Journal of Contemporary Macroeconomic Issues
December 2022, Vol. 3, No.2 [90-102]
ISSN (Print) 2708-4973
ISSN (Online) 2709-0469

DOI: 10.5281/zenodo.7496314

Journal of Contemporary Macroeconomic Issues
www.scekr.org

Foreign Direct Investment by Multinational Firms and Transfer of Technology to Developing Nations like Nepal

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PAPER INFO

Information:
Received: 29 November, 2022
Revised: 20 December, 2022
Published: December, 2022

Keywords:
Foreign Direct Investment (FDI), Multinational Firms, Transfer of Technology, Developing Nations

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ABSTRACT

Foreign direct investment (FDI) is a vital source of capital for the financial growth of developing countries. This study was conducted to find out the FDI by international companies and the allocation of technology, with a particular focus on developing nations like Nepal. The data was collected through secondary resources, i.e., journals, books, reports, websites, etc. The results were analyzed under the policies related to FDI. This study found that Nepal's laws and regulations governing foreign investment are controlled by the Foreign Investment and Technology Transfer Act (FITTA) (1992). The effect of MNCs in Nepal is that small local businesses are becoming more export-oriented, especially in wool and carpet. Furthermore, MNCs offer a bundle that includes new technology, funding, access to markets, and managerial approaches for the formation and distribution of services and goods. Nepal has encouraged FDI inflows in recent years by creating an investor-friendly environment and implementing reforms related to FDI. The benefits of FDI depend on the technical skills of the companies in the host country. So, there is a need for Nepal to improve technical skills in the country to attract more FDI to increase GDP in the country.

1 Introduction

The term Foreign Direct Investment (FDI) refers to the transfer of funds or other assets from a different nation into the country that is acting as the host. It's a major reason why some emerging economies have been able to make economic gains. It has an impact on the economy, society, and other observable and undetectable aspects of the host country. FDI may provide several benefits, including the transfer of information and the acquisition of new resources. Furthermore, the government of the country may benefit monetarily from the spillover effect of MNCs operating there. FDI is a powerful tool for helping poor countries build stable relationships with developed nations (Hossain & Hossain, 2012).

FDI by multinational corporations is critical for developing nations to progress their technology. The world's largest multinational corporations (MNCs) spend a disproportionate share of their revenue on R&D. (Borensztein et al., 1998). FDI may also help a country amass its financial resources. FDI also affects the trade balance and the overall economy by boosting capital flow, increasing output, and raising exports. To the proactive excess of businesses and the growth of economies. MNCs' ability to attract FDI helps pave the way for the growth of a global business infrastructure. The export of services and products, a more even distribution of contributions, and the creation of economies of scale and scope are all ways in which multinational corporations (MNCs) may aid in economic expansion. (Mishra et al., 2017).

Hence, MNCs provide various important assets through FDI transactions, such as advanced technologies, investment, information, productivity, and export, to improve the economic growth of host nations, particularly GDP growth (Temiz & Gokmen, 2014). FDI byMNCs also allows for the establishment of support for resource-based and labor-intensive sectors of industrialization, which benefits developing countries with abundant labor and easy access to natural resources (López, & Chudnovsky, 2000). Additionally, the chance of occupation would be an enormous benefit for the host nation. However, investment capital is the primary condition for FDI entry into underdeveloped countries. Thus, FDI assists the hostnation in boosting its level of living by increasing employment possibilities and undertaking large-scale strategic projects (Aga, 2014).

After 1936, the industrialization of Nepal's beginnings may be traced back to investments and labor from India. Nepal has encouraged FDI inflows in recent years by creating an investor-friendly environment and implementing reforms related to FDI (Parajuli, 2021). It wasn't until Nepal's Sixth Plan (1980/81–1984/85) that the government first formally committed to supplementing domestic spending with international aid and technology. According to the Plan, capital-intensive and resource-extraction sectors were especially in need of direct investment from abroad and technological expertise. Because of this, in 1992, Congress passed the "Foreign Investment and Technology Transfer Act (FITTA) (1992). The Foreign Investment and Trade Agreement (FITTA) (1992) is now in effect in Nepal and was updated in 1996 to reflect more free-market economic policies. Nepal has promised to swiftly update its organizational laws, rules, and standards during the Tenth Plan (2002-07) in order to make the nation a desirable and safe spot for FDIs. (Pant & Sigdel, 2004).

