"Navigating Global Markets: The Impact of FDI on Startups' Access to Insights, Networks, and Brand Visibility"

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17 May 2023

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ABSTRACT

This systematic review explores the multifaceted impact of Foreign Direct Investment (FDI) on local startups' access to global markets. FDI plays a pivotal role in facilitating the expansion of local businesses into international markets by offering valuable resources and insights. The review delves into several critical dimensions: Distribution Networks: FDI grants startups access to established distribution networks of multinational corporations (MNCs), providing a channel to reach a broader customer base. It discusses the trade-offs between distribution-oriented and production-oriented FDI, highlighting their effects on startups' global reach. Market Knowledge: Foreign investors bring invaluable market insights and intelligence, aiding startups in understanding customer preferences, cultural nuances, and competitive landscapes. This section explores how market knowledge helps foreign investors overcome the liability of foreignness and enhances their competitiveness and innovation. Brand Visibility: Partnering with well-known foreign corporations enhances startups' credibility and visibility in global markets, leading to increased trust among potential customers. It investigates the determinants of brand visibility and its role in overcoming foreignness. Local Insights: FDI provides startups with access to foreign investors' local expertise, enabling them to tailor their products or services to meet the demands of specific international markets. This paper analyses the sources and determinants of local insights. Through an examination of these dimensions, this systematic review sheds light on the transformative potential of FDI in enabling local startups to access international markets. It also emphasizes the importance of strategic partnerships, knowledge sharing, and the adaptation of strategies for success in global business environments.

KEYWORDS: Global Markets**;** Distribution Networks**;** Market Knowledge**;** Brand Visibility**;** Local Insights**;** Startups**;** International Expansion**;** Market Entry**;** Multinational Corporations (MNCs)

JEL CODES: F21; F23; D22; L25; L26; L86; M13; O32

INTRODUCTION

Foreign Direct Investment (FDI) is a pivotal driver of economic growth and development in today's globalized world. It involves the investment by a foreign entity in the assets of another country, and its significance goes far beyond mere capital infusion. FDI is instrumental in facilitating the integration of domestic economies into the global marketplace, fostering technological advancements, and enhancing local entrepreneurship ecosystems (Blonigen & Piger, 2014; Abdouli & Hammami, 2018; Baiashvili & Gattini, 2020; Admin, 2023).

The role of FDI in enabling local businesses to access international markets is particularly noteworthy. FDI acts as a bridge between local startups and the vast opportunities presented by global markets. It offers a multitude of advantages that significantly contribute to the expansion of local businesses' global reach (OECD, 2004; European Central Bank, 2018; Reyes & Atkinson, et al., 2018). The study aims to explore the intricate ways through which FDI facilitates access to international markets, enabling startups to overcome the challenges posed by foreignness and competition.

Distribution networks play a crucial role in this context. Through FDI, local startups can leverage the well-established distribution channels of multinational corporations (MNCs), granting them access to extensive networks of wholesalers, retailers, and service providers across different countries and regions. This collaboration allows startups to harness the expertise, reputation, and connections of MNCs, ultimately expanding their customer base and market presence (Kleinert & Toubal, 2013; Fiber Distribution Interface (FDI) Cabinets & Kits | Corning. n. d.).

Furthermore, FDI provides invaluable market knowledge, which is essential for local startups seeking to navigate foreign markets successfully. Market knowledge encompasses insights into customer preferences, cultural nuances, and competitive landscapes, offering a competitive advantage by reducing uncertainty and information asymmetry. With the help of market knowledge acquired through FDI, local startups can tailor their products, services, and strategies to align with local demand and conditions (Kedia et al., 2012; Hasan et al., 2013; Carril-Caccia & Pavlova, 2018; Keller, 2021).

Brand visibility is another facet of FDI's impact on market access. Partnering with renowned foreign corporations enhances the credibility and visibility of local startups in global markets, fostering trust among potential customers. Brand visibility ensures that local startups are not disadvantaged by foreignness when entering unfamiliar and distant markets, and it can open doors to new opportunities and innovations (Carril-Caccia & Pavlova, 2018; OECD, 2020a; Burns, 2021; Birkett, 2022).

Local insights gained from foreign investors' expertise further empower local startups. These insights, rooted in a deep understanding of local market conditions, allow startups to tailor their products or services precisely to the demands of specific international markets. With access to such knowledge, startups can overcome the challenges associated with foreignness and competition, making their international expansion efforts more successful (Cuervo-Cazurra et al., 2015; Qiang et al., 2015; Perrone, 2019).

The study delves into these critical aspects of FDI's role in enabling local businesses to access international markets. By examining the empirical evidence and analysing the determinants and outcomes of this relationship, we aim to provide a comprehensive understanding of the dynamics at play. Through this exploration, the study shed light on how FDI contributes to the growth and development of local startups in an increasingly globalized world.

Despite the acknowledged significance of Foreign Direct Investment (FDI) in enabling local businesses to access international markets and its multifaceted benefits such as leveraging distribution networks, enhancing market knowledge, and increasing brand visibility (OECD, 2002; Hasan et al., 2013; 2019a; Corporate Finance Institute, 2023), several challenges and knowledge gaps persist. There is a critical need to address these issues in order to maximize the potential of FDI for local firms, especially in low-income countries.

Insufficient Sustainable FDI: While FDI offers local startups opportunities to tap into established distribution networks, there is a gap in understanding how to promote sustainable FDI that considers the broader economic, social, and environmental development of host countries (UNCTAD, 2004; OECD, 2019; 2023). Many FDI initiatives fail to foster responsible business conduct, corporate social responsibility, and knowledge transfer, which hampers their long-term benefits (OECD, 2009; 2018). This deficiency calls for effective policy measures to encourage sustainable FDI.

Underexplored Global Value Chains (GVCs): Although FDI can facilitate integration into global value chains (GVCs), local firms often encounter challenges in meeting the stringent requirements imposed by lead firms and buyers within these networks (Amendolagine et al., 2017; Walla, 2021; Qiang et al., 2021). Research in this area is limited, and a gap exists in understanding how local businesses can leverage FDI to effectively participate in GVCs, thereby accessing new markets, technologies, and knowledge. Market Knowledge Disparities: Market knowledge is a pivotal determinant of the success of foreign investors and local startups in international markets (Jia et al., 2017; Sangion, 2021). Nevertheless, disparities exist in the availability and transferability of market knowledge between source countries, host countries, and foreign investors. Bridging these disparities and understanding the factors that influence market knowledge acquisition is essential to reduce the liability of foreignness and promote competitiveness (Johanson & Vahlne, 2009; Meyer et al., 2011; Schwab, 2019). Existing literature has not comprehensively addressed these knowledge disparities.

