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A comparative analysis of Indian and Chinese FDI into Africa: The role of governance and alliances

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ABSTRACT

This paper adopts and extends the theoretical lens of institutional imprinting to international business research. It analyses a secondary data set on Indian and Chinese foreign direct investment (FDI) flows to Africa, compiled for the period ranging from 2008 to 2018, to highlight the distinctiveness of Indian FDI. It argues that Indian FDI streams into better governed host countries with controlled corruption and high standards of accountability. This is in striking contrast with Chinese FDI, which is impervious to host country governance standards in its geopolitical quest for gaining economic supremacy in the region. India's membership of the Commonwealth (CW) plays a vital role in the location and volume of its investments to Africa, whereas the Chinese Belt and Road Initiative (BRI) wields no influence on the location of its investment.

1. Introduction

In the last few years, Africa has witnessed an economic resurgence, with increasing flows of foreign direct investment (FDI), causing a change in nomenclature from 'the hopeless continent' to becoming 'a hopeful continent' (Economist, 2013, 2019a). Although its rich natural resource base, growing markets, and continuing regulatory reforms have attracted FDI from across the globe, Africa's full potential remains unfulfilled (Economist, 2019a, Rodriguez-Pose & Cols, 2017, Anyanwu & Yameogo, 2016; George, Corbishley, Khayesi, Haas, & Tihanyi, 2016). It has been widely acknowledged that if countries in Africa strengthen their governance structure, particularly control over corruption and accountability in public offices, then FDI flows to the region may surge dramatically (Mbaku, 2010; Teixeira & Guimarães, 2015). The extant literature suggests that better governance in host economies can reduce transaction costs associated with monitoring and managing of foreign investment (Habib & Zurawicki, 2002; Globerman & Shapiro, 2003). However, despite this acclaimed theoretical wisdom, a significant proportion of FDI flows into Africa tends to go to countries that have feeble governance. Scholars suggest lack of transparency and weak administration in the host country allows investors to find ways to overcome official procedures by greasing the wheels of commerce, whereby return on investments are maximized (Aidt, 2003; Lui, 1985; Egger & Winner, 2006).

We disentangle these perplexing explanations and synthesize theoretical arguments by suggesting that FDI flows to better- and weakly-governed countries in Africa can be explored by reflecting upon the quality of governance in the source country. For this, we borrow the evolving lens of 'institutional imprinting' (Marquis & Tilcsik, 2013) from management literature and apply it to international business (IB) research as it can provide novel insights and the necessary theoretical underpinning for our conjecture. Institutional imprinting refers to certain characteristics and behavior that a focal entity tends to develop due to its embeddedness in a given institutional environment. In our research settings, this implies that the quality of governance at home is likely to condition the impact of host governance on FDI flows.

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While applying institutional imprinting logic to IB research we simultaneously extend the original idea of imprinting from its conceptualization in a temporal context to a spatial context. According to Marquis & Tilcsik (2013), a focal entity gathers certain characteristics and behavior, i.e. imprints, by virtue of certain institutional conditions at a particular time, say in time t_0, and once these imprints are gathered they affect the focal entity's actions in the future, say in time t_1. Put differently, institutional imprints are carried forward from time t_0 to time t_1. In the IB setting, we suggest that along with time, institutional imprinting happens at a place where the firm is incorporated (home country) and it is carried forward from one place, i.e., location, to another place where the focal entity ventures.

The use of institutional imprinting logic in our study provides an opportunity to explore nuanced theoretical underpinnings that can deepen our understanding of the role of institutions in IB, and enrich the stream of literature on institutional theory in IB (Peng, Wang & Jiang 2008; Aguilera, & Grøgaard, 2019). Recent studies show that home institutions play a significant role in shaping the behavior and characteristics of the firm (Pattnaik, Singh & Gaur, 2020). However, there is a limited understanding of how the configuration of home institutional environment, particularly with regard to governance at home, may affect FDI decisions, particularly aggregated FDI flow into a set of host countries.

We elucidate our reasoning in the context of Indian and Chinese FDI into Africa. India and China are leading investors in Africa with competing strategic interests and quests to lead the continent (Ernst & Young, 2019; UNCTAD, 2020; George et al., 2016). More importantly, India and China present a striking contrast in their economic engagement with Africa as well as in their ideological and socio-political governance structure which apposite our theoretical inquest. For instance, India is a seasoned and mature investor in comparison with China. India's trade and investment relationship with Africa can be traced back to the pre-colonial period but China's engagement with Africa is quite recent (Cheru & Obi, 2010). India fundamentally embraces accountability and free public voice through its 'Constitution' and the membership of the Commonwealth (CW). Promoting good governance, democracy, co-operation, and shared value creation among its member states are the key principles and values of the CW (Dilley, 2020; Kirby, 2011). In contrast, often China is criticized globally for state sponsored censorship, opaqueness in governance, and suppressing democratic rights (Distelhorst, 2017; Prasenjit & Perry, 2020; Tai, 2014). Moreover, China seems to follow 'debt-trap diplomacy' under the aegis of the Belt and Road Initiative (BRI) to fulfill its political ambition to gain supremacy in weakly governed countries in Africa, and other parts of the world (Chen, Dollar, & Tang, 2018). These differences between India and China are likely to impact their FDI flows in African countries.

Our investigation follows two complementary dimensions of governance: 'control over corruption' and 'voice and accountability'. Control over corruption reflects government's *formal* mechanisms for the efficient functioning of bureaucratic structure in a country. Voice and accountability captures *informal* pressures exercised by the public at large to enforce better governance in the government's functioning (Kaufmann, Kraay & Mastruzzi, 2009). Together these variables present a greater view of transparency in the governance in a country. In addition, we append our empirical analysis by including a) the CW, and b) the BRI, for the case of India and China, respectively. As indicated in the previous paragraph, the CW and the BRI are closely interrelated with the governance structure, and at the same time, these variables represent the foreign policy of India and China for their economic engagement with Africa.

With these theoretical and empirical foundations, we argue that our study contributes to the extant literature in three possible ways. *First*, it contributes to the literature on institutions and IB, particularly highlighting the nexus between FDI flows and quality of governance in home and host countries. It principally reveals that the governance structure and political ideology at home influence the flow of FDI in host countries. In this vein, it adds to institutional theory in IB by extending the conceptualization of institutional imprinting in the context of internationalization, and bridges the gap between institutional theory and IB.

Second, by systematically examining FDI flows from India and China our study adds to the nascent body of literature that compares FDI outflows from the world's two largest emerging economies. Both countries symbolize strikingly divergent ideological stances and governance structures that influence their investment destinations. In doing so our study contributes to the special issue on 'Managing the India Way: Past, present and future' (Mukherjee, Pattnaik & Kumar, 2020), by highlighting the unique and distinctive features of the Indian outward FDI, when compared with the Chinese outward FDI. The recent surge of Chinese FDI to Africa (Forbes, 2019) as well as the re-emerging relationship between India and Africa (Chakrabarty, 2018; Business Today, 2011) have been well covered in detail by the common press, but scholarly studies on the subject, especially those comparing India's and China's engagement in Africa are sparse (Quer, Claver & Rienda, 2017).

Third, our study contributes to the extant literature on FDI inflows to Africa, especially in the wake of the recent surge in FDI flows to the region which corresponds with its growing markets and continuing regulatory reforms (Economist, 2019a). However, there is limited empirical evidence on the impact of these changes on FDI flows into the region as most of the prior literature has focused on the economic motivation of FDI. The body of prior research that has examined institutional factors is growing but often these studies present mixed findings (Habib & Zurawicki, 2002; Egger & Winner, 2006; Bailey, 2018). Our study resolves this paradox by offering a theoretical lens and advocating the fundamental idea of reflecting upon the importance of home country in FDI decisions that are frequently overlooked in IB research (Buckley, Munjal, Enderwick & Forsans, 2016).

Finally, we argue that with these threefold contributions our study not only adds to the extant literature on FDI in and out of emerging economies and role of institutions in IB, but also offers practical implications that can provide valuable guidance for policymaking, managerial actions and future research.

2. Theory development and hypothesis

A close examination of the extant literature suggests that factors affecting location choice for FDI can be divided into two categories: a) economic factors, and b) non-economic factors (Kang & Jiang, 2012). Economic factors include host country specific location advantages, such as availability of natural resources, workforce (skilled, semi-skilled and unskilled), and size of host market. Given the ability of these factors to directly benefit investing firms by increasing their revenue and/or reducing cost, Dunning (1993) incorporated these factors as location advantages within the OLI framework. In contrast, non-economic factors include host country features, such as its culture and local regulations that also have a bearing on the firm's decision to undertake FDI (Luiz & Charalambous, 2009; Kogut & Singh, 1988). Scholars (Peng, 2002; Tihanyi, Griffith & Russell 2005; Kostova, Roth & Dakin, 2008) suggest that the firm must adhere to the rules and regulations, cultural norms, societal beliefs and ethos in the host markets. This allows the firm to survive and thrive by gaining legitimacy (Rathert, 2016). Emphasizing the importance of institutions for the firm, Peng (2002) proposed the institutions-based view and explained why and how institutional frameworks in home and host countries provide one of the most important theoretical underpinnings in IB research (for more details see Peng, Sun, Pinkham & Chen, 2009; Tihanyi, Devinney & Pedersen, 2012; Hoorn & Maseland, 2016).

