

# What drives Indian MNCs overseas investments-developing economy perspective

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## Keywords

Governance quality; OFDI; World Governance Indicators; Tobit; Gravity equation

## Abstract

*The research reviews the host nation's governance quality (GQ) and locational determinants' roles in attracting Indian overseas investments. Findings reveal that strategic asset-seeking and market-seeking motivations primarily influence Indian investors' overseas investment decisions. When seeking investments in developed nations, Indian MNCs prefer weak governance similar to that in their home country. On the other hand, Indian MNCs prefer developing nations with strong GQ (except for weak voice and accountability) for both market-seeking and strategic asset-seeking investments.*

## Introduction

With foreign direct investment (FDI) becoming an increasingly vital source of national growth, countries have been racing to strengthen their governance quality (GQ) and investment attractiveness (Demir, 2016; Munjal et al., 2022). Several factors influence the association between good governance and FDI. The nation's overall GQ improves the locational advantages for multinational companies (MNCs) by creating a favorable investment environment with lower transaction costs. Prudent rules and regulations, governmental policies safeguarding investors' property and civil rights, and law enforcement, among others, are critical governance factors that substantially ease investments by reducing transaction costs (Othman, 2022). To stimulate innovation and exports, governments in developing countries have recently shifted focus from restrictive to supportive OFDI policies (Perea & Stephenson, 2018). Scholarly literature on OFDI from developing countries and its relationship with the host nation's governance climate is limited due to the topic's infancy and a lack of data (Park & Lee, 2021). In the recent past, nations have been significantly emphasizing improving their GQ to attract FDI, and the present study investigates OFDI from an emerging economy, India.

The study examines the regional motives of Indian MNCs using Dunning's eclectic paradigm (1988) with extended locational factors and North's institutional theory (1990). The study hypothesizes that the domestic experience of Indian firms operating in a continuously improving governance climate should be reflected in their investments in better-governed nations. Hence, the paper asks if the GQ of the host economy affects the locational preference of Indian OFDI in either of the regions. The study employs augmented gravity specifications in panel data settings to examine the regional impact of host economies' GQ as denoted by World Governance Indicators (WGI). While this is the primary focus, additional determinants are incorporated to further investigate Indian MNCs' OFDI motivations. Furthermore, to examine the diverse investment pattern of Indian MNCs across developed and developing economies, the study comprises OFDI data from 15 developed and 25 developing economies from 2008-2018. The study employs the Tobit model with a left censoring limit of zero to evaluate the gravity model framework.

Our findings suggest that, while pursuing market and strategic intent, Indian MNCs prefer robustly governed developing countries. MNCs prefer developed countries with a robust GQ when seeking strategic assets, whereas they prefer nations with a relatively weaker GQ when pursuing market-seeking investments.

## Theoretical Background

Emerging Asian nations have accounted for 10% of offshore investments since the 1990s, up from 1%. Before 2012, developing nations were the top investment destination for Indian MNCs abroad; however,

since 2012, the preference has significantly shifted in favour of developed nations. The emerging nation's emphasis on GQ may have led to this structural investment move from developing to developed, highlighting an institution-based perspective (Peng et al., 2009). This poses two critical questions: what are the potential motivations of Indian OFDI in developed and developing economies, and which FDI theories may explain its emergence?

The study aims to investigate the determinants of Indian MNCs' overseas investment based on Dunning's (1977) ownership-location-internalization (OLI) framework, which provides the most comprehensive foundation to analyse why and where MNCs would invest abroad. The framework suggests that MNCs' OFDI decisions are driven by their capability to internalize (I) firm-specific ownership (O) advantages in conjunction with locational (L) advantages offered by the host country. MNCs' motivations and location advantages, like low production costs, natural resources, market size, and strategic assets, explain locational investment choice (Dunning, 1993). MNCs prefer to invest in the best possible overseas location. Regional assessments highlight locational benefits (Hintošová, 2021), as regional countries often share similar cultures, political and economic systems, and levels of development.

