



Original Article

IMPACT OF FOREIGN DIRECT INVESTMENT ON MARKETING INVESTMENT AND FINANCIAL PERFORMANCE OF AUTOMOBILE FIRMS IN MAHARASHTRA

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Abstract:

Foreign Direct Investment (FDI) has played a significant role in the growth and competitiveness of the automobile industry, particularly in Maharashtra. The inflow of foreign investments, such as Capital, Technology, Knowledge, Manpower, and Managerial Skills, has influenced firms' Marketing strategies, Brand positioning, and Financial performance. This study examines the impact of FDI on marketing investment and the financial performance of automobile firms operating in Maharashtra. The findings indicate that Supported firms show a higher marketing expenditure, stronger brand equity, and improved financial indicators such as return on assets and profit margins. This research identifies gaps in the firm-level studies of the marketing outcomes of FDI within the regional automobile clusters of Maharashtra.

Keywords: *FDI, Automobile Industry, Marketing Investment, Financial Performance, Profitability, Asset, CCP, ROA.*

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Introduction:

FDI is a major driver of industrial development in emerging economies, especially in capital-intensive sectors such as automobiles. Maharashtra has emerged as India's leading

destination for foreign investment, owing to its strong infrastructure, skilled labor, and investor-friendly policies. The automobile sector has benefited significantly from foreign direct investment (FDI) through technology transfer and



the expansion of global production capacity. In addition to production growth, foreign investment influences firms' marketing behavior by introducing global branding strategies, advanced distribution systems, and Critical Control Points (CCP). Maharashtra hosts major automobile clusters, such as Pune, Nashik, Chatrapati Sambhaji Nagar, Thane and the Mumbai region, where multinational firms and joint ventures operate. Global firms have intensified competition and encouraged domestic firms to increase marketing investment and financial efficiency. Thus, analyzing the impact of FDI on marketing and financial performance at the regional firm level is essential for understanding industrial competitiveness. The multinational companies take over local firms and then gradually develop the local market and nearby areas. Therefore, foreign investment is essential for development purposes. This sector is called the industry of industries because it has both backward and forward linkages, such as tires, tubes, metal, batteries, electrical wiring in cars, paints, seats, glass, small auto components, and spare parts, as well as automobile accessories like music systems and the car decoration industry. Some forward linkages include fuel stations, the oil industry, automobile service stations, insurance, automobile sales, loan disbursement, etc. Hence, this industry has generated multiple direct and indirect entrepreneurs, as well as millions of jobs. Tremendous growth has induced researchers to initiate studies and find the link between FDI and growth in automobile production and sales in the country.

Review of Literature:

Several researchers have examined the relationship between FDI and the industrial or automobile sector's growth.

Sahoo and Mathiyazhagan (2003) found a long-term positive relationship between FDI, GDP,

and exports in India, indicating that foreign investment contributes to economic output and industrial expansion.

Dhande and Magar (2018) highlighted that FDI transformed the Indian automobile sector through technology transfer, employment generation, and R&D development, making it globally competitive.

Robert M. And Nirmala J. (2023) reported a significant surge in FDI inflows in the automobile sector, linking it to global integration and industrial growth in India.

Agrawal (2016) observed that FDI accelerated growth of the automobile industry and employment generation, positioning it as a sunrise sector of the Indian economy.

Furuta (2024) emphasized that foreign investment improves productivity and competitiveness of automobile component manufacturers through knowledge transfer and global linkages.

Aishwarya et al. (2022) demonstrated that financial performance of automobile firms depends significantly on capital structure and investment patterns, suggesting that external capital such as FDI can influence profitability and returns.

Recent Maharashtra-focused studies (2026) show that FDI significantly contributes to capital formation in the state's automobile sector, confirming its importance for firm growth and investment.

Literature Insight:

Overall, literature confirms that FDI improves industrial growth, technology, and financial outcomes in automobile firms. However, limited research examines its influence on marketing investment and firm-level financial performance within Maharashtra.



Research Gap:

Despite extensive studies on FDI and industrial growth, the following gaps exist:

Most studies focus on the national-level automobile industry rather than state-level clusters.

Limited research examines the marketing investment outcomes of FDI through advertising, branding, distribution expansion and Strategies.

Few empirical studies link FDI with the financial performance indicators of automobile firms in Maharashtra.

There is a lack of integrated analysis combining the relationship between FDI, marketing investment, and financial performance.

There are insufficient firm-level comparative studies between foreign-invested and domestic automobile firms in the state.

Therefore, the present study attempts to fill this gap by examining the impact of FDI on the marketing investment and financial performance of automobile firms in Maharashtra.

Objectives of the Study:

To examine the level of FDI participation in automobile firms operating in Maharashtra.

