

APPENDIX - 5

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RESEARCH TOPIC : MOTIVES AND DETERMINANTS OF
 INTERNATIONAL DIRECT
 INVESTMENT IN INDIA

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Q U E S T I O N N A I R E

This questionnaire has been prepared only for research purpose.
 All the information will be kept confidential and will not be
 published any where in any form. Kindly answer the question by
 tick mark / under line/ encircle.

Kamlesh Gakhar
 (Kamlesh Gakhar)

Name of the Company :

Year of Incorporation :

Name of the product produced :

Investing Country :

Foreign Equity :

 Abbreviations used :

VH = Very High
 S = Significant
 N = Neutral

MH = Moderately High
 NS = Non-significant
 FDI = Foreign Direct Investment

1. INTERNAL FACTORS

1.1 CHARACTERISTICS OF INDIAN ECONOMY

- (a) **Size of the Indian Market :** India is the second largest country of the world in terms of population. How for this huge size of the Indian market acts as an incentive for Direct International Investment in India ?

Very High Moderately High Significant Non Neutral
Significant

VH MH S NS N

- (b) **Size of middle income class :** There is a large middle income class in India. GNP per capita has also been increasing in India which implies rising demand. How will you rank this factor as an attraction for FDI in India ?

VH MH S NS N

- (c) **Availability of cheap labour Force :** Cheap labour force is easily available in India. What do you think about this factor in its influence on Direct Foreign investment in India ?

VH MH S NS N

- (d) **Availability of unskilled Labour :** There is plenty of unskilled labour force in India. How far this factor ranks as a determinant of FDI in India ?

VH MH S NS N

- (e) **Availability of skilled Labour :** There is no lack of skilled labour, trained technical and managerial personnel in this country. How much important this factor is for FDI in India ?

VH MH S NS N

- (f) **Existence of a large private sector :** There exists a large private sector. Many industries which were earlier reserved for the public sector have been opened up for the private sector. How will you rank this factor as an incentive for FDI in India?

VH MH S NS N

- (g) **Industrial Sector Diversification :** India has built up a diversified industrial sector which has witnessed a growth rate of 8.5% in the 80's. What is the rating of this factor as a determinant of FDI in India, in your view ?

VH MH S NS N

- (h) **Competition with Local Companies :** What is the degree of competition you have to face from local units in the domestic market ?

High Moderate Low No

- (i) How will you rank the above said eight factors under the category of 'Factors relating to the economic characteristics of Indian Economy' in terms of importance as the determinant of FDI in India. (Ranking from 1 to 8)

i.	Size of the Indian Market	[]
ii.	Size of the middle class	[]
iii.	Availability of cheap labour force	[]
iv.	Availability of unskilled labour	[]
v.	Availability of skilled labour	[]
vi.	Existence of a large private sector	[]
vii.	Industrial Sector Diversification	[]
viii.	Competition with local companies	[]

1.2. SOCIO - CULTURAL ENVIRONMENT IN INDIA

- (a) **Widespread use of English :** There is no communication problem due to the extensive use of English language. How do you rank this factor as a promoter of FDI in India ?

VH MH S NS N

- (b) **Strong British based legal and Accounting systems :** How do you look upon this factor as a promoter of FDI in India ?

VH MH S NS N

- (c) **Strong Media of Advertisement :** In India T.V. advertising has made significant contribution to the success of many products. How does it rank as an incentive for FDI ?

VH MH S NS N

- (d) **Demonstration effect :** Rich class of Indian society imitates the western standards of living. They prefer foreign made goods. How far this attitude ranks as an attraction for FDI in India ?

VH MH S NS N

- (e) **Consumerism :** Consumerism in India has not yet developed as a social reaction against overselling by industry, as has happened in the west. On the contrary, it has been more a reaction to the evil effects of shortages & inflation. Therefore industry in India has a unique opportunity to consumerism. How will you rank this consumerism as a promoter of FDI in India ?

VH MH S NS N

- (f) **Attitude of the public towards Foreign Investment** : What has been your experience with regard to the attitude of public towards FDI ?