The government of Nepal is dedicated to attracting FDI, innovation, and financing in order to achieve long-term economic growth, as evidenced by the FDI policy of 2015, FITTA 2019, and institutional frameworks such the one-stop service center. Also, FITTA 2019 has a broader definition of foreign investment, which now includes both initial foreign investment and follow-on investments (Parajuli, 2021). The following types of earnings may be repatriated by the international purchaser: (a) the amount received as the repayment of interest and principal on any international loan; (b) the amount received as profit or dividend in lieu of such investment; (c) the amount received as reimbursement of any foreign investment; and (d) the amount received as reimbursement of any foreign investment amount purchased under a memorandum of understanding for the technology transfer in such monetary system as stipulated in the agreement accepted by the government. Other benefits include a) a tax exemption on international loan interest revenue; and b) a 15% tax on dividends from foreign technical, management, and royalties' services (Pant & Sigdel, 2004).

The 1996 amendments to the Act now permit foreign investors to own up to 100% of any industrial company, with the exception of cottage industries and those with other restrictions on private investment. In addition, even in less undeveloped sectors, transfer of knowledge is achievable. A company that uses FDIs or technology must apply to the Department of Industries (DOI) for approval before it may open for operation. The DOI can approveFDI in enterprises with up to 500 million rupees in fixed assets. For suchauthorization to be awarded to a business with secure resources of over Rs. 500 million, the Manufacturing Elevation Board's approval must be obtained (Aryal, 2009).

FDI results from the choice of multinational companies (MNCs) to shift a portion of their operations to a particular host nation. This choice is driven by the desire to profit fromits expertise, which is invaluable (in the method of skill, administration abilities, advertising knowledge, etc.) and cannot be efficiently transferred, rented, or acquired through "arm's length" market transactions with unrelated companies. In contrast, FDI is a flow of long-term investment centered on long-term income objectives and a commitment to a country's significant degree of investor control over the enterprise's management (Caves, 1996). This special characteristic of "influence and control" separates direct from indirect communication, worldwide portfolio assets, and various kinds of money flow (Athukorala & Kisor, 2004). No previous study examines FDI by multinational firms and technology transfer to Nepal. However, a few studies have examined the trends and importance of FDI (Bhattrai, 2008; Kharel, 2020) in Nepal. Therefore, the purpose of this research was to analyze the impact of FDI on market segments by examining at the connection between FDI and the technology transfer to developing countries like Nepal.

1.1 Objectives

The study objectives were as follow:

- To investigate FDI by international companies and the transfer of technology in Nepal.
- To examine the influence of FDIs on the growth in the economy of Nepal.

2 Literature Review

2.1 Foreign Direct Investment

FDI is defined by the OECD (2002) a "major source for growth" and "important element of a free and prosperous global economy" (p. 3). This highlights the relevance of FDI in the present context. When a country attracts FDI, the investors often have one of three goals in mind: increasing access to resources, expanding into new markets, or increasing productivity improvements inside the host country (Dunning, 1993). It is widely believed that FDI may boost economic development, ammonization, income, and employment (OECD, 2002). FDI is extensively measured a key factor in financial growth, and it has long been argued by some developmental economists that nations with outward-oriented policy objectives are significantly more likely to enjoy a higher rate of economic growth than those that follow inward-focused approaches (Sucharita & Sethi, 2009).

FDI's size, orientation, and structure reveal the actuality of FDI's delivery, reflecting both provision and anticipation (Bista, 2017). Bista (2017) concurs, stating that "three indicators show if economic liberalization and FDI policy can accomplish strategy thrust, also whether the policy is effective to attract FDI as essential and expected, and where we are on the statewide and wide-ranging level" (pp. 34-35). Accordingly, FDI is crucial to the development and well-being of the nation as a whole. According to (Idrees et al, 2022) re-assess the level of financial liberalization toward financial sector of Pakistan in term of collecting fourteen financial policy indicators. The study like (Bista, 2017) also presented various parameters to determine the degree of liberalization in term of FDI's size, orientation and structure maintenance resulted the development and well-being of the nation as a whole.

