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Impact of FDI on Industrial Policy in Developing Countries Foreign Direct Investment (FDI) is implied as an important factor towards developing the economy of nations. The impacts of FDI can be fundamentally determined as the capacity to provide employment and most vitally raising business opportunities at large. With reference to one of the developing nations i. e. India, it can be stated that FDI inflow in the country could create a spill-over effect on its economy for a longer tenure. The core objectives of the multinational companies belonging to India or any other developing country behind supporting FDI inflow generally include lessening excessive costs and maximizing profitability with high return on investment (ROI). In this similar context, it will be vital to mention that smooth FDI inflow is primarily based on the factors like accessibility of potential workforce, cost of labor and market potentiality among others (Wacker 1-43).

With regards to determine the positive impacts of FDI on the economy of India, it can be asserted that this particular determinant is creating favorable financial conditions towards the growth of the economy in terms of encouraging more investments. Specially mentioning, the issue regarding the economies of scale can be reduced with the help of changing industrial policies that can be either based on the aspects of promoting technical knowhow and increasing productivity. FDI not only leads creation of money in the form of making substantial investments, but also provides a control to the foreign countries specifically on the host nations at large. The impact of FDI as per the study of macroeconomics can be illustrated as depicted in the following:

“ Investment = domestic savings + foreign savings” (Kumar 185-196).

Works Cited

Kumar, Pradeep. “ FDI in India and Its Impact –“ A Critical Evaluation.” IJBMR 1. 3 (2011): 185-196. Print.

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