Financial Performance of FDI Based Companies is Superior than Non FDI Based Companies in Food, Agriculture, Textile, Pharmaceutical, Construction & Metal Sector in India

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Abstract: *Capital not only play very important role for the development of any economy but it is a life blood of any economic activity and in the absence of capital no economic activity can be performing. Capital can be arranged with in the country or from outside the country which is known as foreign investment. There are many research carried out to analyse financial performance of FDI based companies is superior than Non FDI based companies. The present study is made an attempt to make comparative analysis between FDI based companies and Non FDI based companies in Food and Agriculture Sector, Textile Sector, Pharmaceutical Sector, Construction Sector and Metal Sector in India by using panel data from 2007 to 2016. The result shows that in Food, Agriculture & Pharmaceutical Sector, financial performance of FDI based companies and Non FDI based companies are almost same where as in Textile, Construction & Metal Sector the financial performance of FDI based companies is superior then Non FDI based companies.*

Key Words: *Age, Size, Current Ratio, Quick Ratio, Growth in sales, PAT and Assets*

1. INTRODUCTION

Capital not only play very important role for the development of any economy but it is a life blood of any economic activity and in the absence of capital no economic activity can be performing. Capital can be arranged with in the country or from outside the country which is known as foreign investment. Foreign Investment is playing a very important role for the growth and development of any developing countries. It is considered as one of the major sources of economic change irrespective of its growth status in the globalised world. FDI contributes to international trade, technology spillover, human capital formation, creating competitive business environment, employment opportunity etc which will helps in development of enterprise and in long run it will helps in developing countries to grow. According to (Blomstrom, 1996) Multinational enterprise (MNEs) will help the host economy by providing capital, technology, knowledge and boost its export. Hence FDI contributes to overall economic development by various channels (seethapathi, 2006).

According to the definition give by IMF and OECD 2000, FDI is defined as an investment made by an investor of one country to acquire an asset in another country with the objective to manage that asset. There are many studies focusing to examine the financial performance of FDI based companies and non FDI based companies. The present papers made the attempt to examine wither financial performance of FDI based companies is superior then non FDI based companies in India.

2. LITERATURE REVIEW:

Mathiyazhagan (2005) focus to examine the long run relationship of FDI with gross output, export and labor productivity in Indian economy at sectoral level form 1990-91 to 200-01. Panel co-integration test has been used. The results shows that sectors does not have significant relationship among variables like FDI, gross output, export and labor productivity in Indian economy. Results also shows that in some sectors FDI had positive impact. ***Kansal (2006)*** aim of this paper is to study the impact of FDI on the growth & development of telecommunication sector by using correlation analysis, time series analysis and index number analysis. The results show that FDI has positive and significant impact on the growth & development of telecommunication sector in India. ***Sarkar (2006)*** made an attempt to examine the relationship between Foreign Direct Investment and productivity in domestic firms in Indian industry. The sample of 631 firms form 14 industry was taken for the year 2004 – 2005. The study concluded that foreign investment firms has positive significant impact on firms output and productivity where as domestic firms' negative impact. ***Robin (2006)*** made an attempt to study the impact of Foreign Direct Investment on agriculture and service sector in Bangladesh economy for 11 years from 1995-2005. The tools like Pearson correlation co-efficient and P-value was used. The result shows that FDI does not have impact on agriculture sector. ***Azzama, Fouadb & Ghoshc (2013)*** aim to examine the relationship between degrees of foreign ownership on financial performance in Egypt. The study concluded that foreign ownership has positive impact on ROA, ROE and debt ratio. Foreign ownership will

increase performance up to a level and then it will decline. ***Greenaway, Guariglia &Yu (2014)*** focus to find out difference between domestic, foreign owned firm, major, minor and wholly in terms of productivity and profitability. The results shows that there is increase up to certain level there after it start decreasing.