Concepts and technologies can be transmitted through means such as international trade, the transfer of high-tech objects (Kwark & Shyn, 2006), external technology payment, outright adoption of transfer of technology (Soete & Patel, 1985), and the acquisition of human capital (Le & Bodman, 2011). FDI inflows carry knowledge about emerging materials and technologies, manufacturing processes, and synchronization leadership abilities, making them one of the most significant avenues for cross-border production in the study area. (Bodman & Le,2013). A study by (Alam & Alam, 2018) empirically investigated the determinants of FDI inflow like macro-economic aggregates along with policy factors. The study reveals that a long run relationship of FDI inflow positively affect by exchange rate, trade openness, moderate domestic prices and domestic investment.

2.2 Role of FDI

After the 1980s, loans, grants, and other support that had flowed to developing nations were dramatically reduced. As a result, foreign investment and the transfer of technology in the majority of these countries increased dramatically. In addition, FDI is seen as significant since it brings management skills, technology, job prospects, education opportunities, etc. It also serves as a highly valuable instrument for encouraging household resources (Gyawali, 2007).

Over the past two decades, the policy focus on FDIs in developing nations has shifted significantly. In a dramatic shift from the pessimism regarding the developing function of FDI that dominated policy thought in the almost three decades following the conclusion of World War II, more and more nations have been open to FDI as an essential component of outwardly-oriented structural improvements (Athukorala & Kisor, 2004).

FDI and other forms of international capital flow (including financial assets and checking accounts) primarily benefit the country receiving the funds (the host country) by increasing household investment above the level allowed by savings and investment. FDI is different from other forms of capital in that it does more than just aid investments in the country that receives it (the host country). FDI occurs when a corporation decides to set up a shop in a host country to take advantage of the infrastructure and established networks of MNCs there. Therefore, we may say that the following is a general consequence of FDI: particularly valuable to the host authorized but unavailable for lease or purchases in the local market are technologies, management strategies, and marketing know-how (ibid.)

Over the last few decades, national economies have been increasingly intertwined through increasingly liberal laws in the fields of commerce and investment, speeding up the process of global economic ammonization. An important driver of FDI flows to emerging markets until the late 1980s was the need to sidestep heavy trade barriers in order to reach host nation markets. Furthermore, the current era has seen financial reforms over the past several decades in many parts of Africa, Asia, and Latin America, as well as the fall of the "Iron Curtain" in Eastern Europe, allowing multi-national corporations not only relatively easy access to some of these marketplaces but also, given the increasing competition in the market in a progressively competitive global economy, given the most priority to tap into globally dispersed capabilities, and resources (Jacob & Sasso, 2015).

FDI is critical to the growth of modern economic ties. This has never been more crucial, especially for emerging nations. Foreign capital is essential to the long-term economic and social development of the world's developing and industrialized countries because of its enormous ability to generate employment, raise productivity, promote exports, and deploy innovative technologies (Maharjan, 2009). Similar to the doubling of global commerce and the resulting doubling of global GDP, FDI has doubled over the previous few decades (Iammarino & McCann, 2013). Between 1995 and 2013, FDI flows throughout the world surged from $324 billion to $1.45 trillion, an increase of more than a factor of four (UNCTAD, 2014). While FDI stocks have expanded globally, especially since the turn of the century, there are significant regional differences (Smeets, 2008). Industrialized countries have traditionally benefitted the most from private investment from international corporations. However, emerging economies have gained clout and now attract a sizable share of FDI. (UNCTAD, 2014).