Dunning & Lundan (2008) suggest that institutions should be regarded as an important element of host country specific location as they have a direct association with transaction costs and ownership advantages which influence FDI decisions. Besides cost and advantage related ramifications, institutions provide structure and boundary

conditions within which social exchange takes place, and they simultaneously shape the behavior and experience of actors involved in those exchanges (Scott, 1995). Given these solid ramifications, IB scholars argue that institutions should not be merely treated as background conditions (Oliver, 1997; Peng & Heath, 1996; Meyer, Estrin, Bhaumik & Peng 2009), but also considered as explicit contextual factors (Peng, Sun, Pinkham & Chen, 2009; Meyer, Mudambi & Narula, 2011) which affect trade and investment flows among nations by providing opportunities and challenges to firms embedded in these contextual backgrounds (Munjal & Pereira, 2015). Kostova et al. (2008) provide a detailed review on the role of institutions in IB.

An evolving paradigm within institutions-based explanations of IB is "institutional imprinting". It generally refers to the inscriptions that the external institutional environment leaves on the focal entity. This can significantly affect its characteristics and behavior. However, only a handful of studies (e.g., Shirodkar, Konara & McGuire, 2017; Maksimov, Wang & Luo, 2017) utilize this vital theoretical lens in IB research, which seems to have impeded its conceptualization and scholarly understanding in the field of IB. Marquis & Tilcsik (2013, p. 201) define imprinting as "a process whereby, during a brief period of susceptibility, a focal entity develops characteristics that reflect prominent features of the environment, and these characteristics continue to persist despite significant environmental changes in subsequent periods". We argue that in the IB context, the imprinting phenomenon can be extended from a longitudinal or temporal perspective to a geographical or spatial perspective, by which we mean to say that imprinting is not only carried over by the focal entity from one period to another period but also from one location to another location. In the IB context, environmental change occurs in the host country. When firms venture abroad, they naturally take their experience to deal with environmental contingencies as a guide for their actions in host countries. Thus, general characteristics and behavior of a firm, developed by operating at home, are carried forward from one location to another. This can eventually affect several aspects relating to internationalization, including the choice of location, i.e., where to invest and where not to invest.

Accordingly, from an institutional imprinting perspective, it can be anticipated that prior experience and learning from home environment would tend to affect the firm's course of action in host countries. It prepares an outline of perceptual ceilings for the firm and predispositions about its preferences. A deeper prognosis of IB literature reveals that the idea of institutional imprinting is analogous to behavioral models of internationalization, mainly the Uppsala model (Johanson & Vahlne 1977; Vahlne & Johanson, 2017) which talks about stage-by-stage internationalization into neighboring countries that are psychologically similar to that of the home country. In addition, it provides a theoretical underpinning to the concept of institutional distance (Kostova, 1999; Kostova & Zaheer, 1999; Xu & Shenkar, 2002) which is proposed as an impeding factor in the internationalization process because distance adds to transaction costs and makes the transfer of organizational practices from home to host country difficult. In this respect, institutional imprinting provides an additional layer (micro-foundation) of explanation for institutional distance logic. It suggests institutional imprints provide a perceptual lens for the firm and make transfer of organizational practices difficult, especially when the host country has a different institutional framework. When the firm enters a significantly different institutional environment, it may need to unlearn (wash home-institutional imprints) and adapt to the host country's institutional setup.

Coming back to the application of institutional imprinting in IB research, there are very few studies that have utilized this vital lens. Shirodkar et al., (2017) used the example of non-market activities such as lobbying to explain the impact of institutional imprinting. These scholars argued that while lobbying is primarily affected by institutional characteristics of the host country (Henisz, 2003; Hillman & Wan, 2005; Holburn & Zelner, 2010; Lawton, Rajwani & Doh, 2013), the home environment also has a significant impact on what firms do to lobby in host countries. The firm tends to make "mental models of interacting with the government" (Shirodkar et al., 2017, p. 590), while operating at home, which are likely to be extended to its overseas operations. Maksimov et al., (2017) explored the effect of institutional imprinting on the firm's innovation. In the context of firms from Central and Eastern Europe, and the Commonwealth of Independent States, these authors argue that the firm's tendency to innovate depends on the conditions of institutional transition that were prevailing at the time of its inception.

Other studies using institutional imprinting as a theoretical underpinning span various aspects of business and management research. A recent paper by Popli, Raithatha & Fuad (2021) investigated the effect of institutional imprinting on firm performance in the context of institutional reforms in India. Scholars also find that institutional imprinting impacts organizational culture (Lamberg & Laurila, 2005), its routines and capabilities (Majumdar, 2004), composition of the board of directors (Wei, 2017; Wang et al., 2019), individual work behaviour (Banalieva et al., 2017) as well as exchange and flow of knowledge (Kriauciunas and Kale, 2006). This stream of literature confirms that institutional imprinting provides a robust theoretical framework, within the overarching principles of institutional theory, which can be used to explain many facets of business activities, at various levels of analysis. However, as argued before, its application in the field of IB is very limited so far. With our focus on FDI flows from India and China, we further extend the application of institutional imprinting logic to a subject that resides at the core of IB, in the context of emerging markets which is considered particularly important to generate new insights for IB research. In the sections below we present our hypotheses.

2.1. Alliance between the home and host country and FDI

Alliances are institutional arrangements for cooperation amongst member countries to facilitate political, social and economic objectives (Buckley, Munjal, Enderwick & Forsans, 2017). Scholars (Bennett, Chappell, Reed, & Sriskandarajah, 2010; Callaghan, Ghate, Pickford, & Rathinam, 2014; Miskovic et al., 2014) suggest that country alliances form supranational institutions that strengthen inter-state relationships and thereby promote institutional similarity amongst member states. In this backdrop, we posit that alliances foster the effect of institutional imprinting on international transactions, such as FDI, by functioning as the conduit for institutional transition. When home and host countries are tied in an alliance, they tend to make a shift in their institutional environment following the terms of their alliance. This facilitates firms to carry their institutional imprints, (for instance, prior experience of interacting with institutional actors and their organizational practices including the legal setup for forming and enforcing contractual obligations) from home to host countries where they internationalize. A direct impact of these can be further associated with a reduction in transaction costs and risks (as well as the perceptions of those risks) associated with FDI (Sutherland, Anderson, Bailey & Alon, 2020; Buckley et al., 2017). In addition, as discussed in the previous section, political, social or economic ties can be a source of country specific advantage that can positively influence FDI flows in a given host country (Dunning & Lundan, 2008; Murtha & Lenway, 1994). Finally, country alliances bring together states with shared interests or ideology (Walt, 1987) which can reduce 'psychic distance' between member states leaving a favorable impact on FDI flows among them (Buckley et al., 2017).

In this paper we examine the role of alliances as facilitators of FDI through the lens of membership in the CW for India and in the BRI for China. Established in 1926, the CW is an alliance that aims to promote better governance amongst its 54 member countries to achieve political, social and economic development[1], making it a multilateral alliance by nature (McKenzie, 2002). Member countries of the CW also have a colonial legacy, a shared historical past as former colonies of the Great

[1] https://thecommonwealth.org/about-us.

Britain, which binds them into an informal institutional framework of relationships and the English language as common lingua franca (Dilley, 2020; Glaister, Driffield and Lin, 2020).

India is recognized as a leading member within the CW, making significant contributions towards strengthening its political agenda of 'democratic' governance among member countries and in realizing the common cause of economic development (Kreling, 2009). At the last meeting of the Commonwealth Heads of Government Meeting (CHOGM) 2020, which focused on strengthening democracy and rule of law, India reaffirmed its political commitment to the alliance, and at the same time doubled its contribution for the Commonwealth Technical Cooperation Fund with the aim of promoting egalitarianism, and enhancing trade and investment in knowledge intensive industries among member countries (The Economic Times, 2020). India's approach to balance an economic and political engagement with Africa seems very strategic and it can be especially important for 32 small states in Africa that are economically weak and politically fragile (Nkurunziza, 2019).

These recent, and historical ties since the colonial era, have brought in political, social and economic proximity between India and Africa. Consequently, many Indian businesses have expanded their footprint in Africa. The TATA Group is a pioneering investor in Africa with investments in mining, steel, hospitality and automobile industries. The group made its entry into Africa in 1977 through Zambia[2] and then subsequently expanded its footprints to South Africa. The fact that both countries are English speaking and follow a democratic political system highlight the role that institutional imprinting may have played in attracting FDI from India's largest business group. Other prominent investors in South Africa include Marico Industries, a leading FMCG firm, which entered South Africa[3] through an acquisition of prominent brands such as Caivil and Black Chic. Varun Beverages, a prominent bottling manufacturer associated with global MNEs like PepsiCo, has also leveraged its experience in India to enter several African countries such as Zambia and Zimbabwe. The firm increased its investments in Zambia, as it was desirous of expansion into a gradually reforming but fast-growing emerging market, like India (Chiputa, 2015). We therefore hypothesize that the CW has a positive association with Indian outward FDI flows to Africa.

Hypothesis 1a. *FDI flows from India to Africa are positively associated with the host country's participation in the CW alliance.*

The BRI was initiated by Chinese President Xi Jinping in 2013 (Duan, Ji, Liu & Fan, 2018), as a key national concept and foreign policy priority. It aimed to "stimulate economic development by dramatically enhancing regional interconnectivity" (Rolland, 2017, p. 127), through investments in infrastructure projects (Swaine, 2015), and to "reconfigure China's external sector" (Huang, 2016, p. 314). This alliance of countries manifested itself in myriad ways that resemble a bilateral relationship of a participating country and China. One such manifestation of BRI is the development of diplomatic relations between China and the host country, which can be argued to serve as a risk-reduction device for Chinese investors (Duanmu, 2014; Zhang, Jiang, & Zhou, 2014) who are usually more cautious while investing abroad due to institutional differences and higher information asymmetry in foreign markets (Scalera, Mukherjee & Piscitello, 2020).

