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ANALYSIS OF MOST INFLUENTIAL FACTORS TO ATTRACT FOREIGN DIRECT INVESTMENT

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ABSTRACT: Foreign Direct Investment is known as investment from a country to another country. In this globalization age it is so demandable in the field of business and economy. Through the FDI international business and economic relation can be stronger between two or more countries. FDI is mostly popular in developing countries. It helps to become develop countries and to make stronger relationship with developing countries. Through this study we able to know that what is FDI, mode of FDI, types of FDI for the better understanding about FDI. We have also known that, global trend of FDI, position of different countries as FDI host country and Investor country. There are some countries like China, India, Malaysia they have strong position as FDI receiving country. In other hand country like USA, Japan, Germany they have strong position as FDI investor country in the world. We have also studied about the role of FDI in economical development especially in develop countries. In develop countries FDI working like a blood of economy to make that country active and economically successful. Almost all develop countries of every region of the world depend on FDI for faster economical development. There are some advantages and disadvantages of FDI for every country. So many influential factors are exist in FDI to attract the foreign investor. In this study we have tried to sort it out from different data sources. There are some case studies to understand the position of FDI. How it happens, what are the influential factors, how multinational companies started their business operation in a new country through FDI. What types of challenges they have faced and how they solved that. In this study reviled that, FDI is very much important for global economy. Developing countries is always expecting FDI from develop countries. In that case some factors are highly influenced to take the decision for investment. Political stability, lower wages rate, lower production cost, easy communication, good exchange rate, host country's policy about foreign investment etc are the influential factors to attract the foreign investor. So if we would like to welcome the investor and to increase our FDI we have to focus on this issues and we have make these attractive for the investors.

KEYWORDS: Foreign Direct Investment, Developing countries

I. INTRODUCTION

We may very familiar with Foreign Direct Investment or FDI. In this globalization age it is very significant term in business and economy. Foreign Direct Investment is an investment own by a party in a particular country into a business in another country. It helps to expand the business in global platform and it can assure cost minimization and profit maximization. FDI also helps to improve the infrastructural development and overall social development, especially in under develop or developing countries. A foreign direct investment can be made by obtaining a lasting interest or by expanding one's business into a foreign country. An investment into a foreign firm is considered an FDI if it establishes a lasting interest. A lasting interest is established when an investor obtains at least 10% of the voting power in the firm. There are various types of FDI practice exist in the field. When a business organization invest in another country and doing operation as same as home country. It is called horizontal FDI. In this type of FDI Company don't chain the value chain or operational system. They just do duplication of existing system. It is easy to start and most of the company prefers to do it. Some largest company they usually made a factory set up or production set up in another country and exports to other country. Like Apple, they are American company and they have the factory in China and from this factory the product export to so many countries of the world. It is known as Platform FDI. Like in Bangladesh, so many world renowned fashion brands have production set up in Bangladesh, they produce here but they do not sell here. They export it to the rest of the world. The mother company also not from Bangladesh, they are for USA or European countries mostly. In that case, Bangladesh is just a platform for production. This is the example of Platform FDI. When business organizations invest in another country and change the value chain as per necessity and operate differently in different countries. It is known as Vertical FDI. It depends on product/service and regional environment, that which FDI method you will use for the most success. Due to rapid growth of world population the consumption rate, product demand and purchasing power also increased. So a single country can't full fill the demand by their own capacity that's why we need to encouraged foreign investment for rapid industrial growth. In 5 | Page other in developed countries the production cost, maintenance cost and tax are higher than developing or under develop country for the industries. So when they move developing countries or under develop countries they got some more opportunities. It's beneficial for home country as their remittance income raised and also for host country as their industrial grown happened.