When the host country has a relatively liberal economic system, macroeconomic stability conditions, few restrictions on foreign exchange transactions, and safety precautions for the rights to privately owned property, FDI is often seen as an important factor in promoting industrial growth and world commerce. Consequently, local vendors must work harder than ever to get lucrative contracts from global corporations, it typically fosters competition, production, and entrepreneurship. The capital influx and technology provide income and job possibilities, leading to increasing salaries, competitive pricing, revenue, transfer of skills and technology, and earnings in foreign currencies (Pant & Sigdel, 2004). The substantial inflow of FDI to a small industrialized nation like Nepal is essential for building and continuing to expand its manufacturing economy, trying to promote sectors of the economy with comparative advantage and national priority, refining the competitive strength of the prevailing industries, thereby boosting industrial productivity, and ensuring a broad-based and high rate of economic development (Maharjan, 2009).

Additionally, businesses that are founded with FDI would be entitled to full amenities: a) no crown prince would be imposed if a business produces power for its use; b) lot of emphasis would indeed be given to businesses when powerful solution, water system, and communications networks; and c) primary concern would be accorded to harmonized distribution networks or cultural and structural requirements for the foundation of businesses with FDI. (Bastola, 2020).

It was the "International Technology and Investment Transfer Act 1992" that laid the groundwork for the present investment system in the country, with the goal of encouraging the sharing of technologies and the inflow of foreign capital. Investments in the form of shares (equity), reinvestment of returns from equity investors, or spending in the form of loans or credit facilities are all considered forms of FDI under the Act. Companies that get FDI are contractually guaranteed access to all services and advantages under the law. (Bastola, 2020).

2.3 Policies and Laws Related to FDI

Domestically and internationally, the law is a powerful instrument for ushering about immediate improvements in human harmony. To express government policy, to define processes, and to create avenues for execution, laws were put in place. For the smooth flow of external direct assets in Nepal, the government of Nepal has enacted numerous laws and regulations at various times. In 1974, FDI in fundamental sectors such as cement, stimulant, steel, and consumption-basis imports such as dairy, medicines, paper, fabrics, etc. was increased from 51% to 100%. However, national investors were given an advantage in medium-scale sectors, and in large-scale enterprises, both domestic and international investors were treated equally (Sapkota, 2002).

There was no substantial influx of FDI into Nepal between 1974 and 1981, even though the Nepalese government had passed the industrial business Act to entice such investment. The reasons behind this trend include the country's investment-unfriendly laws and policies that discourage foreign capital. The lack of reliable energy sources made it difficult to entice FDI during these times. On top of all that, the infrastructure of Nepal (roads, communication, etc.) was extremely lacking. FITTA was originally enacted by the government of Nepal in 1981. This law assured that no industry would be authorized and gave domestic and foreign investors the same favorable treatment. Medium-sized businesses required a minimum investment of Rs 10 million in marketable securities, while big ones might accept foreign investments of up to 100% of the company's equity (Timilsina & Maháto, 2000).

FDI has grown since this law was enacted, albeit only a little. There were just 48 industrial sectors that saw FDI between 1981 and 1987. During these periods, FDI's contribution to fixed capital was Rs. 1123.2 million. During this same period, a total of 26 services, tourism, and other industries saw FDI investment. FDI authorized Rs. 427.8 million in fixed capital in these sectors in 2016. However, starting in 1980, Nepal's economy was hit by several different macroeconomic crises, including a worsening

critical balance of payments, slowing growth in export trade, rising prices, an expanding debt load, a widening budget deficit, rising poverty, and a surge in the number of people without jobs. Unfortunately for Nepal, the only viable alternative was the Structural Adjustment Program (SAP).

The industrial policy was established in 1987, allowing foreign investors to acquire up to 100% of large-scale businesses with a minimum of Rs. 10 million in fixed assets and 50% of medium-scale industries with a minimum of Rs. 3 million in fixed assets. The IP-1987 lays out the following as the main investment incentives for foreign investors (Bhattrai, 2008):