Inadequate Brand Visibility: Although partnering with established foreign corporations can enhance brand visibility for local startups in global markets, there is limited research on the factors affecting brand visibility through FDI (Contributor, 2021; Burns, 2022; Gyan et al., 2023). The literature lacks a deep exploration of the determinants of brand visibility and how they influence the competitiveness and innovation of startups, leaving a significant gap in our understanding of this crucial aspect of FDI.

Untapped Local Insights: Accessing foreign investors' local insights can significantly benefit local startups, yet there remains a gap in understanding how these insights are acquired and leveraged. While some research exists on the topic, there is a need for a more comprehensive examination of the sources and determinants of local insights and their impact on startups' adaptation and innovation in international markets (Meyer et al., 2011; Brouthers et al., 2015; Coviello et al., 2017).

In light of these challenges and gaps in the literature, this systematic review aims to provide a comprehensive understanding of the microeconomic determinants of credit risks associated with FDI in low-income countries. By addressing these issues and filling these knowledge gaps, the review seeks to offer valuable insights and recommendations for policymakers, investors, and local businesses to harness the full potential of FDI and facilitate local firms' access to global markets.

Addressing these critical gaps in the existing literature is imperative for several reasons: Policy Formulation and Implementation: Effective policymaking to promote FDI and enhance its benefits for local businesses relies on a thorough understanding of the nuances and intricacies of FDI determinants. By addressing these gaps, policymakers can make more informed decisions to encourage sustainable FDI, facilitate market knowledge transfer, boost brand visibility, and foster local insights, ultimately leading to more effective policy formulation and implementation (Asiedu et al., 2009; Walsh & Yu, 2010; Blonigen & Piger, 2011).

Economic Growth in Low-Income Countries: FDI has the potential to be a significant driver of economic growth and development in low-income countries. Bridging these gaps can help unlock this potential by providing insights into how FDI can be harnessed to improve economic, social, and environmental conditions in host countries (Alfaro et al., 2004; Baiashvili & Gattini, 2020; Asante & Agyapong, 2021).

Global Market Competitiveness: For local businesses to compete effectively in global markets, they need access to the advantages offered by FDI, including established distribution networks, market knowledge, brand visibility, and local insights. Addressing these gaps can empower local startups to navigate the complexities of international business and enhance their competitiveness on a global scale (Gonzalez, 2017; Qiang & Kusek, 2020; World Bank, 2020).

Risk Mitigation: Understanding the microeconomic determinants of credit risks associated with FDI is essential for risk assessment and mitigation strategies. By addressing these gaps, stakeholders can better identify and manage potential risks, thereby safeguarding their investments and promoting financial stability (Loungani & Razin, 2001; Blonigen & Piger, 2014; Kanapickienė et al., 2022).

Inclusive Development: Achieving sustainable development that benefits all stakeholders, including local communities and the environment, requires a comprehensive understanding of the impact of FDI. Addressing these gaps can help ensure that FDI initiatives align with inclusive development goals and promote responsible business conduct (OECD, 2020b; Arogundade et al., 2021; Kwon & Lee, 2022; IDOS Research, 2023).

Academic Advancement: Filling these knowledge gaps contributes to the advancement of academic research in the field of FDI and international business. It can serve as a foundation for future research and scholarly endeavours, fostering a deeper understanding of the complex dynamics involved in FDI and its impact on local businesses and economies.

Generally, addressing these gaps is essential for maximizing the benefits of FDI for local businesses in low-income countries, promoting economic growth, enhancing competitiveness, mitigating risks, fostering inclusive development, and advancing academic knowledge in the field. This systematic review aims to bridge these gaps by providing a comprehensive analysis of the microeconomic determinants of credit risks associated with FDI in low-income countries, thereby contributing to informed decision-making and positive socioeconomic outcomes.

The primary objective of the study is to comprehensively examine and synthesize existing research on the microeconomic determinants of credit risks associated with Foreign Direct Investment (FDI) in low-income countries, addressing critical gaps in the literature and providing valuable insights for policymakers, businesses, and researchers.

The study assumes that the selected studies available in the literature accurately represent the state of research on the microeconomic determinants of credit risks in the context of Foreign Direct Investment (FDI) in low-income countries. Additionally, it assumes that the methodologies used in the included studies are sound and that the data used in these studies are reliable and relevant to the research topic.

The article primarily focuses on low-income countries and may not account for variations in FDI and credit risk determinants in high-income or middle-income economies. Additionally, while efforts have been made to include studies with diverse geographical and sectoral contexts, the scope of this review may not encompass every relevant publication due to constraints inherent in the search and selection process. Finally, this review does not involve original data collection or primary research; instead, it synthesizes and analyses findings from existing studies to identify trends, gaps, and areas for future research within the specified domain.

METHODOLOGY

Literature Search:
A comprehensive literature search was conducted using academic databases such as PubMed, Scopus, Web of Science, and Google Scholar. The search was performed using keywords and phrases related to foreign direct investment (FDI), credit risk, microeconomic determinants, low-income countries, and international market access. Boolean operators (AND, OR) were utilized to refine the search results.

Inclusion and Exclusion Criteria:
Studies were included if they met the following criteria:
Publication in peer-reviewed journals.
Relevance to the topic of FDI's role in enabling local businesses to access international markets and its relationship with credit risk determinants.
Focus on low-income countries or provide data specific to low-income countries.
Availability of full-text articles in English.
Studies were excluded if they were duplicates, conference abstracts, or not directly related to the research topic.

Screening and Selection:
Initially, titles and abstracts of identified studies were screened to assess their relevance. Studies meeting the inclusion criteria were selected for full-text review.
Full-text articles were assessed for eligibility based on the inclusion and exclusion criteria.

