UNIT V

MOBILISATION OF RESOURCES FOR PLANNING

Finance is the life blood of all economic activities. Planning is also an economic activity. Hence, the success of any planning whether it is small or big, largely depends up to the availability of adequate resources according to nature, size and needs of the plan.

SOURCES OF RESOURCE MOBILISATION

The sources of finance available to the government of India for economic planning may be classified under the following two broad heads:

a. Internal or Domestic Resources.
b. External Resources.

INTERNAL OR DOMESTIC RESOURCES

The main domestic budgetary resources of economic planning in India are:

a. Surplus from Current Revenue.
b. Surplus from Public Enterprises.
c. Domestic Private Savings.
d. Additional Resource Mobilisation (ARM).

EXTERNAL RESOURCES

a. Foreign Aid.
b. Foreign Capital.
c. Foreign Direct Investment (FDI).

FOREIGN AID

It means financial assistance provided by the developed countries and international financial institutions like World Bank, International Development Association (IDA), International Finance Corporation (IFC), International Monetary Fund (IMF) etc. such as Asian Development Banks (ADB), the African Development Bank, Inter-American Development etc, the multinational agencies such as Aid India Club.

It flows in the form of assistance, outright grants and concessional loans to the underdeveloped and developing countries. Outright grants do not have any obligation, to repay and therefore, have no problems attached to them. Loans or concessional loans have ti be repaid along with interest. This causes a number of problems.

PURPOSE OF FOREIGN AID

a. Gaining of the support of allies in the cold war.
b. Gaining the support of the aid-receiving countries on political and other strategies issues in case of calamities such as floods, earthquakes, eradication of poverty.

TYPES OF FOREIGN AID

a. Tied foreign Aid - it may be by source, project or commodities. Dam, Hospital, bridge, roads.
b. Untied Foreign Aid – It is one which the recipient country is free to use it as it likes keeping in-views its plan requirements and availability of domestic resources. Development programmes- in agriculture, transport, industry.

MAJOR REASONS FOR UNTIED AID IS BETTER THAN TIED AID

a. Tied aid restrict the freedom.
b. Tied aid distort its allocation of investment.
c. Tied aid is usually Costly.
d. Tied aid may limit the choice of technology.
e. Tied aid may also increase the risk of interferences by the donor country.

FOREIGN CAPITAL

It means investment in the productive activities of a country by a foreign government by private investors and international institutions like World Bank, IMF, ADB etc.

TYPES OF FOREIGN CAPITAL

It may be classified as under two heads:

a. Private Foreign Capital.
b. Public Foreign Capital.

PRIVATE FOREIGN CAPITAL

Which is received from private sources. It includes investment by private individuals or private corporations in the private or public sector of another country. It may be following types:

a. Direct Foreign Investment -It is incurred by one country, in a subsidiary in another country.
b. Indirect Foreign Investment – It consists mainly of the holding of transferable securities such as shares and debentures.
c. Commercial Borrowings – It is one which flows through commercial banks.

PUBLIC FOREIGN CAPITAL

It is the form of loans or grants provided by the government of one country to the government of another country. It is the form of inter-governmental loans. It accelerate economic development than private foreign capital. The various types are as follows:

a. Soft Loans.
b. Hard Loans.
c. Project Loans.
d. Non-Project Loans.
e. Tied Loans.
f. Untied Loans.
g. Loans from international agencies- IFC, IDA, ADB.

IMPORTANCE (OR) SIGNIFICANCE (OR) ADVANTAGES (OR) ROLE OF FOREIGN CAPITAL AND AID IN THE ECONOMIC DEVELOPMENT

It play an important role in the economic development of underdeveloped and developing countries. They are as follows:

a. Filling up Resources Gap.
b. The Technological Gap.
c. Exploitation of Human and Natural Resources.
d. Development of Basic Economic Infrastructure.
e. To Correct adverse BOP.
f. Undertaking the Initial Risk.
g. Raises the Level of Standard of Living, Income and Employment.
h. Controls Inflationary Pressure.

i. Miscellaneous.

DISADVANTAGES (OR) SHORTCOIMNGS OF FOREIGN CAPITAL AND AID

The main dangers of foreign capital and aid are as follows:

a. Undue Dependence on Foreign countries.
b. Largely Burdensome.
c. Adverse effect on BOP.
d. Little Benefit.
e. Investment in Wasteful Projects.
f. Foreign Capital Breeds Laziness.
g. Aid not real.
h. Instrument of Economic Exploitation.
i. Flag Follows the Foreign Capital.
j. Discriminating Attitude.

FOREIGN DIRECT INVESTMENT (FDI)

A foreign direct investment (FDI) is an investment in the form of a controlling ownership in a business in one country by an entity based in another country. It is thus distinguished from a foreign portfolio investment by a notion of direct control.

The origin of the investment does not impact the definition, as an FDI: the investment may be made either "inorganically" by buying a company in the target country or "organically" by expanding the operations of an existing business in that country.

Broadly, foreign direct investment includes "mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations, and intra company loans". In a narrow sense, foreign direct investment refers just too building new facility, and a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor.