- Dividends remittance: This is authorized in full in the adaptable currency for investments made in flexible currencies or the type of equipment or other capital goods purchased with adaptable foreign money.
- The deportation of capital upon sale or dissolution is permissible in changeable foreign exchange for savings made in changeable foreign exchange. Annual repatriation is permitted at a rate of 20%.
- The use of foreign technical employees in developments is permissible with Department of Labor approval.
- A five-year tax vacation is granted to energy-based and mineral-based companies that the administration has designated as receiving national priority.
- Export-oriented enterprises receive special concessions, includes exemption from import taxes, fuel excise, and local taxes on raw products, through either secured warehousing facilities or reimbursements of taxes. A minimum effective tax rate of protection of 30% is provided to Nepal's industries. Additionally, priority industries may receive a higher degree of protection.
- The government grants authorized firms access to changeable currency in order to ease the importing of machinery and machinery, natural resources, and the payments of specialist facility dues, sovereigns, and running fees.
- Other services: The administration prioritizes the provision of power to industry. Negotiated power rates are also imposed on energy-intensive enterprises deemed crucial from a policy perspective.

After the implementation of this strategy, the FDI flow increased significantly compared to prior years. During the years 1987 to 1991, the overall number of businesses climbed to 128-employing 2,974 people. SAP, however, was maintained until 1989. Nepal began to receive FDI in the banking and service sectors. However, the influx of FDI was modest. The majority of economists believe that the efficacy of current laws and policies is inadequate. Due to the low level of FDI in Nepal, the majority of them hold this view. Just after the rehabilitation of a multilateral representative democracy system throughout the country in 1990, the Nepalese budget has become increasingly open and generous regarding the participation of both domestic and foreign depositors in economic accomplishments, and as a result, laws and policies encouraging the private sector have been enacted. The constitutional amendment of the country of Nepal, adopted in 1990, also contains laws on foreign investment and involvement by private institutions. The following are some aspects linked to the "Foreign Asset and Technology Transmission Act and Policy": a) 100% asset is permitted in big and medium-sized productions; b) full restoration of earnings, bonuses, and wealth is permitted; c) international investment is assured to be secure; d) the enterprises are provided with excellent facilities and privileges, and e) the one-window concept promises foreign investors prompt and efficient service (ibid.).

3 Research Methodology

In-depth preparation and execution of a study are all part of the research design. The researchers in this study set out to learn more about FDI by multinational corporations and tech transfer in Nepal, as well as examine the laws and regulations governing these topics. The research approaches adopted are both expressive and investigative. Because it is a fact-finding study, no hypotheses were tested. For this study, data were collected from secondary sources. Secondary sources were comprised of journal articles, books, dissertations, reports, etc. Further, the secondary data sources were comprised of various published magazines, newspapers, and websites. Statistical information was mostly gathered through reports compiled by the Ministry of Finance, the CEIC, the Nepal Rastra Bank, and the Survey Research Center. Wherever it was more convenient to do so, we also presented the data as tables alongside the graphical representation. After data was collected from multiple sources, it was systematically harmonized. Nepal's FDI statistics was presented systematically by year, FDI status, category, nation, and sector. FDI in Nepal was portrayed graphically by showing the annual flow of FDI from 2012 to 2021. In a similar vein, the total number of FDI projects was shown. Information on FDI in different economic sectors in Nepal is provided in The Flow of FDI into Nepal by Sector.

4 Results

In 2020, Asia received 53.6% of all FDI, making it the largest receiving region. Similar results were found in the Jain (2022) report, which indicates that Asia is the largest receiving region. The area had a 3.8% rise in FDI from 2019‟s USD 515.5 billion to 2020‟s USD 535.3 billion. The major recipients of FDI in Asia, China (USD 149.3 billion) and Hong Kong (China), both saw increases (USD 119.2 billion). FDI into South Asia grew by 20.9% in 2020, reaching $69.7 billion. India received USD 64.1 billion in FDI in 2020, making it the sub-regions leading beneficiary by a margin of 26.7%. The Table 4.1 (see in Appendix) presents the pattern of FDI into the region.