We argue that besides mitigating risk in host countries, political relationships established under the aegis of BRI also help in improving information flow and bridging the institutional gap between China and host countries. This in turn creates "special" ownership advantages for Chinese investors (Sutherland et al., 2020; Wang, Hong, Kafouros & Wright, 2012) and facilitates the transfer of their institutional strategies to host countries. Therefore, prior studies (Amighini et al., 2013) find that Chinese investors are attracted to host countries that have strong bilateral political relations with China. To develop and strengthen BRI membership, Chinese leaders made several high-profile visits to various developing countries and signed a number of wide-ranging economic cooperation agreements and offered foreign aid schemes. This was followed by initiatives like the the Forum on China-Africa Cooperation, the "16 + 1" cooperation forum with Central and Eastern European Countries, and the China-Caribbean Economic and Trade Cooperation Forum that aimed to smoothen the way for Chinese companies to enter and operate in potential host countries (Bernal, 2015; Gu, Zhang, Vaz & Mukwereza, 2016).

In this respect, it is also worth highlighting that most of the Chinese FDI flows to Africa are undertaken by state owned enterprises that follow the Chinese government's mandate both in terms of industries and host locations (Burgis, 2014, Sutherland et al., 2020). As per a study by He (2018), China has investments worth more than US $60 billion for infrastructure projects, including power plants, bridges, 2800 km of railways, 20,000 km of roads, 100 schools, 50 hospitals, and 100,000 houses. Most of these investments are targeted towards host countries that became part of BRI where China could influence host governments to favor Chinese enterprises and more importantly, allow them to operate with governments' backing. This is clear evidence of BRI facilitating institutional imprinting, i.e., enabling Chinese enterprises to operate in the same way as they would operate in China. Therefore, we hypothesize that:

Hypothesis 1b. *FDI flows from China to Africa are positively associated with the host country's participation in the BRI alliance.*

2.2. Governance and FDI

In this section, we hypothesize that control over corruption and voice and accountability are two key indicators of the quality of governance in host country (Bailey, 2018; Kaufmann et al., 2009). As discussed above, these variables provide a wider perspective of institutional imprinting logic regarding governance, with their respective focus on formal and informal measures.

2.2.1. Control over corruption

Control over corruption refers to the extent to which government controls the exercise of public power for private gain (World Bank, 2020). It covers a wide array of official measures implemented by the government. Lack of control over corruption is particularly seen as one of the foremost problems in developing countries, including those in Africa (Bardhan, 1997; Asiedu, 2006; Rodriguez-Pose & Cols, 2017), where the mixed governance structure combines elements of both formal and informal institutions (Herbst, 2000; Michalopoulos & Papaioannou, 2013). Informal institutions in Africa often work on the "economy of affection" (Hyden, 2006, p. 78), enabling firms to obtain contracts, acquire resources, and accomplish goals (Chironga, Leke, Lund & Van Wamelen, 2011), through perverse market incentives which distort the allocation of resources. This results in high levels of corruption, visible in the scores of the Corruption Perception Index for most African countries (Transparency International, 2019).

Prior research finds that corruption can have positive as well as negative impacts on FDI inflows (Bailey 2018; Belgibayeva & Plekhanov, 2015). In some cases, 'corruption acts as sand' and hampers FDI (Javorcik & Wei, 2009), as it adds to the costs of entry and subsequent operations for investing firms (Habib & Zurawicki, 2002; Kaufmann, 1997; Murphy, Shleifer & Vishny, 1993). In other cases, 'corruption acts as grease' and helps foreign investors in finding a way around cumbersome official procedures (Aidt, 2003; Lui, 1985; Field, Sosa & Wu, 2003; Boddewyn & Brewer, 1994; Tanzi & Davoodi, 2000). In line

[2] https://www.tataafrica.com.

[3] South Africa has strong historical legacy with India due to Mahatma Gandhi. The commonality of shared values has made the African nation a destination of choice for Indian OFDI. Our data set suggest South Africa has received almost 9 % of total Indian FDI flows valued at over US$ 450 million between 2008 and 2018.

with our theoretical argument about institutional imprinting, we argue that investors' response towards corruption depends upon societal standards and anti-corruption laws in their home countries (Cuervo-Cazurra, 2006). Firms would not be attuned to corruption if moral standards and laws against corruption are strong in their home country. For instance, investors from the USA have an institutional imprinting not to engage in corruption anywhere in the world because the US Foreign Corrupt Practices Act and the Sarbanes–Oxley Act prohibits US nationals from doing so. They can be tried by the Department of Justice and the Securities and Exchange Commission in the USA for acts of corruption beyond US geographical boundaries.

For our empirical focus on India and China, we argue that an institutional environment, which accords a lower control over corruption, can dissuade FDI by Indian firms. Our argument mainly stems from the gradually changing institutional landscape in India in the last decade or so, where political forces and bureaucracy have strongly felt the public demand for control over corruption (Vyas & Wu, 2020). Consequently, corporate executives and industry bodies are appreciative of a stable and better-regulated environment which allows them to focus more on their operations and spend lesser resources in dealing with a corrupt bureaucratic machinery (UNODC, 2013; Luiz & Charalambous, 2009). This suggests that Indian FDI is likely to choose host countries that have better control over corruption, which can help them realize efficiency gains that otherwise get lost in terms of transaction costs incurred in dealing with corruption (Nayyar et al., 2021; Anwar and Mughal, 2012; Nunnenkamp, Andres, Vadlamannati & Waldkirch, 2012). Therefore, we hypothesize that:

Hypothesis 2a. *FDI flows from India to Africa are positively associated with control of corruption in the host country*.

In contrast, we argue that Chinese firms are not particularly concerned about corruption in host countries (Gu, 2009; De Beule & Duanmu, 2012), as they developed imprints of the closed, opaque domestic business environment and seek similar institutional environments to fit their capabilities. Largely state mandated managerial decision-making in Chinese firms is not driven by considerations of profit maximization, in general; but seeks to fulfil the political considerations of the Chinese government (Kolstad & Wiig, 2012; Ramasamy, Yeung & Laforet, 2012). This is the case with a majority of Chinese FDI which has been driven in search of natural resources necessary for the domestic economy, regardless of the extent of corruption in host countries (Ramaswamy et al., 2012). Moreover, cheap access to capital facilitated by the State makes Chinese FDI further immune to the risks and costs of corruption in host countries (Rui & Yip, 2008; Buckley, Clegg, Cross, Liu, Voss & Zheng, 2007). A case in point here is the continued Chinese investment in Algeria, accompanied by charges of bribery and kickbacks against Chinese officials seeking market access. Algeria has consistently been ranked "not free" by Freedom House's annual survey of political rights and civil liberties, and has a history of political turmoil. Chinese companies have become Algeria's preferred partners in civilian infrastructure projects with investments valued at US $23.85 billion in the period 2005 – 2020, including two flagship projects of the East-West Highway and the Grand Mosque of Algiers. The Chinese consortium CITIC-CRCC was awarded the US $7 billion contract for a highway project connecting Algeria's borders with Morocco and Tunisia.[4] Therefore, we hypothesize that:

Hypothesis 2b. *FDI flows from China to Africa are not positively associated with control of corruption in the host country*.

2.2.2. Voice and accountability

In contrast to control over corruption, voice and accountability captures the societal view of governance. It represents the extent to citizens are able to participate in selecting their government, along with the freedom they enjoy in forming an association and expression against government actions (World Bank, 2020). Prior research regards voice and accountability as an indicator of governance (Jensen 2003, 2008; Rodriguez-Pose & Cols, 2017; Shan, Zhibin, Yulei & Yan, 2018) which is likely to have a positive effect on FDI inflows by encouraging political reliability, participation in the political system, and promoting democratic institutions (Kurul & Yalta, 2017). Li & Resnick (2003) suggest that higher levels of voice and accountability in a host country ensure good functioning of democratic institutions and the protection of property rights, indicating a credible and stable environment, which gives a favorable signal to investing firms (Jensen, 2003). Freedom of expression to people and organizations gives a realistic picture of the policies and practices of the host country. It encourages a free and true flow of information to prospective investors and helps to enhance investment and business (Pal, 2011). Any improvements in the transparency in governance through monitoring of institutions and governments serve to attract FDI flows in the host country (Yi, Meng, Macaulay & Peng, 2019).

In the specific context of Africa, there is no clear picture of the influence of voice and accountability on FDI. A study by Cleve (2012), finds that sub–Saharan African countries with lower levels of accountability attract lower FDI; while Kucera & Principi (2014) show that the impact of voice and accountability as a measure of democracy, is uneven across industries, and Rodriguez-Pose & Cols (2017) find a negative association of voice and accountability with FDI. Such a bi-directional relationship is indicative of the fact that some investors prefer fair and transparent governance while others may like a coercive regime which suppresses freedom of expression so that the government is not held accountable by an articulate public voice. Such an environment allows investors to collude with the government for faster execution of their projects.