3. OBJECTIVES :

- To make a comparative analysis of the financial performance of FDI based Companies and Non FDI based Companies in Food and Agriculture Sector.
- To make a comparative analysis of the financial performance of FDI based Companies and Non FDI based Companies in Textile Sector.
- To make a comparative analysis of the financial performance of FDI based Companies and Non FDI based Companies in Pharmaceutical Sector.
- To make a comparative analysis of the financial performance of FDI based Companies and Non FDI based Companies in Construction Sector.
- To make a comparative analysis of the financial performance of FDI based Companies and Non FDI based Companies in Metal Sector.

4. RESEARCH METHODOLOGY:

In order to meet the objectives of the study to analyses the Impact of Foreign Direct Investment on Indian Economy, annual data have been collected from 2007-2016. However to make analysis between financial performance of FDI based Companies and Non FDI based Companies listed at BSE for 10 years has been considered. This study is based on secondary data. The required data have been collected from CMIE Prowess IQ data base.The tools used in the study are panel data Fixed Effect Model, Random Effect Model, Hausman test and Chow test. The sample size is selected on the basis of FDI definition given by IMF i.e. if foreign shareholding is 10% or more than 10% in the company that company will be considered as FDI based companies and less than 10% Non- FDI based companies. The below table no 1 shows FDI based companies in selected sector in India.

Table 1- list of FDI based companies in selected sectors

S.No	Sectors	Companies in CMIE Prowess	FDI based Companies	Non FDI Companies
1	Food & Agriculture Sector	2399	23	20
2	Textile Sector	1775	18	15
3	Pharmaceutical Sector	2676	29	53
4	Construction Sector	647	16	62
5	Metal Sector	1924	22	30

(Source: CMIE-Prowess)

4.1 Research Hypothesis

Following is the hypothesis of the study

$H0_1$: Financial Performance of FDI based companies is superior then Non FDI based companies in Food and Agriculture Sector.

$H0_2$: Financial Performance of FDI based companies is superior then Non FDI based companies in Textile Sector.

$H0_3$: Financial Performance of FDI based companies is superior then Non FDI based companies in Pharmaceutical Sector.

$H0_4$: Financial Performance of FDI based companies is superior then Non FDI based companies in Construction Sector.

$H0_5$: Financial Performance of FDI based companies is superior then Non FDI based companies in Metal Sector.

4.2 Models used in the study

Following is the hypothesis of the study

The other studies which analysis the relationship between a firm profitability and its ownership is Taymaz & Ozler 2007; Barbosa & Louri 2005; Kimura & Kyota 2007. The following is the regression specification.

Profitability = *f (Firm Quality Variables, Financial Variables)* ----------(1)

FDI Based Companies

$ROA_{FDI} = \alpha + \beta_1$ Age $+ \beta_2$Size $+ \beta_3$CR $+ \beta_4$QR $+ \beta_5$DTER $+ \beta_6$GSales $+ \beta_7$GPAT $+$
β_8GAssets $+ e$ ----------(2)

Non FDI Based Companies

ROA_{NONFDI}= α+ β_1 Age + β_2Size + β_3CR + β_4QR + β_5DTER + β_6GSales + β_7GPAT + β_8GAssets + e ----------(3)

5. ANALYSIS AND INTERPRETATION:

5.1 Food and Agriculture Sector

In the study Hausman test is done to know among fixed effect and random effect model which model is more suitable for 23 FDI based companies and 20 Non FDI Companies in Food & Agriculture sector, the results shows that for FDI based companies Random effect model is suitable (H =16.97, P=0.07) where as for Non FDI Companies fixed effect model is suitable (H=13.18 P=0.21). To know is there is any difference in the financial performance of FDI based companies and Non FDI Companies model is estimated separately. In table 2 the result of FDI based companies and Non FDI Companies in Food & Agriculture Sector from 2007 to 2016. Then Chow test is done to examine whether the coefficients obtained from the two samples are statistically different. The Chow test found to be F=0.21, thus F>F0.01 which means that the coefficients of the variables are different in two group at 1% level of significance. There is a negative relationship exist between age and Profitability for FDI based companies (-0.001, -0.02) and positive relationship for Non FDI Companies (0.29, 1.49), in descriptive statistics FDI based companies performance is better than Non FDI based companies because age of FDI based companies are older than Non FDI based companies. We can conclude that their superior performance may not only due to their age but it be able to be due to other advantage drive as a result of multinational in nature.