Friendly Unfriendly (Hostile) Neutral

(i) If it is friendly, how do you rank it as a promoter of FDI ?

VH MH S NS N

(ii) If it is unfriendly, how do you rate it as an irritant to FDI ?

VH MH S NS N

- (g) **Regional conflicts/tensions and Natural disasters** : In your opinion, how far this factor affects FDI as a deterrent ?

VH MH S NS N

- (h) How would you rank the factors under 'Socio-cultural Environment of India' in terms of their significance as determinants of FDI in India (Ranking from 1-7)

i. Widespread use of English [] v. Consumerism []

ii. Strong British based legal & Accounting Systems [] vi. Attitude of the public towards FI []

iii. Strong Media of Advertisement [] vii. Regional conflicts & natural disasters []

iv. Demonstration Effect []

1.3. INDUSTRIAL ENVIRONMENT

- (a) **Delicensing** : Industrial licensing has been abolished for all industries except those specified irrespective of the level of investment. How far this delicensing policy ranks as an incentive for FDI in India ?

VH MH S NS N

- (b) **Denationalisation** : It has been decided to sell a portion of shares of going public sector enterprises. What are your views about this denationalisation policy as an influence upon FDI?

- (c) **Relaxation of the condition of Foreign Equity approval accompanied by foreign technology approval :** Foreign equity need not necessarily be accompanied by foreign technology approval. How far this relaxation accounts in its influence upon FDI in India?

VH MH S NS N

- (d) **Automatic permission for hiring of foreign technicians, foreign testing of indigenously developed technologies.** How do you rank this provision as stimulant to FDI in India ?

VH MH S NS N

- (e) **Use of Foreign Brand Name/Trade mark :** Indian Government has allowed the use of foreign brand name/trade mark on goods for sale within the country. What is your view about the influence of this facility in attracting FDI in India?

VH MH S NS N

- (f) **Abolition of phased manufacturing programme :** The system of phased manufacturing programme to replace imported materials and components through domestic production has been abolished. How far this relaxation ranks as an incentive for FDI in India ?

VH MH S NS N

- (g) **Automatic permission for Expansion :** FERA companies except in agriculture and plantation sector can undertake any trading, commercial or industrial activity or take over other companies without prior permission of RBI. What do you think of this policy measure as a stimulant to FDI in India ?

VH MH S NS N

- (h) **Establishment of Foreign Investment Promotion Board(FIPB) :** FIPB has been set up to negotiate with large TNCs and facilitate their investments in the country. How will you rank this establishment as a promoter of FDI ?

VH MH S NS N

- (i) **Policy Transparency :** Do you think that policy procedures are quite clear ?

Yes/ No

- (i) If no, which policy procedures are not clear ?
Which points would you like to be dilated upon ?

(j) **Parity with Domestic Units** : In the New Industrial Policy the Indian govt. has stated that FI companies are treated at par with domestic units. What are your views in this regard ?

(i) Are you treated : **Equally / Discriminated**

If discriminated, at which level and in which respects you feel discriminated against ?

(k) **Bureaucratic Problems** :

(i) What has been the time gap in giving proposal and getting your project cleared ?

(ii) What complications did arise due to bureaucratic delays ?

(iii) Are the complications in critical areas or of minor importance ?

(iv) How do you rank the bureaucratic delays as a deterrent to FDI ?

VH MH S NS N

(v) Have you found widespread corruption here ? Yes/ No

(vi) If yes, how do you think about this as an irritant to FDI ?

VH MH S NS N

(k) How will you rank these factors under the heading '**Foreign Investment Policy and Procedures**' in terms of their influence on FDI in India ? (Ranking from 1-11)

i. Automatic Approval	[]
ii. Relaxation of Dividend Balancing	[]
iii. Relaxation of Foreign Technology approval	[]
iv. Automatic permission for hiring of Foreign Technicians and Foreign testing of indigenously developed technology	[]
v. Use of Foreign Brand Name/Trade mark	[]
vi. Abolition of phased Manufacturing programme	[]
vii. Automatic permission for Expansion	[]
viii. Establishment of FIPB	[]
ix. Transparency of Policy	[]
x. Parity with Domestic units	[]
xi. Bureaucratic Problems	[]

1.5. TRADE POLICY

(a) High Import Tariff :

- (i) Import tariff in India is quite high as compared to other countries. How do you look upon it in terms of its influence on FDI ?