For India, our argument is based on the liberal and democratic system prevalent in the country. The Constitution of India provides the fundamental right of free speech to each citizen. There is no official censoring of media. People enjoy the right to peaceful protests against the government. They can hold the government and its agencies responsible for their actions through exercising their right to information, making petitions in courts of law, and by voting against the incumbent government in elections. We argue that the liberal institutional environment in India is likely to impact on the choices made by its investors. Environment is a recognized as a key antecedent to the imprinting process (Stinchcombe, 1965), so that Indian firms which grew and matured in a liberal democratic environment carry that as an institutional imprint and would prefer to invest in countries where they can sense that their right to raise a voice and seek redressal of their grievances is secure. Prior studies by Anwar & Mughal (2012) and Nunnenkamp et al (2012) also report that Indian firms are attracted to host countries with better governance and institutions. Thus, Indian outward FDI is more inclined towards countries which give due regard to voice and accountability.

Hypothesis 3a. *FDI flows from India to Africa are positively associated with higher voice and accountability in the host country*.

For Chinese FDI, a similar lens on its domestic environment leads us to posit the opposite hypothesis. China has a track record of not promoting voice and accountability in its domestic environment, to the point of discouragement. There are several instances where China has attempted to suppress public voices. The row over the threat of losing democratic rights and freedom in Hong Kong is the most recent example of this. Moreover, it is widely known that media (including social media) is highly regulated in China. A study by King, Pan and Roberts (2013) suggests that China silences collective expression and allows selective voices. We argue that these conditions at home have made Chinese firms accustomed to working in an 'oppressive and opaque' domestic

[4] https://www.mei.edu/publications/new-algeria-and-china.https://www.chathamhouse.org/2020/12/rebalancing-algerias-economic-relations-china.

environment. This may have an impact on their preference to invest in less democratic environments. Kriauciunas and Kale (2006) have highlighted that firms originating in a socialist-oriented environment have an institutional imprint which makes it difficult for them to operate in a free-market system and at the same time renders an adverse impact on their capabilities.

Sutherland et al., (2020) suggest that Chinese investors are comfortable in authoritarian regimes or countries that have a flawed democracy, such as Eritrea, Egypt, Lao PDR, Libya, Mali, Nigeria, Somalia, South Africa and Sudan, where the state ignores human rights issues and keeps voice and accountability low on the agenda. A huge number of Chinese investments have gone to infrastructure projects[5] ranging from construction of ports, road and rail to dams and power plants, mining of minerals to various sanitation projects in such African countries (Han & Webber, 2020). Often there are voices from local citizens and non-government organizations that Chinese investment is a 'debt-trap diplomacy' in Africa and these projects do not produce employment for the residents (Wegenast, Krauser, Strüver & Giesen 2019; Kaplinsky, 2013; Brautigam, 2020). Chinese investors respond to these voices by placing sanctions or by suppressing them with the help of the local regime in host countries (Brautigam, 2011). Therefore, we hypothesize that:

Hypothesis 3b. *FDI flows from China to Africa are not positively associated with higher voice and accountability in the host country*.

3. Data and methods

3.1. Dependent variable and sample

With our focus on aggregated FDI outflows from India and China into Africa, the unit of analysis for our study is country. Data on FDI outflows for both India and China are available publicly from their official sources, i.e., the Reserve Bank of India (RBI) and the Chinese Ministry of Finance and Commerce (MOFCOM) respectively. The RBI regularly publishes Indian outward FDI data as a data series called 'Data on Overseas Investment'[6], and the MOFCOM publishes data on Chinese outward FDI on their Statistical Bulletin[7]. Both sources are publicly available and widely used in prior research (Buckley et al., 2007; Khan, 2012; Varma, Bhatnagar, Santra & Soni, 2020; Wang & Gao, 2019).

According to our data sources, Chinese FDI data starts from 2002 but Indian FDI data starts from 2008. Therefore, our dataset starts from 2008. We collected data until 2018, since the Corona virus (COVID-19) pandemic hit the world in 2019. Thus, our database ranges from 2008 to 2018. Further, our FDI data suggests that out of 54 countries in Africa, 45 countries[8] received FDI from India or China and 9 countries[9] did not receive any FDI from both countries. Initially, we considered all 54 countries to build our dataset by assigning a zero value to 9 countries that did not receive any FDI from India and China. The inclusion of these 9 countries allowed us to control for selection bias (Heckman, 1990; Cameron & Trivedi, 2005). However, we excluded Sudan and South Sudan from our analysis because South Sudan was disintegrated as an independent country from Sudan in 2011. The inclusion of Sudan will present methodological challenges in the sampling of data. In addition, we removed Mauritius from our analysis because Mauritius is a tax heaven country; and a lot of FDI flows to and from Mauritius are affected by round tripping (Aykut, Sanghi & Kosmidou, 2017; Nebus, 2019).

3.2. Independent variables

We have three main explanatory variables to test our hypotheses on the influence of country alliances, and the state of governance, on the inflow of FDI into an African country. The World Bank reports different dimensions of governance for a large number of countries since 1996, including control of corruption, and voice and accountability, which are used in this study. These dimensions are crystallized into the World Governance Indicators (WGI), based on inputs from a combination of representative and non-representative sources; the latter include surveys of all stakeholders in an economy on the issue of quality of governance in the country. WGI is a rich, credible and widely used source of data in academic research (Kaufmann, Kraay & Mastruzzi, 2011; Langbein & Knack, 2010).

The level of corruption or the control of corruption has proved to be a useful variable to approximate the institutional environment of a country. Control over corruption, as one of the key governance indicators provided by the World Bank, 'captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests'[10]. The second representative variable for governance standards that we use is voice and accountability, which is also a part of the list of governance indicators of the World Bank. It captures the 'perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media'. This is akin to the democratic accountability in any country.

The role of alliances with the host country is seen through the lens of membership of African nations in Belt and Road Initiative with China, formerly called the One Belt One Road (OBOR) project. The alliance of African countries with India takes the form of membership of the Commonwealth group of countries. Established in 1931, the Commonwealth is a long-standing alliance of 54 countries, of which 19 are in Africa, with historically common roots. The members of CW are mostly former colonies of the British Empire, which promotes a shared history and democratic values among the member nations (Kirby, 2011). These countries are hypothesized to attract greater FDI from India owing to historical links set up under the British colonization rule. This also led to large numbers of diaspora with a set of values common with Indians, making it easier to do business with them (Buckley, Enderwick, Forsans and Munjal, 2013).

In contrast, the Belt Road Initiative is a more recent alliance that was initially set up by China in 2013 as OBOR. The basic focus of this ambitious initiative is the promotion of China's geopolitical clout, mainly through investment in infrastructure projects along specified routes that involve multiple countries across Asia, Europe and Africa. There are very few studies with a quantitative analysis of the BRI, as it is a novel, flexible and philosophical initiative, which makes quantification of its economic impact difficult (Zhai, 2018). According to Hillman (2018, p.3) "the BRI label evades classification. There is no agreed-upon definition for what qualifies as a BRI project". This study therefore uses the objective criteria of existing Memorandum of Understanding agreements (MOUs) between China and participating nations as an indicator of membership of BRI. A list of such MOUs is put together by a group of researchers and academics[11], and is available publicly. The membership of both alliances is captured by dummy variables in our

[5] https://www.ide.go.jp/English/Data/Africa_file/Manualreport/cia_10.html.

[6] https://www.rbi.org.in/scripts/Data_Overseas_Investment.aspx.

[7] https://fec.mofcom.gov.cn/article/tjsj/.

[8] Algeria, Angola, Benin, Botswana, Burkina Faso, Cameroon, Central African Republic (CAR), Chad, Democratic Republic of the Congo (DRC), Republic of the Congo, Cote d'Ivoire, Djibouti, Egypt, Eritrea, Eswatini, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Libya, Madagascar, Malawi, Mali, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, South Sudan, Sudan, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe.

[9] Burundi, Cabo Verde, Comoros, Equatorial Guinea, Lesotho, Mauritania, Sao Tome and Principe, Seychelles and Somalia.

[10] https://info.worldbank.org/governance/wgi/Home/Documents.

[11] https://green-bri.org/countries-of-the-belt-and-road-initiative-bri.

analysis.

3.3. Control variables

The study uses an array of control variables to isolate different aspects of the host countries that affect incoming FDI. Our first set of control variables reflect the institutional environment in India and China vis-à-vis control over corruption and voice and accountability (Ramaswamy, 2012; Wako, 2018). In addition, we have included political stability as an additional control variable because uncertainties regarding political environment can affect FDI flows significantly (Kolstad & Wigg, 2012; Naude & Krugell, 2007). These variables are parallel to our main variables of interest and necessary for testing our underpinning idea about institutional imprinting. Data for these institutional variables: control over corruption, voice and accountability, and political stability, has been drawn from the World Bank Governance Indicators which provide three additional variables, namely law and order, rule of law, and government effectiveness, to measure institutional environment[12]. We attempted to include these variables as additional controls but the correlation coefficient for these variables is high (above 0.7 threshold).

The second set of control variables reflect location advantages for FDI. In this category, Gross Domestic Product (GDP) and rate of growth of GDP are used to reflect the present and potential market size, respectively (Glaister et al., 2020; Buckley et al., 2012). The natural resource rent reflects the natural resource endowments of host countries (Buckley et al., 2007). It is defined by the World Bank as the 'sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents''. It encapsulates not only ore/mineral resources, which are actually used or exported, but also those that are unused or dormant, but have an export potential and therefore attract FDI in the host country. This variable is beneficial because investors tend to be more interested in the potential profitability of available natural resources (Kolstad & Wiig, 2012). An advantage of using this variable over the traditional dummy variables to represent host nation status as a metals/minerals exporter (Anyanwu & Yamaego, 2016) is that resource rents cover all types of resources, and not just minerals or metal based ones. The difference may be critical in some countries like Gabon where non-mineral and non-oil exports have been increasing in recent times. In 2016, its timber exports occupied the second slot (with a 9% share in total exports) after oil and manganese exports[13].

