1. Investment is the cornerstone of any growth and development effort. By definition developing countries need more investment for productive capabilities and environmental protection. In an effort to gain more foreign investment, developing nations have worked to liberalize their capital accounts, both unilaterally and through free trade and or investment agreements. Foreign investment is also considered as one of the major sources of economic change for any country irrespective of its stage of development in the today's globalized world. Countries striving towards foreign investment led growth have been increasingly accepting and adopting a positive policy framework congenial to foreign investment. India is one of the largest emerging economies in the world and has been undergoing a radical process of restructuring and transformation since the early 1990s. The openness of the Indian economy in 1991, initiated by the Govt. of India brought about a new era of globalization for the Indian corporate sector. With liberalization & privatization being the hallmark of the new economic policy, Indian corporate sector was given opportunities for global expansion and alliance. Foreign Institutional Investment and Foreign Direct Investment are expected to play a crucial role for the Indian corporate sector in fastening its growth, competitiveness and expansion to the global levels.

2. Foreign Investment is more strategic than financial in nature and function. The Indian corporate sector has shown aggressiveness in many fronts for collaborations and expansion through foreign funds, essentially FII & FDI. However, it is yet to be answered whether foreign capital is an asset or liability to the nation’s capital formation in general and Indian corporate in particular. The motives, dimensions and penetration of foreign companies and governments have not yet been proved in terms of a global booster for the Corporate. The available
literature and cases show a blurry picture of the impact and implication of foreign investment on nation’s capital formation as well as on the corporate. The Indian corporate has adopted a path for global expansion through the FDI and FII route. The opportunities and challenges that the foreign sources of investment to the country pose for the Indian corporate sector are yet to be explored both in the short-run and in the long-run.

The present study was designed with the following broad objectives.

- To review the foreign investment policies of the government of India
- To study the trend of foreign investment vis-à-vis economic growth of India
- To study the Impact of foreign investment on financial performance of Indian companies considering the case studies of BSE-30
- To study the Impact of foreign investment on corporate performance with respect to managerial and technological efficiency of Indian companies considering the case of BSE-30
- To study the Impact of foreign investment on corporate performance with respect to R&D of Indian companies considering the case of BSE-30
- To study the Impact of foreign investment on corporate performance with respect to corporate social responsibility of Indian companies considering the case of BSE-30

3. The study was based on secondary data. In order to prepare a background of the study data on foreign investment flow to India and indicators of economic growth were collected from the leading secondary data sources such as the Reserve Bank of India Bulletin, Economic Survey of Government of India, Foreign Investment Promotion Council, Secretariat for Industrial Assistance Investment Promotion and Infrastructure Development Cell, journals, periodicals and websites. With a view to explaining the impact of foreign investment on corporate performance the BSE-30 companies have been considered. For this purpose, data have been compiled from the annual reports of the BSE-30 companies with. Statistical tools such as correlation and regression were also
brought to use in order to test the hypotheses made in the study along with the use of simple descriptive statistics such as averages, simple growth rates, standard deviation, variance, co-variance etc. With a view to supporting explanation of observed trends, the study has also used extractions from various research articles based on adequate logic.

4. It is an established fact that government policy plays a critical role in the sphere of international capital flow in a liberalized open economy. When investment from abroad is expected to cast its positive shadow on the industrial economy of a country, government policies concerning the nature, extent and pattern of foreign investment emerge as an area of serious debate. Moreover, the nature and extent of government policy regarding foreign investment is a crucial determinant of performance of the economy at large and also of the country's corporate sector. Since the present study has the major objective of evaluating the impact of foreign investment on corporate performance in India, it was felt utterly necessary to study the various policies of the government of India pertaining to foreign investment inflow.

5. The year of 1991 was a remarkable year for India as it totally changed the way the whole world perceived the country. It was the year in which the economic reforms took place and as a result brought the world much closer to the country. During the time the government maintains a strong hold on the economic activities taking place and too a large extent protected the domestic players from the intense global competition. The FDI policy in place at that time came with a lot of restriction for the foreign companies. Only a limited number of companies were authorized to have an equity share of more than 40 per cent which therefore made them apprehensive in bringing their finest technologies to India. The SEBI Board had earlier approved changes to the FII regulations permitting investment by individual FIIs or sub-accounts of FIIs in up to 10% of the equity capital of investing companies, permitting investment in unlisted securities and including
endowment funds in the eligible categories of FIIs. These changes have already come into effect on October 9, 1996 with their notification in the Official Gazette.

6. The study moved with its further objective of examining the trends and patterns of foreign investment flow to India in a macro sense with a view to strengthening its foundation. A separate chapter was devoted to this objective. The chapter started with introducing the nature of capital flow to India in a broad parlance and then dealt with the nature and extent of foreign investment flow to the country specifically focusing on the major heads of foreign investment viz. foreign direct investment, foreign institutional investment and foreign portfolio investment.