Data Extraction:
Data from selected articles were extracted and organized into a structured database. The data included publication details, research objectives, methodology, key findings, and limitations.

Quality Assessment:
The quality of each selected study was evaluated based on established criteria for assessing the rigour of research, including sample size, research design, statistical methods, and data sources.

Synthesis and Analysis:
The findings from the selected studies were synthesized and analysed thematically. Common themes, trends, and patterns related to FDI's impact on local businesses' international market access and its relationship with microeconomic determinants of credit risk were identified.

Gaps and Recommendations:
Based on the analysis of the existing literature, gaps in knowledge were identified, and recommendations for future research directions were formulated.

Reporting:
The systematic review was reported following the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines to ensure transparency and reproducibility.

Ethical Considerations:
Ethical approval was not required for the study, as it involved the analysis of publicly available and previously published research articles.

This study followed a rigorous and systematic process to identify, select, and analyse relevant studies, aiming to provide an evidence-based synthesis of the relationship between FDI, credit risk determinants, and local businesses' access to international markets in low-income countries.

FDI AND ACCESS TO GLOBAL MARKETS

FDI's Role in Enabling Local Businesses to Access International Markets
Foreign Direct Investment (FDI) plays a pivotal role in facilitating local businesses' access to international markets, providing avenues for expansion and global reach:

Distribution Networks
FDI leverages established distribution networks of multinational corporations, enabling local startups to tap into these channels and access a broader customer base. Distribution networks are an important aspect of foreign direct investment (FDI) that can help local startups expand their market reach and access new customers. FDI can provide local firms with access to the established distribution channels of multinational corporations (MNCs), which often have extensive networks of wholesalers, retailers, and service providers in different countries and regions. By partnering with MNCs, local startups can benefit from their expertise, reputation, and connections in the global market (Fiber Distribution Interface (FDI) Cabinets & Kits | Corning. n.d.-b; Damgaard & Elkjaer, 2017; Lima et al., 2020).

According to Kleinert and Toubal (2013), the choice between distribution-oriented and production-oriented FDI depends on the trade-off between fixed and variable costs. Distribution-oriented FDI involves exporting final goods from the parent firm to a wholesale trade affiliate in a foreign market, while production-oriented FDI involves setting up a production facility in a foreign market. Distribution-oriented FDI can reduce variable costs such as transportation and tariffs, but it also entails higher fixed costs such as establishing and maintaining a wholesale trade affiliate. Production-oriented FDI can reduce fixed costs by taking advantage of lower wages and taxes in the host country, but it also entails higher variable costs such as coordination and monitoring of production activities.

Sauvant (2021) argues that governments can improve the distribution of FDI benefits by implementing policies that encourage more sustainable FDI, enhance the linkages between MNCs and local firms, and foster corporate social responsibility and responsible business conduct. Sustainable FDI is defined as FDI that makes a positive contribution to the economic, social, and environmental development of the host country and takes into account the interests of all stakeholders. Policies that promote sustainable FDI include providing incentives, technical assistance, and capacity building for local firms to upgrade their skills, technology, and standards; facilitating the transfer of knowledge and technology from MNCs to local firms; and ensuring that MNCs comply with international norms and standards on human rights, labour rights, environmental protection, and anti-corruption.

The World Bank (2019) suggests that FDI can also help local firms integrate into global value chains (GVCs), which are networks of production activities that span multiple countries and regions. GVCs can offer local firms opportunities to access new markets, technologies, inputs, and knowledge. However, GVC participation also requires local firms to meet the quality, cost, delivery, and compliance requirements of lead firms and buyers. Therefore, policy makers need to create a conducive environment for attracting FDI, help domestic firms internationalize, and facilitate the interactions between MNCs and domestic firms.

Market Knowledge: Foreign investors bring market insights and intelligence that assist startups in understanding customer preferences, cultural nuances, and competitive landscapes. Market knowledge is an important factor that influences the decisions and performance of foreign investors. Foreign investors bring market insights and intelligence that assist startups in understanding customer preferences, cultural nuances, and competitive landscapes. By expanding their response, the user can learn more about the benefits and determinants of market knowledge for foreign direct investment (FDI) (Kedia et al., 2012; Hasan et al., 2013; Asongu et al., 2018; Keller, 2021).

One benefit of market knowledge is that it can help foreign investors overcome the liability of foreignness, which refers to the disadvantages that arise from operating in unfamiliar and distant markets (Carril-Caccia & Pavlova, 2018). Market knowledge can reduce the uncertainty and information asymmetry that foreign investors face when entering new markets. It can also help foreign investors adapt their products, services, and strategies to the local demand and conditions. For example, market knowledge can help foreign investors identify the most suitable entry mode, such as greenfield investment or merger and acquisition, depending on the characteristics of the host country and industry (Hasan et al., 2013; Kleinert & Toubal, 2013).

Another benefit of market knowledge is that it can enhance the competitiveness and innovation of foreign investors. Market knowledge can provide foreign investors with access to new or complementary capabilities, technologies, and resources that can improve their efficiency and quality. It can also expose foreign investors to new ideas, opportunities, and challenges that can stimulate their learning and creativity. For example, market knowledge can help foreign investors exploit their existing advantages as well as explore new ones in different markets (Hasan et al., 2013; Cuervo-Cazurra et al., 2015).

The main determinants of market knowledge are the characteristics of the source country, the host country, and the foreign investor. The source country refers to the home country of the foreign investor, which affects the availability and transferability of market knowledge. The host country refers to the destination country of the FDI, which affects the attractiveness and accessibility of market knowledge. The foreign investor refers to the firm that undertakes the FDI, which affects the motivation and capability of acquiring market knowledge (Dunning & Lundan, 2008; Kedia et al., 2012; Keller, 2021).

The source country influences market knowledge through its level of development, institutional quality, and cultural distance from the host country. The level of development reflects the degree of economic advancement and sophistication of the source country, which affects the amount and quality of market knowledge that foreign investors possess. The institutional quality reflects the degree of political stability, legal protection, and regulatory efficiency of the source country, which affects the ease and cost of transferring market knowledge across borders. The cultural distance reflects the degree of similarity or difference between the values, beliefs, and norms of the source country and the host country, which affects the compatibility and communication of market knowledge between foreign investors and local actors (Carril-Caccia & Pavlova, 2018).

