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REVIEW OF LITERATURE OF JOINT VENTURES IN INDIAN OIL SECTOR

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Abstract

During my literature review we noticed that a lot has been studied about joint ventures internationally and nationally, almost all services like automobile, banking, technology was seen. But not much studies have been done on the joint ventures existing in the Indian oil sector. we have carried out a literature review based research spanning from pre-liberalization period to post liberalization period in India and all available literature internationally. With this paper, a scenario about the research on joint ventures in Indian oil sector can be presented. We can know about the research that is already done on joint ventures and Indian oil sector. Also, the major researchers are identified and their contribution to the existing pool of knowledge can be known. All past research showing the effect of joint ventures are carried out in other services sector and this paper can shed new light on joint ventures in Indian oil sector.This paper is limited by the availability of literature and the Further research can be carried out identifying the main joint ventures of Indian oil sector and carrying out a detailed analysis of their financial performance, or the effect of their announcement and its effect on shareholder wealth.

Keywords:

Joint Venture;

Indian oil sector;

Literature Review;

Financial performance;

Major players.

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INTRODUCTION

Oil industry is clearly the most capital seeking industry in the world. It involves many activities ranging from exploration, digging, production, refining and distribution. And it is a well-known fact that the exploration and production of petroleum and gas deposits is extremely expensive. The average cost of completion of a well ranges between 60 crore rupees 100 crore rupees. From a practical point of view, it's better to share the cost and also the risk involved in exploration. It broadly spreads the high costs over different enterprises to make the project feasible. The other important reason to form different form of strategic alliances is to avoid unnecessary duplication of resources. So, collaboration of any kind is an added advantage in this sector. In Indian oil sector, we see joint ventures in all stages of oil production from exploration to distribution.

The vast no of joint ventures in Indian oil sector was the underlying reason to write this article. I have identified 63 joint ventures formed by major 5 oil companies of India. 5 companies were seen as they formed the major market share in the oil sector. During the preliminary research, it was seen that majorly the joint ventures were formed after liberalization. The major reason for this was that new markets and new opportunities opened up to investors. The impact created by the liberalisation along with globalisation forced Indian organizations to make various strategic alliances for their existence and growth.

Also, it was seen that a large number of studies have been done on joint venture. This further accentuates the importance of joint venture studies for the management. There have been studies done on almost every aspect of joint venture from their formation to termination. In the Indian industry, also researchers have picked it up as a topic for their doctoral studies or published articles on major joint ventures as case studies or just touched up an aspect such as the advent of joint ventures or their effect on growing economy. But despite the in-depth research there was a dearth of research on joint venture activities in the Indian oil sector. Very few have picked up this sector and evaluated the effects of such alliances here. My intention of writing this paper is to outline a literature guide to joint ventures in Indian oil sector. All the available data on this topic is tried to be incorporated here. Along with it relevant data on Indian oil sector and joint venture is also reviewed and summed up for fellow researchers who wish to carry research in this field.

LITERATURE REVIEW

Due to the lack of literature on oil industry JVs, the literature review done for this study is heavily influenced from work done on manufacturing and financial services JVs. It is this lack of research on JVs in the Indian oil industry that is tha main reason to carry out the current study.

TABLE 1- MAJORLY CITED ARTICLES ON "OIL INDUSTRY

S.no.	Authors	Industry`	Country	Period of study	Result
1.	Charles B Renfrew	Oil industry	U. s	1940-1990	Oil industry has been using joint ventures to diversify the cost of expensive and risky projects and avoid duplication of resources.
2.	Soumitra Chaudhary	Oil companies	India	1965-1973	There is a problem of mobilizing capital resources and finding cheap capital to develop high cost oil
3.	William Van Lear	Oil industry	Opec	1980-1990	Oil companies should cooperate with major Opec nations to increase stability, and profitability and attain better control over the industry.
4.	Ming Zeng	Oil industry	Us and Europe		Jv partners having distinctive competencies can have more problems in implementation of potential complementaries
5.	David H Kent	Oil industry	U. s	1954-1973	Non-joint ventures perform better than joint ventures in identifying potential productive leases.
6.	Alan Rockwood	Oil industry	U. s		Joint ventures lead to a consistent and significant positive relationship to cash bonus for oil and gas leases by diversifying risks at firm level.

TABLE 2- MAJORLY CITED ARTICLES ON "JOINT VENTURES IN INDIA"

S.no .	**Authors**	**Industry `**	**Cou ntry**	**Period of study**	**Result**
1.	Prashant Kale &JaideepAna nd	Different industries	Indi a	1992-2002	Liberalization opened up more investment opportunities and reduced reliance on local firms and mnc formed more jv with local firms.
2.	K Balakrishnan	Different industries	Indi a	1960-1976	Despite the increasing no of joint ventures abroad the efforts have been falling due to long term planning of entrepreneurs and government.
3.	M K Raju	Different industries	Indi a	1979	Indian joint ventures perform poorly majorly due to structural and financial disadvantages and the inability to recognize old paradigms in India.
4.	Peter Nunnenkamp & Maximiliano Sosa Andres	Different industries	Indi a	2000-2009	Fade projects favor wholly owned subsidiaries over joint ventures due to less risk and corruption.