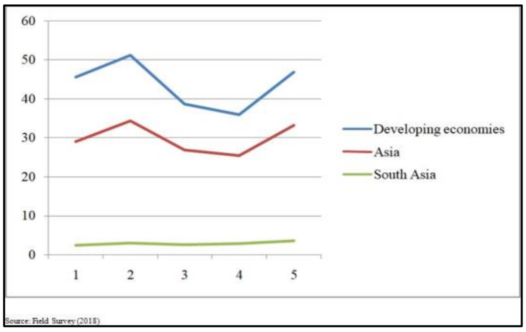

Figure 4.1
Share in World's FDI Flows

The above figure reflects that FDI inflows in 2017 were 23% less than 2016‟s FDI influx. 46% of total global FDI flows are invested in developing economies. Asia's share of global FDI inflows in 2017 was 33%, and South Asia's contribution was 3%. Similar results were found by UNCTAD (2022), which indicates that emerging Asia is the greatest beneficiary of FDI.

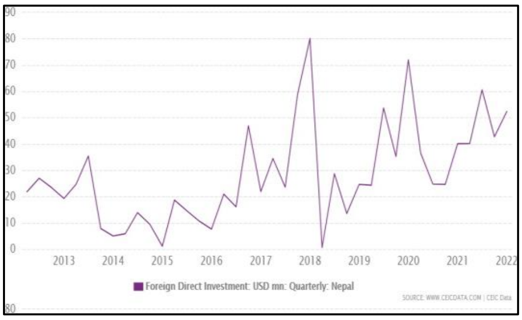

Figure 4.2
FDI in Nepal 2012-2021

The above figure reflects the quarterly 10-year series of Nepal FDI. It shows that FDI was at the highest level from 2017 to 2018. Further, Nepal is continually implementing administrative and legislative changes to encourage FDI; hence the FDI stock was raised again in 2020. The similar results were found by the bank's (2021) survey report, which was published by Nepal Rastra Bank, indicates that in 2020/21, Nepal's FDI stock increased.

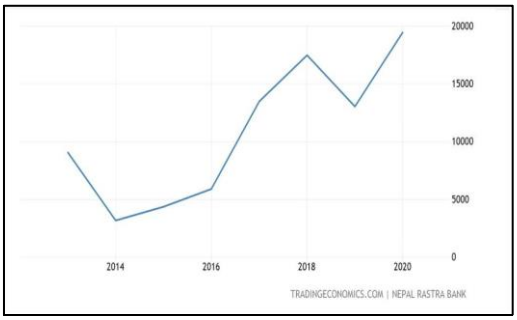

Figure 4.3
FDI increscent from 2012-2021

The above figure indicates the annual increment of FDI in Nepal. Nepal is situated among China and India and can admission the enormous international markets. It can be seen that FDI was at the lowest rate from 2012 to 2016, and then it gradually increased and achieved the highest level. In 2020, FDI was increased by 19478.70 NPR million. A Bank's (2021) survey report indicates the same results that at the end of 2020/21, Nepal's FDI increased by 14.8% to Rs.227.9 billion. FDI into the nation has been snowballing in current years (Table 4.2 in Appendix).