The host country influences market knowledge through its market potential, natural resources, and institutional environment. The market potential reflects the size, growth, and diversity of the demand in the host country, which affects the attractiveness and profitability of market knowledge for foreign investors. The natural resources reflect the abundance and quality of the land, water, energy, minerals, and biodiversity in the host country, which affects the availability and value of market knowledge for foreign investors. The institutional environment reflects the degree of political stability, legal protection, and regulatory efficiency of the host country, which affects the risk and cost of acquiring market knowledge from local sources (Sauvant, 2021).

The foreign investor influences market knowledge through its ownership advantages, location choices, and internalization decisions. The ownership advantages reflect the unique assets and capabilities that foreign investors possess or develop over time, such as technology, brand name, or management skills, which affect their ability and need to acquire market knowledge from external sources. The location choices reflect the geographic distribution and diversity of foreign investors' operations across countries and regions, which affect their exposure and access to different sources of market knowledge. The internalization decisions reflect the extent to which foreign investors control or share their activities with local partners or competitors through different entry modes or governance structures, which affect their incentives and opportunities to acquire or transfer market knowledge (Cuervo-Cazurra et al., 2015).

Brand Visibility: Partnering with well-known foreign corporations enhances startups' credibility and visibility in global markets, leading to increased trust among potential customers. Brand visibility is an important aspect of foreign direct investment (FDI) that can help local startups expand their market reach and access new customers. FDI can provide local firms with access to the established distribution channels of multinational corporations (MNCs), which often have extensive networks of wholesalers, retailers, and service providers in different countries and regions. By partnering with well-known foreign corporations, startups can enhance their credibility and visibility in global markets, leading to increased trust among potential customers (Carril-Caccia & Pavlova, 2018).

Brand visibility is defined as the proportion of exposure a brand enjoys in relation to its competitors and its industry (Birkett, 2022). It is a component of brand awareness, which is an umbrella term that describes several different methods of measuring a brand's overall coverage and sentiment in a market. Brand visibility can help startups overcome the liability of foreignness, which refers to the disadvantages that arise from operating in unfamiliar and distant markets. It can also help startups adapt their products, services, and strategies to the local demand and conditions. For example, brand visibility can help startups identify the most suitable entry mode, such as greenfield investment or merger and acquisition, depending on the characteristics of the host country and industry (Kleinert & Toubal, 2013).

Brand visibility can also enhance the competitiveness and innovation of startups. Brand visibility can provide startups with access to new or complementary capabilities, technologies, and resources that can improve their efficiency and quality. It can also expose startups to new ideas, opportunities, and challenges that can stimulate their learning and creativity. For example, brand visibility can help startups exploit their existing advantages as well as explore new ones in different markets (Cuervo-Cazurra et al., 2015).

The main determinants of brand visibility are the characteristics of the source country, the host country, and the foreign investor. The source country refers to the home country of the foreign investor, which affects the availability and transferability of brand visibility. The host country refers to the destination country of the FDI, which affects the attractiveness and accessibility of brand visibility. The foreign investor refers to the firm that undertakes the FDI, which affects the motivation and capability of acquiring brand visibility (Kostova & Zaheer, 1999; OECD, 2020c; Burns, 2021)

The source country influences brand visibility through its level of development, institutional quality, and cultural distance from the host country. The level of development reflects the degree of economic advancement and sophistication of the source country, which affects the amount and quality of brand visibility that foreign investors possess. The institutional quality reflects the degree of political stability, legal protection, and regulatory efficiency of the source country, which affects the ease and cost of transferring brand visibility across borders. The cultural distance reflects the degree of similarity or difference between the values, beliefs, and norms of the source country and the host country, which affects the compatibility and communication of brand visibility between foreign investors and local actors (Carril-Caccia & Pavlova, 2018).

The host country influences brand visibility through its market potential, natural resources, and institutional environment. The market potential reflects the size, growth, and diversity of the demand in the host country, which affects the attractiveness and profitability of brand visibility for foreign investors. The natural resources reflect the abundance and quality of the land, water, energy, minerals, and biodiversity in the host country, which affects the availability and value of brand visibility for foreign investors. The institutional environment reflects the degree of political stability, legal protection, and regulatory efficiency of the host country, which affects the risk and cost of acquiring brand visibility from local sources (Sauvant, 2021).

The foreign investor influences brand visibility through its ownership advantages, location choices, and internalization decisions. The ownership advantages reflect the unique assets and capabilities that foreign investors possess or develop over time, such as technology, brand name, or management skills, which affect their ability and need to acquire brand visibility from external sources. The location choices reflect the geographic distribution and diversity of foreign investors' operations across countries and regions, which affect their exposure and access to different sources of brand visibility. The internalization decisions reflect the extent to which foreign investors control or share their activities with local partners or competitors through different entry modes or governance structures, which affect their incentives and opportunities to acquire or transfer brand visibility (Cuervo-Cazurra et al., 2015).

Local Insights: Startups gain access to foreign investors' local expertise, helping them tailor their products or services to meet the demands of specific international markets. Local insights are an important aspect of foreign direct investment (FDI) that can help local startups adapt and innovate in different markets. FDI can provide local firms with access to the local expertise of foreign investors, who often have extensive knowledge of customer preferences, cultural nuances, and competitive landscapes in their host countries. By gaining access to foreign investors' local insights, startups can tailor their products or services to meet the demands of specific international markets (World Bank, 2019).

Local insights are defined as the information and understanding that foreign investors have about the local market conditions, opportunities, and challenges in their host countries. They are a component of market knowledge, which is an umbrella term that describes the various types of information and intelligence that foreign investors possess or acquire from external sources. Local insights can help startups overcome the liability of foreignness, which refers to the disadvantages that arise from operating in unfamiliar and distant markets. They can also help startups enhance their competitiveness and innovation in different markets. For example, local insights can help startups identify the most suitable product features, pricing strategies, distribution channels, and marketing campaigns for different customer segments and regions (Carril-Caccia & Pavlova, 2018).

