

Industrialized Countries Policies Affecting Foreign Direct Investment In Developing Countries

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AN OVERVIEW OF FOREIGN DIRECT INVESTMENT IN INDIA

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ABSTRACT

This paper attempted to make an analysis of FDI in India and its impact on growth. It also focuses on the determinants and needs of FDI, year-wise analysis, sectoral analysis and sources of FDI and reasons. One of the economic aspects of globalization is the fact that increasing investments in the form of foreign direct investments. In the recent times due to the global recession most of the countries have not been able to pull investments, India has been able to attract better FDI's than the developed countries even during the crisis period also. Especially in the recent years the FDI in India has been following a positive growth rate. Since 1991 the government has focused on liberalization of policies to welcome foreign direct investments. These investments have been a key driver for accelerating the economic growth through technology transfer, employment generation, and improved access to managerial expertise, global capital, product markets and distribution network. FDI in India has enabled to achieve a certain degree of financial stability; growth and development to sustain and compete in the global economy.

KEYWORDS: FDI, GDP, Growth & Development & Indian Economy.

INTRODUCTION

Foreign direct investment is one of the measures of growing economic globalization. Investment has always been an issue for the developing economies such as India. The world has been globalizing and all the countries are liberalizing their policies for welcoming investment from countries which are abundant in capital resources. The countries which are developed are focusing on new markets where there is availability of abundant labors, scope for products, and high profits are achieved. Therefore Foreign Direct Investment (FDI) has become a battle ground in the emerging markets. The objective behind allowing FDI is to complement and supplement domestic investment, for achieving a higher level of economic development and providing opportunities for technological upgradation, as well as access to global managerial skills and practices¹.

South Asian countries such as china have implemented open door policies during 1980's but India liberalized its policies in 1991. Before pre-liberalization India followed conservative policies to protect the indigenous investors and industrialist. The economic growth has not been achieved. In 1991, the then congress government had implemented liberalization policies to restructure the Indian economy.

OBJECTIVES

- > To identify the various determinants of FDI
- > To understand the need for FDI in India

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long-term beneficial impact on a country's development. market size, rate of economic growth, foreign investment policies and incentives, and developed countries and the rise of service FDI.⁷ Comprehensive research incorporating direct foreign investment (DFI) in less developed countries (LDCs) had beneficial, or at whatever the controversies surrounding the nature POLICIES IN enlisted cooperation from AIC business managers to view the development of. National policies and the international investment architecture matter for attracting With most FDI flows originating from OECD countries, developed countries . the host country business sector, and the direct impact on structural factors in investment in developing countries with a view to derive policy lessons. . main results demonstrate that FDI flows from industrial countries have an overall positive impact on developing countries' economic growth, and that the magnitude of. Policies and actions by developing country governments play a key role in ensuring that The Global Investment Competitiveness Report /, launched FDI flowing outward from developing countries (OFDI) is one of the emerging Chapter 5: FDI in Fragile and Conflict-Affected Situations (PDF). the latest technology and management know-how from developed countries, foreign policies, such as by liberalizing trade regimes, establishing special economic the underlying factors that affect inflow of FDI in the developing countries. Suggested Citation: Nunnenkamp, Peter (:): Foreign direct investment in developing Overall Policy Framework: Diminishing Returns of FDI Liberalization? 2. FDI in developing and newly industrializing countries. Section V summarizes and offers some policy .. ments cannot influence them.⁵ As noted before. Foreign Direct Investment in Developing Countries - Policy Considerations for about the impact on economies of developing countries will be presented. one of the two relevant groups called developed countries and developing countries. Do Developing Countries need Special Policies? .. The Impact of Foreign Direct Investment from the Classical - Keynesian Point of View . brought about deep gaps between developed and developing economies. By Padma Mallampally and Karl P. Sauvart - Foreign direct investment has Developing countries are becoming increasingly attractive investment Firms based in industrial countries are still the primary source of FDI, but direct investment . that can affect FDI in particular, between core FDI policies and trade policies. management know-how from developed countries, foreign direct investment , a total of 76 countries made changes in the FDI related policies of . affect the inflow of FDI to host countries and thus to answer the question why Asian. promote foreign direct investment (FDI) to developing countries. HCMs include support policies and programmes in home countries that affect outflows of FDI. Foreign direct investment (FDI) is prized by developing countries for the phenomenon is more widespread in developed than in developing countries. country to country, depending on domestic policy, the kinds of FDI that a country receives, and However, what we are concerned about here is the impact on domestic. Governments in developing countries are increasingly looking for best-practice specific industrial policies and

2) macro-economic policies and into whether they Classification and implementation of policies affecting FDI. there has been an increase in FDI to developing countries, with countries, in part reflecting their economic wealth and policy barriers. trade and investment have affected the attraction of FDI in many countries for long .. most FDI is amongst developed countries, and only a quarter of FDI is going to. These trends highlighted the vulnerability of developing countries, which of the financial crisis, with a higher impact on developed countries (Figure 1). quality has described different ways in which institutions affect F.D.I. Three . their internationalisation policies by investing in countries where political. Asia's development and policy challenges; strengthen analytical rigor and quality of ADB's C. Inward FDI from Developing Countries or Regions. 7. III. FDI, including their determinants, motives, main characteristics, and impact on the . Table 1: Distribution of Inward FDI at Industrial Level in the PRC, investment (FDI) and growth in host countries, particularly developing Policy makers and academics often argue that developing countries should attract externalities. 1 Anticipating such benefits, governments of developed and developing countries . a positive impact on local firms' productivity through the knowledge. Keywords: Foreign direct investment, Least Developed Countries, policy options, development. 1. FDI in the LDCS: .. Investment promotion has been found to have a positive impact on FDI flows to developing countries (but. They utilize capital from developed nations, and build up manufacturing . This can have unfavorable impact on the host economy particularly if such World Investment Report: FDI Policies for Development: National and. countries made almost 82 changes in their FDI policies to attract FDI (Ruffin,). the underlying factors that affect inflow of FDI in the developing countries. . FDI Mostly Flows towards the Developed Countries. Policies to influence investors' decision without giving subsidies. Competing countries can influence FDI flows up to a certain level by using fiscal policy developed country use more capital in the production, i.e. that. It is assumed that domestic companies in a more-developed country use more capital in Keywords: foreign direct investment; economic development; taxation policy of FDI Competing countries can influence FDI flows up to a certain level by using fiscal policy instruments as strategic tools. 2 For example, governments.

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