The results show that size has positive and statistically significant impact on Profitability for both FDI based companies (0.49,2.26) and Non FDI Companies (0.32, 2.64). The result of Anastaaopoulos, (2004) while Vlachvei and Notta (2006) prove that there is a maximum size above which the higher the size lower the Profitability. The relationship between Liquidity and profitability that is current ratio of shows a negative relationship for both FDI (-0.1, -2.09) and Non FDI based companies (-0.01, -0.29) where as quick ratio shows positive impact of for both FDI (0.09, 1.07) and Non FDI based companies (0.04,2.01). It will help to know firm ability to meet its current obligation Poutník, J. S. L. (2016).The relationship between long term solvency and profitability is determined debt to equity ratio. It shows that FDI (0.03, 1.82) and Non FDI based companies (0.07, 4.79) both have positive and significant impact on companies which mean that the company has sufficient cash to meet its short term and long term obligations as and when it will arise. The relationship between growth and profitability shows that faster growing companies are more profitable.

Table 2- Financial Performance Companies in Food and Agriculture Sector

	FDI Based Companies	**Non FDI Based Companies**
	Random Effect Model	**Fixed Effect Model**
const	-1.40 (-4.41)***	3.47 (3.49)***
AGE	-0.001 (-0.02)	0.29 (1.49)
SIZE	0.49 (2.26)**	0.32 (2.64)**
Current Ratio	-0.1 (-2.09)**	-0.01 (-0.29)
Quick Ratio	0.09 (1.07)	0.04 (2.01)*
Debt to Equity Ratio	0.03 (1.82)*	0.07 (4.79)***
Growth in Sales	-0.06 (-0.64)	-0.01 (-0.45)
Growth in PAT	0.45 (11.64)***	0.14 (4.56)***
Growth in Assets	-0.81 (-5.46)***	-1.16 (-12.32)***
R Square	0.90	0.99
Adj R Square	0.89	0.98
DW Test	1.64	2.5
Hausman Test	16.97 (0.07)	13.18 (0.21)
Chow Test (F*Test)	0.21 (0.63)	
No of Observation	220	200
Note: Numbers in Parentheses are the t- Statistic ***Coefficient are Significant at 1% **Coefficient are Significant at 5% *Coefficient are Significant at 10%		

(Source: Author Compilation)

Growth in sales shows that the FDI (-0.06, -0.64) and Non FDI based companies (-0.01, -0.45) are showing negative impact on profitability where as Growth in PAT also shows that there is a positive but significant impact for FDI based companies (0.45, 11.64) and Non FDI based companies (0.14, 4.56) at 1% level of significance however

Growth in assets also shows that there is a negative but significant impact for FDI based companies (-0.81, -5.46) and Non FDI based companies (-1.16, -12.32) at 1% level of significance.

5.2 Textile Sector

In the study Hausman test is done to know among fixed effect and random effect model which model is more suitable for 18 FDI based companies and 15 Non FDI Companies in Textile sector, the results shows that for FDI based companies Fixed effect model is suitable (H =18.15, P=0.05) where as for Non FDI Companies fixed effect model is suitable (H=11.35, P=0.33). To know is there is any difference in the financial performance of FDI based companies and Non FDI Companies model is estimated separately. Chow test results shows that F=0.036, thus F>F0.01 which means that the coefficients of the variables are different in two group.

