

Impact on economic growth

Business



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The first, essential way to determine the impact of the FDI is the economic growth.

Basing on the influence of the traditional growth, we can thus employ the cross-country analysis based on the model similar to the one of Solow. The output is characterized by the following: $Y = K^\alpha H^\beta [AL]^{1-\alpha-\beta}$, $\alpha > 0$, $\beta > 0$, $\alpha + \beta < 1$

A model for calculations gets developed by representing the countries by i and time by t . The panel of data Cobb-Douglas production formula is commonly used setting given by the following formula; $y_{it} = a_i + b_t + F_{it}$ is (k_{it}, h_{it}, f_{it}) , where the y represents the y output per capita, while ' a ' is the specific level of the total factory productivity, b representing the time dummy capturing the total changes in total factory productivity. The k , h , and f , do represent the log of inputs per capital the human capital and the FDI respectively (Canning, 1999). Basing on (Vuksic, 2005), the model denotes the various industries by j . The following is the obtained model; in $EX_{jt} = \alpha_j + \alpha_1 \ln PD_{jt} + \alpha_2 \ln ULC_{jt} + \alpha_3 \ln REER_t + \alpha_4 \ln I_j(t-1) + \alpha_5 \ln FDI_j(t-1)$. All the variables have the meanings.

When coming up with a business idea, there are many issues that should be considered and strategized well before commencing the operation. The market has to be surveyed well in terms of competition in order to establish if the business will be profitable enough. The environment has to be conducive and supporting for the business activity. The business should also be environmental friendly so that it can enjoy some privileges such as the reduced taxations as the ones, analyzed in the paper. The political levels have to be stable enough for the healthy business environment. This ensures

that no risks such as political violence based cases, leading to loss of the business and business closure.

The next main issue to consider in any business is the skills, employed to manage and run the business. Businesses get advised to employ the skilled people so as to attain the necessary and appropriate strategies, hence, making the business highly competitive in the market. All these are essential and responsible for the current global patterns, witnessed in the Foreign Direct Investment (FDI).