FDI is the sum of equity capital, long-term capital, and short-term capital as shown in the balance of payments. FDI usually involves participation in management, joint-venture, transfer of technology and expertise. *Stock* of FDI is the *net* (i.e., outward FDI minus inward FDI) cumulative FDI for any given period. Direct investment excludes investment through purchase of shares (if that purchase results in an investor controlling less than 10% of the shares of the company).

FDI, a subset of international factor movements is characterized by controlling ownership of a business enterprise in one country by an entity based in another country. Foreign direct investment is distinguished from foreign portfolio investment, a passive investment in the securities of another country such as public stocks and bonds, by the element of "control". According to the Financial Times, "Standard definitions of control use the internationally agreed 10 percent threshold of voting shares, but this is a grey area as often a smaller block of shares will give control in widely held companies. Moreover, control of technology, management, even crucial inputs can confer de facto control."

TYPES OF FDI

a. Horizontal FDI arises when a firm duplicates its home country-based activities at the same value chain stage in a host country through FDI.

b. Platform FDI Foreign direct investment from a source country into a destination country for the purpose of exporting to a third country.
c. Vertical FDI takes place when a firm through FDI moves upstream or downstream in different value chains i.e., when firms perform value-adding activities stage by stage in a vertical fashion in a host country.

METHODS OF FDI

The foreign direct investor may acquire voting power of an enterprise in an economy through any of the following methods:

a. By incorporating a wholly owned subsidiary or company anywhere.
b. By acquiring shares in an associated enterprise.
c. Through a merger or an acquisition of an unrelated enterprise.
d. Participating in an equity joint venture with another investor or enterprise.

FORMS OF FDI INCENTIVES

Foreign direct investment incentives may take the following forms:

a. Low corporate tax and individual income tax rates.
b. Tax holidays.
c. Other types of tax concessions.
d. Preferential tariffs.
e. Special economic zones.
f. EPZ – Export Processing Zones.
g. Bonded warehouses.
h. Maquiladoras.
i. Investment financial subsidies.
j. Free land or land subsidies.
k. Relocation & expatriation.
l. Infrastructure subsidies.
m. R&D support.
n. Energy.
o. Derogation from regulations (usually for very large projects).

Governmental Investment Promotion Agencies (IPAs) use various marketing strategies inspired by the private sector to try and attract inward FDI, including diaspora marketing.

IMPORANCE OF FDI

a. The rapid growth of world population since 1950 has occurred mostly in developing countries. This growth has been matched by more rapid increases in gross domestic product, and thus income per capita has increased in most countries around the world since 1950.
b. An increase in FDI may be associated with improved economic growth due to the influx of capital and increased tax revenues for the host country.
c. The trade regime of the host country is named as an important factor for the investor's decision-making.
d. Host countries often try to channel FDI investment into new infrastructure and other projects to boost development.
e. Greater competition from new companies can lead to productivity gains and greater efficiency in the host country and it has been suggested that the application of a

foreign entity's policies to a domestic subsidiary may improve corporate governance standards.

f. Furthermore, foreign investment can result in the transfer of soft skills through training and job creation, the availability of more advanced technology for the domestic market and access to research and development resources.
g. The local population may benefit from the employment opportunities created by new businesses.
h. In many instances, the investing company is simply transferring its older production capacity and machines, which might still be appealing to the host country because of technological lags or under-development, to avoid competition against its own products by the host country/company.

MULTINATIONAL CORPORATIOS

It is company or enterprise or firm with its headquarters in a developed country like UK, USA, Germany, France, Japan etc. and operates in developed, developing and underdeveloped countries. They also known as Transactional Corporation (TNs).

DEFINITION

According to Lal and Streeten, "Multinational Corporations in general are very large firms with wide spread operations which are clearly international in character and have more than five foreign subsidiaries or more than 15 per cent of total sales produced abroad, and acting in a cohesive manner to achieve maximum profits or growth".

FEATURES OR CHARACTERISTICS OF MNCs

a. It is a company or enterprise or firm. Headquarters in developed country.
b. They operate both developed and developing countries.
c. Very easily transfer their resources to their subsidiary companies.
d. They have gigantic size.
e. They have multi-national stock ownership.
f. Profit of the corporation is divided among the countries.
g. They have multi-national management.
h. It possess vast resources for production, capital, technology and exports etc.

ADVANTAGES OF MNCs

a. Rapid Industrialisation.
b. Exploitation of Domestic Resources.
c. Changes in Production Techniques.
d. Wide International Market and Export Promotion.
e. Large-Scale of Employment.
f. Increase in Foreign Exchange Reserves.
g. Development of Infrastructure Facilities.
h. Increase in the Standard of Living.

DISADVANTAGES OF MNCs

a. It with huge capital and modern technology base.
b. Developing country have to pay a very high cost of transferred capital.
c. LDCs are largely exploited.
d. MNCs are blamed for interfering in the local politics.
e. It transfer second rate, out dated and overpriced technology.