Inflation and exchange rate reflect the economic environment of the destination country (Sutherland, et al., 2020). Inflation creates 'value of investment' erosion risk, which justifies an expectation of a negative relationship between inflation in the host economy and the location decision of FDI. Inflation is reflective of economic trouble and long-term instability in the host country, which puts investments at risk. The exchange rate is another important variable in this respect. In pure theory terms, stronger is the currency of the host country, lower are the FDI inflows. The expected negative sign of the coefficient is demonstrated in many studies (Buckley et al., 2012). It is justified by a depreciation that is symbolic of economic decline in the country.

The distance between the source and host countries is captured in geographical and cultural terms. It is expected that farther is the destination in geographical terms, higher are the transactions costs, so that FDI is likely to go to countries that are closer to the investing country (Jain, Hausknecht, & Mukherjee, 2013; Kim, Gaur, & Mukherjee, 2020). Geographical distance between the capitals for both countries is taken from the https://geobytes.com/ database. Cultural distance, as a measure of normative forces uses the four cultural dimensions propounded by Hofstede (1991). These dimensions include power distance, uncertainty avoidance, individualism, and masculinity. A composite index is derived by using the method provided by Kogut and Singh (1988). All the control variables except growth rate of GDP and cultural distance are used in the log form as these values are derived using a formula. The data on the control variables is sourced from the World Development Indicators (WDI) complied by the World Bank. Table 1 provides a summary of the relevant explanatory variables used in this study.

3.4. Model specification and estimation techniques

In line with prior studies (Cheung et al., 2012; Yi et al., 2019), we have used Heckman's (1979) two-stage procedure to test our hypothesis formulated on the Indian and Chinese FDI into Africa. In the first stage, we estimate a 'selection' model to consider whether FDI flows go to host country *c* or not. For this, following Barassi and Zhou (2012) we measure FDI propensity by a dummy variable that takes value of 1 if FDI from India/China flows into a host country and 0 otherwise. The selection model explains the choice of location. If the model predicts that FDI would go to a particular host African country, then the second stage 'outcome' model estimates the volume of these flows. The selection model is a probit regression model with the two binary outcomes being zero (which means that FDI does not go to a country) and a positive value equated to y_{ct}. The latter represents the volume of FDI inflows into host country *c* in year*t*. Thus, our first stage model is expressed in equation (1) as:

$$y_{ct} = \begin{cases} y^{*}_{ct} & if\ y^{*}_{ct} > 0 \\ 0 & if\ y^{*}_{ct} \le 0 \end{cases} \quad (1)$$

The volume of the FDI flows y_{ct} is given by the second stage 'outcome' model, and provided below in equation (2). For the estimation of the second stage model, we use random effects regression technique. Our choice in favor of random effect estimation was informed by the fact that individual unobserved heterogeneity, i.e., country fixed effects of host country, are not correlated with the independent variables (Cameron & Trivedi, 2005).

$$y^{*}_{ct} = \alpha + \beta_1 D_c^{'} + \beta_2 I_{ct-1}^{'} + \beta_3 x_{ct-1}^{'} + \beta_4 x_{ct-1}^{'} + u \quad (2)$$

Table 1
Description of variables used.

Variable	Brief Description	Data Source
Value of FDI from India		Reserve Bank of India
Value of FDI from China		Ministry of Commerce, China
Control of Corruption	Control over public power for private gain	World Governance Indicators
Voice and accountability	Freedom of media, expression, and association.	World Governance Indicators
Political Stability	Likelihood of political instability and/or politically motivated violence, including terrorism	World Governance Indicators
BRI membership	Equals 1 for a host nation that is part of BRI and 0 elsewhere	https://green-bri.org/
CWC membership	Equals 1 for a host nation that is part of CW and 0 elsewhere	https://www.commonwealth.org
Cultural Distance	Cultural Distance Index between host and home country	Kogut and Singh (1988)
GDP	Nominal Gross Domestic Product of host country in US Dollar	World Development Indicators
GDP growth rate	Annual rate of growth of Nominal GDP of host country	World Development Indicators
Natural Resource Rent	The sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents as a % of GDP	World Development Indicators
Inflation	Annual growth rate of the GDP implicit deflator	World Development Indicators
Exchange rate	Host country official annual exchange rate against dollar	World Development Indicators

[12] https://info.worldbank.org/governance/wgi/Home/Documents.
[13] https://legacy.export.gov/article?id=Gabon-Cutting-Timber.

In this equation, t stands for the year ranging from 2008 to 2018, the period used in this study in which FDI flows from India/China into host country c, and β_1, β_2 and β_3 are the usual regression coefficients. The I'$_{ct}$ is a vector of main variables (control over corruption and voice and accountability) that represents institutional set up of the destination country, D'$_{ct}$ is the vector for dummy variables for membership of the CW and the BRI, control variables are represented by x'$_{ct}$ and μ is the error term that respects the normal distribution (0, σ^2). We use a log–log variable transformation to estimate the model.

Since the choice to invest in Africa is the result of self-selection reflected in FDI flows, its participation in our sample is not random, leading to a selection bias. Any regression that determines the drivers of volume of investment must account for this bias. If this selection bias is ignored then the error terms in the regression can be correlated with the explanatory drivers of the investment, leading to biased estimates. The explanatory variables do not remain exogenous, violating a basic condition for efficient estimation of any linear regression. In these likely scenarios of selection bias, we include an additional variable (openness of host economy) that helps us to meet the exclusion restrictions requirement in the first-stage regression (Angrist & Pischke, 2008; Sartori, 2003; Hamilton & Nickerson, 2003) and employ the Inverse Mills ratio for the second stage estimation. Thus,

$$E\left(y_{ct}|X_{ct}, y^{*}_{ct} > 0\right) = X^{'}_{ct}\beta + E\left(u_{ct}|u_{ct} > -X^{'}_{ct}\beta\right)$$

$$= X^{'}_{ct}\beta + \sigma\left[\frac{\phi\left(X^{'}_{ct}\beta/\sigma\right)}{\Phi\left(X^{'}_{ct}\beta/\sigma\right)}\right]$$

$$\neq X^{'}_{ct}\beta$$

Here $\left[\frac{\phi\left(X^{'}_{ct-1}\beta/\sigma\right)}{\Phi\left(X^{'}_{ct-1}\beta/\sigma\right)}\right]$ is the Inverse Mill's ratio. It is defined as the ratio of the probability that India/ China invest in a particular host African country to the cumulative probability of the decision to invest by either of the countries. We use this ratio as a control variable in the second 'outcome' model that determines the volume of investment, along with the other explanatory variables.

4. Results

The descriptive statistics of different variables, along with their correlation matrix are presented in Table 2. The correlation matrix provides correlation of the variables in the log form, as this is how they are used for model estimation. The correlation coefficient values range from +0.67 to −0.50, which indicates that multicollinearity is not a worry for this dataset. The highest observable correlation is between GDP levels in African countries and OFDI from China (+0.67). The two main variables (control of corruption and voice and accountability) that represent institutional standards are expectedly correlated, but all are below 0.7 threshold. The values of variance inflation factor (VIF) for models estimating Indian outward FDI ranges from 1.06 to 9.85 with a mean of 2.76 and the VIF values for models estimating Chinese outward FDI ranges from 1.19 to 3.45. Given that all VIF values are below the threshold of 10, the absence of multicollinearity was reassured (Hair, 2009) .

The model estimation results for China and India are presented in Tables 3 And 4. For each country, model 1 explains if a particular country in Africa will become a choice of location for the FDI flows. Once the model signals a 'yes', models 2, 3, 4 and 5 predict the volume of FDI inflows based on the main variables - existence of host country alliances with India/China, and the state of governance in the host country based on the extent of corruption over control and the degree of voice and accountability, and a number of control variables. These models are variants of the outcome model that use different combinations of the three hypothesized variables.

Table 2
Descriptive statistics and correlation.

Variable	Mean	Std. Dev.	Min	Max																			
Value of FDI from China	50.72	119.94	−814.91	843.22	1																		
Value of FDI from India	4.93	22.50	0.00	423.81	0.47	1																	
GDP	4.23E+10	8.55E+10	1.88E+8	5.68E+11	0.67	0.55	1																
GDP growth rate	0.07	0.15	−0.54	1.36	0.02	0.07	0.02	1															
Natural resource	13.29	12.65	0	64.02	0.32	0.07	0.29	0.12	1														
GD from India	7365.46	1668.87	4010.79	10220.53	−0.14	−0.22	−0.16	−0.13	0.23	1													
GD from China	10747.35	1568.73	7132.00	12967.77	−0.10	−0.21	−0.19	−0.13	0.25	0.93	1												
Exchange rate	1104.44	3426.74	1.06	31558.91	0.06	−0.32	−0.15	−0.02	0.29	0.09	0.16	1											
Inflation	6.39	6.25	−4.29	44.39	0.12	0.19	0.10	0.13	0.08	−0.22	−0.17	−0.17	1										
CD India	1.33	1.65	0.32	8.70	−0.30	−0.19	−0.37	0.02	−0.13	−0.01	0.04	−0.10	0.07	1									
CD China	1.83	1.83	0.35	8.67	−0.33	−0.20	−0.33	−0.01	−0.17	0.04	0.08	−0.19	0.06	0.95	1								
Commonwealth	0.35	0.48	0	1	0.13	0.23	0.08	−0.07	−0.23	−0.02	0.06	−0.23	0.23	−0.05	0.01	1							
BRI	0.29	0.46	0	1	−0.18	−0.05	−0.18	−0.11	−0.21	−0.09	−0.04	0.01	0.02	−0.01	0.05	0.04	1						
Control of Corruption	−0.64	0.63	−1.87	1.04	−0.16	0.08	−0.19	−0.06	−0.62	0.03	−0.01	−0.50	−0.03	0.25	0.29	0.30	0.05	1					
Voice and accountability	−0.62	0.74	−2.23	1.00	−0.01	0.13	−0.10	−0.05	−0.41	0.28	0.22	−0.27	−0.03	0.00	0.04	0.33	0.02	0.65	1				
Political Stability	−0.57	0.88	−3.31	1.20	−0.28	−0.14	−0.37	−0.06	−0.41	0.20	0.23	−0.28	−0.10	0.18	0.26	0.28	0.11	0.60	0.49				

Table 3
Model estimations of Indian outward FDI to Africa.