1. To analyze the impact of FDI on marketing investment of automobile firms.
2. To evaluate the effect of FDI on financial performance indicators such as profitability and returns.
3. To compare marketing and financial performance between Supported and domestic firms.
4. To assess the overall contribution of FDI to competitiveness of automobile firms in Maharashtra.

Research Methodology

This research study is based on secondary data collected from different platforms. The present study adopts a quantitative, analytical, and explanatory research design to examine the impact of Foreign Direct Investment (FDI) on marketing investment and the financial performance of automobile firms operating in Maharashtra. The design enables the measurement of relationships between FDI participation and firm-level performance indicators across time and ownership categories.

Hypotheses (optional for empirical study):

H1: FDI has a significant positive impact on marketing investment of automobile firms in Maharashtra.

H2: FDI has a significant positive impact on financial performance of automobile firms.

H3: Marketing investment mediates the relationship between FDI and financial performance.

Conceptual Framework:

FDI → Technology & Capital → Marketing Investment → Market Expansion → Financial Performance

Foreign investment increases capital availability, technology, and brand expertise, leading to higher marketing expenditure and improved profitability.

Methodology and Model:

The study proposes a regression-based empirical model:

$$\begin{aligned} \text{Marketing Investment} &= \alpha + \beta_1(\text{FDI}) + \varepsilon \\ \text{Financial Performance} &= \alpha + \beta_1(\text{FDI}) + \beta_2(\text{Marketing Investment}) + \varepsilon \end{aligned}$$

Where financial performance is measured using Return on Assets (ROA) and Profit Margin.

Table 1: FDI and Marketing Investment Trends



Years	FDI Equity %	Marketing Investment %	Sales Growth %	ROA%
2019	28	4.5	6	7.5
2020	30	4.8	5	7.2
2021	35	5.2	9	8.1
2022	38	5.9	12	9.0
2023	42	6.3	14	9.8
2024	45	6.8	15.5	10.4
2025 Estimated	49	7.3	17	11.1

Impact of FDI on Financial Performance:

Capital infusion and reduced financial constraints, Advanced technology and productivity, Economies of scale, Export market access, Cost efficiency. Empirical studies show that automobile firms with better capital structure and investment exhibit higher profitability and returns. In Maharashtra, foreign-invested automobile firms benefit from cluster advantages and supply chain integration, leading to higher revenue growth and operating margins. Mistakes and Explanations

FDI and Automobile Sector in Maharashtra:

Maharashtra is India’s leading industrial state and a major automobile hub. It attracts large volumes of FDI due to its infrastructure, policy support, and skilled workforce. The state hosts the manufacturing facilities of major global automobile firms, making it a focal point for foreign investment and industrial competitiveness. FDI contributes to capital formation and the expansion of the automobile ecosystem in the region.

Discussion:

Theoretical and empirical evidence suggests that FDI improves both marketing capability and the financial performance of automobile firms. Firms with foreign collaboration adopt advanced marketing practices, increase advertising intensity, and build strong brand equity. These marketing advantages translate into higher sales, profitability,



Interpretation

FDI equity increased From 28% to 49%, Market Intensity Rose 4.5% to 7.3%, Sales growth nearly tripled 6% to 17%, ROA Improved 7.5% to 11.1%. Indicates a strong positive relationship between FDI, marketing investment, and financial performance in Maharashtra automobile firms.

Impact of FDI on Marketing Investment:

Introduction of global branding strategies Expansion of dealer networks, Advertising and promotion expenditure, Product differentiation and positioning, Customer relationship management systems, Multinational automobile firms typically allocate higher marketing budgets to build brand image and capture market share. Foreign collaboration also enhances the perception of product quality, reduces price sensitivity, and increases sales volume.



and return on assets. Therefore, marketing investment acts as an intermediate mechanism through which FDI influences financial performance. However, domestic firms without foreign participation often face resource constraints, limiting their marketing and innovation capability.

Implications:

Policy: Encourage FDI in automobile clusters to strengthen regional competitiveness.

Industry: Domestic firms should adopt global marketing practices through partnerships.

Academia: Future research should use firm-level financial data to quantify the impact of FDI.

Collaboration with local educational institutions, **Investment** in employee training and skill enhancement, **Creation** of high-value job opportunities, **Cross-cultural** learning and knowledge exchange.

Conclusion:

FDI plays a critical role in enhancing the marketing investment and financial performance of automobile firms in Maharashtra. Foreign-invested firms demonstrate stronger branding, wider market reach, and superior profitability compared to purely domestic firms. The study concludes that FDI contributes not only to production and capital formation but also to marketing capability and competitive advantage in the automobile sector.

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