

Inward FDI, outward FDI, and firm-level performance in India

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In recent years, India has emerged as a leading foreign direct investment (FDI) player, featuring prominently as both an origin and a destination of FDI. In this regard, this study takes a firm-level perspective to analyze Indian FDI empirically. In particular, we address the relationship among inward FDI, outward FDI, and firm-level performance in India. Using the global company database Orbis, our estimates reveal that Indian firms having at least one foreign shareholder and/or one foreign subsidiary outperform those having neither foreign shareholders nor foreign subsidiaries. Controlling for endogeneity through propensity score matching and difference-in-difference techniques, we show that the deeper the FDI involvement, the larger the performance differentials. Moreover, compared with investing abroad, receiving foreign capital can contribute more toward enhancing the performance of Indian firms.