MEASURES TO CONTROL THE EFFECT OF MNCs ON UDCs AND DEVELOPING COUNTRIES

The following suggestions should be implemented as as to derive the maximum benefit for the MNCs for the respective country.

a. Their areas of operation should be fully decided and clearly demarcated by the government.
b. To encourage to set up joint ventures with domestic entrepreneurs.
c. To encourage the consumer goods for obvious reasons.
d. Domestic entrepreneurs must be provided suitable atmosphere to compete with foreign entrepreneurs.
e. The agreements with foreign countries must be clear, transparent and well defined so disputes may not arise in future.
f. To establish plants in backward areas.
g. To allowed to develop its own technology.
h. MNCs should not allowed to intervene in the socio-economic policies of the host country.

TRANSFER OF TECHNOLOGY

Technology transfer (TT) refers to the process of conveying results stemming from scientific and technological research to the market place and to wider society, along with associated skills and procedures, and is as such an intrinsic part of the technological innovation process.

MEANING OF TRANSFER OF TECHNOLOGY

Technology transfer, also called transfer of technology (TOT), is the process of transferring (disseminating) technology from the person or organization that owns or holds it to another person or organization. These transfers may occur between universities, business (of any size, ranging from small, medium, to large), governments, across geopolitical boarders, both formally and informally, and both openly and secretly.

Often it occurs by concerted effort to share skills, knowledge, technologies, manufacturing methods, samples, and facilities among the participants. to ensure that scientific and technological developments are accessible to a wider range of users who can then further develop and exploit the technology into new products, processes, applications, materials, or services. It is closely related to (and may arguably be considered a subset of) knowledge transfer. Horizontal transfer is the movement of technologies from one area to another. At present transfer of technology is primarily horizontal. Vertical transfer occurs when technologies are moved from applied research centres to research and development departments.

NEED FOR TANSFER OF TECHNOLOGY

Technology transfer is the process of commercializing technologies created by non-industry researchers. The word "transfer" is used because a technology typically needs to be transferred from one entity to another (e.g., from a university to a startup company or from a government research lab to a corporation).

Technology transfer is important for a few reasons:

1. Return on Investment

Non-commercial research requires funding, and in the U.S. that funding often comes from the federal government. Before the Bayh-Dole Act, very few university technologies created with federal funding made it to the marketplace. Fundamental research is valuable, but the failure to transfer technologies to the marketplace represented a major missed opportunity.

2. Economic Progress

We all benefit from the success of new technologies. Increasingly, pharmaceutical companies are reducing their research and development budgets and instead relying on university researchers to create new drugs.

3. Rewarding Innovators

People who create new innovations that benefit society deserve to be rewarded. Most researchers (at universities, at least) benefit financially when their technologies succeeded.

4. Be part of the innovation economy

Today we live in the innovation economy, having shifted from a manufacturing economy. The technologies that universities create become the basis of the innovative products that are saving lives, making our lives better and, in many ways, follow chemical producer BASF's tagline: "We don't make the products you buy. We make the products you buy better."

Products ranging from anxiety disorder and epilepsy medication Lyrica and autoimmune disease drug Remicade to HD televisions and X-Window, the underlying graphic user interface technology of modern-day computers, all exploit university intellectual property to some degree.

5. Join a dynamic, multifaceted profession

Technology transfer is not just licensing. In fact, it is just one aspect of technology transfer. There are many facets, such as patent law, finance, accounting, compliance, negotiation and operations that make up the overall profession of technology transfer.

Startups also form a significant part of the profession these days, where entrepreneurs and CEOs are part of the day to day operations. Many larger offices engage experienced venture capital groups and angel investors as part of the overall team that evaluates, plans and executes the startup business. There are instances where some of the professionals from the technology transfer office have joined a startup that was formed at a university.

Working in technology transfer office (TTO) enriches you professionally as you are exposed to the various functions within the office that are part of the same team's work. In many ways, it is like working in a startup operation that is fast-paced and dynamic. For a scientist like myself, I never had the opportunity to learn about the legal aspects of a deal until I joined a TTO. Other skills like negotiation are also something that you get to practise every day as a licensing professional.

6. It can serve as a launch pad to your next career

Learning the various facets of business deal-making and start-ups creates the opportunity to move on to the next bigger thing. Whether it is becoming the director of the office or joining industry, there are various options that open up for a well-trained TTO professional. I have personally seen many people flourish in an industry environment coming out of academic TTO. I know of several people who have taken on the role of vice-president of licensing at a company like conglomerate GE or automotive manufacturer General Motors. Others have gone to pharmaceutical firm Pfizer in licensing and business development roles. Senior business development and licensing people from industry are leading many TTOs, such as University of Wisconsin-Madison's Wisconsin Alumni Research Foundation, and University of Minnesota's office for technology commercialisation. The commute is not only in one direction.

7. Make an impact and be in the news

I strongly believe that people should not only work for a living – your profession should ideally provide meaningful work that impacts the lives of others. Working at a TTO, you can say that because of the work that was done at a university, and because of your role in getting that technology to market, you made a tangible impact.

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