7. Foreign investment growth to India over the last two decades has been quite impressive. It has increased from a meagre 133 US $ million in 1991 to 66542 US $ million in 2010 which is quite impressive. Growth of foreign direct investment (FDI), a major component of foreign investment, has been contributed by the growth of its own elements such as equity, reinvested earnings etc. It has been observed that, the main source of FDI growth in India has been equity. The major portions of FDI was attracted by the service sector representing 21 percent of the total FDI inflow amounting to Rs.109992 crore. Computer software and hardware and telecommunication sector occupied the second and third position respectively in attracting the FDI inflows registering 9 and 8.5 percent of total FDI inflow representing RS.41, 888 crores and Rs.38,345 crores respectively. Petroleum & Natural Gas and Chemicals sectors registered only two percent of total FDI inflows into India.

8. With an adequate background in terms of understanding foreign investment flow to the country and the various policies determining its nature and extent the study moved to examine the impact of foreign stake holding in the BSE-30 companies on their financial performance which was a major objective of the
The results were interesting. It was found that foreign investment influences PAT highly significantly (i.e., at 1% significance level) in as many as 8 companies out of BSE-30. Such companies are Infosys Ltd, SBI Ltd, Bharti Airtel Ltd., TCS Ltd., NTPC Ltd., JSPL Ltd., Wipro Ltd. and ACC Ltd. In case of companies like Reliance Industries Ltd, Tata Steel Ltd., HDFC Bank Ltd., LNT Ltd. and Hindalco Industries Ltd. foreign investment influences PAT statistically significantly at 5% significance level. Bhel Ltd. and Tata Power Ltd. have also witnessed an impact of foreign investment on their PAT. In case of these two companies, the coefficient P-value is statistically significant at 10% significance level. Overall, out of 30 companies in the BSE category, foreign investment is observed to have influenced PAT in 15 companies.

9. While testing the hypothesis with regard to whether market value to book value as a financial performance indicator is influenced by foreign investment, we arrived at the following conclusions. Out of BSE-30, in 12 firms foreign shareholding exhibited elevated impact on the market to book value of its shares. These firms are also affirmative to exports, imports, introduce new products or technologies, and take advantage of internet in trade. Out of 12 companies in 5 companies the Foreign investment is highly significantly (i.e., at 1% significance level) influences Market to book Value of its shares. Such companies are ONGC Ltd, Tata Motors Ltd, Tata Power Ltd., JSPL Ltd. and Sterlite Industries Ltd. In 5 companies foreign investment is influenced at 5% significance level, such companies are Hindalco Industries Ltd, HDFC, TCS Ltd., Infosys Ltd and ICICI Bank Ltd. In 2 companies foreign investment is influenced at 10% significance level, those are MNM Ltd. and HUL.

10. EPS was also considered as a prime indicator of financial performance in the study. While examining the impact of foreign investment on EPS in the BSE-30
companies we came up with the following interesting results. In companies like SBI Ltd., Reliance Communication Ltd., ACC Ltd., NTPC Ltd., Tata Steel Ltd. and ITC Ltd. foreign investment is found to influence EPS significantly at 1% significance level. Impact of foreign investment on EPS in companies such as HDFC Bank Ltd., DLF Ltd. and Hindalco Industries Ltd. is statistically significant at 5% level and that in companies such as Tata Power Ltd., Infosys Ltd. and Wipro Ltd., at 10% level. Overall, out of 30 companies under consideration, foreign investment has a significant influence on EPS in 12 companies. This means that in such companies, foreign investment plays a crucial role in raising the profit performance along with strengthening the confidence of foreign private investors in the way of their investment in India. However, in certain companies EPS is not found to have any correlation with foreign investment.

11. It is widely perceived that foreign investment has an impact on managerial efficiency of a company. Thus, we aimed at examining its validity. For this purpose it was necessary that a detailed examination is done on relating foreign investment with managerial efficiency which is considered as a major indicator of corporate performance. We selected return on investment (ROI) and return on equity (ROE) as two parameters to define managerial efficiency. Data on these two indicators were collected over a period of ten years i.e. our study period. In order to examine the impact of foreign investment on managerial efficiency, we made use of the simple regression technique and regressed foreign investment on ROI and ROE individually.

