

# Foreign direct investment (fdi)

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



Foreign direct investment is the overall volume of capital stock directed by companies to a country, where its main headquarters are not located. In short, this is tantamount to capital outsourcing, albeit wide in scope and generally involved with high risks. The more companies investing in a country (compared with countries that have similar conditions) – foreign direct investments – the less risks are involved. In short, because foreign direct investments in India is increasing yearly and is expecting to double in 30 years time, the implication is that associated risks would be less or insignificant.

It is well argued in economics that as a giant corporation is located in a certain place, associated firms will also follow. The relationship between the giant corporations and the associated firms would last so long as economic atmosphere is good, that is, conducive to economic activities. Once, the giant corporation is out of business, those associated firms will lose their financial stability (collapses) – although this may not be true in some cases.

Since Nokia has a large number of associated firms – some of them are Nokia's longtime partners – it would be profitable for them to invest collectively in India. This would reduce the overall risks associated with “lone” investment. Nonetheless, this would also reduce financial costs (both variable and fixed costs), and would drive the companies to the stage of economies of scale (increasing rates of return). Hence, the outsourcing activity of Nokia became a stimulant tool for other associated firms to direct their capital stock to India.

Coupled with economic growth, the overall risks and uncertainty can be reduced.

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