

How can a government promote FDI?

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ABSTRACT

Foreign Direct Investment plays a crucial role in the overall economic development and growth of any country. FDI holds great importance in the integration of world economies. FDI helps the economies in modernization by implementing advanced technologies, know-how, etc. The purpose of the paper is to identify how the government promotes its FDI. The paper highlights the policies of the host country to attract foreign investors to invest in their country and also the benefits of the foreign investments to the host country.

Keywords: FDI, IPA, PR, ROI

INTRODUCTION

For developing countries like India, FDI is very important for accelerating economic development, employment and innovation. Today, FDI is considered as an important factor for accelerating the growth of any country. It is believed that greater FDI brings greater benefits to the host country, so attracting FDI has become increasingly important. For countries like India, which is at a developing stage and wants to enter the world economy but has finite resources, FDI is a way to achieve the objective. But for that, it is important to understand FDI in its true sense and formulate policies to attract foreign investments.

Meaning of FDI: foreign direct investment is the kind of cross-border investment in which a party from one country makes an investment in another country with an intention of earning a lasting interest. FDI can be done with an interest in expanding one's business into a foreign country. FDI is an important medium by which countries can transfer their technologies. FDI is an important tool for the development of any nation.

Meaning of investment: investment may be defined as any kind of asset or money that is invested for some long period of time to earn an adequate amount of return on it. Investment is always done with the intention to make a profit from it.

Meaning of investment promotion: it is generally done by the government agencies whose main aim is to attract investors from outside the country. Both domestic as well as foreign country is targeted by investment promotion. Investment promotion helps in increasing productivity, innovation and wages in the country.

Meaning of investment strategies: this is the set of roles, procedures, behavior that is mainly designed to guide investors in designing their investment portfolio. Investment strategies guide investors' decisions based on their objectives and risk profile. It helps investors, as per their expected return, to choose where and how to invest.

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OBJECTIVES

The purpose of the study is to:

- Identify the policies implemented by the countries to attract FDI
- Highlight the benefits of attracting FDI to the host country
- Understand FDI in Marketing and Banking
- Understand the FDI marketing plan
- Analyze creating an FDI brand

RESEARCH METHODOLOGY

The paper analyzes the secondary data from different sources, like research papers, books, journals and articles.

How does investment promotion work?

Investment promotion means basically those efforts which are undertaken by the national or regional government which offer various benefits like incremental wealth and employment. The main aim of investment promotion is to generate private sector investment as its priority. There must be a relationship between the host country's government and its IPA and it also includes a number of variables. The IPA of any country should not be so close as to be part of the country's civil services. By this, it dilutes the possibility of dealing effectively with investors by having a sufficient business focus. It is very important that an IPA must exercise a degree of autonomy in order to take fast decisions that will be supported by the government.

The most important factors to attract FDI and determining an IPA's success are:

- Political visibility with direct links to the highest government officials in terms of IPA
- Good investment climate of the host country
- Private sectors participation who supervises the agencies in the board
- The proactivity's degree in targeted markets

The Importance of making a focus on strong business

- The factors attracting FDI into the host country
- Size of Market
- Resources requirement (natural resources and personnel)
- Infrastructure (transportation, building and communication network)
- Political stability
- Stable and transparent policy towards FDI
- Fiscal and monetary incentives (tax concessions)
- Creating and FDI investment promotion strategies

To make an FDI, it demands a clear investment strategy. Investment strategies are those sets of rules and procedures which are created to guide the investment in designing their investment portfolio. To promote any kind of investment, requires a variety of skills like international marketing, banking, investor targeting market, investment generating, investment management and investment appraisal ideas. To promote any kind of

investment, the key actions must be undertaken to achieve success are listed below.

- Creating investment promotion strategies
- Marketing and branding
- Investor targeting position
- Facilitation of investment
- Investment generating
- Investment management and appraisal ideas

It is very important to create realistic and flexible promotion strategies for an IPA. An investment promotion strategy should address the key questions.

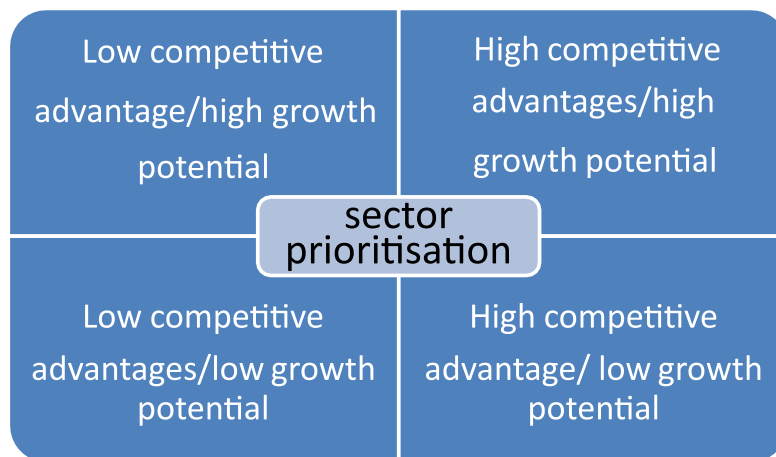
Which sector should be most prioritised?