Surprising and interesting results emanated as the hypothesis was tested. It was discovered that in two companies viz. Bharti Airtel Ltd. and TCS Ltd., foreign investment has a significant impact on their ROI at 1% level. In companies such as Tata Motors Ltd., ICICI Bank Ltd., Infosys Ltd. and Bhel Ltd., the influence of foreign investment on their ROI is statistically significant at 5% level of significance. However, only two companies (MNM Ltd. and HUL) are found to exhibit the magnitude of influence of foreign investment on ROI at a low level
i.e., the impact of foreign investment on ROI in such companies is significant at 10% significance level. This means that out of 30 companies only in 8 companies there is a significant relationship between foreign investment and ROI where as in the rest 22 companies there is no significant relationship existing between foreign investment and return on investment. Many reasons may be attributed to this and the reasons also vary across companies. However, the principal reasons in this regard are poor governance, lack of seriousness towards gainfully exploiting foreign investment for growth, government policy constraints etc.

12. The relationship between investment and return on equity, as theory suggests, is quite interesting. It is widely accepted that foreign investment in a company should influence its return on equity positively. We tried to see whether in BSE-30 companies, there prevails any impact of foreign stake holding on their ROE over last ten years. It was found in case of eight companies out of 30, foreign investment has a significant impact on ROE with ICICI Bank Ltd. and Tata Motors Ltd. demonstrating influence of foreign investment on ROE at 1% significance level. Out of the rest, foreign investment influences ROE at a statistically significant level of 5% in companies such as TCS Ltd., Infosys Ltd. and HDFC. Companies like SBI Ltd., HUL and Reliance Infrastructure Ltd. experience statistically significant impact of foreign investment on their ROE at 10% significance level. Hence it may be said that, foreign investment flow to the Indian companies represented by the BSE-30 has exposed a significant influence on their ROE. However, the same is not found in all the companies. In more than one third of the BSE-30 companies foreign investment does not seem to have influenced their return on equity during the study period for some reason or the other.

13. Technology is critical to growth of a company. Theoretically, investment of any kind is bound to influence the base of technology through augmentation of research and development and thereby influencing its growth. For a progressive open economy, therefore, it may be argued that investment flowing from the rest
of the world critically plays a role on moulding and gearing up the magnitude of
technology in the corporate sector of the country. Continuing with the study of
examining the impact of foreign investment on corporate performance, we tried
to see whether foreign stake holding has influenced the R&D activities of the
Indian companies i.e., the BSE-30 companies as considered our study. Using
simple regression model we regressed foreign investment on R&D of the BSE-30
companies individually over the study period i.e. 10 years and came up with the
following results. In case of twelve companies out of 30, foreign investment has a
significant impact on R & D. Five companies viz. DLF Ltd, ONGC Ltd, HUL,
Infosys Ltd. and ACC Ltd. exhibit foreign investment influencing R & D at 1%
significance level. Foreign investment appears to influence R & D at a statistically
significant level of 5% in two companies such as Bhel Ltd. and Reliance
Industries Ltd. In companies like JSPL Ltd, NTPC Ltd., LNT Ltd., Maruti
Suzuki Ltd and ITC Ltd the influence of foreign investment on R&D is
statistically significant at 10% significance level.

14. However, foreign investment and R&D relationship for all 30 companies does
not appear to be healthy. In as many as 18 companies the impact of foreign stake
holding is not statistically significant at all. The companies where foreign stake
holding does have any impact on their R&D are Bharti Airtel Ltd., Cipla Ltd.,
HDFC Bank Ltd., HDFC, Hero Honda Ltd., Hindalco Industries Ltd., ICICI
Bank Ltd., JP Associates Ltd., MNM Ltd., Reliance Communication Ltd.,
Reliance Infrastructure Ltd., SBI Ltd., Sterlite Industries Ltd., Tata Motors Ltd.,
Tata Power Ltd., Tata Steel Ltd., TCS Ltd. and Wipro Ltd.

15. Companies, like human beings take birth, grow and die in the society. They
use every bit of the social resource from beginning to end. Hence, they bear a
huge responsibility on their shoulders for the society. It is said that social
responsibility, in the prevailing competitive business scenario, is almost inevitable
for sustenance and growth. Along with maximizing the economic objective,
companies have to work towards taking care of the society and for the
preservation of social resources in order to continue with business in long run.
The question is whether performing social responsibility is affordable and gainful. In regard to affordability come the question of investment and the ability of the company to mobilize capital for financing social responsible function. For large and growing economies, both domestic and international sources of capital help in undertaking social responsibility. Hardly any study lies in correlating investment from abroad with the social responsible functions of corporate. In the present study, measuring the impact of foreign investment on social responsibility has been a major focus. The present chapter has studied the same. As mentioned earlier, considering the case of BSE-30 companies as the representative of Indian corporate sector, the present chapter has tried to evaluate, to the extent possible, the impact of foreign stake holding on social responsibility of the Indian giant companies by defining social responsibility with the help of two major indicators viz. Employee Welfare Cost and Donations. The following broad results have been observed while regression foreign stake holding with EWC and Donations individually.