Foreign Direct Investment is very important for the developing countries like Bangladesh, India, Pakistan, Malaysia, Indonesia and so on. These countries always try to attract the foreign direct investment. FDI can increase their economic activity with large investment, modern technology, and modern ideas. Through FDI, there created huge employment which is very challenging issues for the developing countries. Also the investor country's government focused on helping for infrastructural development for the FDI host countries. So it's definitely beneficial for any host country. According to International Monetary Fund's World Economic Outlook Database, There are more than 150 courtiers which are recognized as developing countries. And there are following countries which is introduced as newly industrialized country; Brazil, China, India, Indonesia, Malaysia, Mexico, Philippines, South Africa, Thailand, Turkey. These all countries always try to attract the foreign direct investment, so there is huge competition also. Which country are offering the best option considering business, economy and sustainable development. Through this study we would like to know that, what are attractive or influential factors to attract the investors for FDI? What about the global trend of FDI? Advantages and Disadvantages of FDI? Case Studies of FDI?

II. METHODS

This study conducted based on secondary resources including journal articles, books, reports, web portals, newspapers, magazines and some other open sources. We mentioned these in the references. This is a primary study on Foreign Direct Investment. What it is, how it works and some relevant issues. Our objective of this study is to become familiar with the Foreign Direct Investment. This study was based on global platform on FDI. But we have included some case studies and examples of some specific country and company to understand the practice of FDI.

III. RESULT AND DISCUSSION

Salary & Wages

When large company wants to invest in other country they do check some elements, whether it is favorable or not for their business. In that case 'Salary & Wages' most of the important fact. Every business organization wants to minimize their cost first, that's why they prefer Salary and Wages in low rate. Like Bangladesh is one of the top readymade garments manufacturers in the world just because of lower wages rate. As of ILO wages report 2015 the monthly minimum wages in garments industry in Asia are as follows: Srilanka -$66, Bangladesh-71$, Pakistan $98, Cambodia-$128, India-$78, Vietnam - $100, Thailand - $237, Indonesia - $92, Malaysia - $225, Philippines - $150, China- $155. If we compare this wagers rate with develop countries, it is very low. For this lower wages rate garment industry are booming in these country. So in case of FDI decision making they will defiantly look for
lower salary and wages.

Labor skills

Labor skills also important to attract the FDI. Skilled labor means quality production and more profitable business. Like Srilankan they have good English communication skills and high rate of education that's why they are doing job in all south Asian countries with high salary. In china they are technically sound that's why so many electronic industries exist there. In India they have huge population and good English skills that's why so many companies established call center in India. As of 2015 there are approximate 3,50,000 employee working in call center in India. In Bangladesh, Vietnam, Thailand they have also huge population and laborious that's why so many garments industry are there. As per
Bangladesh Garments Manufacturers Association (BGMEA) up to 2017-18 there are 4,560 listed garments factory working and approximate 40,00,000 workers are involved in garments industry in Bangladesh. Especially women workers are involved in garments in industry in Bangladesh; they are highly skilled for this job. As of 2013 IT industry in India provided direct employment to approximate 30,00,000 people and indirectly approximate 10,00,000 people. Due to growing IT skilled people so many companies are investing in India in IT business. These skills attract the foreign direct investment.

Tax, Vat & other Government Duties

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Large company when they produce big volume of products and doing worldwide business they prefer lower tax facilities and some other government facilities in export, import, vat and all other fees. That's why developing country offers some attractive features like lower tax, tax exemption for some years and some others. Lower tax rate and other facilities can bring more investor in host country. India is now a days becoming investment hub for multiple MNCs due to its handsome economic growth and fair return on Investment.

Transport and infrastructure

Good transportation system and infrastructure can ensure smooth and quick communication. For large company or export oriented business transportation, communication andinfrastructure is very important. It can ensure timely delivery and smooth supply chain. If there is a problem of transport and infrastructure, it hampered the value chain. Cost of transportation also important, if it is less costly then it is attractive for FDI investors. Recently Bangladesh and Japan sighned 40th ODA loan to develop the infrastructure in Bangladesh and Japan agreed to provide $2.5 billion for four projects. These are Matarbari Port Development Project (1), Dhaka Mass Rapid Transit Development Project (Line 1), Foreign Direct Investment Promotion Project (II) and Energy Efficiency and Conservation

Promotion Financing Project (Phase 2). One of the important project is directly development of FDI promotion. Other projects also related with business. This is one of the finest example. Japan helping Bangladesh to develop their infrastructure and facilities, so that they can bring more Japanese company, more FDI in Bangladesh. Which is beneficial for both parties. Not only Bangladesh, Japan also investing in Indonesia, Thailand, Vietnam, Cambodia like this to develop the infrastructure and communication system and the ultimate objective of this assistance is to develop Japanese company in that particular country.