Model	Selection Model	Outcome Models			
	1a	2a	3a	4a	5a
Dependent Variable	FDI Dummy	FDI Value	FDI Value	FDI Value	FDI Value
Independent Variables	Coef.	Coef.	Coef.	Coef.	Coef.
	(SE)	(SE)	(SE)	(SE)	(SE)
Commonwealth H1a	1.048**	0.933***	0.567**	0.505**	0.730***
	(0.467)	(0.316)	(0.245)	(0.243)	(0.247)
Control over Corruption $_{Host}$ (H2a)	0.828		0.759***		0.760***
	(0.577)		(0.283)		(0.278)
Voice and Accountability $_{Host}$(H3a)	0.699*			0.559***	0.561***
	(0.392)			(0.204)	(0.199)
Control Variables:					
GDP$_{t-1}$	0.595***	0.583***	0.482***	0.471***	0.632***
	(0.196)	(0.126)	(0.109)	(0.108)	(0.120)
GDP Growth $_{t-1}$	0.608	0.404	0.291	0.271	0.358
	(0.767)	(0.278)	(0.275)	(0.274)	(0.274)
Natural Resources $_{t-1}$	0.580***	0.167	0.234*	0.195*	0.432***
	(0.212)	(0.105)	(0.121)	(0.111)	(0.138)
Exchange Rate $_{t-1}$	0.089	−0.108**	−0.043	−0.092**	−0.023
	(0.121)	(0.045)	(0.052)	(0.046)	(0.051)
Inflation $_{t-1}$	0.102	0.067	0.065	0.054	0.090
	(0.119)	(0.057)	(0.058)	(0.057)	(0.058)
Cultural Distance	−2.584**	−1.168**	−1.178**	−1.458**	−2.182***
	(1.130)	(0.509)	(0.514)	(0.579)	(0.617)
Geographic Distance	−0.206	−0.146*	−0.182**	−0.065	−0.175**
	(0.169)	(0.077)	(0.082)	(0.073)	(0.081)
BRI	−0.528	−0.202	−0.028	−0.063	−0.192
	(0.338)	(0.188)	(0.161)	(0.165)	(0.170)
Voice and Accountability $_{Home}$	−3.726	−1.977	−0.661	−0.702	−1.664
	(6.111)	(2.692)	(2.579)	(2.575)	(2.583)
Control over Corruption $_{Home}$	2.520	0.445	−0.058	0.211	0.686
	(2.637)	(1.187)	(1.150)	(1.166)	(1.171)
Political Stability $_{Home}$	−0.203	0.590	0.506	0.329	0.403
	(1.532)	(0.661)	(0.657)	(0.656)	(0.653)
Political Stability $_{Host}$	−0.027	−0.019	−0.120	−0.062	−0.119
	(0.259)	(0.105)	(0.109)	(0.107)	(0.107)
Openness $_{t-1}$	−0.002				
	(0.006)				
mills		0.621**	0.335	0.337	0.791***
		(0.300)	(0.238)	(0.239)	(0.285)
Constant	10.567	−1.577	0.396	3.207	5.698
	(12.341)	(4.458)	(4.472)	(4.867)	(4.767)
Observations	414	414	414	414	414
R-squared		0.4354	4.4443	0.4438	0.4667
Log Likelihood	−156.068				
chi2	44.594	87.082	93.144	89.648	104.862

This table presents the probit (model 1a) and random effect (models 2a to 6a) results from estimating Equations (1) and (2). Standard errors clustered by host country (columns 1a) and heteroscedasticity consistent asymptotic standard errors (model 2a − 6a) are provided in parentheses. The *p*-values are indicated by *** (significant at 1%), ** (significant at 5%) and * (significant at 10%).

The first set of hypotheses in this study suggests that country alliances between India and China with host countries in Africa drive greater inflows into the latter. The absence of such alliances thus not only lower the levels of FDI into host countries from these two emerging economies, but also drives away new investments from African countries that have no such alliances. The results broadly confirm our hypotheses. The CW alliance of India with African countries (H1a) significantly affects the locational choice ($\beta = 1.048$, $p < 0.05$, model 1a). The coefficient is equally stronger in determining the volume of Indian investments ($\beta = 0.933$, $p < 0.01$, model 2a). The coefficient for alliances is robust to the addition of other governance variables jointly ($\beta = 0.730$, $p < 0.01$, model 5a). It is also significant when alliances are singularly modelled with control of corruption ($\beta = 0.567$, $p < 0.05$, model 3a) and voice and accountability ($\beta = 0.505$, $p < 0.05$, model 4a), confirming our hypothesis for India. For Chinese investments, an alliance such as BRI (H1b) is significant ($\beta = 0.339$, $p < 0.01$, model 2b) in determining the volume of investments coming into Africa, but makes an insignificant effect ($\beta = 0.756$, $p > 0.1$, model 1b) in determining the country where the investment flows into. This partially supports our hypothesis of the supportive role of alliances in attracting Chinese FDI. The role of BRI in attracting investment flows from China into participating countries is robust to the joint addition of control of corruption and accountability ($\beta = 0.381$, $p < 0.05$, model 5b), and the singular addition of governance variables - control of corruption ($\beta = 0.374$, $p < 0.05$, model 3b), and voice and accountability ($\beta = 0.362$, $p < 0.05$, model 4b).

Our second set of hypotheses posited that better control of corruption by the host countries positively affects inflows of FDI from India (H2a) while Chinese flows may not be positively affected (H2b). These hypotheses are supported for both India and China. For China, our results show that the control of corruption deters Chinese investments in Africa (β = -1.290, $p > 0.1$, model 1b) and the effect of this variable in determining the volume of inflows ($\beta = 0.284$, $p > 0.1$, model 3b). However, both effects are insignificant. It is worth noting that not only does control of corruption lose significance in determining the quantum of inflows into host countries, there is a loss of the causative logic as well. The sign of the coefficient turns positive, which makes the effect of control of corruption on quantum of investment inflows ambiguous.

Table 4
Model estimations of Chinese outward FDI to Africa.

Model	Selection Model	Outcome Models			
	1b	2b	3b	4b	5b
Dependent Variable	FDI Dummy	FDI Value	FDI Value	FDI Value	FDI Value
Independent Variables	Coef.	Coef.	Coef.	Coef.	Coef.
	(SE)	(SE)	(SE)	(SE)	(SE)
BRI H1b	0.756	0.339*	0.374**	0.362**	0.381**
	(1.207)	(0.181)	(0.179)	(0.178)	(0.179)
Control over Corruption $_{Host}$ (H2b)	−1.290		0.284		0.415
	(1.733)		(0.306)		(0.334)
Voice and Accountability $_{Host}$(H3b)	−0.008			−0.130	−0.246
	(1.233)			(0.223)	(0.242)
Control Variables:					
GDP$_{t-1}$	5.856***	0.858***	0.887***	0.883***	0.886***
	(0.747)	(0.135)	(0.142)	(0.144)	(0.143)
GDP Growth $_{t-1}$	−0.944	−0.311	−0.332	−0.298	−0.301
	(3.213)	(0.335)	(0.336)	(0.337)	(0.337)
Natural Resources $_{t-1}$	1.322	0.148	0.204	0.161	0.196
	(0.860)	(0.127)	(0.133)	(0.130)	(0.133)
Exchange Rate $_{t-1}$	1.366***	0.165*	0.196*	0.165*	0.196*
	(0.461)	(0.096)	(0.101)	(0.100)	(0.102)
Inflation $_{t-1}$	0.398	0.026	0.035	0.028	0.037
	(0.556)	(0.067)	(0.068)	(0.067)	(0.068)
Cultural Distance	−18.246***	−0.124	−0.319	−0.147	−0.198
	(6.534)	(1.150)	(1.164)	(1.184)	(1.178)
Geographic Distance	−1.054***	−0.204	−0.221*	−0.216	−0.248*
	(0.366)	(0.130)	(0.131)	(0.135)	(0.136)
Commonwealth	0.940	0.322	0.284	0.365	0.319
	(1.870)	(0.398)	(0.403)	(0.410)	(0.409)
Voice and Accountability $_{Home}$	−13.962	3.115**	2.916**	2.942**	2.923**
	(10.684)	(1.430)	(1.409)	(1.408)	(1.408)
Control over Corruption $_{Home}$	11.755**	1.083	1.202*	1.280*	1.311*
	(5.994)	(0.733)	(0.728)	(0.735)	(0.735)
Political Stability $_{Home}$	−4.117	−0.451	−0.517	−0.478	−0.516
	(4.222)	(0.552)	(0.555)	(0.554)	(0.555)
Political Stability $_{Host}$	1.366	0.234	0.203	0.264*	0.218
	(1.105)	(0.148)	(0.156)	(0.153)	(0.157)
Openness $_{t-1}$	0.051***				
	(0.018)				
mills		−0.033	0.015	0.020	0.018
		(0.060)	(0.066)	(0.067)	(0.067)
Constant	9.181	−11.728	−11.047	−12.442	−12.094
	(64.974)	(11.401)	(11.417)	(11.598)	(11.542)
Observations	381	381	381	381	381
R-squared		0.5028	0.5083	0.4933	0.5024
Log Likelihood	–33.928				
chi2	134.331	155.677	156.329	154.097	156.422

This table presents the probit (model 1a) and random effect (models 2a to 6a) results from estimating Equations (1) and (2). Standard errors clustered by host country (columns 1a) and heteroscedasticity consistent asymptotic standard errors (model 2a − 6a) are provided in parentheses. The *p*-values are indicated by *** (significant at 1%), ** (significant at 5%) and * (significant at 10%).

