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QUANTITATIVE ANALYSIS OF FDI IN INDIA WITH EMPHASIS ON REGIONS



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ABSTRACT

The main motive behind this thesis is to have an holistic view of FDI in India. FDI is an indicator of economic development of a country. In this thesis we will be discussing about Indian economy and its growth. We will be doing an detailed quantitative analysis of FDI in many regions of India and factors which are influencing FDI to invest in their regions. We will also discuss policies of Indian governement to attract FDI and reduce the inequality in FDI distribution to different regions. In the end will discuss the future of FDI in India.

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CHAPTER

1

CONTEMPORARY INDIA



Image 1.1

1.1 GEOGRAPHY

South Asia encompasses India. India's capital is New Delhi. New Delhi, India's administrative capital, was created in the twentieth century immediately south of the historic heart of Old Delhi. The Himalayas in the north, the Arabian Sea in the west, the Bay of Bengal in the east, and the Indian Ocean in the south define India's borders. Bangladesh, Bhutan, Myanmar (Burma), China (Xizang - Tibet

Autonomous Region), Nepal, and Pakistan share land borders, whereas Indonesia, the Maldives, Sri Lanka, and Thailand share maritime borders. The government is a constitutional republic that represents a population that is extremely diverse, with thousands of ethnic groups and possibly hundreds of languages. With an estimated population of 1.37 billion people, India is the world's second-most populated country (behind China), accounting for nearly one-sixth of the world's total population (in 2020). There are 29 states and seven Union Territories in the United States. With a land area of 3,287,263 km², India is the world's seventh largest country, roughly one-third the size of the United States.

The Indus civilization ruled the northwestern section of the subcontinent from around 2600 to 2000 BCE, according to archaeological evidence. From that time forward, India served as a fairly self-contained political and cultural arena, giving rise to a separate heritage linked principally with Hinduism, with roots that may be traced back to the Indus civilization. Other religions, like as Buddhism and Jainism, evolved in India—though their presence there is now rather small—and Indians created a rich intellectual life in subjects such as mathematics, astronomy, architecture, literature, music, and the fine arts over the centuries.

Invasions from beyond India's northern mountain border have sporadically disrupted the country's history. The arrival of Islam, which was introduced from the northwest by Arab, Turkish, Persian, and other raiders beginning in the early eighth century CE, was particularly significant. Some of the raiders eventually stayed; by the 13th century, much of the subcontinent had fallen under Muslim dominion, and the Muslim population had steadily expanded. India was only exposed to major external influences arriving by sea after the arrival of the Portuguese navigator Vasco da Gama in 1498 and the subsequent establishment of European maritime supremacy in the region, a process that culminated in the decline of the ruling Muslim elite and the absorption of the subcontinent into the British Empire.

The British established direct administration of the subcontinent in 1858, and it resulted in a political and economic unification of the region. When British authority ended in 1947, the subcontinent was divided along religious lines into

two countries: India, which had a majority of Hindus, and Pakistan, which had a majority of Muslims; the eastern region of Pakistan was later torn off to become Bangladesh. Many British institutions (such as the parliamentary system of government) remained in place, English remained a widely spoken language, and India remained a member of the Commonwealth. While a thriving English-speaking intelligentsia grew, Hindi became the official language (along with a number of other local languages).

India continues to be one of the world's most ethnically diverse countries. Aside from its numerous religions and sects, India is home to countless castes and tribes, as well as more than a dozen main and hundreds of minor linguistic groups from disparate language families. Religious minorities, such as Muslims, Christians, Sikhs, Buddhists, and Jains, continue to make up a sizable fraction of the population, outnumbering the populations of all countries except China. Although sincere efforts have been made to inculcate a sense of nationhood in such a diverse community, tensions between surrounding communities have persisted, sometimes resulting in violent outbursts. Social policy, on the other hand, has done a lot to help formerly "untouchable" castes, tribal people, women, and other traditionally disadvantaged groups of society overcome their impairments. At the time of independence, India was blessed with a number of world-renowned leaders, including Mohandas Karamchand (Mahatma) Gandhi, Pandit Jawaharlal Nehru, and Subash Chandra Bose, who were able to inspire the masses at home while also bringing India international acclaim. In recent years, the country has assumed a larger role in international affairs.

Despite continued domestic challenges and economic inequality, India's physical prosperity and cultural dynamism can be seen in its well-developed infrastructure and diverse industrial base, its large pool of scientific and engineering personnel (one of the world's largest), the speed with which it expands its agricultural sector, and its rich and vibrant cultural exports of music, literature, and film. India contains three of the world's most populous and cosmopolitan cities: Mumbai (Bombay), Kolkata (Calcutta), and Delhi, despite the fact that the country's population is still predominantly rural. Bengaluru (Bangalore), Chennai (Madras), and Hyderabad are three more Indian cities that are among the world's fastest-

growing high-tech hubs. In addition, India currently houses the offices of the majority of the world's leading information technology and software firms. TATA consultancy services, with a market value of \$179.05 billion, WIPRO technologies, with \$43.52 billion, Infosys, with a market cap of \$105.24 billion, and Tech Mahindra, with a market cap of \$19.12 billion, are some of the most well-known software businesses in the world.

