[Summary]

[Foreign Investment]

Subject:	Business Economics
Course:	B. A. (Hons.), 5th Semester,Undergraduate
Paper No. & Title:	Paper – 541 International Economics
Unit No. & Title:	Unit – 5 New Topics in International Trade
Lecture No. & Title:	Lecture – 4 Foreign Investment

Summary:

Foreign capital can enter the country in the form of:
- Direct Investment: means the concerns of the investing country exercise de facto control over the assets created in the capital importing country by means of that investment. E.g. MNC’s
- Indirect Investment: better known as portfolio investment consists mainly of the holding of transferable securities or guaranteed by the govt. of the capital importing country. Such holdings do not amount to right to control the company. E.g. shares, debenture, bonds etc.

Foreign capital helps in movement of technical know-how and advancements and proves to be of great dynamism. The inflow of foreign capital is indispensable for accelerating economic development. It helps in industrialization, in building up economic overhead capital, and in creating larger employment opportunities. Foreign capital not only brings money and machines but also technical know-how. It opens up inaccessible areas and exploits untapped and new resources. Risks and losses in the pioneering stage also go with foreign capital. Further, it encourages local enterprise to collaborate with foreign experience. It removes the balance of payments problem and minimizes the inflationary pressures. Foreign capital helps in modernizing society and strengthens both the private and public sectors. Foreign capital is thus indispensable for the economic development of LDCS.