Positive influence Negative influence No influence

- (ii) If positive influence, how would you rate it as a stimulant?

VH MH S NS N

- (iii) If negative influence, how would you rank it as a deterrent?

VH MH S NS N

- (b) **Import liberalisation** : Import duties have been reduced to a great extent in most of the commodities. How do you look upon this import liberalisation as an incentive for FDI in India ?

VH MH S NS N

- (c) Which are the problems you have to face with regards to imports ? What more should be done in import liberalisation to attract FDI ?

- (d) **Export processing zones** : Export processing zones have been set up to boost exports. How far this export promotion measure ranks as a promoter of FDI ?

VH MH S NS N

- (e) **Tax holiday for 5 years** : Tax holiday for 5 years has been provided for export oriented units. How far this fiscal incentive act as an attraction for FDI ?

VH MH S NS N

- (f) Why FDI is not coming into export processing zones ? What type of facilities do you require for making investment in EPZs and what extra concessions you would like to have for incurring investment in backward areas ?

- (g) **Facility of Production of Items for Small scale Sector**
:Large firms are allowed to produce items reserved for small scale sector provided they export 75% of the output. How will you rank this provision as an inducement to FDI ?

VH MH S NS N

- (h) In your view how can these factors under the heading 'Trade Policy' be ranked in terms of their influence on FDI in India. (Ranking 1-5)

i.	High Import Tariff	[]
ii.	Import liberalisation	[]
iii.	Export Processing zones	[]
iv.	Fiscal Incentives for Exports	[]
v.	Other Export Promotion Programmes	[]

1.6. FINANCIAL MARKETS IN INDIA :

(a) Banking and credit Facilities

Banking and credit facilities have been increased in India.

Do you find them adequate ? Yes / No

- (i) If yes, how would you rank these facilities as a promoter of FDI ?

VH MH S NS N

- (ii) If no, how would you rank this inadequacy as an irritant to FDI ?

VH MH S NS N

- (b) **Rate of Interest :** Have you found interest rate in India to be lower, higher or equal to that prevailing in your home country ?

Lower Higher Equal

- (i) If lower, how do you look upon it as an inducement to FDI?

VH MH S NS N

- (ii) If higher, how do you rank it as a factor discouraging FDI?

VH MH S NS N

1.7. **LABOUR LAWS** : The present regulatory system in India is pro-labour. Strong labour legislation conflicts with labour legislation in your home-country. What is the impact of the Pro-labour laws on FDI ?

Positive / Negative

(i) If it is negative, how do you rank this situation as an irritant to FDI ?

VH / MH / S / NS / N

1.8. **FOREIGN EXCHANGE REGULATION** :

(a) **Unified Exchange Rate** : Unified (Flexible) Exchange rate has been adopted in India. How do you look upon this change as an attraction for FDI ?

VH MH S NS N

(b) **Current Account convertibility of Rupee** : Facility of current A/C convertibility of rupee has been provided. What do you think of this policy in its influence as a stimulant to FDI ?

VH MH S NS N

(i) What more do you wish to have in this regard ?

(c) **Devaluation of Indian Rupee** : Indian rupee had been devalued in 1991. How far this devaluation can be looked upon as an incentive for FDI ?

VH MH S NS N

(d) **Depreciation of Rupee in the Foreign Exchange Market** : Recently there has been depreciation of Rupee. How do you rank this exchange rate movement as a stimulant to FDI ?