16. As regards employee welfare cost as a measure of social responsibility, only six companies out of 30 depict an influence of foreign investment whereas in the rest 24 companies there is no effect of foreign stake holding on the activities undertaken for employee welfare and social development. The companies witnessing a significant influence of foreign investment on employee welfare cost: JSPL Ltd., HUL, TCS Ltd., J.P Associates Ltd., LNT Ltd. and HDFC. Even though the number companies showing a significant influence of foreign investment on their EWC is small, yet, it is noteworthy that foreign investment influences the social responsibility of Indian companies. This suggests that the Indian corporate giants, the process of their wealth maximization objective, do not ignore their employees’ interest and growth. This again clarifies that the Indian companies also understand the fact that drawing investment from abroad for profit maximization only is not sustainable; a part of its benefit must be shared with the employees in order to keep them motivated for greater growth for a longer period of time.

17. The second major parameter to explain social responsibility, as mentioned earlier, is donation made by the company for community and social development.
While trying to find out whether foreign investment in the BSE-30 companies of India have any influence on their donation making behavior, it was found that in a number of companies the result was discouraging. This means in such companies foreign investment could not make much impact on initiating those companies to spare specific budget of an amount for donation or charity activities. Such companies are ACC Ltd., Cipla Ltd, DLF Ltd., HDFC Bank Ltd, HDFC, Hindalco Industries Ltd, ICICI Bank Ltd, Infosys Ltd, JP Associates Ltd, LNT Ltd, Maruti Suzuki Ltd., MNM Ltd., Reliance Communication Ltd, Reliance Infrastructure Ltd, SBI Ltd, Sterlite Industries Ltd., Tata Motors Ltd, Tata Power Ltd, TCS Ltd, Wipro Ltd, HUL, NTPC Ltd and Tata Steel Ltd. The result may suggest that there is a distant relationship between foreign investment and the donation making nature of the companies. Moreover, donation as a social responsibility is, by and large, a managerial decision issue rather than an investment driven activity.

18. So far as village development and social welfare activities influencing social responsibility is concerned, we could not obtain any quantitative data and hence, failed to find out any scientific base of foreign stake holding influencing such an activity of the BSE-30 companies. However, a rigorous study of the annual reports of such companies brought home a plethora of qualitative facts using and analysing which we came to a conclusion that, directly or indirectly, the increasing sensitiveness of the companies towards community development is influenced by their investment base wherein investment from abroad would have also been playing a major role.

19. Limitations: No research is complete by itself for the simple reason that it is nearly impossible to keep all the factors and dimension under control under a specific study area. The present study is no exception to this fact. The major limiting factors of the study which may restrict the findings from a general acceptance may be summerized below.

The study focuses on the Indian corporate in general and the BSE-30 companies in particular. The research is conducted on foreign investment and its impact on
corporate performance. The core research is developed with the help of the case study of BSE-30 companies. This may partially be adequate to justify a study on the corporate sector of India as a whole. Moreover, the current study has considered foreign shareholding as foreign investment in the Indian BSE-30 companies. Other forms of foreign investment flow are ignored which may sound a little insufficient and incorrect. This has been done due to the absence of time series data of other components of foreign investment flow to companies.

Foreign investment may not be the only factor influencing the performance of the companies under study. There might be a whole host of factor such as advertisement efforts, market power, innovation, technological strategy, power of resource, cost advantage, effective man-power planning, good governance etc. working for determining and directing the performance of India’s corporate sector. However, in the present study, the narrow objective of examining the impact of only foreign investment on corporate performance may sound a bit questionable.

Financial performance indicators of BSE-30 companies have been selected from their annual reports and have been justified on the basis of their theoretical importance. However, some important indicators might have been overlooked in the process of selection which otherwise would have been crucial for the study.

The present study is based on deductive logic. The cases of BSE-30 companies taken for explaining the impact of foreign investment on corporate performance may not adequately justify the generalization.

20. Future Scope: The limitations as stated above of the present study leave a wide canvas for future research. As it has been admitted, the researcher has kept untouched the factors other than foreign investment that might influence the performance of the Indian corporate. This keeps open a number of doors for the
future research initiative despite the fact that it is not easy to enter such research gaps. The fact that the present research has considered only the BSE-30 companies is though a limitation, may apply pave ways for extending the same study to other companies in India and abroad. The impact assessment in the current study has also left a wide area for further research by not taking in to account the impact of foreign investment on non-financial indicators measuring corporate performance. The four broad performance areas considered in the study viz. financial performance, managerial efficiency, technological efficiency and corporate social responsibility are themselves quite huge areas of research. Being limited to the objectives, the researcher was not able to explore all the possible dimensions. This may provide a scope for carrying out vertically justifiable studies taking each area as the major objective.