Size of economy and growth rate

FDI investors also look for the size of the economy of that particular country. If it is largest or growing economy then FDI investors think that there is possibility to expand the business. Like in China, India, Bangladesh these countries have large number of population, economy in growing trend that's why so many FDI investors are coming from develop countries. In larger economic country FDI come for take over that home country market. In growing economy FDI come for using their resources to export in third country. In South Asia the top there population country are India (1276.2 Million), Pakistan (190.40 Million) and

Bangladesh (159.86 Million). There are huge population and huge consumable market, especially for daily necessary goods. That's why so many multinational companies like Unilever, Marico, Coca-Cola, Bata they are investing in these countries, they have own factories here and they produce for two purposes, one for export to the rest of world and one for supply in local market to capture this huge market. They have also product variation, they produce customize products for these countries with lower price. FDI investors they also consider it, they don't only focus on export they also searching for the local market opportunity, because it is less costly, profitable and good for return on investment within short term.

Political stability

Political unrest can demolish any economy. In political unrest you cannot operate the business properly; you cannot take any proper decision. To operate home country business orto invite foreign direct investment in both cases political stability is very important. If political environment is going well, and it is not in rapid changing mood then it is good for business or society. Like, in African countries there lots of political problem, that's why they can't develop their economy as well as the society. In other hand, in European countries they

are politically stable and they are economically strong as well as they are in good position for social living standard. Like in Pakistan they have so many political problems that's why they lose the foreign investment as they expect. But in Malaysia, Indonesia, India they have controllable situation and they have good response on that. These countries also faced some political problems in different period and if we observed that time, their economical situation was also down trend. Especially when military government exists in democratic country in that time FDI trend stays in low. FDI investors always prepare the politically stable country and they want to be friendly with the government to move forward.

Raw Materials

Availability of raw materials and necessary resources are very much important to attract the FDI. Usually FDI investors choose the particular business for particular country based availability of resources. If you can set up a business where raw materials, labor, infrastructure are good then you can easily made a successful business. Like, India, Pakistan, Bangladesh, Indonesia, Malaysia in this country there are huge availability of leather as raw materials and that's why in this country they have strong leather business. Some companyAttracting quality foreign direct investment in developing countries Foreign direct investment (FDI) in developing countries has a bad reputation. In some discussions, it is presented as tantamount to postcolonial exploitation of raw materials and cheap labour. However, recent data shows that FDI in developing countries increasingly flows to medium

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and high-skilled manufacturing sectors, involving elevated income levels

Strategies for attracting quality FDI
Open markets and allow for FDI inflows
Reduce restrictions on FDI. Provide open, transparent and dependable conditions for all kinds of firms, whether foreign or domestic, including: ease of doing business, access to imports, relatively flexible labour markets and protection of intellectual property rights.

Set up an Investment Promotion Agency (IPA). A successful IPA could target suitable foreign investors and could then become the link between them and the domestic economy. On the one side, it should act as a one-stop shop for the requirements investors demand from the host country. On the other side, it should act as a catalyst in the host's domestic economy, prompting it to provide top notch infrastructure and ready access to skilled workers, technicians, engineers and managers that may be required to attract such investors (Moran, 2014; Barnes et al., 2015; Harding and Javorcig, 2012).Moreover, it should engage in afterinvestment care, acknowledging the demonstration effects from satisfied investors, the potential for reinvestments, and the potential for cluster-development because of follow-up investments.

Think carefully about sectors/activities to be targeted. Investment and location decisions of suppliers may be dependent on those of prime multinational investors in the host economy (McKinsey, 2001; Javorcik et al., 2006).

Put up the infrastructure required for a quality investor; such as sufficient close-by transport facilities (airport, ports), adequate and reliable supply of energy, provision of an adequately skilled workforce, facilities for the vocational training of specialised workers, ideally designed in cooperation with the investor (Ibid.).