Table 3- Financial Performance Companies in Textile Sector

	FDI Based Companies	Non FDI Based Companies
	Fixed Effect Model	**Fixed Effect Model**
const	-7.11 (-2.92)***	-0.13 (-1.45)
AGE	2.97 (4.63)***	0.10 (3.67)***
SIZE	1.44 (2.51)**	0.008 (0.32)
Current Ratio	-0.72 (-2.21)**	0.01 (0.96)
Quick Ratio	0.37 (1.85)*	-0.001 (-0.12)
Debt to Equity Ratio	0.17 (1.40)	-0.001 (-0.41)
Growth in Sales	0.07 (0.18)	0.93 (50.09)***
Growth in PAT	-0.05 (-0.73)	0.001 (0.67)
Growth in Assets	-2.02 (-4.58)***	-0.97 (-35.32)***
R Square	0.99	0.99
Adj R Square	0.97	0.98
DW Test	1.55	1.08
Hausman Test	18.15 (0.05)	11.35(0.33)
Chow Test (F*Test)	0.036 (0.84)	
No of Observation	180	150

Note: Numbers in Parentheses are the t- Statistic
***Coefficient are Significant at 1%
**Coefficient are Significant at 5%
*Coefficient are Significant at 10%

(Source: Author Compilation)

There is a positive relationship existing between age and Profitability for FDI based companies (2.97, 4.63) and Non FDI Companies (0.10, 3.67) at 1% level of significance. It shows that as age of FDI based companies are older than Non FDI based companies. Size and profitability is also showing positive relationship for FDI based companies (1.44, 2.51) and Non FDI Companies (0.008, 0.32) which means as higher the size lower will be profitability of the companies. The relationship between Liquidity and profitability that is current ratio of shows a negative relationship for FDI based companies (-0.72, -2.21) and positive relationship for Non FDI based companies (0.01, 0.96) where as quick ratio shows positive impact of for FDI based companies (0.37, 1.85) and negative relationship between Non FDI based companies (-0.01, -0.12). It will help to know firm ability to meet its current obligation of FDI and Non FDI based companies. The relationship between long term solvency and profitability is determined debt to equity ratio. It shows that positive relationship for FDI based companies (0.17, 1.40) and negative relationship for Non FDI based companies (-0.001,-0.41) which mean that the company has sufficient cash to meet its short term and long term obligations as and when it will arise. The relationship between growth and profitability shows with the help of Growth in sales shows that the FDI (0.07,0.18) and Non FDI based companies (0.93, 50.09) are showing positive impact on profitability where as Growth in PAT also shows positive relationship for FDI based companies (-0.05, -0.73) and negative relationship for Non FDI based companies (0.001,0.67) where as Growth in assets also shows that there is a negative relations exists for FDI (-2.02, -4.58)) and Non FDI based companies (-0.97, -35.32) are showing but significant impact at 1% level of significance which means faster growing companies are more profitable in textile sector.

5.3 Pharmaceutical Sector

In the study Hausman test is done to know among fixed effect and random effect model which model is more suitable for 29 FDI based companies and 53 Non FDI Companies in Pharmaceutical sector, the results shows that for FDI based companies Fixed effect model is suitable (H =19.40, P=0.03) where as for Non FDI Companies fixed effect model is suitable (H=25.09, P=0.005). To know is there is any difference in the financial performance of FDI based

companies and Non FDI Companies model is estimated separately. Chow test results shows that F=0.45, thus F>F0.01 which means that the coefficients of the variables are different in two group. There is a negative relationship existing between age and Profitability for FDI based companies (-0.014, -0.61) and Non FDI Companies (-0.008, -1.35). It shows that as age of FDI based companies are older than Non FDI based companies. Size and profitability is also showing positive relationship for FDI based companies (0.056, 2.45) and Non FDI Companies (0.002, 0.53) which means as higher the size lower will be profitability of the companies.

