B. Com II Sem - NOTES

Unit - 5 -

FOREIGN DIRECT INVESTMENTS (FDI)

1] Meaning of FDI :→ Foreign Direct Investment refers to the process whereby residents of One Country acquire ownerships of assets for the purpose of Controlling the Prodn distribution and other activities of a firm a in another Country.

According to the IMF :- FDI is the category of International Investment that reflects the objectives of obtaining a Lasting intent by resident ~~entitity~~ entity in One economy in an enterprise resident in other economy.

2] Nature of FDI :-

FDI is carried out by Co-orporation rather than individual, like ~~por~~ portfolio Investment the flows of FDI have historically been highly Concentrated, both in terms of Geography and by Industry and at both the investor poles.

Industries from which FDI tends to originate display many characteristics associated with oligopoly. another universal property of FDI is that it is really a package of Complementing inputs a collective flow of both tangible and Intangible assets and Services.

3] Importance of FDI :→

① Foreign Direct Investment (FDI) in economic term is own and Investment made by foreign practices in a Country.

② Foreign expertise can be an Important factor in imporing the existing technical progress in the Country.

③ Advances in technology and process it improves the Competitiveness of Countries in the domestic economy.

④ FDI Can improve the Quality of products and processes in a particular Sector increase attempts to better human resources.

⑤ FDI Can Create Jobs, in an effort to increase productivity, Skilled & Semi-Skilled workers needed.

⑥ futher reduce unemployment & thus reduce Social problems.

⑦ Expertise transfer, research & development require the fees to the high cost of developing the technology.

Page No
3

4] Determinants of foreign Direct Investment.

① Size of the market.

② political Stability.

③ Macro Economic Enviornment.

④ Legal and Regulatory frame work

⑤ ~~B~~ Access to Basic Inputs.

5] Advantages of FDI

FDI has the following advantages.

① Raising the level of Investment.

② up-gradation of technology.

③ Imporvement in Exports Competitiveness.

④ Employment Generation.

⑤ Benefits to Commerce.

⑥ Revenue to Govt.

⑦ It helps Economic Growth.

6] Disadvantages of FDI :→

① when foreign Investment is Competitive with home Investment, profits in domestic Industries fall, leading to fall in domestic Savings.

② Contribution of foreign firms to public revenue Through Corporate taxes is comparatively less because of liberal tax Concessions.

③ FDI Creates imbalances between rural & urban opportunities, accelerating Flow of rural population to urban areas.

④ FDI firms Stimulate inappropriate Consumption patterns through excessive advertising and monopolistic market power.

⑤ Foreign firms able to extract Sizeable Economic and political Concessions from Competing govt. of developing Countries.

copy to
① principal Sir
② nishad Rathod Sir

Yours faithfully
K. B. Billar
Associate prof
SSM college
Shahabad