly down to 0.43, in the year of 2017. This shows that investment in Greenfield was decreased than the cross border merger and acquisition investment. Therefore, it is very much clear from the above stages that foreigner investors seem more interested in Greenfield investment than mergers and acquisitions. 2017 is the only year when Cross-border mergers and acquisitions are more than Greenfield investment. This is because of, Acquisitions are more likely for multi-domestic companies and Greenfield investments are more likely for global companies. Greenfields are more strongly controlled by headquarters than acquisitions and have a higher level of expatriate presence (Harzing, Anne-Wil (2001). The choice between Greenfield and Cross-border mergers and acquisitions also depends upon firms with different capabilities to choose different modes of foreign market access. Hence, there is a group of mode encompassing variables which are commonly responsible to all entry modes such as the government policy, foreign investment policy, economy’s size, openness, governance, and human development index and mode-specific variables towards foreign direct investment which play a very big role (Nocke, V., & Yeaple, S., (2006), Neto et.al. (2010).

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Table 7: Foreign Direct Investment Inflows in India from April, 1990 to March 2018

(Amount in US $ Million)

Year	Foreign Direct Investment	Moving Average	% Growth as per preceding year	Compound Growth Rate
1990-91	97	-	-	
1991-92	129	-	32.99	
1992-93	315	-	144.19	
1993-94	586	1058	86.03	
1994-95	1314	1552	124.23	
1995-96	2144	1886	63.17	
1996-97	2821	2148	31.58	
1997-98	3557	2640	26.098	
1998-99	2462	3328	-30.78	
1999-00	2155	3741	-12.47	39.9
2000-01	4029	3956	86.96	
2001-02	6130	4312	52.15	
2002-03	5035	5346	-17.86	
2003-04	4322	8299	-14.16	
2004-05	6051	12701	40.00	
2005-06	9697	17807	60.25	
2006-07	22826	22480	135.39	
2007-08	34843	26840	52.65	
2008-09	41873	32627	20.18	
2009-10	37745	36141	-9.86	
2010-11	34847	38030	-7.68	
2011-12	46556	39502	33.60	
2012-13	34298	41442	-26.33	
2013-14	36046	-	5.10	
2014-15	45148	-	25.25	
2015-16	55457	-	22.83	
2016-17	60220	-	8.59	
2017-18	60974	-	1.25	
2018-19	64375	-	5.58	
Total	*12,05,428*			*ECGR 23.2*

Source:-Compiled from various RBI bulletins www.rbi.org.in

The table reveals that from 1991 to 2000, FDI inflows in India was US$ 15580 million (45.72 percent). Further, during the period (2001-11), FDI inflows were US$ 198170 million (61.66 percent) and the rest of the year from 2012-16 inflows was US$ 217505 million. It is evident from the table that FDI inflows to South Asia surged by 126%, amounting to $22 billion in 2006, mainly due to investments in India. The country received more FDI than ever before ($22826 million, or 235% more than in 2005), equivalent to the total inflows to the country during the period

2003-2005. Rapid economic growth has led to improved investor confidence in the country. According to the Government of India, the country's economy is expected to grow by 9.2% in the 2006-07 fiscal years. The sustained growth in income has made the country increasingly attractive to market-seeking FDI. Indeed, foreign retailers such as Wal-mart have started to enter the Indian market. At the same time, several United States TNCs, such as General Motors and IBM, are rapidly expanding their presence in the country, as are several large Japanese TNCs, such as Toyota and Nissan. Private equity firms are also playing a role. For instance, Kohlberg Kravis Roberts & Co. (United States) acquired a controlling stake (85%) of Flextronics Software Sys Ltd. with an investment of $ 900 million (UNCTAD 2007 p43).

The service sector earlier was not much yielding FDI inflow, but after liberalizing our foreign investment policy the highest growth rate comprises in the service sector (including Financial Banking, Insurance, Non-Financial/ Business, Outsourcing, R&D, Courier, and Technology). The service sector has received Rs 45,415 crore in the year 2015 and it increased to 58,214 in the year 2016. The review shows that this sector has raised nearly 18 percent growth in the last eighteen years. The economic growth of India is increased due to increased FDI inflow in the service sector during the post-reform period it improved the economic performance of the domestic as well as external front's growth (Shikha, 2019).

CONCLUSION

Foreign Direct Investment has played a vital role in the growth of the Indian economy and the government continues to promote more this type of investment. Attracting foreign direct investment has to turn into an essential part of the economic development strategies for India. Foreign investment has been a booming factor that has bolstered the economic life of India. Therefore we have bi-furcated the FDI into two entry mode viz., Greenfield investment and cross-border mergers and acquisitions inflow to analyze the trends and patterns and which one is the most beneficial to the host country. We have found that the trends and patterns of Greenfield investment from 2001 to 2005 it is incubating. It touched its peak in 2008 i.e. US$ 64634 million which showed the impact of liberalization of the economy since the early 1990s as well as gradual opening up of the capital account. It is found that a Greenfield FDI and Cross-Border Mergers and acquisitions inflow in India shows a positive trend over the period under the study. Greenfield Direct Investment inflow was more than merger and acquisition because of the adoption of more liberal foreign policy and series of measures are undertaken by the Government of India. Greenfield investment is beneficial for the host country most for bringing advancement of knowledge, skill, technology, exports, employment, and expertise management.

On the contrary, Cross-border merger and acquisition is also beneficial for increasing exports, and expertise management. But through mergers and acquisitions, it may create a foreign exchange drain from India. It can be concluded that Greenfield Investment plays a vital role in the growth of the country than Cross border mergers and acquisitions. An overall Foreign Direct Investment inflow in India also shows a positive trend. Based on observation, it can be suggested that the host country is more benefited from the Greenfield FDI therefore GOI of India should stress to attract more FDI through the Greenfield channel. To fulfill this objective and a balanced view needs to be taken in this regard, the regulatory policies should be made favorable and policymakers should avoid uncertainties for boosting greenfield FDI in India to ultimately increase employment, advanced technology, infrastructure development, GDP, Trade and Foreign reserves.

SUGGESTIONS

Thus, it is found that foreign direct investment plays an important role as a strategic component of investment in India for the purpose of economic growth. It is necessary for creation of jobs infrastructure development, and expertise management. Therefore, the study recommends the following suggestions: *

- It is suggested that the policy makers should focus more on attracting Greenfield investment than cross border mergers and acquisitions.
- Policy makers should design policies increasing Greenfield investment in those sectors where foreign direct investment is getting more inflow.
- Cross border merger and acquisition may create foreign exchange drain from India therefore; policy makers' endeavour should be on the type of foreign direct investment that will significantly sustain foreign exchange in the country.

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