International business scholars have conducted extensive empirical research exploring the relationship between governance or institutional characteristics and FDI. Institutions, as characterized by North (1990), are either "game rules" or "human-made constraints". The institutions intend to create a stable atmosphere by establishing a consistent framework based on human interaction norms. Classification by North (1990) identifies formal institutions as explicit community norms that define a country's general business environment, such as property rights protection laws and contract discipline, among others. In contrast, informal institutions refer to limits people place on themselves to structure their relationships, such as customs, rituals, religion and language.

The study develops nine hypotheses to investigate how governance and locational factors influence India's OFDI location choice across developing and developed economies.

### **Hypothesis and Methodology**

The paper uses an augmented gravity framework (Tinbergen (1962) & Poyhonen (1963) to analyze the influence of locational factors and governance quality on India's OFDI. The sample consists of 15 developed and 25 developing nations. According to the UN classification, the RBI's FDI inflow data from 2008 to 2018 are classified as inflows from developing or developed countries. The study does not consider efficiency seeking motivation which is largely driven by the cost effectiveness factor, presuming the production cost to be relatively low in India, being a developing country itself.

The study employs the WGI's (Kaufmann et al., 1999) six metrics—control of corruption (CC), voice and accountability (VA), political stability (PS), regulatory quality (RQ), government effectiveness (GE), and the rule of law (RL) to assess GQ of a nation. Due to the multicollinearity between these indicators, the study examines them in separate models.

CC assesses corruption among public and private authorities, the illicit acts of bureaucrats, and the level of bribes. Government corruption jeopardizes foreign investment by creating market inefficiencies and high operational expenses for MNCs (Lestari et al., 2022; Aba, 2021). GE evaluates the quality, freedom, and credibility of bureaucrats and governmental policies and protects foreign investors from discretionary governmental decisions. PS indicator reflects government stability in the nation. Stable political regimes strengthen a conducive business climate and attract investors. RQ measures the state's authority to develop and enforce strict rules and legislation that aid private sector growth. Excessive market regulation and government intervention jeopardize investments. RL evaluates issues such as the efficacy and reliability of the judicial process, contract enforcement mechanisms, and the likelihood of offence. A robust judicial framework boosts investors' confidence (Contat, 2021). VA measures the citizens' ability to exert control over government activities, and political processes, among others. VA encourages investors by demonstrating a participatory and dependable political system and bolstering democratic institutions. As the importance of GQ in creating a conducive business climate for MNCs cannot be overstated, the following study hypotheses:

H1: Indian MNCs prefer to invest in countries (across both regions) with robust GQ depicted by all six WGI.

The joint GDP of the host-home nation ( $GDP_{joint}$ ) from the WB database captures the horizontal market size and corresponds with Dunning's (1980) market-seeking motivation. Market-seeking investments generally target economies with bigger markets (Cieřlik & Gurshev, 2022). The study hypothesizes:

H2: Indian MNCs prefer to invest in countries (across both regions) with bigger markets.

The desire for natural resources significantly drives major overseas investments (Dunning, 1993). The global race for resources has intensified due to surging international raw material prices and fast-paced economic growth. MNCs generally engage in resource-seeking investments to acquire locally bound natural resources (Alshareef, 2022). Natural resources are represented by the ratio of metal and ore exports to merchandise exports. Indian corporations have boosted their resource-seeking investments in developed and developing countries, such as IOCL in Abu Dhabi, Gabon, Nigeria, and Canada and Reliance India Limited in the U.S. (Sanjeev et al., 2022). Therefore, we hypothesize:

H3: Indian MNCs prefer to invest in countries (across both regions) with available natural resources

The total patents and trademarks ratio to population captures the host nation's technological proficiency and represents available strategic assets (SA). Throughout the study, developed (high-technology) and developing nations (low- to medium-technology) have significantly attracted Indian investments. Hence, the study hypothesizes:

H4: Indian MNCs prefer to invest in countries (across both regions) with available strategic assets

Trade openness (TO), represented as a ratio of total exports plus imports to GDP, reflects the country's generous trade policies and is an attractive proposition for investors (Udeagha & Ngepah, 2022). Literature suggests a positive relationship between trade openness and FDI, especially market-seeking FDI (Boęa, 2019; Kamal et al., 2018). Free-trade setting aids potential foreign investors in gaining insight into the host market dynamics. The study thus hypothesizes:

H5: Indian MNCs prefer to invest in countries (across both regions) with significant trade liberalisation (openness).

