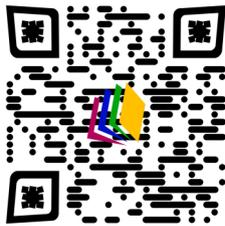


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A Review of Determinants for the Spillover Effects of FDI in the Industrial Sector: Evidence from the Recent Studies in India

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ABSTRACT:

The purpose of this study is to provide recent literature review on determinants of the spillover effects of FDI in the manufacturing sector in India. This study is, therefore, an attempt to provide the recent literature findings on the determinants representing the foreign presence in the form of foreign firms and its effects on the domestic firms, mainly resulting in the horizontal, backward and forward integration in the industrial sector. It further tries to explore the determinants that are in line with various theoretical backgrounds of FDI and tries to find out best explaining the theoretical model to the spillover effects of FDI in the industrial sector. Content analysis is used for the available literature to streamline various related theories and to identify the research gap in the said area. The importance of the literature review is reflected in the predominance of spillover studies in developed countries and evidence that most of the studies are based on empirical data and used industry specific but not firm-specific variable and provides more on the industry, product, and country-specific variable though which technology gets transferred from the foreign firm to the domestic firm.

KEY WORDS: FDI, Manufacturing Industry, Spillover Effects, Literature Review, Technology Transfer.

1. Introduction

The recent world has witnessed major changes that are taking place in the fields of technology, Foreign Direct Investments (FDIs), trade and development strategies. Capital movements across countries in the form of FDI have been one of the prime features of global economic integration. (G. and Reddy, 2018, p.56.) The benefits from FDI are reflected in the form of increase in exports and higher employment level in the host economy. Nonetheless, there is an entire phenomenon of indirect benefits visible in the form of productivity, operational efficiency, and profitability of the firms in the host economies. This