India

Benefits of Joint Venture With Foreign Parties in India

Joint Venture refers to a form of tactical partnership in which two or more business entities collaborate to create a new business entity for more productivity and economic benefits. It represents the optimism of two firms that have united to accomplish marketplace goals which seem uneconomical and challenging independently.

Joint Venture in india

As the proliferation of global markets is incessant, International Joint Ventures became fundamental for commercial objectives. In India, Joint Venture is becoming a traditional model of running a business as most of the foreign investments are made through Joint Venture arrangement only.

Under the Indian Law, a Joint Venture is governed primarily by the Indian Contract Act, Foreign Direct Investment (FDI) Policy, the Foreign Exchange Management Act, 1999 (FEMA) with that several aspects of Corporate Laws are also applicable.

A foreign company can invest/enter Indian market through Joint Venture arrangement only in sectors which are not exclusively reserved for public sector and do not fall under the prohibited categories like real estate, agriculture, plantation and insurance.

Foreign party as a Joint Venture partner and Ots Benefits

Having a foreign party as a Joint Venture partner in India can be highly beneficial as it provides a fast way to indulge in complementary resources that are available with the other partner, share each other's capabilities, access new market and diversify new business.

Flexibility and Adaptability- JV gives you option to be equity-based or contractual arrangement. It is very adaptable as it can be started with existing project by introducing a new partner or by starting an entirely new business. As JV is a temporary arrangement which implies you are not commitment for long- it opens a creative route for companies to enter into non-core businesses while maintaining an easy exit option without much at stake.

Accessibility- The JV with foreign party partner helps the foreign investor to access the strengths of other in terms of regional knowhow about the established market, infrastructure, product quality, technology, distribution channels, availability of cheap resources, labor cost, risk factors, etc. to strengthen the position in current market and ramify new businesses as well.

Improved technology- A foreign party partner acts as a catalyst for Indian business as it equips them with cutting edge latest technology which is already tried and tested in global market. It

leads to generation of more developed and evolved products economically without compromise on quality standards to meet the growing needs of modern businesses.

Shared liabilities- As both the parties have volunteered to share the responsibilities- the burden/pressure of incurring loss, costs or services will be less for each individual partner. It encourages them to take risks to explore new options even when the possibility of higher returns is not up to par.

Increased capacity- Both, production and sales increase due to availability of both advanced technology and cheap labor. Resources are also available at economical prices and can be utilized efficiently to boost returns. All the equipment and capital you need for your project can be made available conveniently. JV is a great way of reducing research and manufacturing costs without compromise on product quality too.

Soaring high success rate- It bestows Indian business, the opportunity to access new global markets and distribution channels without any geographical hindrances and gain insights and use expertise of each other to yield exceptional results.

https://www.iloconsulting.in/knowledge-center/benefits-joint-venture-foreign-parties-india

Difference Between Foreign Trade and Foreign Investment

Last updated on March 21, 2018 by Surbhi S

With the effect of globalization, the form of the markets has been changed all around the world, as well as it has also changed the way in which business is carried out in the past years. One of the major revolutions, as a part of globalization, is the **foreign trade** that implies the buying and selling of goods and services, in different countries of the world. Next, there is one more drastic change as a result of globalization, i.e. **foreign investment**, wherein the individuals and companies invest their capital in the companies headquartered in another nation.

Both foreign trade and foreign investment brings external capital to the country which triggers the growth of the nation. Let's take a look at the given article, to understand the difference between foreign trade and foreign investment.

Content: Foreign Trade Vs Foreign Investment

Comparison Chart

Definition

Key Differences

Conclusion

Comparison Chart

BASIS FOR COMPARISON	FOREIGN TRADE	FOREIGN INVESTMENT
Meaning	Foreign trade implies the trade of goods, services and capital between two countries of the world.	Foreign investment refers to an investment made in a company from a source outside the country.
Need	Resource endowment	Capital requirement
Result	Integration of markets of different countries.	Additional investment in the form of capital, technology and other resources.
Advantage	It creates an opportunity for the producers to cover the international markets.	It brings long-term capital to the company.
Objective	To earn profit and excel global market.	To generate returns in long term.

Definition of Foreign Trade

Foreign trade can be understood as the act of trading products and services in the international markets. It facilitates the availability of goods in the market of the country, different from where it is produced. It results in the increase of choice of goods, as the prices of the similar goods are almost equal. Therefore, the producers compete with one another.

Foreign trade is needed in a country to fulfil its resource requirements, meaning that the trade between two countries takes place because no country is self-sufficient. So, to meet out its requirement of natural or man-made resources, it engages in trade with the country, which possesses these resources in abundance. Further, the countries that are rich in certain minerals or other items find it beneficial to export it to other countries.

Foreign trade occurs in the form of **import, export** and **entreport**.

Foreign trade is subject to trade policy which are the directive principles and the control measures, that helps in administering the exports and imports of the country.

Definition of Foreign Investment

Foreign investment implies investment made by foreign nationals or foreign corporates in substantial proportion in the domestic company, in that they hold extensive ownership and also controls the management of the company.

In short, foreign investment is the introduction of foreign capital in a company which is based in a different country. So, it results in the movement of capital from one country to another. It can be in the form of:

Foreign Direct Investment: Investment from a source outside the nation, into the production or business of a company.

Foreign Portfolio Investment: Investment by the foreign company, in the securities market of another country.

Foreign Institutional Investment: Investment by foreign investors in the passive holdings of the company, that operates in a different country.

Key Differences Between Foreign Trade and Foreign Investment

The differences between foreign trade and foreign investment are discussed in the following points in detail:

Exchange of goods and services across the national borders of the country is known as foreign trade. On the contrary, Foreign investment implies the type of investment that a company or individual from a country makes, in the equity of the company located in another country.

Every country does not possess all the resources, and that is why, foreign trade is required, to fulfil the demand for the resources which are deficient in a country. Conversely, foreign investment tends to fulfil the capital requirement of the company, from the source outside the country.

Foreign trade connects the markets of different countries of the world. In contrast, foreign investment brings additional investment to the company in the form of money, technology and other resources.

Foreign trade creates a good opportunity for the domestic producers to capture global markets and increase their overall reach. As against, foreign investment tends to bring long-term capital in the company and that too in foreign currency.

The primary objective of foreign trade is to earn a profit and create an impression in the international market. Unlike, a foreign investment which is made with an objective to generate returns in the long term and have an ownership stake in the company based in another nation.

Conclusion

Both foreign trade and foreign investment leads to the increase in country's Gross Domestic Product (GDP), which becomes an important source of economy's development.

To sum up, foreign trade involves buying and selling of goods and services; in international markets, foreign investment is all about money invested for the long-term by foreign companies

https://keydifferences.com/difference-between-foreign-trade-and-foreign-investment.html