The study considers the average (per 100 people) fixed broadband and mobile phone subscriptions in the partner nation as a measure of good telecommunications infrastructure. In concurrence with Camarero et al.'s (2020) findings, the study assumes that good infrastructure, in terms of a worldwide network and mobile connectivity, positively boosts FDI by reducing business expenses. The study hypothesizes that,

H6: Indian MNCs prefer to invest in countries (across both regions) with good infrastructure

Since Hartman's (1985) pioneering work, tax implications on FDI, proxied by the tax rate expressed as a % age of commercial profit, has been widely employed in empirical investigations. The OFDI channelled through offshore financial canters for tax reasons is not part of our sample study. Foreign investors seek to enhance their earnings after tax by transferring their investments to countries that offer more tax benefits (Ślusarczyk, 2018). The study hypothesizes that,

H7: Indian MNCs prefer to invest in countries (across both regions) with lower tax implications.

The distance variable representing the geographical distance between partner nations is a proxy for transportation and operational costs. The study presumes that greater distance may deter investors owing to the higher cost of accessing relevant information and challenges in managing affiliates in distant regions (Li, 2020; Antunes et al., 2019). Thus, the study hypothesizes,

H8: Indian MNCs prefer to invest in countries (across both regions) with geographical proximity.

The study also uses dummies for common land boundaries (Contig) and common language (ComLang) to examine cultural proximity as a determinant of FDI. The dummy variable represents one if the partner nations have a shared land border or speak the same language. The study hypothesizes that,

H9: Indian MNCs prefer to invest in countries (across both regions) with cultural proximity.

### Model specification

The study uses the panel Tobit model (censored normal regression). Tobit estimators prevent data structure bias by ignoring zero values. Tobit regression analysis uses maximum likelihood estimation since LS regression to produce consistent estimators of the parameters.

Our regression model is as follows:

$$OFDI_{ij} = \beta_0 + \beta_1 \ln GDP_{joint_{ijt}} + \beta_2 \ln Tax_{jt} + \beta_4 TO_{jt} + \beta_3 \ln patents + \beta_4 \ln metals + \beta_5 RQ_{jt} + \beta_6 \ln infra + \beta_7 Distcap_{ijt} + \beta_8 Contig + \beta_9 ComLang + \delta_t + \theta_t + \varepsilon_{ijt}$$

where  $OFDI_{ijt}$  is overseas foreign investment from home nation  $i$  to host nation  $j$ , sourced from RBI overseas investment database.

$\ln GDP_{joint_{ijt}}$  (Market) is the host -home countries total GDPs retrieved from WB.

$\ln Infra_{jt}$  represents telecommunication infrastructure as proxied by the average mobile and broadband connectivity per 100 people, retrieved from WB.

$\ln Tax_{jt}$  is the tax rate in the host economy, retrieved from WB.

$\ln metals$  signifies natural resources, the ratio of ores and metals exports as a %age of merchandise exports, retrieved from WB.

$\ln patents$  signifies strategic assets, total patent and trademark applications filed by host nation's residents as a % age of total population, retrieved from WB.

$TO$  is trade openness of the host country, the ratio of exports plus imports as a %age of host nations GDP, retrieved from WB.

$\ln distcap_{ij}$  is the distance between home-host nation, retrieved from CEPII.

$ComLang$  is a time-invariant variable with value 1 if home-host nation shares official language, otherwise 0, retrieved from CEPII.

$Contig$  is a time-invariant variable with value 1 if home-host nation shares common border and otherwise 0, retrieved from CEPII.

$GQ_{jt}$  encompasses of governance quality variables represented by World Bank's six governance indicators, examined individually across six models.

