

Foreign direct investment

[Finance](#), [Investment](#)



Foreign Direct Investment (FDI) FDI or Foreign Direct Investment is any form of investment that earns interest in enterprises which function outside of the domestic territory of the investor. Foreign direct investment is that investment, which is made to serve the business interests of the investor in a company, which is in a different nation distinct from the investor's country of origin

Benefits of Foreign Direct Investment One of the advantages of foreign direct investment is that it helps in the economic development of the particular country where the investment is being made.

This is especially applicable for the economically developing countries. During the decade of the 90s foreign direct investment was one of the major external sources of financing for most of the countries that were growing from an economic perspective. It has also been observed that foreign direct investment has helped several countries when they have faced economic hardships. Foreign direct investment also permits the transfer of technologies. This is done basically in the way of provision of capital inputs.

The importance of this factor lies in the fact that this transfer of technologies cannot be accomplished by way of trading of goods and services as well as investment of financial resources. It also assists in the promotion of the competition within the local input market of a country. The countries that get foreign direct investment from another country can also develop the human capital resources by getting their employees to receive training on the operations of a particular business.

The profits that are generated by the foreign direct investments that are made in that country can be used for the purpose of making contributions to the revenues of corporate taxes of the recipient country. Foreign direct

investment helps in the creation of new jobs in a particular country. It also helps in increasing the salaries of the workers. This enables them to get access to a better lifestyle and more facilities in life. It has normally been observed that foreign direct investment allows for the development of the manufacturing sector of the recipient country.

Foreign direct investment can also bring in advanced technology and skill set in a country. There is also some scope for new research activities being undertaken. Foreign direct investment assists in increasing the income that is generated through revenues realized through taxation. It also plays a crucial role in the context of rise in the productivity of the host countries. In case of countries that make foreign direct investment in other countries this process has positive impact as well. In case of these countries, their companies get an opportunity to explore newer markets and thereby generate more income and profits.

It also opens up the export window that allows these countries the opportunity to cash in on their superior technological resources. It has also been observed that as a result of receiving foreign direct investment from other countries, it has been possible for the recipient countries to keep their rates of interest at a lower level. It becomes easier for the business entities to borrow finance at lesser rates of interest. The biggest beneficiaries of these facilities are the small and medium-sized business enterprises.