Table 4- Financial Performance Companies in Pharmaceutical Sector

	FDI Based Companies	**Non FDI Based Companies**
	Fixed Effect Model	**Fixed Effect Model**
const	0.043(0.53)	0.005 (0.29)
AGE	-0.014 (-0.61)	-0.008 (-1.35)
SIZE	0.056 (2.45)**	0.002 (0.53)
Current Ratio	-0.04 (-1.56)	0.01 (0.89)
Quick Ratio	0.02 (0.98)	-0.005 (-0.56)
Debt to Equity Ratio	-0.005 (-0.43)	0.004 (2.04)**
Growth in Sales	0.94 (82.63)***	0.98 (201)***
Growth in PAT	-0.0007 (-0.17)	-0.007 (-0.34)
Growth in Assets	-0.99 (-57.43)***	-0.98 (-200)***
R Square	0.99	0.99
Adj R Square	0.98	0.97
DW Test	2.08	1.5
Hausman Test	19.40(0.03)	25.09(0.005)
Chow Test (F*Test)	0.45 (0.49)	
No of Observation	290	510
Note: Numbers in Parentheses are the t- Statistic ***Coefficient are Significant at 1% **Coefficient are Significant at 5% *Coefficient are Significant at 10%		

(Source: Author Compilation)

The relationship between Liquidity and profitability that is current ratio of shows a negative relationship for FDI based companies (-0.04, -1.56) and positive relationship for Non FDI based companies (0.01, 0.89) where as quick ratio shows positive impact of for FDI based companies (0.02, 0.98) and negative relationship between Non FDI based companies (-0.005, -0.56). It will help to know firm ability to meet its current obligation of FDI and Non FDI based companies. There is a that negative relationship for FDI based companies (-0.005, -0.43) and positive relationship for Non FDI based companies (0.004, 2.04) which mean that the company has sufficient cash to meet its short term and long term obligations as and when it will arise.

The relationship between growth and profitability shows with the help of Growth in sales shows that the FDI based companies (0.94, 82.63) and Non FDI based companies (0.98, 201) are showing positive impact on profitability at 1% level of significance where as Growth in PAT also shows negative relationship between FDI based companies -0.0007 (-0.17) and Non FDI based companies (-0.007, -0.34) where as Growth in assets also shows that there is a negative relationship between FDI based companies (-0.99, -57.43) and Non FDI based companies (-0.98, -200) at 1% level of significance which means faster growing companies are more profitable in Pharmaceutical sector.

5.4 Constriction Sector

In the study Hausman test is done to know among fixed effect and random effect model which model is more suitable for 16 FDI based companies and 62 Non FDI Companies in Construction sector, the results shows that for FDI based companies Fixed effect model is suitable (H =27.77, P=0.01) where as for Non FDI Companies fixed effect model is suitable (H=14.51, P=0.15). To know is there is any difference in the financial performance of FDI based companies and Non FDI Companies model is estimated separately. Chow test results shows that F=0.25, thus F>F0.01 which means that the coefficients of the variables are different in two group.

There is a positive relationship existing between age and Profitability for FDI based companies (0.041, 0.46) and Non FDI Companies (0.0001, 0.07). It shows that as age of FDI based companies are older than Non FDI based companies. Size and profitability is also showing positive relationship for FDI based companies (0.003, 0.12) and Non FDI Companies (0.005, 2.05) which means as higher the size lower will be profitability of the companies.

The relationship between Liquidity and profitability that is current ratio of shows a negative relationship for FDI based companies (-0.001, -0.02) and Non FDI based companies (-0.01, -1.02) where as quick ratio shows positive impact of for FDI based companies (0.01, 1.55) and Non FDI based companies (0.022, 1.22). It will help to know firm ability to meet its current obligation of FDI and Non FDI based companies. There is a that negative relationship for FDI based companies (-0.019, -1.12) and Non FDI based companies (0.004, -2.04) which mean that the company has sufficient cash to meet its short term and long term obligations as and when it will arise.