$\delta_t$  signify a group of year dummies capturing time fixed effects

$\theta_t$  signify a group of host country dummies capturing host country fixed effects

$\varepsilon_{ijt}$  is the error term of the estimation

### Results and Discussion

The 60-host country sample is divided into 15 developed and 25 developing economies based on UNCTAD's developed and developing nation classifications, which may otherwise result in biased estimation due to diverse regional specifications (Saikia, 2022; Busse & Hefeker, 2007). Depending on the overseas investment destination, specific elements such as the market size or governance climate may have opposing effects (Nuruzzaman et al., 2020).

The summary statistics and correlation matrix are reported in Tables 1 and 2. The Tobit estimations based on the country classification, i.e., developing and developed economies, are shown in Tables 5 and 6. The study employs time FE in the panel data settings. It eliminates omitted variable bias by controlling for time-invariant, unobserved characteristics that evolve but are constant across entities. The independent variables' interaction with time dummies allows for measuring Indian overseas investors' locational determinants over time. Country-fixed effects are not used in this analysis since they eliminate significant variation in the variables of concern. We propose estimations without country FE because most variations are between nations (Nunnenkamp et al., 2012).

Table 1: Summary Statistics

VARIABLES	OBS	MEAN	STD. DEV	MIN	MAX
LNOFDI	440	3.12	2.06	0.00	9.29
LNGDP <sub>JOINT</sub>	440	28.51	0.44	27.82	30.44
TO	440	0.54	0.73	0.00	4.11
VA	440	0.25	1.08	-2.20	1.67
PS	440	-0.01	1.00	-2.80	1.62
RQ	440	0.45	0.99	-2.24	2.26
RL	440	-0.40	1.02	-1.89	2.12
CC	440	-0.36	1.11	-1.67	2.25
GE	440	0.50	0.98	-1.62	2.44
LNTAX	440	3.60	0.474	2.42	4.72
LNDISTCAP	440	8.41	0.537	6.91	9.56
LNINFRA	440	4.06	3.36	-0.97	5.03
LNNRES	440	1.41	1.07	0.00	4.41
LNSASSETS	440	7.97	3.86	0.00	15.96

Table 2: Correlation Matrix

	LnGDP <sub>j</sub>	TO	Indiscap	Intax	Lninfra	LnNres	LnSA	VA	PS	RQ	RL	CC	GE
LnGDP <sub>joint</sub>	1												
TO	0.594	1											
Indiscap	0.239	-0.011	1										
Intax	0.346	0.046	0.343	1									
Lninfra	0.242	0.145	0.178	-0.075	1								
LnNres	0.153	0.067	0.034	0.128	0.086	1							
LnSAssets	0.236	0.012	0.085	0.321	0.151	0.125	1						
VA	0.113	-0.223	0.624	0.289	0.403	0.098	0.387	1					
PS	0.121	0.095	0.444	-0.175	0.556	0.165	0.227	0.645	1				
RQ	0.128	0.085	0.445	-0.102	0.632	0.067	0.256	0.759	0.873	1			
RL	0.154	0.072	0.439	-0.097	0.595	0.095	0.27	0.758	0.883	0.963	1		
CC	0.162	0.107	0.413	-0.146	0.532	0.028	0.22	0.72	0.854	0.938	0.973	1	
GE	0.195	0.153	0.433	-0.099	0.601	0.061	0.228	0.722	0.858	0.963	0.969	0.983	1

Our estimates for developed and developing regions in Tables 3 and 4 find partial support for H1. For the developed nation category, all six WGI in Model 1 2,3,4,5,6 (Table 3) indicates negative coefficients; however, VA and RQ, unlike other WGI, did not reach the expected significance level. Findings suggest that Indian foreign investors prefer developed countries with relatively weak IQs similar to those in their home country. The considerable variation in countries' governance characteristics hinders a firm's coordination. The host market's regulatory circumstances hinder MNCs' ability to synchronize worldwide processes and compete with other multi-market firms (Luo & Bu, 2018).