TABLE 3- MAJORLY CITED ARTICLES ON "JOINT VENTURE ANTECEDENTS"

S.no.	Authors	Industr y	Coun try	Period	Result
1.	Paul W. Beamish & Nathanial C. Lupton	Differ ent industr ies			Research shows the major characteristics of a joint venture and its success factors
2.	James J Cordeiro	Differ ent industr ies	U. s	1988	Larger firms have more director interlocks, more outside directors and more incentives so they put long term performance plans in place.
3.	Williem H Newman	Differ ent industr ies	China	1992-2002	Guidelines are dealt out for dealing with the issues related to forming a joint venture
4.	K V K Ranganathan	Differ ent industr ies	Islam ic count ries	1970-1982	Indian joint ventures are spread out in Islamic countries irrespective of the religious bias

5.	J Peter Killing	Different industries	Us and Europe	1960-1970	It gives an outline for successfully managing a joint venture by considering shared and dominant parenting
6.	Pierre Xavier Meschi	Different industries	China	1994-2002	Valuation effect of a joint venture depends on the experiences company possesses.
7.	Jun Chen, Tao Hsien Dolly King, Min-Ming Wen	Different industries	U. s	1985-2011	Jv creates significant bondholder value and there is a positive correlation between stock and bond abnormal returns
8.	Alessandra Amici, Franco Fiordelisi, Fransesco Masala, Ornella Ricci, FedricaSist	Banking	Us and Europe	1999-2009	Investors in banking industry have a preference between jv and strategic alliances but different variables affect their value creation
9.	SeungHo Park &Dogcheol Kim	Electronics industry	U. s	1979-1988	Valuation of a joint venture depends on relationship between partners and their contribution and control and partner size.
10.	Yuan Zhang, Runtian Jing &Wenhao Fu	Different industries	China	1995-2004	A jv with a monopoly ownership structure and greater cultural distance performs better
11.	Shane A Johnson & Mark B Houston	Different industries	U. s	1991-1995	Horizontal joint ventures create synergistic gains while vertical ones only benefit the suppliers
12.	J Michael Geringer& Louis Hebert	Manufacturing industries	Us and canada	1979-1985	If a parent firm is satisfied with a jvperformance it is likely to be in operation but apart from subjective performance other factors also affect stability.
13.	Jeffrey J Reuer	Different industries	U. s	1985-1995	Parent firms that experience positive shareholder wealth with jv formation do the same with its termination
14.	H Kevin Steesma, Jeffery Q Barden, Charles	Different industries	Hungary	1996-2001	The relationship between partners decides the ownership of the venture in case of internalization by one of the partners over time

	Dhanraj, Marjorie Lyles & Laszlo Tihanyi				
15.	Xiaoyun Chen, Alex Xin Chen & Kevin Zheng Zhou	Different industries	China	2014	A firm's differentiation capacity is positively affected by customer and technology orientation but differently affected by strategic orientation depending on foreign parent control.
16.	Joseph E Finnerty, James E Owers& Ronald C Rogers	Different industries	U. s	1976-1979	When contrasted with mergers joint ventures show no abnormal returns at the time of formation.
17.	Bruce Kogut	Manufacturing	U. s	1975-1983	Unexpected growth in the product market increase the chances of acquisition
18.	Sanford V Berg & Phillip Friedman	Chemical industry	U. s	1964-1973	In chemical industry, complementary technology plays an important role
19.	Yadong Luo	Different industries	China	1988-1991	Partner selection criteria affect the overall performance of a joint venture and also its growth, expansion and risk reduction
20.	Andrew C Inkpen& Steven C Curall	Different industries	U. s	2004	The level of trust between jv partners decides the structure and control mechanism of the joint venture.
21.	David A Kirbey& Stefan Kaiser	Different industries	Uk and germany and china	1987-1996	Jv can be a successful market entry strategy for smes with limited resources and knowledge of the market.
22.	Jean Francois Hennart	Different industries	U. s	1988	It differentiates between link and scale jvs, gives the reasons for their widespread use and explains the types of jv involved
23.	Jeffrey J Reuer& Kent D Miller	Different industries	U. s	1988-1994	Valuation of the parent firm is related to the equity held by insiders and also the interaction of debt financing and free cash flow