Strengthen backward linkages from FDI into the indigenous economy. Allow for the competitive pressure of foreign entrants on their local suppliers to raise competitiveness of the latter (Rhee et al., 1990), and allow for multiple forms of direct assistance from foreign to domestic firms, in the form of training, help with setting up production lines, management coaching regarding strategy and financial planning, financing, assistance with quality control and introduction to export markets (Javorcik and Spatareanu, 2005; Blalock and Gertler, 2008; Godart and Görg, 2013; Görg and Seric, 2016).

Encourage spillovers from FDI into the indigenous economy.
Local firms set up by managers who had started in multinational firms are more successful and more productive than others (Görg and Strobl, 2005). Managers of local firms gain knowledge of new technologies and marketing techniques by studying and imitating their multinational competitors (Javorcic and Spatareanu, 2005; Boly et al., 2015). Similarly, worker movements from multinational to local firms spread knowledge and skills.

Encourage first-time foreign direct investors. Foreign firms that are not already part of an extensive network of subsidiaries are readier to accept linkages to domestic suppliers (Amendolagine et al., 2015).

Encourage foreign direct investors from diaspora members. These are also more likely to generate linkages to domestic firms and contribute to the internationalisation of the host country (Boly et al., 2014).

Provide access to credit by reforming domestic financial markets. Setting-up a businessfriendly financial system helps indigenous firms to respond to challenges and impulses from foreign entrants, to self-select into supplier status, and to thereby grow and prosper (Alfaro et al., 2009).

Set up a vendor development programme to support the match making process between foreign customer and local supplier.
To strengthen the capacity of the domestic economy, it may offer financing opportunities to indigenous suppliers for required investment on the basis of purchase contracts from foreign buyers (see the Local Industry Upgrading Program (LIUP) of Singapore), or reimburse the salary of a manager in a foreign plant acting as a talent scout among domestic suppliers (see the example of the Singapore's Economic Development Board).

Shape Export Processing Zones (EPZs) in a way that they spearhead into the domestic economy.
Avoid EPZ regulations discriminating against the creation of local supplier relationships. Set up a secondary industrial zone for local suppliers, be it as a geographical site adjacent to formal export processing zones, or be it as a legal status allowing for easy foreign-domestic linkages with, for example, databanks and "marriage counselors", to assist in supplier selection (Moran et al., 2016).

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Refocus the "Who Is Us?" perspective and address related concerns adequately. "Us" should be understood as the firms that are most beneficial to the domestic economyirrespective of the nationality of their owners. Therefore, the firms that create the highestskilled and highest-paying jobs, the least-expensive products, and the most competitive exports are considered "Us" (Reich, 1990).

Be patient and rely on the gradual structural transformation of the domestic economy.
Investors may come in waves. For example, first, investors in thermionic tubes, valves and transistors, then, in television and broadcasting systems, and finally, in computers, computer peripherals, and data processing systems. Along such avenues, FDI may contribute to diversifying and upgrading domestic production (Amendolagine et al., 2013; Moran, 2014; Barnes et al., 2015).

Notes of caution Do not insist that all inward FDI be at the most sophisticated technical level.
International firms with middle-level technology can provide benefits and connect up with local suppliers whose capabilities match the foreign firms more closely (Boly et al., 2015; Pérez-Villar and Seric, 2015).

Do not confound supply-chain creation with support for SMEs. Medium-sized and largerindigenous companies are often more apt to link with foreign investors in win-win scenariosthan their smaller counterparts (UNCTAD, 2011).
Do not subsidise specific companies. Public support should take the more general form of creating reliable infrastructure and offering specific vocational training.

Advantages of FDI
There are lots of advantages of FDI for host country as well as investors. I have mentioned some remarkable advantages of FDI as follows:

Increased Employment and Economic Growth
FDI helps to increase employment and economic growth for the host country. When large organization set up the factory or business operation in another country there are lots of human resources needed. People get chance to work in new platform. Developing country always welcomes FDI for this reason along with other reasons. It also increases the economic activity of that particular country. FDI investors only create employment they also bring some new technology, new working process which can help the people to become more skilled. In Bangladesh there are approximate 274 Japanese companies, in India it is approximate 9,500 and in Thailand it is approximate 4,500. These companies created huge employment opportunity for local people. Like this, in every new investment by a foreign company can create large number of employment.