1.2 SOCIODEMOGRAPHIC

According to World meter's elaboration of the most recent United Nations data, India's current population is 1,403,013,575 as of Tuesday, March 15, 2022. According to UN estimates, India's population in 2020 will be 1,380,004,385 people. India's population accounts for 17.7% of the global population. India is ranked second in terms of population. India has a population density of 464 persons per square kilometer (1,202 people per mi²). The entire land area is 2,973,190 square kilometers (1,147,955 sq. miles) 35.0 percent of the population lives in cities (483,098,640 people in 2020). India's median age is 28.4 years. With a population of 230 million people in 2019, Uttar Pradesh is India's most populous state. Uttar Pradesh has a population of 17.35% of the total population of the country. With a population of about 125 million people, Bihar has surpassed Maharashtra as the second most populous state in India. Three states have populations in excess of 100 million people. Over ten million people live in 19 states and two union territories. In terms of population, Delhi (18,710,922) is India's largest union territory. The five most populous states, namely Uttar Pradesh, Maharashtra, Bihar, West Bengal, and Madhya Pradesh, account for about half of the country's population. India's ten most populous states account for 74% of the country's total population. The population of India's 12 least populous states/UTs accounts for only 1% of the total, while the population of India's 21 least populous states/UTs accounts for only 10% of the total. The population of Uttar Pradesh, India's largest state, exceeds that of Pakistan, the world's fifth most populous country. Bihar, which is rated second, and Maharashtra, which is ranked third, have slightly lower populations than Japan.

Seven states have a population greater than the world's 20th most populous country. The top 50 countries include 17 states. On the basis of population, Sikkim (690,251) is the smallest state, and Lakshadweep (73,183) is the smallest union territory in India. During the period 2011-2019, Bihar had the highest population growth rate of 19.89 percent, followed by Uttar Pradesh and Rajasthan. Ladakh is the only state/UT in the country that has seen negative ten year growth.



Image 1.2

State/Union Territory	1951	1961	1971	1981	1991	2001	2011
Andaman and Nicobar Islands	31	64	115	189	281	356	381
Andhra Pradesh	31115	35983	43503	53551	66508	76210	84581
Arunachal Pradesh	-	337	468	632	865	1098	1384
Assam	8029	10837	14625	18041	22414	26656	31206
Bihar	29085	34841	42126	52303	64531	82999	104099
Chandigarh	24	120	257	452	642	901	1055
Chhattisgarh	7457	9154	11637	14010	17615	20834	25545
Dadra and Nagar Haveli	42	58	74	104	138	220	344
Daman and Diu	49	37	63	79	102	158	243
Delhi	1744	2659	4066	6220	9421	13851	16788
Goa	547	590	795	1008	1170	1348	1459
Gujarat	16263	20633	26697	34086	41310	50671	60440
Haryana	5674	7591	10036	12922	16464	21145	25351
Himachal Pradesh	2386	2812	3460	4281	5171	6078	6865
Jammu and Kashmir	3254	3561	4617	5987	7837	10144	12541
Jharkhand	9697	11606	14227	17612	21844	26946	32988
Karnataka	19402	23587	29299	37136	44977	52851	61095

Kerala	13549	16904	21347	25454	29099	31841	33406
Lakshadweep	21	24	32	40	52	61	64
Madhya Pradesh	18615	23218	30017	38169	48566	60348	72627
Maharashtra	32003	39554	50412	62783	78937	96879	112374
Manipur	578	780	1073	1421	1837	2294	2856
Meghalaya	606	769	1012	1336	1775	2319	2967
Mizoram	196	266	332	494	690	889	1097
Nagaland	213	369	516	775	1210	1990	1979
Odisha	14646	17549	21945	26370	31660	36805	41974
Puducherry	317	369	472	604	808	974	1248
Punjab	9161	11135	13551	16789	20282	24359	27743
Rajasthan	15971	20156	25766	34262	44006	56507	68548
Sikkim	138	162	210	316	406	541	611
Tamil Nadu	30119	33687	41199	48408	55859	62406	72147
Tripura	639	1142	1556	2053	2757	3199	3674
Uttar Pradesh	60274	70144	83849	105137	132062	166198	199812
Uttarakhand	2946	3611	4493	5726	7051	8489	10086
West Bengal	26300	34926	44312	54581	68078	80176	91276
ALL INDIA	361088	439235	548160	683329	846421	1028737	1210855