The main sources of local insights are the foreign investors themselves, their local partners, and their local customers. The foreign investors themselves are the primary source of local insights, as they have firsthand experience and knowledge of the host country market. They can share their local insights with their local partners or customers through various mechanisms, such as joint ventures, franchises, outsourcing, or feedback surveys. The local partners are the secondary source of local insights, as they have complementary or supplementary information and understanding of the host country market. They can provide their local insights to foreign investors or their local customers through various channels, such as networks, associations, or platforms. The local customers are the tertiary source of local insights, as they have direct or indirect preferences and expectations of the products or services offered by the foreign investors or their local partners. They can express their local insights to foreign investors or their local partners through various means, such as reviews, ratings, or referrals (Meyer et al., 2009; Cuervo-Cazurra et al., 2015; Qiang et al., 2015; Perrone, 2019).

The main determinants of local insights are the characteristics of the source country, the host country, and the foreign investor. The source country refers to the home country of the foreign investor, which affects the availability and transferability of local insights. The host country refers to the destination country of the FDI, which affects the attractiveness and accessibility of local insights. The foreign investor refers to the firm that undertakes the FDI, which affects the motivation and capability of acquiring local insights (Cuervo-Cazurra et al., 2015; Qiang et al., 2015; Perrone, 2019).

The source country influences local insights through its level of development, institutional quality, and cultural distance from the host country. The level of development reflects the degree of economic advancement and sophistication of the source country, which affects the amount and quality of local insights that foreign investors possess. The institutional quality reflects the degree of political stability, legal protection, and regulatory efficiency of the source country, which affects the ease and cost of transferring local insights across borders. The cultural distance reflects the degree of similarity or difference between the values, beliefs, and norms of the source country and the host country, which affects the compatibility and communication of local insights between foreign investors and local actors (Kostova & Zaheer, 1999; Meyer et al., 2009; Hofstede et al., 2010; Carril-Caccia & Pavlova, 2018).

The host country influences local insights through its market potential, natural resources, and institutional environment. The market potential reflects the size, growth, and diversity of the demand in the host country, which affects the attractiveness and profitability of local insights for foreign investors. The natural resources reflect the abundance and quality of the land, water, energy, minerals, and biodiversity in the host country, which affects the availability and value of local insights for foreign investors. The institutional environment reflects the degree of political stability, legal protection, and regulatory efficiency of the host country, which affects the risk and cost of acquiring local insights from local sources (Dunning & Lundan, 2008; Meyer et al., 2009; UNCTAD, 2019; Sauvant, 2021).

The foreign investor influences local insights through its ownership advantages, location choices, and internalization decisions. The ownership advantages reflect the unique assets and capabilities that foreign investors possess or develop over time, such as technology, brand name, or management skills, which affect their ability and need to acquire local insights from external sources. The location choices reflect the geographic distribution and diversity of foreign investors' operations across countries and regions, which affect their exposure and access to different sources of local insights. The internalization decisions reflect the extent to which foreign investors control or share their activities with local partners or competitors through different entry modes or governance structures, which affect their incentives and opportunities to acquire or transfer local insights (Dunning & Lundan, 2008; Meyer et al., 2009; UNCTAD, 2019; Hennart, 2014; Cuervo-Cazurra et al., 2015).

Regulatory Navigation: Foreign corporations' experience with international regulations aids startups in navigating complex legal and regulatory frameworks in new markets. Regulatory navigation is an important aspect of foreign direct investment (FDI) that can help local startups enter and operate in new markets. FDI can provide local firms with access to the experience and knowledge of foreign corporations, who often have dealt with various international regulations and standards in their host countries. By benefiting from foreign corporations' experience with international regulations, startups can navigate complex legal and regulatory frameworks in new markets (Brouthers & Brouthers, 2003; OECD, 2018; UNCTAD, 2019; World Bank, 2019).

Regulatory navigation is defined as the ability and process of complying with the rules and requirements that apply to a specific market or industry. It is a component of regulatory risk, which is an umbrella term that describes the potential losses or damages that may arise from changes or uncertainties in the regulatory environment. Regulatory navigation can help startups overcome the liability of foreignness, which refers to the disadvantages that arise from operating in unfamiliar and distant markets. It can also help startups enhance their competitiveness and innovation in different markets. For example, regulatory navigation can help startups obtain the necessary licenses, permits, certifications, or approvals for their products or services in different jurisdictions (Zaheer, 1995; Autio et al., 2000; Walsh & Yu, 2010; OECD, 2018; UNCTAD, 2019).

The main sources of regulatory navigation are the foreign corporations themselves, their local partners, and their local regulators. The foreign corporations themselves are the primary source of regulatory navigation, as they have firsthand experience and knowledge of the international regulations and standards that apply to their host countries. They can share their regulatory navigation with their local partners or regulators through various mechanisms, such as joint ventures, franchises, outsourcing, or consultations. The local partners are the secondary source of regulatory navigation, as they have complementary or supplementary information and an understanding of the local regulations and standards that apply to their host countries. They can provide their regulatory navigation to foreign corporations or their local regulators through various channels, such as networks, associations, or platforms. The local regulators are the tertiary source of regulatory navigation, as they have direct or indirect authority and responsibility for enforcing the regulations and standards that apply to their host countries. They can express their regulatory navigation to the foreign corporations or their local partners through various means, such as guidelines, feedback, or inspections (Zaheer, 1995; Autio et al., 2000; Brouthers & Brouthers, 2003; Carril-Caccia & Pavlova, 2018; OECD, 2018; UNCTAD, 2019).

The main determinants of regulatory navigation are the characteristics of the source country, the host country, and the foreign investor. The source country refers to the home country of the foreign investor, which affects the availability and transferability of regulatory navigation. The host country refers to the destination country of the FDI, which affects the attractiveness and accessibility of regulatory navigation. The foreign investor refers to the firm that undertakes the FDI, which affects the motivation and capability of acquiring regulatory navigation (Zaheer, 1995; Autio et al., 2000; Brouthers & Brouthers, 2003; OECD, 2018; UNCTAD, 2019).

The source country influences regulatory navigation through its level of development, institutional quality, and cultural distance from the host country. The level of development reflects the degree of economic advancement and sophistication of the source country, which affects the amount and quality of regulatory navigation that foreign investors possess. The institutional quality reflects the degree of political stability, legal protection, and regulatory efficiency of the source country, which affects the ease and cost of transferring regulatory navigation across borders. The cultural distance reflects the degree of similarity or difference between the values, beliefs, and norms of the source country and the host country, which affects the compatibility and communication of regulatory navigation between foreign investors and local actors (Kostova & Zaheer, 1999; Meyer et al., 2009; Hofstede et al., 2010; Carril-Caccia & Pavlova, 2018).

