

Types of foreign direct investment and key drivers economics essay



Foreign direct investment (FDI) refers to long term participation by country A into country B . It usually involves participation in management, joint-venture, transfer of technology and expertise. There are two types of FDI: inward foreign direct investment and outward foreign direct investment, resulting in a net FDI inflow (positive or negative) and “ stock of foreign direct investment”, which is the cumulative number for a given period. Direct investment excludes.

In foreign direct investment shows the transfer of technological innovation between two country such as A and B and transfer of knowledges , policies between two countries. So we conclude that this foreign direct investment helps two countries to innovate their technology and liberalizing the policies between each countries

(FDI) is a measure of foreign ownership of productive assets, such as factories, mines and land. Increasing foreign investment can be used as one measure of growing economic globalization. The largest flows of foreign investment occur between the industrialized countries (North America, Western Europe and Japan). But flows to non-industrialized countries are increasing sharply.

And one more definition says that 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.

Foreign direct investment may be classified as Inward or Outward.

Foreign direct investment, which is inward, is a typical form of what is termed as 'inward investment'. Here, investment of foreign capital occurs in local resources.

The factors propelling the growth of Inward FDI comprises tax breaks or as we say liberalising tax, relaxation of existent regulations from previous one's, loans on low rates of interest and specific grants. The idea behind this is that, the long run gains from such a funding far outweighs the disadvantage of the income loss incurred in the short run. Flow of Inward FDI may face restrictions from factors like restraint on ownership and disparity in the performance standard these factors may causes restriction.

Foreign direct investment, which is outward, is also referred to as "direct investment abroad". In this case it is the local capital, which is being invested in some foreign resource. Outward FDI may also find use in the import and export dealings with a foreign country. Outward FDI flourishes under government backed insurance at risk coverage.

Effects

FDI shows the effect on outward and inward foreign direct investment which effect between two countries. countries progress, development somewhat or mainly depends upon FDI effects on countries such as A and B. mainly tax, relaxation of policies, loans on low rates etc are the main functions of FDI in between countries.

CONCLUSION

I want to give conclusion after reading the definition of FDI is that foreign direct investment are the investment which shows long term participation between two countries. which may of transfer technology , or other innovative ideas about technology etc. between two countries.

So this term FDI is much needable for developing or may be for developed countries.

FDI: KEY DRIVERS FOR INDUSTRIAL DEVELOPMENT

FDI as key drivers for industry may be in many ways one definition I discussed below about auto industry of india. and these para, s are taken from FICCI WEBSITE about Indian business with the helpof FDI.

AUTO INDUSTRY

On the canvas of the Indian economy, automotive industry occupies a prominent place. Due to its deep forward and backward linkages with several key segments of the economy, automotive industry has a strong multiplier effect and is capable of being the driver of economic growth. A sound transportation system plays a pivotal role in the country's rapid economic and industrial development. The well-developed Indian automotive industry ably fulfils this catalytic role by producing a wide variety of vehicles: passenger cars, light, medium and heavy commercial vehicles, multi-utility vehicles such as jeeps, scooters, motorcycles, mopeds, three wheelers, tractors etc.

Automotive Industry comprises of automobile and auto component sectors and is one of the key drivers of the national economy as it provides large-scale employment, having a strong multiplier effect. Being one of the largest industries in India, this industry has been witnessing impressive growth during the last two decades. It has been able to restructure itself, absorb newer technology, align itself to the global developments and realize its potential. This has significantly increased automotive industry's contribution to overall industrial growth in the country.

The automotive industry (including components & tyres) has already attained a turnover of

Rs. 2, 20, 600 crore. The industry provides direct and indirect employment to 13. 1 million people. The contribution of the automotive industry to GDP has risen from 2. 77% in 1992-93 to 4. 14% in 2008-09. The industry is also making a contribution of 17% to the kitty of indirect taxes of the Government.

Growth Drivers of Indian Automobile Market

Rising industrial and agricultural output

Rising per capita income

Favourable demographic distribution with rising working population and middle class

Urbanisation

Increasing disposable incomes in rural agri-sector

Availability of a variety of vehicle models meeting diverse needs and preferences

Greater affordability of vehicles

Easy finance schemes

Favourable government policies

Robust production

So these are the lines which we discussed about auto Industry in india.