VH MH S NS N

(e) How will you rank the above said factors under 'Foreign Exchange Regulation' in terms of their impact, as determinants of FDI in India. (Ranking 1-4)

i.	Unified Exchange Rate	[]
ii.	Current A/C convertibility of the Rupee	[]
iii.	Devaluation of Indian Rupee	[]
iv	Depreciation of Indian Rupee in foreign Exchange Market	[]

1.10. TAX RATES :

- (a) **High corporate tax rate** : India's corporate tax rates are higher than the corresponding rates in some other Asian countries. How do you look upon this factor as a disincentive for FDI ?

VH MH S NS N

- (i) What should be the desired corporate tax rate in your view ?

- (b) **High Income tax and Excise tax** : Income tax and Excise tax rate also tend to be high in India. How far they rank as irritant to FDI ?

VH MH S NS N

- (i) What can be the desired rate of Income tax and Excise tax ?

Income Tax Excise Tax

- (c) **Low tax on income derived by foreign companies as dividend, interest, royalty or technical fees** : In this case rate of tax for domestic companies is 45%, while for foreign companies this rate is as under :
 Dividend income & interest 25% Royalty & fees for technical services 30%
 How will you rank this tax concession as a stimulant to FDI?

VH MH S NS N

- (d) Any other concession you would like to have in tax rates for attracting FDI ?

- (e) How are you going to rank the factors under 'Tax Rates' in their effect as the determinants of FDI In India ? (Ranking 1-3)

i. High corporate tax rate []
 ii. High Income tax and Excise tax []
 iii. Concessional tax rate on Income from dividends interest etc. []

1.11. INFRASTRUCTURE

- (a) **Railways and Roads** : Do you feel that railways and roads in India are in satisfactory condition ? Yes / No

(i) If no, how does it rank as a hindrance to FDI ?

VH MH S NS N

(ii) Do you face any specific problems in this sphere ?

(b) **Port Facilities** : Do you feel that Indian Ports are working well and are sufficient to carry out the import export business of the country ? Yes / No

(i) If no, how do you rank the lack of proper port facilities as a deterrent to FDI ?

VH MH S NS N

(ii) What type of problems you come across regarding the ports.

- 1.
- 2.
- 3.

(c) **Air-services** : What has been your experience with regard to Air services ? Are these services adequate ? Yes / No

(i) If no, how do you look upon this inadequacy as a disincentive for FDI ?

VH MH S NS N

(ii) Air services in India are lacking in which respects.

- 1.
- 2.
- 3.

(d) **Power Sector** :

(i) What are the specific problems you face in the power sector?

- 1.
- 2.
- 3.

(ii) How far the power problem in India can be ranked as a deterrent to FDI ?

VH MH S NS N

(e) Water Supply and Sewerage System :

(i) From your view point, how is the water supply and sewerage system in India ?

Satisfactory / Non-satisfactory

(ii) If non-satisfactory, how far it ranks as an irritant to FDI?

VH MH S NS N

(f) Telecommunication System : What do you think about the telecommunication services in India ? Are they adequate ?

Yes / No

(i) If no, how do you rank this inadequacy as a deterrent to FDI ?

VH MH S NS N

(ii) Mention the main problems in the Indian Telecommunication System.

- 1.
- 2.
- 3.

(iii) Indian government has welcomed foreign investment in power, oil & telecommunications. How do you look upon this policy change as an inducement to FDI ?

VH MH S NS N

(g) How would you rank the factors under the heading 'infrastructure' in terms of their influence on FDI in India. (Ranking from 1-6).

- | | |
|-----------------------------------|-----|
| i. Railways and Roads | [] |
| ii. Port Facilities | [] |
| iii. Air services | [] |
| iv. Power sector | [] |
| v. Water supply & Sewerage System | [] |
| vi. Telecommunication System | [] |

1.12. RISK FACTOR :

(a) Political Risk :

(i) How do you rank the political risk like confiscation of property, Domestication or nationalisation, as a disincentive for FDI ?

VH MH S NS N

(ii) What is your view about the Policy of Economic reforms followed by Indian government ?

Reversible / Irreversible

(iii) If this policy is reversible, how do you look upon the risk of reversibility of New Policy as deterrent to FDI ?

