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Abstract of Doctoral Dissertation

An Empirical Investigation of Foreign Banks in India in Post Reform Period : Trends, Determinants and Impact[1]

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I. Introduction

FOREIGN DIRECT INVESTMENT (FDI) in the overseas country yields high returns on investment especially when the destination country is an emerging and developing country (IM, 2013). These FDI flows are rising across the sectors including the banking sector in emerging economies. The FDI enters in two forms, brownfield investment and greenfield investment. If the investment is made directly in the domestic banks, it is called a brownfield investment (Meyer and Estrin, 2201). However, if the investment is made by establishing a branch or office, it is called a greenfield investment India allows 74 percent FDI in the banking sector. There are 44 foreign banks from twenty-five nations, which is a result of greenfield banks FDI in India. Both types of investment yield profits. In that case, the question arises, why this investment is made through branches? Theories and empirical studies reveal many locational advantages of host economies for the entry of foreign banks (Williamson, 1975; Buckley and Casson, 1976 and Dunning, 1993).

For investing countries, only the determining factors are important for their investment, but for destination countries, the impact of this investment is vital (Kim, 2010). Moreover, the banking sector is crucial for economic development because of its direct relation with the major sectors of an economy. The entry of foreign banks affects the business of domestic banks in many ways. The expansion of foreign banks, other than attracting huge capital, fetches competition in the local banking sector (Barajas et al. 2000; Claessens Demirgiic-Kunt and Huizinga, 2001; Jeon Olivero and Wu, 2011; Lee Hsieh and Dai, 2012; Mulyaningsih Daly and Miranti, 2015). However, there are other studies which did not agree with this results (Sathye, 2003;

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