Which geographical markets should be most prioritised?

Prioritisation of the sector: It includes main factors like competitive advantage and growth potential. The country must first focus on those sectors in which it has a competitive advantage in terms of expertise, existing resources or skills or other elements of investment which attract more potential investors.

The key factor is top-prioritised sectors which offer a significant potential for growth

Sector prioritisation matrix



Competitive advantages

Market prioritization: the factors must be considered by the host country in the prioritization of the marketer:

- Market offers a significant opportunity within the given sector.
- Physical proximity to the host country
- Concentration of potential investors in the priorities sector
- Language and cultural compatibility
- Ability to effectively target within the given budget

FDI marketing and branding: In it, we will discuss about the key element in markets, for example, the product place and price and the very first step the IPA must consider in gathering information on how potential investors perceive it as a location for investment in regional markets and global markets.

Marketing the product: many IPAs tend to view marketing principally in terms of activity promotional. But this initial focus should be always on the investment product. This varies from sector to sector and from project to project but hugely depends on specific investor needs. The investment product often determines the factors like flow, speed and quality of the internal and external investment.

The key product elements are discussed below;

- Risk
- Labour market
- Operating cost
- Infrastructure
- Political factors
- Business environment
- Taxation
- Investment incentives

Marketing place: This includes the geographical market and prioritized the market factors like the markets offering a significant opportunity within this given sector and this is the market in which IPA can realistically target given its likely resources.

Marketing price: these include the cost of various factors such as tax incentives and operating costs. This is the most important focus of the FDI investors because from this only investors can determine the ROI for the investment.

FDI marketing plan: It is very essential that an IPA develops a marketing plan to measure the promotional activity. There are basically two tools that will be used for promotional activity. These are direct marketing tools and indirect marketing tools, which are discussed below.

Direct marketing tools: As its name suggests, these are those tools which are sent directly to the investors, rather than distributed to a market. These tools can be widely used to build awareness and to provide specific information to investors. Some examples of direct marketing tools are as follows.

Newsletter: A regular newspaper can keep investors informed about the profile of the IPA's country and its developments.

Sector studies: The main purpose of sector study is to provide detailed information to potential investors about their location differentiate from competitors.

Fact sheets: It is generally the 2-4 pages sheets which cover the essential pieces of information related to the interest of the investor. It highlights those areas where the competitive advantage may exist.

Brochures are essential and effective promotional tools which contain the important information related to investors.

Market wild tools: These includes;

Advertising: This is the most expensive marketing tool so it must be clearly decided that which publication should be used and which audience should be target advertisement should focus on business media targeting

sector and trade media. Advertisement target those audiences which are most important in the initial stages of attracting an investment project.

Seminar conference business events and exhibition: to communicate the IPA marketing messaging and to target specific investors or groups of investors these tools are used. These events must be focused and planned. Public and media relation: sometimes the investors have a negative perception and low level of awareness about the IPA's country so to address them properly and effective PR strategies must be used.

An IPA must develop a plan related to marketing communication so that it can properly coordinate all marketing methods of its target markets and to make ensure that all elements will work together, with each other and are consistent.

Creating an FDI brand: the most important concept of marketing in FDI is to make an investment brand which is not marked as optional. The main objective of branding is to communicate about its uniqueness and benefits to the potential investors. There must be a brand for all investment projects even if it is not engaged in branding activity. The branding is most important tool by which the customers can see the products. to maintain the country brand name requires a constant input resources. The procedure of branding must be conducted under the supervision of an experienced branding consultant.

CONCLUSION:

FDI helps the country to bring economic development with the help of, FDI a country can raise its standard of living the government of every country try to attract more FDI in their nation. A country's investment climate is an important determinant which attracts more FDIs. Investment promotion strategies help the investor to find a suitable country where they can invest effectively. The government does all the efforts of investment promotion. The government provides fiscal and monetary incentives like tax concessions to attract more investors. FDI also helps to create more job opportunities in a nation. Government follows a policy of encouraging investment through FDI which will be allowed in a sector that helps create jobs and assets. Government creates a policy environment which is predictable, transparent and flexible. The government also encourages the domestic industry to innovate and collaborate internationally.

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