Table 3: Tobit Estimation (Developed Nations)

	VA	PS	RQ	RL	CC	GE
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
$\ln(\text{GDPjoint})_{ijt}$	0.936** (0.403)	0.465** (0.421)	1.1047*** (0.446)	1.119*** (0.432)	1.190*** (0.418)	1.257*** (0.433)
$\text{TO}_{jt}$	0.845*** (0.277)	0.608** (0.266)	1.070*** (0.278)	0.759*** (0.269)	0.616*** (0.268)	0.476*** (0.302)
$\ln\text{NRes}$	-0.658** (0.235)	-0.486* (0.291)	-0.580*** (0.229)	-0.693*** (0.236)	-0.421*** (0.231)	-0.707*** (0.236)
$\ln\text{SAssets}$	0.555** (0.273)	0.843*** (0.240)	0.560** (0.268)	0.564** (0.268)	0.659** (0.275)	0.620** (0.273)
$\ln\text{Tax}_{jt}$	-0.656 (0.539)	-0.895** (0.505)	-0.096 (0.512)	-0.186 (0.528)	-0.342 (0.566)	-0.285 (0.556)
$\ln\text{Infra}$	-4.558*** (1.154)	-2.522** (1.071)	-4.577*** (1.034)	-4.983*** (1.003)	-3.999*** (1.094)	-4.589*** (1.147)
$\text{ComLang}$	3.462*** (0.300)	2.849*** (0.389)	3.298*** (0.331)	3.372*** (0.320)	3.379*** (0.320)	3.292*** (0.334)
$\ln\text{DistCap}_{ijt}$	-2.950*** (0.545)	-2.319** (0.341)	-1.68*** (0.333)	-1.588*** (0.340)	-1.652*** (0.374)	-1.565*** (0.323)
$\text{Ins.Qty}_{jt}$	-0.375 (1.085)	-1.80*** (0.416)	-0.383 (0.608)	-0.871** (0.356)	-0.811*** (0.322)	-0.839* (0.465)
Constant	-16.431** (14.122)	-12.535** (11.154)	-22.810** (12.873)	-20.170*** (13.708)	-20.162*** (15.331)	-16.690*** (14.802)
Observations	165	165	165	165	165	165
TF Effects	Yes	Yes	Yes	Yes	Yes	Yes

Model 1,2,3,4,5,6 (Table 4) shows that Indian MNCs in developing nations react strategically to governance challenges. They prefer weaker governance concerning VA (a negative and significant coefficient) but more robust governance concerning all the other five indicators, which indicate a positive and significant coefficient. Findings suggest that Indian investors are more cautious when investing in developing economies with weak governance setups vis-à-vis developed economies that otherwise have a more robust regulatory environment. Our findings reveal that VA and Indian OFDI to the developing host nations have a significant negative relationship. Strong VA indicator pertains to increased public access to government performance and the ability to raise their voice (Sujit et al., 2020). This implies that VA affects FDI by incorporating public opinion into investment decisions, discouraging investors. Our results corroborate the findings reported by Muhammad & Khan (2020).

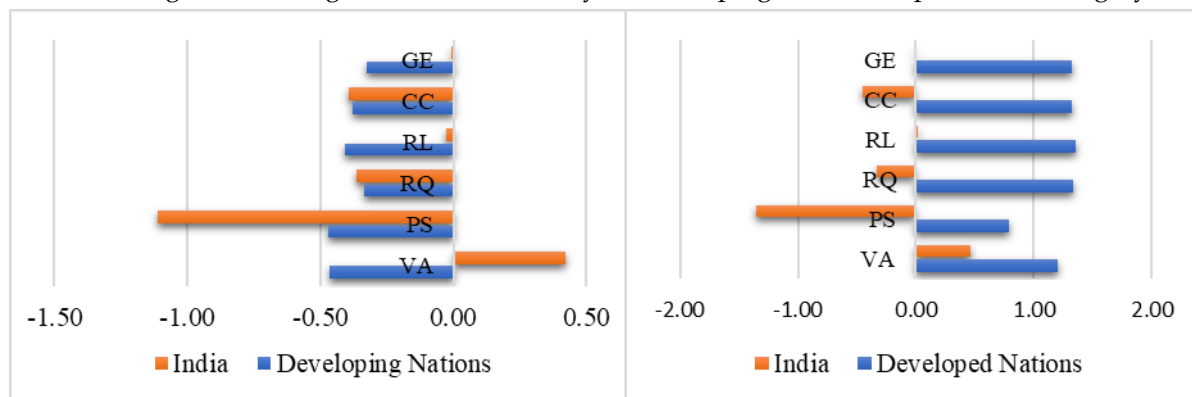
Table 4: Tobit Estimation (Developing Nations)

