

# Foreign Capital and Economic Growth



*Part C*

# External Commercial borrowings (ECBs)

- ❖ An external commercial borrowing (ECB) is an instrument used in India to facilitate Indian companies to raise money outside the country in foreign currency
- ❖ The government of India permits Indian corporates to raise money via ECB for expansion of existing capacity as well as for fresh investments

# External Commercial borrowings (ECBs)

- ❖ ECBs has made it easy for the Indian eligible entities to access foreign capital and meet its needs
- ❖ The ECBs can be obtained through automatic route or approval route or by combination of both the routes
- ❖ Monitored by RBI, ECB is a facility made available to Indian eligible entities to be able to seek huge investment from outside India and allow for foreign capital flow in India

# Private Foreign Investment

It is of two types –

- (i) Foreign Direct Investment (FDI)
- (ii) Foreign Portfolio Investment (FPI)

# Private Foreign Investment

- ❖ Foreign investment and collaboration with a forcing nation are closely interrelated, but they are different from each other
- ❖ Capital investment is participation of a foreign country in capital of recipient country's enterprises
- ❖ Collaboration, on the other hand means providing technical and managerial knowhow, licensing franchise, trade-marks and patents by a host country to home country

To be Continued...

Thank You