Development of Backward Areas
This is one of the most crucial benefits of FDI for a developing country. FDI enables the transformation of backward areas in a country into industrial hub. They help to develop transportation system, communication system, infrastructure, small industries growth and so on. In South Aisa the garments industry are booming, most of the largest garments factory investment made by the foreign investment. But in these industry they need regular accessories supplies and there are various types of accessories needed to complete a garments products. These accessories supply by the small local entrepreneurs, there is a huge number of people who are involved in this. So in this industry the suppliers are developed as per the development of large investment. In china there are huge developments in electronic industry. Almost all largest corporations have the factory set up in china through FDI. But in this factory there are so many enlisted accessories suppliers, which are developed by the local entrepreneurs. So within large investment by FDI country's backward industry also develop gradually. It is directly linked with that.

Introduce with New Technology
FDI investors usually are the big investors; they are the market leader of that particular product. They have money, they all latest technology, they experiment any new thing in business. So it is the opportunity for host country to become use to with those new technologies. Sometimes host country can own that technology with free of cost due to giving the access of foreign investment.

Global Market Access
Foreign investment means that business must be related with export and import. So when in host country FDI increase that means that country got the opportunity to increase their global market access opportunity. Systematically they do more export and more import, although it done by the investors but it is recorded as the

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export and import volume of that particular country.

Exchange Rate Stability

The constant flow of FDI into a country translates into a continuous flow of foreign exchange. This helps the country's Central Bank maintain a comfortable reserve of foreign exchange. This in turn ensures stable exchange rates. Stimulation of Economic Development This is another very important advantage of FDI. FDI is a source of external capital and higher revenues for a country. When factories are constructed, at least some local labour, materials and equipment are utilised. Once the construction is complete, the factory will employ some local employees and further use local materials and services. The people who are employed by such factories thus have more money to spend. This creates more jobs. These factories will also create additional tax revenue for the Government, that can be infused into creating and improving physical and financial infrastructure.

Improved Capital Flow

Inflow of capital is particularly beneficial for countries with limited domestic resources, as well as for nations with restricted opportunities to raise funds in global capital markets.

Creation of a Competitive Market

By facilitating the entry of foreign organisations into the domestic marketplace, FDI helps create a competitive environment, as well as break domestic monopolies. A healthy competitive environment pushes firms to continuously enhance their processes and product
offerings, thereby fostering innovation. Consumers also gain access to a wider range of competitively priced products.

Disadvantages of Foreign Direct Investment

Hindrance to Domestic Investment

Due to influence of FDI and its strong role, domestic investment faces difficulty. Domestic company got the least chance to grow and to fight with the giant market leader. They cannot think to be growing, to become international leader. Domestic entrepreneurs always stay with fear to compete with them or develop themselves as the FDI investors scale.

Political Changes

Political issues in other countries can instantly change; foreign direct investment is very risky. Plus, most of the risk factors that you are going to experience are extremely high. Due to political crisis FDI investors can lose everything. It is harmful for investors as well as forthe host country. Because if investors can not able to run their business government will loss to get the taxable income from that company as well as economic activity will collapse.

Negative Influence on Exchange Rates

Foreign direct investments can occasionally affect exchange rates to the advantage of one country and the detriment of another. If the investor is so big they can dominate the exchange rate by their business operation. It can be harmful for the host country. Investor can make an effect intentionally for any country regarding this issue.

Huge Investment & Cost

It is easy to simple export or import by home country's company. But it is expensive when you set up an industry in another country purpose of export import. That's why only big investors and market leaders can involve in FDI, small entrepreneurs cannot able to do that. It is time being procedures to become profitable.

Economic Non-Viability

Considering that foreign direct investments may be capital-intensive from the point of view of the investor, it can sometimes be very risky or economically non-viable. There are lots examples of failures in FDI. Company thinks that they have money, they have good will, they have lots of experiences but sometimes they face loses. They cannot achieve what they planned for. So it is not guarantee that FDI investment always will be successful, there always an uncertainty.