	VA	PS	RQ	RL	CC	GE
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
$\ln(\text{GDPjoint})_{ijt}$	0.088** (0.084)	0.617*** (0.155)	0.195** (0.142)	1.033** (1.431)	2.943** (1.331)	1.345* (1.085)
$\text{TO}_{jt}$	0.637*** (0.131)	0.418*** (0.115)	0.637*** (0.119)	0.733*** (0.121)	0.393*** (0.130)	0.361*** (0.135)
$\ln\text{NResources}$	-0.017* (0.126)	-0.410* (0.230)	-0.575** (0.249)	-0.482*** (0.244)	-0.273* (0.207)	-0.195 (0.181)
$\ln\text{SAssets}$	0.216*** (0.048)	0.068** (0.042)	0.054*** (0.040)	0.091** (0.038)	0.019** (0.036)	0.039** (0.036)
$\ln\text{Tax}_{jt}$	-0.248 (0.464)	-0.121 (0.472)	-0.147 (0.443)	-0.124 (0.516)	-0.900* (0.488)	-0.682 (0.454)
$\text{Contig}$	-3.922*** (0.570)	-3.532*** (0.673)	-2.474*** (0.688)	-3.764* (2.159)	-5.769*** (1.939)	-3.514** (1.463)
$\text{ComLang}$	2.909*** (0.409)	1.434*** (0.282)	0.073* (0.260)	0.171* (0.297)	0.018** (0.281)	0.435* (0.387)
$\ln\text{DistCap}_{ijt}$	-0.624* (0.384)	-0.898*** (0.306)	-0.320* (0.237)	-0.499* (0.267)	-1.274*** (0.324)	-0.845*** (0.260)
$\ln\text{Infra}$	-0.078** (0.346)	-0.513*** (0.218)	-0.998*** (0.207)	-0.742*** (0.209)	-0.721*** (0.224)	-0.922* (0.210)
$\text{Ins.Qty}_{jt}$	-1.770***	1.481***	1.563***	1.786***	2.115***	2.455***

	(0.296)	(0.147)	(0.246)	(0.340)	(0.283)	(0.301)
Constant	-20.817***	-23.093***	-4.478**	-23.296	-72.719**	-29.632
Observations	(5.357)	(8.274)	(8.083)	(40.495)	(36.761)	(30.237)
TF Effects	Yes	Yes	Yes	Yes	Yes	Yes

The higher average GQ prevalent in the developed category (Fig.1) does not significantly distinguish one nation from another. Nevertheless, Indian MNCs prefer aligning more with economies with relatively weaker governance quality within the category. They prefer investing in developed host nations with a governance environment similar to India. On the contrary, the relatively low average level of governance across developing categories necessitates a deliberate distinction between better and poorly governed nations. It is thus a big differentiator attracting Indian OFDI to the better-governed nations in the region. In other words, with consistently improving home IQ, Indian MNCs prefer investments in developing countries with a comparative governance framework (Fig 1).

Figure 1: Average Governance Quality in Developing and Developed nation category



The study finds full support for H2, suggesting that market seeking motivation for horizontal

FDI ( $GDP_{joint}$ ) is positive and statistically significant across both economic groups. According to the findings, market oriented Indian MNCs prefer bigger markets with strong purchasing power, consistent with previous research (Leong & Lee, 2019).

The results do not support H3, implying that natural resource-seeking motivation is not the primary driver for Indian investors in developing and developed nations. Despite a 59 per cent increase in resource-seeking investments in developing nations over the last decade (\$87.8 million in 2018 to \$275 million in 2018), their share of overall OFDI flows remains minor (17 per cent) compared to manufacturing (40 per cent) and services (43 per cent). On the other hand, developed countries saw a dramatic 30 per cent drop from \$1837.6 million to \$1109 million during the same period.

