LIMITATIONS OF THE STUDY AND FURTHER RESEARCH

Besides the contributions to the debate around FDI, this dissertation also has certain limitations. The secondary data analysis conducted in Chapter four, has two major limitations. Firstly, the empirical results refer only to the “first-plants” established by foreign automobile and auto-ancillary firms between the years 2002 to 2012. We haven’t included subsequent plant locations of foreign automobile and auto-ancillary firms in our analysis, as the motives driving the first plant location seem to be different from the motives driving the location of subsequent plants. In order to see whether the results apply to subsequent investments by foreign companies, future research may work with a larger dataset covering the location of subsequent plants. The second limitation is that we have studied the location choices by foreign automobile and auto-ancillary firms only and that too at the state/union territory level. Future research may extend to macro areas and evaluate the location choices by foreign firms in other industries at the state/union territory level or automobile industry at the city level.

The primary data analysis undertaken too has certain limitations. Firstly, the findings are based upon the participant responses, which may be biased. Due care has been taken in selection of respondents; still all participants may not possess information on all aspects covered in the questionnaire. Secondly, though we have taken a sample size of more than 50% firms, it may not be representative of the opinions of all 94 foreign automobile firms established in India till the year 2012. Thirdly, the responses have been collected w.r.t. the “first-plant” of foreign automobile firms only and not the subsequent plants. This can lead to biased conclusions about the factors impacting plant location and post entry satisfaction thereto. Any future study should exploit information on subsequent plant locations, and may collect responses from more than one
participant per company in order to evaluate the differing view-points on the subject.

In addition to the limitations arising out of the empirical study, we also need to expand the research to other aspects, hence providing a more inclusive understanding on the investment behavior of foreign firms in India. While investing in transition economies foreign firms evaluate many aspects such as entry mode and location. However in this dissertation we have mainly studied factors impacting the sub-national location decision of foreign automobile firms, post dotting down India as the preferred destination for investment. Future study may concentrate on the entry mode choices of foreign firm when entering India.