However, for the case of India, the positive value for the coefficient of control of corruption ($\beta = 0.828$, $p > 0.1$, model 1a) implies that Indian FDI flows to host countries that have a better control of corruption. Although, the variable could not attain desired level of significance in model 1a but it gains significance in determining the quantum of investment inflows from India ($\beta = 0.759$, $p < 0.01$, model 3a). As we add more hypothesized variables to the model, the variable remains significant with a similar coefficient value ($\beta = 0.760$, $p < 0.01$, model 5a) indicating that a 1% rise in the index value for control of corruption leads to 0.76% rise in FDI inflows.

Our last set of hypotheses on the effect of voice and accountability on FDI is accepted. A higher degree of voice and accountability in the host country scores over countries with lower degree in attracting FDI inflows. For Indian investments in Africa, there is a significant effect of host country accountability (H3a) on the location of the investment ($\beta = 0.699$, $p < 0.1$, model 1a). As an indicator of governance standards, this variable is significant in determining the quantum of Indian investments ($\beta = 0.559$, $p < 0.01$, model 4a) as well, and its strength (in terms of coefficient value) continues when control of corruption is added as the second indicator of governance ($\beta = 0.561$, $p < 0.01$, model 5a). This suggests that Indian investors not only choose countries with better governance standards, but the latter also attract greater volume of inflows. A 1% increase in the index value that aggregates these freedoms would have led to an expected 0.56% rise in investment flows from India. However, in the case of Chinese investments, the results show an insignificant effect with very small coefficients of voice and accountability (H3b) in determining location choice as well as volume of investments.

Among the control variables, GDP is robust in its effect on the location and volume of Indian and Chinese investments into Africa. This confirms the role of market size as a host specific 'pull' factor for FDI (Varma et al., 2020; Asiedu, 2002, 2006; Chen et al., 2018, Kolstad & Wiig, 2012). For cultural and geographic distance, coefficients are generally negative which is in line with prior research (Buckley et al., 2017; Buckley & Munjal, 2017) that suggests higher distance adds to transaction costs and consequently, lower FDI flows. For Indian investments, natural resource rents and geographical distance are significant, but not for China. GDP growth rate, inflation and political stability

in the host countries remain insignificant for both countries. Finally, exchange rate and home governance variables show non-uniform effects for India and China.

5. Discussion

Utilizing the evolving lens of institutional imprinting in IB research (Shirodkar et al., 2017; Maksimov et al., 2017; Popli et al., 2021), this study examined the role of home institutions in determining location choice for Indian and Chinese outward investments to Africa. By comparing Indian and Chinese FDI, it simultaneously painted a picture of the distinctive nature of Indian outward FDI in its choice of African host countries, mostly in terms of its 'character' derived from governance standards at home and in the CW alliance, where India has emerged as an undisputed leader. The picture becomes sharper when contrasted with Chinese investments in the same continent, and more meaningful/relevant as both India and China are among the top emerging economies to invest in Africa.

The deep-rooted forms of corruption in Africa, as they manifest in myriad forms, and interwoven in the culture and history of each country, are well documented in the extant literature (Hyden, 2006). The deleterious effects of corruption on African economic prospects are widely recognized as well (for details see Mbaku, 2010). Many indicators attempt to capture this aspect of African economies placing corruption at the center of country risk (PRS group), economic freedom (Heritage index of economic freedom) and governance (World Bank Indicators). Utilizing these valuable indicators, prior research generally characterizes corruption as an attraction as well as a deterrent for foreign investment (Bailey, 2018; Belgibayeva & Plekhanov, 2015). While these are important findings, there is a limited understanding as to why some investments have a positive association while others have a negative relationship. Our paper contributes to this particular niche area by drawing upon the theoretical underpinning of institutional imprinting which suggests that investors' preferences or the characteristics of money coming to a particular location can be traced to its source.

The rapidly changing institutional environment in India which deters bribery and kickbacks in public offices through efficient regulatory mechanisms and bureaucracy that do not require greasing, promotes transparency in business practices. This is particularly reflected in the improved ratings India has scored over the last decade in the Corruption Perception Index produced by Transparency International.[14] Consequently, the preference of Indian outward FDI is towards countries that have better control over corruption, as evidenced from our results. In contrast, Chinese FDI shows an indifferent attitude towards control over corruption in host countries in Africa. To an extent, this is attributable partly to China's lack of control over corruption at home (Li, Gong, & Xiao, 2016) which may have enhanced Chinese investors' endurance to deal with corruption in host countries. Moreover, Chinese FDI has an institutional imprinting of promoting BRI agenda by undertaking FDI in countries that offer opportunities for seeking natural resources and in countries seeking foreign capital for the development of their domestic infrastructure. These strong motives for undertaking FDI can deprioritise considerations of control over corruption while selecting a host country. Previous research also highlights this idiosyncratic characteristic of Chinese FDI, particularly emphasizing that Chinese state-owned enterprises seek to fulfil political considerations of Chinese government (Gu, 2009; De Beule & Duanmu, 2012; Kolstad & Wiig, 2012; Ramaswamy et al., 2012). Moreover, Chinese firms often get access to cheap capital which adds to their capabilities to enter into countries where the risk and cost of doing business may be higher due to corruption (Buckley et al., 2007), e.g., the case of CNPC in Sudan (Munjal, 2012).

The focus of this study on governance standards as important determinants of incoming FDI also includes the influence of voice and accountability on Indian and Chinese FDI. Voice and accountability complements corruption as it tends to capture the societal/vocal and more visible aspect of governance, while corruption is concentrated on the manifestation of governance on economic transactions, especially in public offices and bureaucracy, in multiple ways. A better control of corruption expectedly accompanies a greater degree of voice and accountability that is accepted and permissible in a system.

Our results suggest that the voice and accountability variable was also significant in determining the volume of Indian investments, but insignificant for Chinese investments in broad terms. The locational choice of investments, as seen in the selection models show that Indian investors are encouraged to invest in countries with high standards of accountability, while Chinese investors are not worried about such standards. We argue that such behavior is rooted in the contrasting domestic governance standards and economic environment in India and China. As economic agents of a vibrant and old democracy, Indian investors are used to, and have become increasingly comfortable in working in an environment that allows greater freedom to express themselves politically, with a higher degree of public accountability of the chosen State.

In sharp contrast, Chinese investors are resilient towards governance standards in host economies (Kolstad & Wiig, 2012). Unlike India, Chinese investors are comfortable with lack of accountability and democratic rights in the political systems, as they face a similar situation domestically. China lies close to the bottom in the Democracy Index compiled by the Economist Intelligence Unit (Economist, 2019b), which makes their investments impervious to democratic accountability standards in potential host countries. Moreover, Chinese FDI flows are guided by the China's '*Countries and Industries for Overseas Investment Guidance Catalogue*', which reflects the Chinese government's political stance (Luo, Xue, & Han, 2010; Rudy, Miller & Wang, 2016). Finally, accountability concerns, if any, are overridden by the Chinese government's geopolitical ambition of developing supremacy in the African region (Knowledge@Wharton, 2016), diplomacy with host government (Brautigam, 2020), and the international cooperation and control sought through its BRI initiative (Kong, 2015).

Our analysis also compared India and China on the role of country alliances in driving foreign investments. We find that alliances play a robust role in determining the location choice and volume of Indian investments in Africa. In contrast, the location choice of Chinese investments in Africa do not take BRI alliance into account. However, the size of the investments is significantly affected by alliance membership. Country alliances cover a broad spectrum of agreements between countries for economic, social and political and policy purposes; accordingly, each alliance is unique in its purposes and historical background. While the EU is pivoted on a single common market and overarching political governance, other alliances like NAFTA are centered on improving trade among member nations. The benefits from any alliance are however not limited to the stated objectives, and can take multiple forms (Buckley et al., 2017). The role of country alliances in driving foreign investments to member countries is interwoven with bilateral trade promotion as an important and explicit objective of the alliance. In the context of foreign investments by India, membership of the Commonwealth alliance attracts FDI into member countries in a significant way (Buckley et al., 2012, 2017; Quer et al., 2017). Institutional imprints between India and Africa are attributable to a shared history rooted in colonial rule and oppression, with India as its leading supporter for decolonization at the United Nations (Chakrabarty, 2021). It is not surprising that India was an early investor into Africa in the early 1900s led by the Tata group (Chakrabarty, 2018) and continues its presence across countries and sectors.