Estimations validate H4, suggesting that a strategic asset-seeking motive drives Indian MNCs in both developed and developing economies. The findings are consistent with earlier studies proposing that Indian investors seek to acquire advanced technology, managerial skills, and brands, among others, primarily to augment their asset base in the developed markets (Scalera et al., 2020; Das & Banik, 2015). At the same time, IT services and chemicals are dominant sectors attracting Indian strategic asset-seeking investments in developing nations (Völgyi & Lukács, 2021). From 2008-2018, developing nations have been the leading destinations for OFDI in high technology sectors. In contrast, medium- low technology investments mainly focus on developing countries, accounting for 69% of manufacturing sector investments (Joseph, 2019). The significance of strategic assets in developing economies mirrors the unconventional nature of Indian investments, similar to the finding by Sutherland et al. (2020). These acquired strategic assets fortify the Indian firm's competencies in the global market and its competitive position relative to its local firms (Ahsan et al., 2021). Indian MNCs have also acquired foreign firms

seeking access to the prescription drug market (Munjal et al., 2021). Lupin Limited in the USA and Russia, Cipla, and S&B Pharma Inc. in the USA are just a few examples of recent Indian MNC investments.

Findings further indicate that trade openness (H5) has a positive and significant influence on Indian OFDI flowing into both groups of economies, similar to the findings reported by Rehman & Islam (2022) and Nayyar & Mukherjee (2020). The host country's high trade openness attracts MNCs with efficiency-seeking (asset-augmenting) motivation to integrate with global value chain configurations (Tsitouras et al., 2020).

The preference of Indian investors towards nations with low tax regimes (H7) is partially supported across both developed and developing economies. The coefficients were negative but did not reach the expected significance level in both categories. It could be interpreted that tax haven countries, which are not included in the study, are ideal locations to avoid paying taxes; otherwise, tax is not the primary factor influencing overseas investments in other nations. However, the findings fully support H8, suggesting that Indian OFDI is significantly discouraged by larger distances to the host country under both categories. Full support for H9 indicates that the presence of common language in both developed and developing nations significantly attract OFDI, comparable to the verdicts by Behera et al. (2021) & Xiong & Sun (2021). However, contiguity in the developing category negatively affects investments, similar to the finding by Nguyen et al. (2020). Consistent border tensions with the neighboring states seemingly deter Indian OFDI in the bordering regions. India does not share a border with any developed nations considered in the study.

### Conclusion

The study broadens understanding of the critical factors influencing Indian OFDI by employing an augmented gravity model of FDI in 40 host countries based on the conceptual groundwork provided by Dunning (1988) and North (1990). Overall, the empirical analysis proposes that strategic asset-seeking and market-seeking motivations drive Indian OFDI in both regions. However, regarding governance, Indian investors are more cautious when investing in developing economies (preference for highly governed host nations), which tend to have weak institutional setups vis-à-vis developed economies with a more robustly governed environment.

Indian investors prefer developed countries with relatively weaker GQ within the developed region. It reflects investors' intention to benefit from similar governing environment by investing in a comparable host nation (Wu et al., 2016; Kim & Choi, 2020). On the contrary, Indian investors prefer developing nations with robust and better GQ concerning PS, GE, RQ, RL, and CC. However, they are weak in terms of VA for the market and strategic assets seeking investments. The average governance quality of the developing category nations is relatively similar to India's home quality; hence, India prefers a similar GQ in the developing host nation.

The relationship between GQ and OFDI further suggests that governance attributes should be the prime focus of government across developing regions to draw significant overseas investors. Economic growth necessitates strong governance and overarching institution-building. Developing nations should focus on improving governance quality in terms of citizen participation, as the weaker VA preferred by investors may be detrimental to nations' long-term growth (Çam & Özer, 2022). Concurrently, Indian policymakers should further strengthen their GQ to promote more MNC operations in developed nations and strengthen their foothold.

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