

Make Malta an Attractive FDI Destination: A Perspective



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Abstract: Across the globe, Arrangements to pull in Foreign Direct Investment (FDI) have gotten standard, regardless of their degree of advancement, modern arrangement or area. The essential strategy question would i say i is: What ought to be done so as to draw in internal FDI? The response to this inquiry spins around with respect to which approach factors can be utilized to draw in FDI. An arrangement variable is characterized as a determinant of FDI which can be legitimately impacted by governments ("approach producers") in the present moment just as in long haul.

A proficient and successful venture advancement program can pull in particular kinds of financial specialists to a nation at a cost that is essentially not exactly the estimation of the immediate advantages the nation gets from the speculation. Further, it is critical to think about what makes up a powerful venture advancement program.

Keywords: FDI, Growth Centric Enhanced Employment Rate, Uplifting Image

I. INTRODUCTION

The promotion of sustainable economic development in the host country has been subject of strategic discussions for many years and in the mean-time appears self-explaining. In the current global scenario it is widely accepted that FDI can promote sustainable economic development in the country of origin as well (Ying Chang, 2008). This knowledge and conception has contributed to the increasing popularity and importance of FDI and corresponding investment policies over the last two decades. Furthermore, FDI serves as an indicator for a country's competitiveness and degree of globalization. Unlike other types of capital flows, FDI are not only means for transferring capital, but also serve to promote the transfer of technology and know-how, encourage the development of human capital as well as corporate governance standards (OECD, 2001). Across the globe, Arrangements to draw in Foreign Direct Investment (FDI) have gotten standard, independent of their degree of improvement, mechanical arrangement or area. The essential strategy question would be: What ought to be done so as to pull in internal FDI? The response to this inquiry spins around with respect to which strategy factors can be utilized to draw in FDI all in all.

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An arrangement variable is characterized as a determinant of FDI which can be straightforwardly affected by governments ("strategy creators") in the present moment just as in long haul. Right now address this inquiry with the point of giving some knowledge to approach creators looking for encouraging regions of activity and an effective methods for leading FDI fascination strategies. As a result, we are focusing on two determinants namely Investment promotion & Economic Incentives through rationalization of taxes. As a matter of fact the subject determinants are very closely interwoven.

II. INVESTMENT PROMOTION: AN EFFECTIVE OPTION

A productive and powerful speculation advancement program can pull in specific sorts of financial specialists to a nation at a cost that is altogether not exactly the estimation of the immediate advantages the nation gets from the venture. Further, it is essential to think about what makes up a viable venture advancement program. Speculation advancement isn't, in any case, the main promoting procedure that a legislature can use to pull in speculators. An administration, in its endeavors to draw in financial specialists, is confronted with the test of structuring a fitting showcasing blend for venture. Despite the fact that the chief spotlight could be on advancement, the data got about the expenses of different advancement programs and the conditions under which advancement is by all accounts best permits us to make speculative determinations about the job of item and cost in the venture showcasing blend and the relative cost-viability of the advertising methods of advancement and cost.

III. INVESTMENT PROMOTION & MARKETING MIX

A speculation advancement program gives off an impression of being best in pulling in financial specialists to Malta in the event that it is centered around send out arranged venture, regardless of whether for fare to world markets or to provincial markets. The showcasing procedures of advancement, valuing, and item should be utilized in a reciprocal way during a venture advancement program equipped to drawing in speculation. The essential concern ought to be the item that is, the nation's speculation atmosphere and the inalienable allure of its household showcase. To draw in financial specialists who intend to serve the residential market there seems, by all accounts, to be less need to assign assets to speculation advancement and, to venture motivators.

For trade arranged venture then again, while an appealing item stays fundamental, advancement and estimating, whenever oversaw productively, can be huge factors in drawing in financial specialists.

It is normal, nonetheless, that a nation's achievement in drawing in-vestment will prompt enhancements in the nation's venture atmosphere; this improvement will fill in for the impacts of advancement and estimating.

Along these lines, in circumstances in which nations have proceeded with achievement in creating speculation, a decrease may be normal in the requirement for assets to be committed to advancement and to the arrangement of motivating forces. In the present situation both the perspectives request consideration by concerned government organizations.

IV. THE COSTS AND BENEFITS OF INVESTMENT PROMOTION

The advantages a nation gains from an effective advancement program outfitted to drawing in send out situated speculation normally surpass the expenses of pulling in the venture. A correlation between the expenses of a proficient speculation advancement program to the immediate work benefits got from venture pulled in by the program can bring the clearness. From this investigation, we presume that the immediate business benefits delivered by remote venture surpass the commonplace expenses of pulling in this speculation. In the current circumstance with long haul joblessness pace of 2%, GoM may dispatch a firmly focused on advancement program that cost less per work made. Consequently, on arriving at full business the center ought to elevate speculation just to acquire benefits other than work, obviously.

