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Efficiency Seeking Foreign Flows in Indian Automobile Sector

Ms Uma Chinchane and V Gajapathy
Research Scholar, Presidency University
Professor, School of Management, Presidency University, Bengaluru

Abstract

India remains the fastest growing economies and the top market for attracting FDIs in the world. The Country has also seen a sizeable inflow of foreign investments in manufacturing sector. Among the manufacturing sectors, the automobile sector tops the list of the largest attracter of foreign flows. A firm’s performance is measured through key financial ratios, market performance, and efficiency. Studies focused on efficiency have benchmarked firms for its operations and cost effective performances. Firms reach level of efficiency, when they are able to produce maximum output with a given amount of input. Indian Government’s new policy regime on Foreign Direct Investments has invited 100 per cent FDI in Indian Automotive sector. Capital is a key factor to the production and foreign capital, which aim at maximizing investment need and look for efficient firms. In this context, the study focuses to measure efficiency of Indian automobile firms and to relate foreign flows in those companies as a result of efficient operations. The purpose of the study is to classify the firms which are efficient from the inefficient and to test whether the efficient firms attract better foreign capital. The study has been conducted for selective automobile concerns in India for a period of last 10 years.

Keywords:

Automobile sector, Capital Investment, Efficiency, Foreign Direct Investment, Manufacturing sector.

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