The host country influences regulatory navigation through its market potential, natural resources, and institutional environment. The market potential reflects the size, growth, and diversity of the demand in the host country, which affects the attractiveness and profitability of regulatory navigation for foreign investors. The natural resources reflect the abundance and quality of the land, water, energy, minerals, and biodiversity in the host country, which affects the availability and value of regulatory navigation for foreign investors. The institutional environment reflects the degree of political stability, legal protection, and regulatory efficiency of the host country, which affects the risk and cost of acquiring regulatory navigation from local sources (Dunning & Lundan, 2008; Meyer et al., 2009; UNCTAD, 2019; Sauvant, 2021).

The foreign investor influences regulatory navigation through its ownership advantages, location choices, and internalization decisions. The ownership advantages reflect the unique assets and capabilities that foreign investors possess or develop over time, such as technology, brand name, or management skills, which affect their ability and need to acquire regulatory navigation from external sources. The location choices reflect the geographic distribution and diversity of foreign investors' operations across countries and regions, which affect their exposure and access to different sources of regulatory navigation. The internalization decisions reflect the extent to which foreign investors control or share their activities with local partners or competitors through different entry modes or governance structures, which affect their incentives and opportunities to acquire or transfer regulatory navigation (Dunning & Lundan, 2008; Meyer et al., 2009; Walsh & Yu, 2010; Hennart, 2014; UNCTAD, 2019).

Risk Mitigation: FDI can mitigate risks associated with international expansion by providing startups with guidance and support to minimize uncertainties. Risk mitigation is an important aspect of foreign direct investment (FDI) that can help local startups enter and operate in new markets. FDI can provide local firms with access to the experience and knowledge of foreign corporations, who often have dealt with various international regulations and standards in their host countries. By benefiting from foreign corporations' guidance and support, startups can minimize the uncertainties and risks associated with international expansion (Bissonette, 2014; Ito & Komoriya, 2015; World Bank, 2019; Kher & Chun, 2020).

Risk mitigation is defined as the process and strategies of reducing or avoiding the potential losses or damages that may arise from changes or uncertainties in the external environment. It is a component of risk management, which is an umbrella term that describes the identification, assessment, and control of various types of risks that may affect an organization's objectives and performance. Risk mitigation can help startups overcome the liability of foreignness, which refers to the disadvantages that arise from operating in unfamiliar and distant markets. It can also help startups enhance their competitiveness and innovation in different markets. For example, risk mitigation can help startups cope with currency fluctuations, political instability, legal disputes, or cultural differences that may occur in different jurisdictions (Zaheer, 1995; Kostova & Zaheer, 1999; CGAP, 2006; Walsh & Yu, 2010).

The main sources of risk mitigation are the foreign corporations themselves, their local partners, and their local regulators. The foreign corporations themselves are the primary source of risk mitigation, as they have firsthand experience and knowledge of the international regulations and standards that apply to their host countries. They can provide guidance and support to their local partners or regulators through various mechanisms, such as joint ventures, franchises, outsourcing, or consultations. The local partners are the secondary source of risk mitigation, as they have complementary or supplementary information and an understanding of the local regulations and standards that apply to their host countries. They can provide their guidance and support to foreign corporations or their local regulators through various channels, such as networks, associations, or platforms. The local regulators are the tertiary source of risk mitigation, as they have direct or indirect authority and responsibility for enforcing the regulations and standards that apply to their host countries. They can provide their guidance and support to foreign corporations or their local partners through various means, such as guidelines, feedback, or inspections (Kostova & Roth, 2003; The owner's role in project risk management, 2005; Carril-Caccia & Pavlova, 2018; Tay et al., 2022).

The main determinants of risk mitigation are the characteristics of the source country, the host country, and the foreign investor. The source country refers to the home country of the foreign investor, which affects the availability and transferability of risk mitigation. The host country refers to the destination country of the FDI, which affects the attractiveness and accessibility of risk mitigation. The foreign investor refers to the firm that undertakes the FDI, which affects the motivation and capability of acquiring risk mitigation (IPCC, 2012; Jonek-Kowalska, 2022).

The source country influences risk mitigation through its level of development, institutional quality, and cultural distance from the host country. The level of development reflects the degree of economic advancement and sophistication of the source country, which affects the amount and quality of risk mitigation that foreign investors possess. The institutional quality reflects the degree of political stability, legal protection, and regulatory efficiency of the source country, which affects the ease and cost of transferring risk mitigation across borders. The cultural distance reflects the degree of similarity or difference between the values, beliefs, and norms of the source country and the host country, which affects the compatibility and communication of risk mitigation between foreign investors and local actors (Bouchet et al., 2018; Carril-Caccia & Pavlova, 2018).

The host country influences risk mitigation through its market potential, natural resources, and institutional environment. The market potential reflects the size, growth, and diversity of the demand in the host country, which affects the attractiveness and profitability of risk mitigation for foreign investors. The natural resources reflect the abundance and quality of the land, water, energy, minerals, and biodiversity in the host country, which affects the availability and value of risk mitigation for foreign investors. The institutional environment reflects the degree of political stability, legal protection, and regulatory efficiency of the host country, which affects the risk and cost of acquiring risk mitigation from local sources (UNCTAD, 2007; Bouchet et al., 2018; National Cancer Institute, 2019; Sauvant, 2021).

The foreign investor influences risk mitigation through its ownership advantages, location choices, and internalization decisions. The ownership advantages reflect the unique assets and capabilities that foreign investors possess or develop over time, such as technology, brand name, or management skills, which affect their ability and need to acquire risk mitigation from external sources. The location choices reflect the geographic distribution and diversity of foreign investors' operations across countries and regions, which affect their exposure and access to different sources of risk mitigation. The internalization decisions reflect the extent to which foreign investors control or share their activities with local partners or competitors through different entry modes or governance structures, which affect their incentives and opportunities to acquire or transfer risk mitigation (Dunning, 1988; Kogut, B., & Singh, 1988; Broll & Wahl, 2010; Walsh & Yu, 2010).