V. INVESTMENT PROMOTION AS A TYPE OF INDUSTRIAL MARKETING

It might be gainful to see speculation advancement as a sort of mechanical promoting, with which it has close equals. In both speculation advancement and modern showcasing, comparable associations are making enormous, moderately rare, very much looked into, "buy" choices: Here it is suggested that since the venture choice is like the mechanical purchasing choice, the manner in which organizations make modern buys and in transit different organizations advertise modern items is relevant to a comprehension of the blend of advertising and special procedures that is best in drawing in firms to put resources into a nation. At each phase of this choice procedure diverse limited time media are increasingly compelling. During the underlying stage the more viable special procedures are generic ones, for example, promoting. In the last stages, the

more compelling methods include individual contacts from the vender's delegates or from different firms that can give tributes. It is actuality that a similar relationship holds in speculation advancement. Generic procedures, for example, publicizing, appear to be increasingly viable in affecting financial specialists who are in the beginning times of the venture choice procedure, while individual systems, for example, introductions custom-made to explicit organizations, are the main methods that appear to be successful in impacting speculators who are in the later phases of the procedure. Right now may consider to forcefully utilizing political channels to investigate and misuse the business openings in the objective nations.

VI. INVESTMENT PROMOTION STRATEGIES

"To be sure, the advancement offices will in general adjust to the choice procedures of their objective markets by utilizing basically unoriginal special methods to assemble mindfulness or pictures in the speculation network before endeavoring to produce venture all the more straightforwardly. Numerous offices moved to an emphasis on venture age once proper pictures had been shaped and utilized progressively close to home procedures from there on to produce speculation legitimately. In numerous examples offices changed concentration as they adjusted to the choice procedures of their objective market. It is suggested that in many examples this special technique is a fitting method to deal with the speculation advancement work. Be that as it may, there might be examples in which the standard grouping watched might be wrong.

It might be fundamental to make existing speculators cheerful and to facilitate the path for new financial specialists before starting any exertion at picture building. To be sure, if the nation has an especially ugly highlights for remote financial specialists notwithstanding a troublesome organization political flimsiness or an incredibly exaggerated conversion standard, for instance a picture building effort began before the "item" is fixed is, best case scenario, liable to be a misuse of resources. Only then should it take part in a picture building program.

VII. IMAGE-BUILDING THROUGH TAX REFORMS

In this connection, GoM may revisit the current tax regime to make it industry friendly (At least for few years).The tax rates of certain countries are listed in Table 1, below for reference. It is quite evident that a serious policy review in this direction is required, so much so that special tax rate/extra incentives may be offered for investors venturing in difficult terrain (with reference to Gozo), a list of fiscal & financial options for tax rationalization are placed in Table 2, Table 3 & Table 4 below.

Table 1: Tax Rates of Various Countries

Jurisdiction	Statutory rate	Effective rate	Branch rate
Australia	30	30	30
Austria	25	25	25
Bulgaria	10	10	10
Canada	15	26-31	15/25
Chile	25/25.5	24	25/25.5/35



Czech Republic	19	19	19
Denmark	22	22	22
Ecuador	22/25	22/25	22/25
Egypt	22.5	22.5	22.5/5
Estonia	20	20	20
Finland	20	20	20
France	33.33	34.43	33.33/30
Germany	15	30-33	15
Gibraltar	10	10	10
Greece	29	29	29
Hong Kong	16.5	16.5	16.5
Hungary	9	9	9
Iceland	20	20	20
India	30/40	30.9-34.6/41-43	40
Indonesia	25	25	25/20
Ireland	12.5/25	12.5/25	12.5/25
Israel	24	24	24
Latvia	15	15	15
Lithuania	15	15	15
Luxembourg	19	27.08	19
Malaysia	24	24	24
Malta	35	35	35
Mauritius	15	15-Jan	15
Mexico	30	30	30/10
Netherlands	25	25	25
Peru	29.5	29.5	29.5/5
Saudi Arabia	20	20	20/5
Singapore	17	17	17
Slovakia	21/22	21/22	21/22
Sweden	22	22	22
Switzerland	8.5	7.8	8.5
United Kingdom	19/20	19/20	19/20
United States	35	39.5	35/30

Chiefs in firms with the ability to contribute abroad are, all things considered, a modern gathering of "shoppers." These people, before submitting the capital of their firm in Malta, are probably going to examine the administrative condition for data about the speculation

atmosphere. It is impossible that they will depend exclusively on the data they get from the host government's limited time association.

Table 2: MAIN TYPES OF FISCAL INCENTIVES FOR FDI

Profit based	Reduction of the standard corporate income-tax rate; tax holidays; allowing losses incurred during the holiday period to be written off against profits earned later (or earlier).
Capital investment based.	Accelerated depreciation; investment and reinvestment allowance.
Labour-based	Reductions in social security contributions; deductions from taxable earnings based on the number of employees or on other labour related expenditure.
Sales-based	Corporate income tax reductions based on total sales.

