

**भारतीय रिज़र्व बैंक
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**RBI Working Paper No.04/2023: Impact of Foreign Direct Investment on Profitability
- Evidence from the Indian Corporate Sector**

Today the Reserve Bank of India placed on its website a Working Paper titled, "[Impact of Foreign Direct Investment on Profitability: Evidence from the Indian Corporate Sector](#)" under the Reserve Bank of India Working Paper Series*. The Paper is co-authored by Haridwar Yadav, Vishal Shinde and Samir Kumar Das.

The paper empirically assesses the impact of foreign direct investment (FDI) on the capital structure and profitability of Indian companies. Using a multivariate GMM panel regression model and a novel panel dataset constructed by taking data from RBI releases on FDI-receiving companies along with data on company financials from the Prowess database from 2013-14 to 2018-19, the paper finds that an increase in the share of FDI in equity raises the profitability of FDI-receiving companies. The FDI in equity also influences the capital structure of the company by bringing down the leverage of the company. The age and size of a company may also determine profitability, *i.e.*, older FDI-receiving companies and smaller FDI-receiving companies are likely to be less profitable.

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(Yogesh Dayal)
Chief General Manager

* The Reserve Bank of India (RBI) introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the RBI and at times also those of external co-authors, when the research is jointly undertaken. They are disseminated to elicit comments and further debate. The views expressed in these papers are those of the authors and not necessarily those of the institution(s) to which they belong. Comments and observations may please be forwarded to the authors. Citation and use of such papers should take into account its provisional character.