Table 5- Financial Performance Companies in Construction Sector

	FDI Based Companies	**Non FDI Based Companies**
	Fixed Effect Model	**Fixed Effect Model**
const	0.46 (1.211)	0.0004 (0.04)
AGE	0.041 (0.46)	0.0001 (0.07)
SIZE	0.003 (0.12)	0.005 (2.05)**
Current Ratio	-0.001 (-0.02)	-0.01 (-1.02)
Quick Ratio	0.01 (1.55)	0.022 (1.22)
Debt to Equity Ratio	-0.019 (-1.12)	-0.004 (-2.04)**
Growth in Sales	0.10 (5.33)***	0.97 (233.5)***
Growth in PAT	-0.96 (-20.8)***	0.001 (0.77)
Growth in Assets	-0.019 (-0.72)	-0.97 (-245.9)***
R Square	0.99	0.99
Adj R Square	0.97	0.96
DW Test	1.63	1.25
Hausman Test	27.77 (0.001)	14.51 (0.15)
Chow Test (F*Test)	0.25 (0.61)	
No of Observation	160	630
Note: Numbers in Parentheses are the t- Statistic ***Coefficient are Significant at 1% **Coefficient are Significant at 5% *Coefficient are Significant at 10%		

(Source: Author Compilation)

The relationship between growth and profitability shows with the help of Growth in sales shows that the FDI based companies (0.10, 5.33) and Non FDI based companies (0.97, 233.5) are showing positive impact on profitability at 1% level of significance where as Growth in PAT also shows negative relationship between FDI based companies (-0.96, -20.8) and positive relationship between Non FDI based companies (0.001, 0.77) where as Growth in assets also shows that there is a negative relationship between FDI based companies (-0.019, -0.72) and Non FDI based companies (-0.97, -245.9) at 1% level of significance which means faster growing companies are more profitable in Construction sector.

5.5 Metal Sector

In the study Hausman test is done to know among fixed effect and random effect model which model is more suitable for 22 FDI based companies and 30 Non FDI Companies in Metal sector, the results shows that for FDI based companies Fixed effect model is suitable (H = 18.51, P=0.04) where as for Non FDI Companies fixed effect model is suitable (H=11.63, P=0.31). To know is there is any difference in the financial performance of FDI based companies and Non FDI Companies model is estimated separately. Chow test results shows that F=0.07, thus F>F0.01 which means that the coefficients of the variables are different in two group

There is a positive relationship existing between age and Profitability for FDI based companies (0.16, -2.44) and Non FDI Companies (0.0062, 0.45). It shows that as age of FDI based companies are older than Non FDI based companies. Size and profitability is also showing negative relationship for FDI based companies (-0.05, 4.51) and positive relationship existing Non FDI Companies (0.02, 1.06) which means as higher the size lower will be profitability of the companies.

The relationship between Liquidity and profitability that is current ratio of shows a positive relationship for FDI based companies (0.03, -2.60) and a negative relationship for Non FDI based companies (-0.03, -2.22) where as quick ratio shows positive impact of for FDI based companies (0.008, 2.09) and Non FDI based companies (0.024, 2.10). It will help to know firm ability to meet its current obligation of FDI and Non FDI based companies. There is that positive relationship for FDI based companies (0.005, 0.99) and a negative relationship for Non FDI based companies (-0.001, -0.25) which mean that the company has sufficient cash to meet its short term and long term obligations as and when it will arise.

The relationship between growth and profitability shows with the help of Growth in sales shows that the a negative relationship for FDI based companies (0.003, 21.4) and a positive relationship for Non FDI based companies (0.97, 74.11) at 1% level of significance where as Growth in PAT also shows negative relationship between FDI based companies (-0.87, -0.71) and positive relationship between Non FDI based companies (0.01, 2.61) where as Growth in assets also shows that there is a positive relationship between FDI based companies (0.0061, -26.0) and negative relationship Non FDI based companies (-0.99, -60.7) at 1% level of significance which means faster growing companies are more profitable in Metal sector.