24.	Yadong Luo	Different industries	China	2003	Opportunism plays a crucial role in increasing the performance of a joint venture in a volatile environment
25.	M V Shyam Kumar	Different industries	U. s	1985-2003	The effects of cooperative behaviour and common benefits in a jv is stronger than non-cooperative behaviour and private benefits
26.	Jing Li, Changhui Zhou & Edward J Zajac	Different industries	China	1999-2003	In a international jv foreign ownership effects productivity but a dominant foreign ownership can reduce benefits
27.	Charles Dhanaraj& Paul W Beamish	Different industries	Japan		In a jv if the equity is less than the chances of dissolution are more which decrease with increase in equity.
28.	Linda Longfellow Blodgett	Different industries	U. s	1971-1981	A joint venture is more unstable if it has started with different equity ownership and when there is renegotiation before.
29.	Hemant Merchant & Dan Schendel	Different industries	U. s	1986-1990	Returns associated with jv announcement increase with r&d activities, partner relatedness, large size and higher equity ownership.
30.	Shige Makino, Christine M Chan ,TakehikoIsobe & Paul W Beamish	Different industries	Japan	1996-2001	Most jv are terminated unintentionally and the reason for termination depends on the initial purpose f formation
31.	Kathryn RudieHarrigan	Different industries	U. s	1975-1986	The industry in which a joint venture is to be formed determines the form, focus, duration and autonomy dimensions of firm's cooperative strategies.
32.	Jean Francois Hennart& Sabine Reddy	Different	U. s	1978-1989	Joint ventures are chosen when the cost of managing the merged unit is raised due to the desired assets.
33.	M V Shyam Kumar	Different industries	U. s	1989-1998	Jv divested to refocus a company's market portfolio creates value while those with acquired with growth and expansion objective maintained the same value
34.	Jean Francois Hennart , Thomas Roehl	Different industr	Us	1989-1989	Longevity of a joint venture depends on the learning process the partners and strategies used rather than the nationalities

	&Dixie S Zietlow	ies			
35.	JeongsukKoh& N. Venkatraman	I.t industry	U. s	1972-1986	JV announcements generally increase the market value of parent firms
36.	RavindranathMadhavan& John E Prescott	Different industries	U. s	1978-1991	Information processing load of an industry has an effect on investor response to joint venture announcements.
37.	Tony W Tong, Jeffrey J Reuer& Mike W Peng	Manufacturing	U. s	1989-2000	Ijv increase a firm's growth options but in well-defined situations
38.	William H Newman	Different industries	China	1992	Focused joint ventures are most suitable for building relationships in developing countries for small operations
39.	Kimberly C Gleason, Ike Mathur& Roy A Wiggins	Financial industry	U. s	1985-1998	Increase in wealth is seen of firms that announce their participation in a joint venture
40.	John J. Mcconnell& Timothy J. Nantell	Different industries	Us	1972-1979	Significant gains arise from JV similar to those of mergers and the smaller partner earns excess return than the stockholder of the larger partner
41.	Bruce Kogut	Different industries	U. s	1975-1983	Jv excluding r &d intensive units are more dissolved
42.	Sanford V Berg & Phillip Friedman	Different industries	U. s	1964-1975	Joint ventures formed for knowledge acquisition do not increase the rate of return
43.	Jerome L Duncan Jr.	Different industries	U. s	1964-1976	Horizontal joint ventures do not significantly increase the rate of return

CONCLUSION

It was found that the effect of joint venture formation in India isn't analysed on a large scale in contrast to abroad where good quality research is done on this topic. Major research on joint venture has been carried out in U.S Whatever research has been carried out in India it has been done majorly on the banking, financial services manufacturing sector. Very few researchers have focused on Indian Oil sector.

Studies on Joint ventures in the oil industry amount to less than five percent of total number of articles written on JVs. Apart from this only few thesis are written on JVs in oil industry. Due to the lack of literature on oil industry JVs, the literature review done for this study is heavily influenced from work done on manufacturing and financial services JVs. It is this lack of research on JVs in the Indian oil industry that is tha main reason to carry out the current study.

The Indian oil sector was a timely blessing and is still going on. We need to see the strategies for strengthening it further and that can be only done if we carry out intensive research on its different aspects. Going by the vast no of joint ventures we can claim that joint ventures in Indian oil sector need to be researched as they have a potential bearing on its profitability. We also know that all the major players whether ONGC,IOCL or HPCL all have more than few joint ventures with other companies so there is a lot of potential research areas to be explored.
Despite of numerous studies being carried out on this particular topic we still see that a lot can be researched on joint ventures in India and specifically in the oil sector. Researchers can identify the major joint ventures in this sector and know their financial position by various profitability measuring tests. Apart from this case studies can be done on a particular joint venture to know its strengths and weakness. Also , the entire oil sector can be studied in terms of its major players and their contributions to it and the Indian economy as such.

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