VH MH S NS N

(b) Signing of Multilateral Investment Guarantee Agency Protocol: India has signed MIGA protocol for protecting foreign investors from non-commercial risks including risk of expropriation. How does it rank as a determinant of FDI ?

VH MH S NS N

1.13. RAW MATERIAL AVAILABILITY :

(i) What are the major raw materials used in the production ?

- 1.
- 2.
- 3.

(ii) What is the percentage of raw material used

Imported local source

(iii) How do you find the Indian raw material as compared to that available from other sources in terms of prices or quality ?

(iv) What are the specific problems in getting raw material from the local source ?

- 1.
- 2.
- 3.

(v) How will you rank the raw material availability from the local source as a determinant of FDI ?

VH MH S NS N

1.14. BILATERAL AGREEMENTS :

What are your views about the influence of Bilateral Agreements between the home country and host country government, as the determinant of FDI ?

VH MH S NS N

1.15. What do you think about the factors under 'Internal Factors' as the determinants of FDI in India, in terms of ranking (Ranking from 1-14)

- | | | |
|-------|--|-----|
| i. | Factors relating to Economic characteristics of Indian Economy | [] |
| ii. | Socio cultural Environment in India | [] |
| iii. | Business Environment | [] |
| iv. | Foreign Investment Policy & Procedures | [] |
| v. | Trade Policy | [] |
| vi. | Financial Markets in India | [] |
| vii. | Pro-Labour Laws | [] |
| viii. | Foreign Exchange Regulation | [] |
| ix. | Intellectual Property Rights | [] |
| x. | Tax rates | [] |
| xi. | Infrastructure | [] |
| xii. | Risk factor | [] |
| xiii. | Raw material Availability | [] |
| xiv. | Bilateral Agreements | [] |

2 - E X T E R N A L F A C T O R S

(2.1)GATT ROUND :

In the recent GATT round finalised in 1994, member countries agreed to have liberalised trade and foreign investment flows. How do you look upon this agreement as a determinant of FDI ?

VH MH S NS N

(2.2)Developing countries welcoming attitude towards FDI :

In the 1990's almost all the developing countries have adopted a welcoming attitude towards FDI. How far this trend can be thought of as a determinant of FDI ?

VH MH S NS N

(2.3)Encouragement from Home country :

Have you been encouraged by your home country government for setting up your company in India ? Yes / No

If yes, how do you rank this factor as a promoter of FDI ?

VH MH S NS N

(2.4)Market Saturation in Home country :

(a) Did you experience market saturation in your product in your home country ?

Yes / No

(b) If yes, how do you rank this factor as a determinant of FDI ?

VH MH S NS N

(2.5)Restrictions on further expansions in Home country :

(a) Were there any restrictions on further expansion of your firm, in your home country ?

Yes / No

(b) If yes, how do you rate this factor as a determinant of FDI?

VH MH S NS N

(2.6)Unused Resources :

(a) Are you making use of the unused resources like machinery etc. at present ?

Yes / No

(b) If yes, how far the unused resources of your firm motivated you to make investments in India ?

VH MH S NS N

(2.7) Competition from other Multinational Companies :

(a) Are you facing competition from other multinational companies in this product ?

Yes / No

(b) If yes, how do you rank competition from other multinationals as an important force behind FDI ?

VH MH S NS N

(2.8) Research & Development Expenses :

(a) Was the research and development expenditure in home country higher as compared to R&D expenditure in India?

Yes/ No

(b) If yes, how far this factor can be ranked as a factor influencing FDI ?

VH MH S NS N

(2.9) How will you rank the factors under the heading 'External Factors' in terms of their influence on FDI in India (Ranking from 1-8)

- i. GATT-round []
- ii. Developing countries Attitude towards FDI []
- iii. Encouragement from Home Country []
- iv. Market Saturation in Home Country []
- v. Restrictions on further expansion in Home Country []
- vi. Unused Resources []
- vii. Competition from other Multi-national companies []
- viii. Research & Development Expenditure []