The robustness and significance of BRI membership in driving higher investments into member African countries (without influencing the choice of the host country in the first place) could stem from the nature of the alliance, which takes the form of infrastructure projects in member countries that entail large investments. The alliance looks at

[14] https://www.theglobaleconomy.com/India/transparency_corruption/.

economic integration for China as the main priority, while '*securing the country's continuing development with the view of adapting to a more globalized economy*'[15]. President Xi laid out his vision of BRI clearly in 2013[16] in terms of '*a vast network of railways, energy pipelines, highways, and streamlined border crossings, both westward … and southward*'. It may not be wholly incorrect to argue that China casts a wide net in terms of the destination of its investments, but chooses to invest more and more, and in a consistent way, into those countries that agree to become part of BRI in a formal way through a MOU. China's investments under its flagship 'Go Global' policy seek to fill in the shortfall in infrastructure funding to the tune of $800 billion, as estimated in the African Economic Outlook report prepared by the African Development Bank (2018). However, much of this investment goes into BRI countries only. African countries that are not part of the BRI receive significantly less and inconsistent FDI flows from China. Using this route, China seems to have been motivating non-member countries to join the BRI. The large volume of Chinese investment reveals an obvious connection between the form of BRI membership (MOUs signed for various infrastructure and construction projects) that necessitates investment flows into member countries, and FDI from China. There is no common formal pact that binds BRI members. Each member signs a project specific agreement with China, which signifies entry into the BRI club and becomes the route for Chinese investment into the partner country. This explains the observation that China continues to pour more money into a country through infrastructure related projects once it signs into BRI, while the locational preference for its investments is based on its 'Go Global' policy.

In contrast, the CW alliance is rooted in a shared colonial history. It seeks development, democracy and peace among its member countries as its goals and has a common charter that binds members together (Dilley, 2020; Kirby, 2011). Such an alliance does not necessitate direct investments into specific sectors like infrastructure (as in the case of Chinese OFDI) to guarantee entry into the CW club, but it works indirectly to influence investment choices for India. Prime Minister Modi embraced this partnership, by doubling India's contribution to the Commonwealth Technical Cooperation Fund which aims at promoting trade and investment among member countries (The Economic Times, 2020), and adding US $10 billion worth of lines of credit towards strengthening India's engagement with African countries at the last Indo-Africa summit held in Uganda in 2015. These initiatives are proof that '*Africa is among top priorities for India and the momentum of cooperation will be sustained through regular exchanges*' (Financial Express, 2019). Earlier, India also launched the Indian Technical and Economic Cooperation (ITEC) programme and the Special Commonwealth African Assistance Programme (SCAAP), in 1964 to provide technical assistance through human resource development to other developing countries, with African countries as the greatest beneficiaries (Chakrabarty 2021). Recent initiatives such as the India Africa Focus Partnership Meet in 2014, highlighted India's contribution to diverse areas ranging from agriculture, healthcare to energy security and SME development.[17] India's support is visible in 189 projects in 41 African countries being implemented under concessional loans as per the Kampala Principles (The Tribune 2021). Thus, India's cooperation between member African countries encompasses a broad structure of social, political, and economic development along with India's contribution in the collective efforts to improve democratic standards in member states (Murthy, 2018). This places the alliance at the center of India's engagement with Africa for trade, foreign aid and foreign policy matters. Overall, India has a focused policy for CW countries with special emphasis on greater cooperation with Africa that is centered on the promotion of trade, technology transfers, knowledge sharing, and skills development (Barka & Mlambo, 2011).

6. Conclusion

With these empirical findings and the extending theoretical logic of institutional imprinting to IB research, our study makes significant contributions to the extant literature. On the one hand, it resolves the puzzling question of why FDI flows into weakly governed countries by emphasizing the role of the source country's institutional environment (Habib & Zurawicki, 2002; Egger & Winner, 2006; Cuervo-Cazurra, 2006). On the other hand, it confirms that institutions are powerful explanatory variables for determining FDI flows in and from emerging markets (Hoskisson, Wright, Filatotchev & Peng 2013; Chan & Pattnaik, 2021). Most importantly, it advances the stream of literature on institutional theory in IB as scholars often assert that an academic understanding of the role of institutions in IB is still far from complete (Jackson & Deeg, 2008, 208; Aguilera & Grøgaard, 2019). There are several dimensions of institutions, such as institutional change, institutional distance, institutional evolution, institutional uncertainties, and institutional voids, which affect FDI decisions in numerous ways. In other words, institutions have multifaceted effects through which they affect internationalization decisions in general, and FDI decisions in particular. To that effect, our study conclusively reveals one such nuance through the institutional imprinting lens.

Moreover, our study helps us in balancing the IB literature by emphasizing the role of non-economic factors, such as institutional environment, in determining FDI (Kang & Jiang, 2012). The majority of IB studies have predominantly focused on economic attractiveness of host locations, motivations of the investing firm, ownership advantages and the firm's ability to internalize production in the host country because traditional theoretical frameworks of FDI – notably the OLI (Ownership-Location-Internalization) framework (Dunning, 1979, 1993), the DLE (Disintegration-Location-Externalization) framework (Kedia & Mukherjee, 2009), the Uppsala Model (Johanson & Vahlne, 1977; 2009) and Internalization Theory (Buckley & Casson, 1976) – have continued to dominate empirical research (Munjal, 2014; 2017).

On the empirical front our study successfully underlined the distinctiveness of Indian OFDI which is clearly based on the planks of cooperation (through country alliances), reliability (lower variation in volumes), transparency (better control of corruption) and democratic accountability. This distinctiveness of Indian investment has remained underexplored in the literature because most of the studies barring a few (e.g., Varma et al., 2020) have predominantly focused on Chinese FDI (see Mukherjee, Kumar, Mukherjee, & Goyal 2022 for a review on international business and management research on India).

Our study has significant implications for policymaking and future research directions. Indian investments in Africa have a longer history than Chinese investments, dating back to the early 1900 s. India's engagement with Africa is multifaceted, and takes multiple routes which can be harnessed further by African countries to fill in the domestic gaps in financial and technology related sectors. The importance of Commonwealth membership has the potential to provide an easy foot in the door for potential host nations; membership of a country alliance is an advantage that they can build on for self-interest. There is an implicit 'meshing' of African interest with India and China that furthers the potential of mutual benefit. African countries seek to improve their governance standards for their own meritorious reasons through new regional initiatives, such as African Union Convention in Preventing and Combating Corruption, Southern Africa Development Community (SADC) Protocol against Corruption, Economic Community of West African States (ECOWAS) Protocol on the Fight against Corruption, among others. Together they can attract higher investments from India as governance plays an important role in destination and volumes of Indian

[15] https://news.cgtn.com/news/3d3d774e3249544d34457a6333566d54/index.html.

[16] https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative.

[17] https://www.cii.in/Digital_Library_Details.aspx?enc=pZVQM37jtSRTHIkmBsithdaa5VHEtCnBkSRE687tbu6THmqe58Qw/Gca4DcdGLCp.

investments in Africa. This may also strengthen their voice against debt-trap diplomacy of China and potentially attract more Chinese investment for market seeking purposes.

There is space for investigating the role of historical versus contemporary Indo-African and Sino-African ties, and Africa's socio-economic environment in attracting greater inflows from India and China. This environment manifests as a cultural and political affinity between Africa-India and Africa-China, large Indian and Chinese diaspora community, and historical relationships that help to build business ties. Some of these ties take the form of investments by Indian and Chinese firms, such as TATAs and China National Petroleum Corporation. These firms make some of the largest volume of investments into Africa on a cumulative basis for the period under study. A firm level study can be useful to investigate the drivers of such investment flows, including from business groups' perspectives.

Our analysis with aggregated FDI flow at country level implicitly assumes that all Indian and Chinese firms have the same institutional imprinting. This limitation can be further culled by a firm level study. Moreover, home-host country institutional analysis may be expended at an industry level. Resent research posits that industry-based structural contingencies interact with country/firm level heterogeneities to affect FDI flows (Lahiri, Mukherjee, & Peng, 2020). Additionally, our study considers annual aggregate investment flows to Africa as a whole. There is merit in research based on regional classification of host countries, as the countries are disparate in their socio-economic and political structures. A regional grouping may shed additional insights into investing patterns and possible role of geographical proximity within a region in attracting investments.

Finally, our study does not pay much attention to home country specific 'push' factors that drive Indian as well as Chinese investments to particular sectors in Africa. Data shows that state-owned enterprises (SOEs) have largely followed the natural resource trail in Africa, unlike privately owned enterprises that have focused on financial and manufacturing sectors. There is scope to expand on the relatively lesser academic attention on investments by Indian SOEs, as compared to Chinese SOEs. This is partly attributable to larger FDI by China. However, future research can explore if and how, Indian SOEs weave in the specific influences that go into choosing the host countries. The case of ONGC Videsh Limited with substantial investments in Sudan, Libya, and Egypt that are not a part of the CW is illustrative of the dominance of securing energy security for India, in an effort to reduce its dependency on Middle East countries. A consideration of ownership structures of investing firms could also reveal their motives of location and investment sizes at a micro level.

CRediT authorship contribution statement

Surender Munjal: Writing – review & editing, Writing – original draft, Resources, Methodology, Formal analysis, Data curation, Conceptualization. **Sumati Varma:** Writing – review & editing, Writing – original draft, Data curation, Conceptualization. **Ankur Bhatnagar:** Writing – review & editing, Writing – original draft, Methodology, Data curation.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Data availability

Data will be made available on request.

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