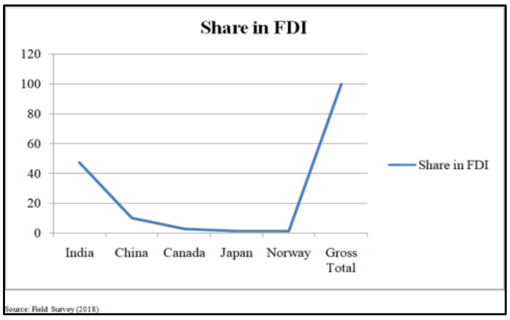

Figure 4.4

Country-Wise Distribution of FDI

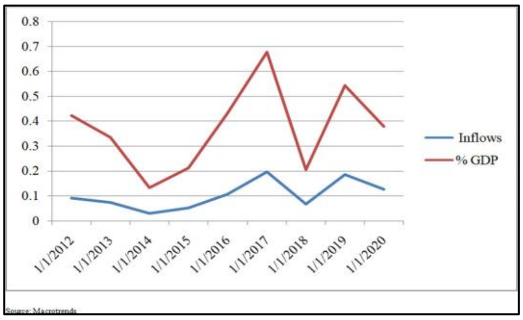

Figure 4.5
Nepal FDI and GDP

The above figure shows that India alone accounted for 47%, followed by China at 10%, Canada at 3%, Japan at 1%, and Norway at 1%. Companies from six different nations have engaged in Nepal, but the scope and variety of projects are typically minor. Furthermore, as of mid-July 2017, (Table 4.3 in the Appendix) reveals that FDI in Nepal has come from 43 different nations. India has the greatest paid-up capital (14.2 billion). China, Australia, and Iceland follow with 10.5 billion, 4.1 billion, and 4.0 billion, correspondingly. Though, in rapports of the entire stock, FDI from the West Indies accounted for 38.6% of all remaining FDI, followed by China, India, and Ireland, which respectively account for 19.5%, 10.2%, and 4.26%. Similar results were found in the Bank (2018) report'.

The above figure shows the FDI with GDP in USD. It shows that in 2020, FDIs in Nepal were $0.13 billion, a 31.76% decrease from 2019. In 2019, it was $0.19 billion, a 171.84% increase from 2018. In 2018, it was $0.07 billion, a 65.22% decrease from 2017, and in 2017 it was $0.20 billion, an 85.16% increase from 2016. The World Bank's live data and the bank's (2021) survey report contradict the study results and indicate that FDI in Nepal increased in 2020.

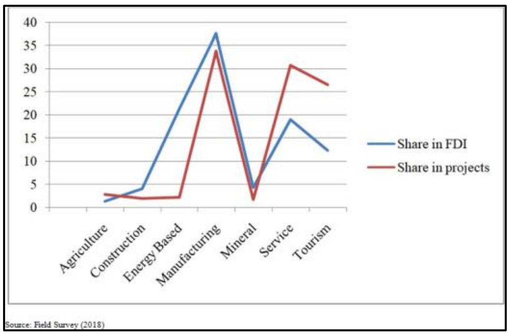

Figure 4.6
Sectorial Distribution of FDI in Projects

The above figure shows that 33% of authorized FDI projects and 37% of total foreign investment are focused on the manufacturing industry. Similar results were found in the study of Regmi (2019), which shows that authorized FDI projects and foreign investment mostly focused on the manufacturing industry. The service sector lagged closely behind, with almost 30% of authorized projects and 19% of FDI. With 26% of projects authorized and 12% of international investment, the tourism industry is in third place. Although the fossil fuel industry has the fourth-highest percentage of authorized projects, it has received the second-highest amount of FDI (21% of the total). With just 1% of projects authorized and 4% of foreign investment, the mineral sector is finally stable. More specifically, as shown in Table 4.4 (Appendix below), the greatest stock of FDI was in the service sector, with a total of NPR 115.08 billion as of the middle of July 2017. FDI in Nepal has historically gone mostly to the service sector. The primary sub-category of the service industry with the biggest FDI stock, at NPR 67.2 billion, is transportation, storage, and transmission. Midway through July of 2017, the manufacturing industry had NPR 53.4 billion in FDI stock, making it the second most popular sector for FDI after the services sector. In terms of FDI stock, the agricultural sector receives the least at NPR 0.2 billion.

5 Conclusion

Understanding the factors that encourage multinational companies to invest in developing nations like Nepal and facilitate the transfer of cutting-edge technology to those nations was the primary goal of this research. This research shows that FDI helps a country's economy thrive, which can be maintained through sound monetary policy made by the government. The "Foreign Investment and Technology Transfer Act" (FITTA) governs Nepal's legislation and regulations pertaining to FDI (1992). Competition in a country's home market improves when global corporations are present. There are two main reasons why attracting FDI is so important: expanding the economy's investment base, and maintaining stability on the international stage. Competition in a country's local market is boosted by the presence of multinational corporations. Local enterprises may be pushed to improve their efficiency and introduce new inventions to the market more quickly than they would be able to without such fierce competition. This impact is commonly referred to as the overflow influence, and it occurs because unskilled firms cannot erase the full value of these increases. More and more regional businesses are reaping the benefits of this surplus effect. Therefore, it is considered a necessary structure for boosting a particular country's growth via FDI. It is for these and related reasons that state-run administrations have been urged to harmonies with and support FDI.