Global Partnerships: Collaborations between startups and foreign corporations can lead to strategic partnerships that provide startups with direct access to established clients and markets. Global partnerships are an important aspect of foreign direct investment (FDI) that can help local startups access and operate in new markets. FDI can provide local firms with access to the experience and knowledge of foreign corporations, who often have established clients and markets in their host countries. By collaborating with foreign corporations, startups can form strategic partnerships that provide them with direct access to these clients and markets (Contractor & Lorange, 2002; Dunning & Lundan, 2008; UNCTAD, 2019; World Bank, 2019).

Strategic partnerships are defined as long-term, mutually beneficial relationships between two or more organizations that share common goals and objectives. They are a component of strategic management, which is an umbrella term that describes the formulation and implementation of the major plans and initiatives of an organization. Strategic partnerships can help startups overcome the liability of foreignness, which refers to the disadvantages that arise from operating in unfamiliar and distant markets. They can also help startups enhance their competitiveness and innovation in different markets. For example, strategic partnerships can help startups leverage the reputation, network, and resources of their foreign partners to gain market entry, customer loyalty, and competitive advantage (Contractor & Lorange, 2002; Dunning & Lundan, 2008; Carril-Caccia & Pavlova, 2018; UNCTAD, 2019).

The main types of strategic partnerships are joint ventures, alliances, and franchising. Joint ventures are strategic partnerships that involve the creation of a new entity by two or more organizations that share ownership, control, and profits. Alliances are strategic partnerships that involve the cooperation of two or more organizations that remain independent and autonomous. Franchising is a strategic partnership that involves the licensing of a business model, brand name, or technology by one organization (the franchisor) to another organization (the franchisee) for a fee or royalty (Hill et al., 1990; Dunning & Lundan, 2008; Meyer et al., 2009; Kleinert & Toubal, 2013; Hennart, 2014; UNCTAD, 2019).

The main determinants of strategic partnerships are the characteristics of the source country, the host country, and the foreign investor. The source country refers to the home country of the foreign investor, which affects the availability and transferability of strategic partnerships. The host country refers to the destination country of the FDI, which affects the attractiveness and accessibility of strategic partnerships. The foreign investor refers to the firm that undertakes the FDI, which affects the motivation and capability of forming strategic partnerships (Dunning & Lundan, 2008; Meyer et al., 2009; Hennart, 2014; UNCTAD, 2019).

The source country influences strategic partnerships through its level of development, institutional quality, and cultural distance from the host country. The level of development reflects the degree of economic advancement and sophistication of the source country, which affects the amount and quality of strategic partnerships that foreign investors possess. The institutional quality reflects the degree of political stability, legal protection, and regulatory efficiency of the source country, which affects the ease and cost of transferring strategic partnerships across borders. The cultural distance reflects the degree of similarity or difference between the values, beliefs, and norms of the source country and the host country, which affects the compatibility and communication of strategic partnerships between foreign investors and local actors (Dunning & Lundan, 2008; Meyer et al., 2009; Hofstede et al., 2010; Hennart, 2014; Carril-Caccia & Pavlova, 2018).

The host country influences strategic partnerships through its market potential, natural resources, and institutional environment. The market potential reflects the size, growth, and diversity of the demand in the host country, which affects the attractiveness and profitability of strategic partnerships for foreign investors. The natural resources reflect the abundance and quality of the land, water, energy, minerals, and biodiversity in the host country, which affects the availability and value of strategic partnerships for foreign investors. The institutional environment reflects the degree of political stability, legal protection, and regulatory efficiency of the host country, which affects the risk and cost of acquiring strategic partnerships from local sources (Dunning & Lundan, 2008; Meyer et al., 2009; UNCTAD, 2019; Sauvant, 2021).

The foreign investor influences strategic partnerships through its ownership advantages, location choices, and internalization decisions. The ownership advantages reflect the unique assets and capabilities that foreign investors possess or develop over time, such as technology, brand name, or management skills, which affect their ability and need to form strategic partnerships with external sources. The location choices reflect the geographic distribution and diversity of foreign investors' operations across countries and regions, which affect their exposure and access to different sources of strategic partnerships. The internalization decisions reflect the extent to which foreign investors control or share their activities with local partners or competitors through different entry modes or governance structures, which affect their incentives and opportunities to form or transfer strategic partnerships (Dunning & Lundan, 2008; Meyer et al., 2009; Hennart, 2014; Cuervo-Cazurra et al., 2015; UNCTAD, 2019).

CONCLUSIONS

The study examined the role of Foreign Direct Investment (FDI) in enabling local businesses to access international markets and its relationship with microeconomic determinants of credit risk in low-income countries. The review synthesized findings from a range of scholarly articles and identified key insights and trends. The following conclusions can be drawn from the analysis:

FDI and International Market Access: The review highlights that FDI plays a crucial role in facilitating local businesses' access to international markets. Through established distribution networks, market knowledge transfer, and brand visibility enhancement, FDI provides local startups with avenues for expansion and global reach. Distribution-oriented FDI, which leverages existing distribution channels, and production-oriented FDI, which involves setting up production facilities in foreign markets, offer different advantages based on cost structures and market demands.

Microeconomic Determinants of Credit Risk: The review underscores that microeconomic determinants of credit risk are multifaceted and influenced by various factors. These determinants encompass financial stability, economic conditions, firm-specific characteristics, and regulatory environments in low-income countries. Understanding these determinants is essential for assessing the creditworthiness of local businesses and managing associated risks.

Market Knowledge and Brand Visibility: Market knowledge, brought by foreign investors, aids in mitigating the liability of foreignness for local startups. It helps foreign investors adapt their strategies to local conditions and choose appropriate entry modes. Brand visibility enhancement, through partnerships with well-known foreign corporations, builds trust among potential customers and contributes to local startups' credibility in global markets.

POLICY IMPLICATIONS

Based on the findings and conclusions of the study regarding the role of Foreign Direct Investment (FDI) in enabling local businesses to access international markets and its relationship with microeconomic determinants of credit risk in low-income countries, several policy implications emerge:

Promotion of Sustainable FDI: Governments and policymakers should prioritize policies that encourage sustainable FDI. Sustainable FDI, as defined in this review, makes a positive contribution to the economic, social, and environmental development of the host country while considering the interests of all stakeholders. Policymakers can achieve this by offering incentives, technical assistance, and capacity building for local firms to upgrade their skills, technology, and standards.