Key Drivers to Economic Development

What are the

key drivers for

economic

development?

Typical economic drivers applied through local economic development

initiatives include:

Economic Drivers Economic Initiatives

New enterprise

Development

•€ Providing finance for new enterprises

- € Providing micro and managed workspaces

- € Providing technical advice on business

Management

- € Supporting the establishment and implementation

of formal and informal business networks

- € Conducting business mentoring programs

Local business

growth development

- € Undertaking business retention visits and surveys

- € Providing technical assistance to business

- € Providing financial advice and assistance

- € Enacting public procurement policies and “ buy

local” campaigns

- € Providing sites and premises

- € Establishing export clubs

- € Finding new forms of collaboration for emerging

small business

Inward investment

Promotion

- € Developing promotions collateral
- € Offering incentives
- € Targeting investments that fits the competitive

advantage of the receiving community

- € Developing marketing strategies
- € Providing investor aftercare assistance

Sector and business

cluster development

- € Developing broker and network agencies
- € Supporting joint research
- € Developing cluster-focused public procurement

and local purchasing agreements

- € Providing cluster specific information
- € Developing cluster related marketing efforts

Typical economic drivers applied through local economic development

initiatives include – continued:

Economic Drivers Economic Initiatives

Investment in Soft

Infrastructure

·€ Enabling or providing skills training

·€ Providing increased business focused education

and access to education

·€ Supporting research and development

·€ Providing business advisory services

·€ Providing access to capital and finance

·€ Supporting the development of business and trade

associations

·€ Improving delivery of local government services

to businesses

·€ Enacting social inclusion strategies

·€ Enacting crime prevention measures

Investment in sites

or premises for

business

·€ Reclaiming derelict sites

·€ Adapting disused buildings

·€ Preparing industrial and commercial sites

·€ Upgrading out-of-date or abandoned industrial

premises

·€ Developing industrial estates, business parks or

science parks

Investment in hard

infrastructure²

·€ Building or improving key access roads

·€ Improving the railway for passengers and goods

services

·€ Developing, improving and/or expanding the

local airport, port, industrial sites and buildings,

commercial sites and buildings

·€ Increasing the availability of industrial and

portable water

·€ Improving and/or expanding the sewerage

disposal system, telecommunications systems,

and energy systems

·€ Achieving better region-wide broadband

capability

·€ Installing crime prevention equipment

Local business

investment climate

enhancement

·€ Assessing local government performance with

regards to its management of Land and Property,

Planning and Development Control, Infrastructure

Provision and Maintenance, Business Registration

and Licensing, Local Taxation and Fiscal System,

Health and Safety (including environmental),

Internal Operations and Procedures, Investment

promotion and marketing, Information to the

public and Corruption

·€ Reducing bureaucracy

·€ Helping councils conduct their customer relations

in open recognition of the Regional vision

2 Investment in hard infrastructure involves investing in improving the physical environment for

businesses thereby making it more attractive for business retention, expansion and recruitment.

**What are the
key drivers for
economic
development?**

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Continued

Typical economic drivers applied through local economic development

initiatives include – continued:

Economic Drivers Economic Initiatives

Area Targeting /

<https://assignbuster.com/types-of-foreign-direct-investment-and-key-drivers-economics-essay/>

Regeneration

Strategies

- € Enhancing town centres
- € Encouraging investment in growth nodes
- € Encouraging investment into corridors
- € Allowing or encouraging informal markets
- € Retraining redundant workers
- € Outreaching through jobs search and employment programmes
- € Entrepreneurship training and SME support
- € Building community confidence

Low income or hardto-

employ workers

integration

- € Language training
- € Skills retraining and job placement programmes
- € Raising educational achievement

·€ Enterprise training

·€ Helping women to access employment and selfemployment

programs

·€ Micro-enterprise lending programs

·€ Providing for work experience and teacher/pupil

placement schemes

·€ Developing mentor programs

·€ Developing awareness programs

·€ Establishing community resource centres

These interventions and initiatives may be undertaken by a number of organizations including both central and local government, business and community organisations.

SUGGESTION

Suggestion may be that FDI should have to increase more facilities in other areas also because this may help to develop a country much faster than now. so overall performance is much better in many countries.