FDI (FDI) is a crucial funding mechanism for economic growth and development in developing nations. It provides a comprehensive solution for the development and expansion of labor and goods, including new ideas, organizational approaches, economic ability, and economic integration. It's also a source of funding. The most critical factors in determining an FDI location are price, market structure, and the presence or absence of favorable policy, legal, and sociological factors. Nepal is striving to alleviate wider FDI worries regarding the present status of the currency notwithstanding a few contradicting considerations. Several indices related to FDI in the nation have increased since the ammonization process has started in 2018. Based on the results of this research, it appears that the country stands to benefit from FDI thanks to its distinctive characteristics. Over the course of several decades, entering FDI has seen a steadily rising tide of direct speculation across open borders. The financial gap may be closed and the economy can benefit greatly from foreign investment.

6 Policy Recommendations

The study recommendations are as follows:

- Attracting FDI is crucial to Nepal's ability to maintain external stability and enhance the economic investment. As a result, more enticing policies are required.
- If Nepal wants to show that it can compete with other nations from other areas of the world for FDI from the very same suppliers and in similar industries, it could provide more considerable and tempting advantages to prospective buyers.
- • Attractive incentives are only one consideration for prospective buyers; others include the availability of adequate infrastructural development, access to the export industry, a highly skilled workforce, peace and stability, consistency in government actions, and the presence of suitable intimate partners for joint ventures

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Appendix

Table 4.1
FDI Inflows by Economy and Region

Year	2015	2016	2017	2018	2019	2020	Percent Change 2020
World	2,043.40	2,076.30	1,658.40	1,446.80	1,541.30	989.8	-34.8
Developed economies	1,278.90	1,355.60	895.4	708.7	759	313.3	-58.4
Developing economies	741.5	664.8	703.6	682.6	734.5	673.7	-8.5
Transition economies	35.2	67.7	51.6	37.7	58.9	25.3	-58.3

Source: UNCTAD World Investment Report (2021)

Table 4.2
FDI inflow in Nepal

Country/Year	2015	2016	2017	2018	2019	2020	% change 2020	% in Total 2020
Nepal	51	107	189	68	196	137	-31.98	0.181983

Source: UNCTAD World Investment Report (2021)

Table 4.3
Country-wise FDI in Nepal

SN.	Country	Paid-up capital	Reserves	Loan from Direct Investors	Total	Share in Total(%)
1	West Indies	81	65,185.61	0	65,265.61	38.7
2	India	14,326.61	17,516.51	1,258.70	32,979.50	19.5
3	China	10,679.21	-518.6	7,078.41	17,239.11	10.2
4	Ireland	4,034.81	3,077.29	0	7,081.11	4.2
5	Singapore	3,745.21	3,182.81	0	6,936.81	4.1
6	Australia	4,085.83	1,959.51	12.3	6,065.51	3.6
7	Hong Kong	3,622.91	872.8	697.5	5,191.29	3.1
8	Bangladesh	3,354.61	988.8	0	4,334.31	2.6
9	UAE	234.6	3,623.41	59.6	3,915.41	2.3
10	South Korea	3,784.81	-326.7	77.7	3,535.91	2.1
12	Others	10,555.71	3,353.81	2,681.41	16,568.71	9.8
	Total	58505.31	98,915.25	11865.62	169,113.28	100

Source: Field Survey (2018)

Table 4.4
Sector-wise FDI in Nepal

Year	Paid-up Capital	Reserves	Loan	Total
Agriculture				
2015	386.3	-	-	386.3
2016	386.3	-	-	386.3
2017	166.7	-	-	166.7
Industry				
Year	**Paid-up Capital**	**Reserves**	**Loan**	**Total**
2015	15,788.91	12,878.81	1,565.41	30,343.21
2016	18,898.61	19,813.91	1,836.41	40,728.71
2017	24,195.81	23,474.81	5,913.51	53,472.11
Service				
Year	**Paid-up Capital**	**Reserves**	**Loan**	**Total**
2015	17,785.41	55,482.71	2,489.81	75,655.71
2016	22,281.61	71,159.11	3,438.11	96,776.61

Source: Field Survey (2018)