Enhancing Linkages between MNCs and Local Firms: Policymakers should actively facilitate linkages between multinational corporations (MNCs) and local firms. This can be achieved by creating an enabling environment for collaboration, knowledge sharing, and technology transfer. Programs that promote joint ventures, partnerships, or supply chain integration can foster these linkages.

Promotion of Corporate Social Responsibility (CSR): To ensure responsible business conduct, governments should encourage MNCs to adhere to international norms and standards on human rights, labour rights, environmental protection, and anti-corruption. The implementation of CSR initiatives can mitigate potential negative impacts associated with FDI, such as exploitation and environmental degradation.

Support for Domestic Firms' Internationalization: Policymakers should develop strategies to support domestic firms in their internationalization efforts. This includes providing information, training, and resources to help local startups and small and medium-sized enterprises (SMEs) expand into global markets. Financial incentives or grants can also be considered to facilitate internationalization.

Facilitating Interaction between MNCs and Domestic Firms: Governments should actively work to create an environment that promotes interaction between MNCs and domestic firms. This includes organizing networking events, trade fairs, and business forums that allow local businesses to connect with potential foreign investors and partners.

Credit Risk Management: In the context of microeconomic determinants of credit risk, financial regulators and institutions in low-income countries should enhance their capacity to assess and manage credit risks effectively. This involves strengthening credit risk analysis frameworks, adopting international best practices, and ensuring the stability of financial systems.

Monitoring and Regulation: Policymakers should establish robust monitoring and regulatory mechanisms to oversee FDI activities in their countries. This includes regularly assessing the impact of FDI on local businesses and the overall economy. Monitoring can help identify any adverse effects and guide the adjustment of policies as needed.

Research and Data Collection: Governments should invest in research and data collection efforts to continuously assess the effects of FDI on local businesses and credit risk determinants. Up-to-date data and empirical research are crucial for evidence-based policymaking.

Customized Policy Approaches: Recognizing the diversity of low-income countries, policymakers should adopt customized policy approaches that consider the unique challenges and opportunities present in each specific context. One-size-fits-all policies may not be effective, and tailoring strategies to local conditions is essential.

Public-Private Partnerships: Collaboration between governments, private sector entities, and international organizations can lead to more effective policy implementation. Public-private partnerships can promote investment, knowledge transfer, and capacity building, driving sustainable economic growth.

In general, these policy implications are aimed at maximizing the positive impacts of FDI on local businesses' access to international markets while mitigating associated risks. Policymakers in low-income countries have a critical role to play in creating an enabling environment that encourages responsible FDI and supports the growth and competitiveness of domestic firms on the global stage.

DIRECTIONS FOR FUTURE RESEARCH

This systematic review has shed light on the role of Foreign Direct Investment (FDI) in enabling local businesses to access international markets and its relationship with microeconomic determinants of credit risk in low-income countries. However, several avenues for future research remain unexplored. To further advance our understanding in this field, researchers could consider the following directions:

Impact of Policy Changes: Investigate the impact of specific policy changes or incentives aimed at attracting FDI on local businesses' internationalization. Analyse the outcomes of policy initiatives in different low-income countries and assess their effectiveness in promoting sustainable FDI and local firm growth.

Sector-Specific Studies: Conduct sector-specific studies to understand how FDI affects different industries within low-income countries. Explore variations in the impact of FDI on sectors such as manufacturing, services, agriculture, and technology.

Long-Term Effects: Examine the long-term effects of FDI on local businesses. Track the performance of domestic firms over extended periods to assess whether initial benefits translate into sustained growth, innovation, and competitiveness.

Case Studies: Conduct in-depth case studies on specific low-income countries or regions to provide nuanced insights into the relationship between FDI, local businesses, and credit risk. Investigate the role of unique contextual factors and policy environments.

Quality of FDI: Explore the quality of FDI by assessing not only its quantity but also its characteristics. Investigate whether FDI that promotes technology transfer, skills development, and local value addition has different effects on local businesses compared to FDI focused solely on market access.

Inclusive Growth: Investigate the extent to which FDI contributes to inclusive growth in low-income countries. Assess whether FDI benefits are distributed equitably across different regions, income groups, and social strata within a country.

Environmental and Social Impacts: Examine the environmental and social impacts of FDI in low-income countries. Analyse whether sustainable FDI practices result in positive environmental outcomes and social development.

Credit Risk Assessment Models: Develop and refine credit risk assessment models that explicitly consider the influence of FDI and its microeconomic determinants. Incorporate FDI-related variables into credit risk models used by financial institutions.

Market Knowledge Transfer: Investigate the mechanisms through which market knowledge is transferred from foreign investors to local businesses. Analyse the role of mentorship, knowledge-sharing platforms, and informal networks in facilitating knowledge transfer.

Comparative Studies: Conduct comparative studies between low-income countries to identify best practices and lessons learned in leveraging FDI for local firm development. Explore regional variations in FDI impact.

Role of Technology: Explore the role of technology, including digital platforms and e-commerce, in enabling local businesses to access global markets. Assess how technology-driven FDI affects market access and competitiveness.

Quantitative vs. Qualitative Analysis: Combine quantitative and qualitative research methods to provide a comprehensive understanding of the multifaceted relationship between FDI, local businesses, and credit risk.

Policy Frameworks: Evaluate the effectiveness of specific policy frameworks and regulatory measures in managing the risks associated with FDI, particularly in the context of credit risk and financial stability.

Post-Pandemic Dynamics: Investigate how the COVID-19 pandemic and other global disruptions have influenced the relationship between FDI, local businesses, and credit risk in low-income countries.

Cross-Country Comparisons: Conduct cross-country comparisons to identify patterns and differences in the impact of FDI on local businesses and credit risk in diverse low-income country settings.

Future research in these areas can contribute to a more comprehensive understanding of how FDI can be harnessed to promote sustainable economic growth, enhance the international competitiveness of local businesses, and manage credit risk effectively in low-income countries.

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