Expropriation

Remember that political changes can also lead to expropriation, which is a scenario where the government will have control over your property and assets. Political crises, war, internal conflict in nation can haphazard the business. It can be taken away by the unwanted

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authority.

Negative Impact on the Country's Investment

The rules that govern foreign exchange rates and direct investments might negatively have an impact on the investing country. Investment may be banned in some foreign markets, which means that it is impossible to pursue an inviting opportunity.

Modern-Day Economic Colonialism

Many third-world countries, or at least those with history of colonialism, worry that foreign direct investment would result in some kind of modern day economic colonialism, which exposes host countries and leave them vulnerable to foreign companies' exploitations.

FDI & Sustainable Goal

The whole world now working on SDG or Sustainable Development Goal. Foreign Direct Investment has significant role to work and achieve the Sustainable Development Goal. It can be an effective tool for mobilizing the assets like capital, technology, human skills, market access, communication etc. These are indispensable for sustainable growth and development.

To full fill the expectation on this issue FDI movement should increase globally. From investor side and from host country everyone should more dedicate for this. It should be take place within a structured framework with proper policy and regulations. It should be designed considering the wellbeing of society similarly with its main objective of profit maximization. FDI trend reached at around 2 trillion US dollar in 2007, dropping ti 1.2 trillion US dollar in 2009 as the influence of the international financial crisis in 2009. Although in next year there

was a positive changes, FDI reached in 1.3 trillion US dollar in 2018 but still far from having recovered to pre crisis situation. If the policy is more flexible and both parties host country and investor will more strategic and cordial then it is possible to recover the previous situation. Lower Develop Countries or LDCs are the most attractive places to grow FDI. In 2018, FDI flows to LDC countries were 23.8 billion US dollar it was the portion of 1.8% of total global FDI. It should increase very rapidly with large volume. Among these LDC countries the top five FDI receiving countries were Bangladesh, Myanmar, Cambodia, Ethiopia, and Mozambique. These countries got the two third of total FDI in LDCs. China was the top investor in LDC country in terms of FDI stocks. To help meet the investment needs of the future, FDI flows have to increase substantially. There is no obvious reason why they could not do so over the longer term, say to a level of US$4 or 5 trillion annually.

IV.CONCLUSIONS

Foreign direct investment can happen in different way, like investing and creating a company in another country by expanding the existing company, also it can be happen through buying another company in any other country. Whatever the process main though is investing from an outsider in your country it is known as FDI or Foreign Direct Investment. Methods and types can be different way. The main purpose of FDI is that expanding the business beyond the existing boundary and exploring the new opportunities for business and economic sustainability. Foreign Direct Investment can be beneficial from both sides. It can be an opportunity for investors. Because they can expand their business, they can ensure less cost manufacturing, they can take over the new market share, they can be benefited from tax exemption, they can be allies with new partners and so on. Usually the investors don't invest in any other country without seeing the better opportunity rather than existing opportunity. In other hand, Foreign Direct Investment is also beneficial for the host country. Most of the cases by welcoming FDI, host country are getting more benefits. They can generate huge employment, they can grow their economy by large volume of business activity, they get more income from tax and related issues, they have more opportunity in export import business, they got support for infrastructural development, and they got the chance to develop backward industries. So there are lots of opportunities for host country to creating flexible opportunity for FDI. FDI not only have the advantages, it also has some limitations from both sides. From host country side, after implication of FDI they face so many challenge like they lose the economic dominance, they lose the opportunity of the growing of domestic entrepreneurs and 61 | Page some others. In other side, investors also at in risk to lose the investment, to fear of political turmoil, high tax addition after setup, lack of good governess and some other issues. Overall judgment is that, although FDI has some limitations but it has strong beneficial side. Especially for the developing country or under develop country; FDI is the most important fact to grow the economy. There is no better alternative. That's why these country always try to attract the investors for FDI. In that case there are some influential factors what can help to attract the investors. Good infrastructure, favorable government policy, tax exemption, political stability, social safety, availability of recourses these can be the influential factors to attract the FDI. If any country focuses on these and to ensure

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these elements in proper standard they can bring the investors as per expectations.

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