Table 6- Financial Performance Companies in Metal Sector

	FDI Based Companies	**Non FDI Based Companies**
	Fixed Effect Model	**Fixed Effect Model**
const	-0.03 (0.82)	0.06 (1.48)
AGE	0.16 (-2.44)**	0.0062 (0.45)
SIZE	-0.05 (4.51)***	0.02 (1.06)
Current Ratio	0.03 (-2.60)**	-0.03 (-2.22)**
Quick Ratio	0.008 (2.09)**	0.024 (2.10)**
Debt to Equity Ratio	0.005 (0.99)	-0.001 (-0.25)
Growth in Sales	-0.003 (21.4)***	0.96 (74.11)***
Growth in PAT	-0.87 (-0.71)	0.01 (2.61)**
Growth in Assets	0.0061 (-26.)***	-0.99 (-60.71)***
R Square	0.90	0.99
Adj R Square	0.89	0.96
DW Test	1.20	1.78
Hausman Test	18.51 (0.04)	11.63(0.31)
Chow Test (F*Test)	0.07 (0.78)	
No of Observation	220	300
Note: Numbers in Parentheses are the t- Statistic ***Coefficient are Significant at 1% **Coefficient are Significant at 5% *Coefficient are Significant at 10%		

(Source: Author Compilation)

6. CONCLUSION:

The objective is to study the Financial performance of FDI based companies is superior then Non FDI based companies in Indian selective sectors under the study for the period of 10 years by using panel data analysis. The study concluded that in Food & Agriculture sector the results shows that the financial performance of FDI based companies and Non FDI based companies are almost same. The Chow test found to be F=0.21, thus F>F0.01 which means that the coefficients of the variables are different in two group at 1% level of significance. In case of FDI based Companies variables like size, current ratio, debt to equity ratio, growth in profit after tax and growth in sales are significant at 1%, 5% and 10% level of significance where as for Non FDI based companies variables like size, quick ratio, debt to equity ratio, growth in profit after tax and growth in sales are significant at 1%, 5% and 10% level of significance.

In Textile sector, results shows that the financial performance of FDI based companies is superior then Non FDI based companies. The Chow test found to be F=0.036, thus F>F0.01 which means that the coefficients of the variables are different in two group at 1% level of significance. In case of FDI based Companies variables like Age, size, current ratio, quick ratio and growth in Assets are significant at 1%, 5% and 10% level of significance where as for Non FDI based companies variables like size, growth in sales and growth in Assets are significant at 1% level of significance.

The Pharmaceutical sector, results shows that the financial performance of FDI based companies and Non FDI based companies are almost same. The Chow test found to be F=0.45, thus F>F0.01 which means that the coefficients of the variables are different in two group at 1% level of significance. In case of FDI based Companies variables like size, growth in sales and growth in Assets are significant at 1% and 5% level of significance where as for Non FDI based companies variables like Debt to equity ratio, growth in sales and growth in Assets are significant at 1% and 5% level of significance.

The Constriction sector, results shows that the financial performance of Non FDI based companies are superior then FDI based companies. The Chow test found to be F=0.25, thus F>F0.01 which means that the coefficients of the variables are different in two group at 1% level of significance. In case of FDI based Companies

variables like growth in sales and growth in Assets are significant at 1%, level of significance where as for Non FDI based companies variables like size, Debt to equity ratio, growth in sales and growth in Assets are significant at 1%, and 5% level of significance.

The Metal sector, results shows that the financial performance of FDI based companies are superior then Non FDI based companies. The Chow test found to be F=0.07, thus F>F0.01 which means that the coefficients of the variables are different in two group at 1% and 5% level of significance. In case of FDI based Companies variables like age, size, current ratio, quick ratio, growth in sales and growth in Assets are significant at 1%, level of significance where as for Non FDI based companies variables like current ratio, Debt to equity ratio, growth in sales, growth in profit after tax and growth in Assets are significant at 1%, and 5% level of significance.

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