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Value added based	Corporate income tax reductions or credits based on the net local content of outputs; granting income-tax credits based on net value earned.
Based on other particular expenses	Corporate income tax deductions based on, for example, expenditures relating to marketing and promotional activities.
Import based	Exemption from import duties on capital goods, equipment or raw materials, parts and inputs related to the production process.
Export based	(a) Output related e.g. exemptions from export duties; preferential tax treatment of income from exports; income tax reduction for special foreign exchange earning activities or for manufactured exports; tax credits on domestic sales in return for export performance. (b) Input-related, e.g. duty drawbacks, tax credits for duties paid on imported materials or supplies; income tax credits on net local content of exports; deduction of overseas expenditures and capital allowance for export industries.

Source: UNCTAD, Division on Transnational Corporations and Investment 2003

Table 3: MAIN TYPES OF FINANCIAL INCENTIVES FOR FDI

Government grants	A variety of measures (also loosely referred to as “direct subsidies”) to cover (part of) capital, production or marketing costs in relation to an investor project.
Government credit at subsidized rates	Subsidized loans; loan guarantees; guaranteed export credits.
Government equity participation	Publicly funded venture capital participating in investments involving high commercial risks.
Government insurance at preferential rates	Usually available to cover certain types of risks such as exchange rate volatility, currency devaluation or non commercial risks such as expropriation and political turmoil (this type of insurance is often provided through an international agency).

Source: UNCTAD, Division on Transnational Corporations and Investment 2003

At the same time promotion agencies should try to work with their government to design policies to improve the investment climate of Malta. The agencies can then attempt to build image (with the help of offices of ambassadors) that take into account these changes in government policy.

Source: Department of Industry Policy & Promotion, Min of C&I 2002

VIII. RECOMMENDATIONS

It won't be right to state there are different showcasing strategies government can use to draw investment, for example, evaluating by method for venture motivating forces, the question remained whether there are procedures that can pull in speculation more efficiently than venture advancement. In the wake of contrasting the expenses of an effective venture advancement program with the expenses to the administration of one sort of speculation motivation, the assessment occasion, we found that by and large a proficient speculation advancement program is less exorbitant than a normal program of duty occasions. It is not necessarily the case that charges impetuses have no capacity, yet for most nations, assets dedicated to advancement get an opportunity at creating much preferred returns over would those equivalent assets de-casted a ballot to longer expense occasions.

Consequently a legitimate parity ought to be kept up between speculation motivating forces and venture advancement exercises. Speculation advancement goes after indistinguishable rare assets from impetuses. The two motivating forces and advancement exercises are intended to draw in FDI, and the increase from a dollar spent on each ought to be thought about. All in all, speculation advancement movement is increasingly important and doesn't prompt merciless challenge among nations, as motivating forces here and there do. It is subsequently suggested that a proficient venture advancement program is both viable and financially savvy. In planning such a program, governments can profit if speculation advancement is viewed as a kind of modern advertising.

Table 4: MAIN TYPES OF OTHER INCENTIVES FOR FDI

Subsidized infrastructure	Include provision, at less-than-commercial prices, of land, buildings, industrial plants, or specific infrastructure such as telecommunications, transportation, electricity and water supply.
Subsidized services	Services offered may include assistance in identifying finance; implementing and managing projects; carrying out pre-investment studies; information on markets, availability of raw materials and supply or infrastructure; advice on production processes and marketing techniques; assistance with training and retraining; technical facilities for developing know-how or improving quality control.
Market Preferences	Preferential government contracts; closing the market for further entry; protection from import competition; granting of monopoly rights.
Preferential treatment on foreign exchange	Special exchange rates; special foreign debt-to-equity conversion rates; elimination of exchange risks on foreign loans; concessions of foreign exchange credits for export earnings; special concessions on the repatriation of earnings and capital.

Further, they ought to perceive that the association that is to deal with venture advancement should have the option to lead a scope of undertakings, including some that are increasingly run of the mill of private associations and others that are normally connected with government associations.



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IX. METHODOLOGY

The methodology applied here is consists of analysis of the secondary data that is available at various sources viz: UNCTAD, Division on Transnational Corporations and Investment 2003, Department of Industry Policy & Promotion, Min of C&I 2002 and various other sources. The tables 1, 2, 3 and 4 mentioned above are cited to get the analytical facts. Also Investment Promotion Strategies applied by various countries are studied to reach to the conclusion.

X. RESULTS

The careful analysis reveals that there is a definite correlation between FDI, Employment rate and overall industrial growth. So more and more attractive schemes to fetch the FDI will get more and more opportunities for enhancing the local employment and definitely this will lead to the industrial growth in the country as a whole. Any country including Malta must look in to the situation very carefully and try to get maximum FDI to improve its financial structure and build on a brighter future.

XI. CONCLUSION

In view of the cited facts and figures the definite correlation between FDI, Enhanced employment rate and overall industrial growth is undoubtedly established. It goes without saying that a positive approach towards rationalization of tax structure will certainly yield in enhancing the Investor Confidence Index, which holds the key for multipronged direct and indirect benefits for the society of Malta and economy of Malta in particular.

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