State wise population in thousands

State/Union Territory	1951	1961	1971	1981	1991	2001	2011
Andaman and Nicobar Islands	4	8	14	23	34	43	46
Andhra Pradesh	113	131	158	195	242	277	308
Arunachal Pradesh	-	4	6	8	10	13	17
Assam	102	138	186	230\$	286	340	398
Bihar	309	370	370	555	685	881	1106
Chandigarh	213	1052	2257	3961	5632	7900	9258
Chhattisgarh	55	68	86	104	130	154	189
Dadra and Nagar Haveli	85	118	151	211	282	449	700
Daman and Diu	434	327	559	705	907	1425	2191
NCT of Delhi	1176	1793	2742	4194	6352	9340	11320
Goa	148	159	215	272	316	364	394
Gujarat	83	105	136	174	211	258	308
Haryana	128	172	227	292	372	478	573
Himachal Pradesh	43	51	62	77	93	109	123
Jammu and Kashmir	32	35	46	59	77	100	124
Jharkhand	122	146	179	221	274	338	414
Karnataka	101	123	153	194	235	276	319
Kerala	349	435	549	655	749	820	860
Lakshadweep	657	753	994	1258	1616	2022	2149
Madhya Pradesh	61	75	98	124	158	196	236
Maharashtra	104	128	164	204	257	315	365
Manipur	26	35	48	64	82	97*	115
Meghalaya	27	34	45	60	79	103	132
Mizoram	9	13	16	23	33	42	52
Nagaland	13	22	31	47	73	120	119
Odisha	94	113	141	169	203	236	270
Puducherry	645	750	959	1229	1683	1989	2547
Punjab	182	221	269	333	403	484	551
Rajasthan	47	59	75	100	129	165	200
Sikkim	19	23	30	45	57	76	86
Tamil Nadu	232	259	317	372	429	480	555
Tripura	61	109	148	196	263	305	350
Uttar Pradesh	250	291	348	436	548	690	829
Uttarakhand	55	67	84	107	133	159	189
West Bengal	296	394	499	615	767	903	1028
ALL INDIA	117	142	177	216	267**	325**	382

State wise population density per sq km

State/Union Territory	1951	1961	1971	1981	1991	2001	2011
Andaman and Nicobar Islands	23	49	89	139	206	240	237
Andhra Pradesh	25695	29709	35100	41063	48621	55401	56362
Arunachal Pradesh	-	337	450	590	754	870	1066
Assam	7684	10056	13336	16259	19927	23216	26807
Bihar	27219	32261	38770	47158	57819	74317	92341
Chandigarh	24	21	24	29	66	92	29
Chhattisgarh	7093	8392	10430	11952	14550	16648	19608
Dadra and Nagar Haveli	42	58	74	97	127	170	183
Daman and Diu	30	23	39	50	54	101	60
Delhi	307	299	419	452	949	945	419
Goa	477	503	592	685	690	677	552
Gujarat	11835	15317	19201	23484	27064	31741	34695
Haryana	4705	6283	8263	10095	12409	15029	16509
Himachal Pradesh	2232	2634	3219	3955	4722	5482	6176
Jammu and Kashmir	2797	2968	3758	4727	6043	7627	9108
Jharkhand	8937	10273	11950	14038	17203	20952	25055
Karnataka	14948	18320	22177	26406	31069	34889	37469
Kerala	11723	14350	17881	20682	21418	23574	17471
Lakshadweep	21	24	32	22	23	34	14
Madhya Pradesh	15846	19353	24440	29640	36292	44381	52557
Maharashtra	22802	28391	34701	40789	48396	55778	61556
Manipur	575	712	931	1045	1332	1718	1736
Meghalaya	547	652	865	1094	1445	1865	2371
Mizoram	189	252	295	372	372	448	525
Nagaland	209	350	465	655	1001	1647	1408

Odisha	14052	16439	20099	23260	27425	31287	34971
Puducherry	317	280	273	288	291	326	395
Punjab	7171	8568	10335	12141	14289	16096	17344
Rajasthan	13015	16874	21222	27051	33939	43293	51500
Sikkim	135	155	190	265	369	481	457
Tamil Nadu	22786	24696	28734	32456	36781	34922	37230
Tripura	596	1039	1394	1827	2335	2653	2712
Uttar Pradesh	52049	61160	72195	86387	106090	131658	155317
Uttarakhand	2545	3115	3758	4577	5417	6310	7037
West Bengal	20018	26385	33345	40134	49370	57749	62183
ALL INDIA	298644	360298	439046	523867	628856	742618	833463

State wise rural population in thousands

State/Union Territory	1951	1961	1971	1981	1991	2001	2011
Andaman and Nicobar Islands	8	14	26	50	75	116	143
Andhra Pradesh	5420	6275	8403	12488	17887	20809	28219
Arunachal Pradesh	-	-	17	41	111	228	317
Assam	345	781	1289	1782	2488	3439	4399
Bihar	1866	2581	3356	5145	6712	8682	11758
Chandigarh	-	99	233	423	576	809	1026
Chhattisgarh	364	763	1208	2058	3065	4186	5937
Dadra and Nagar Haveli	-	-	-	7	12	50	161
Daman and Diu	18	13	24	29	48	57	183
Delhi	1437	2359	3647	5768	8472	12906	16369
Goa	71	87	203	323	480	671	907
Gujarat	4428	5317	7497	10602	14246	18930	25745

Haryana	968	1308	1773	2827	4055	6115	8842
Himachal Pradesh	154	178	242	326	449	596	689
Jammu and Kashmir	457	593	858	1260	1794	2517	3433
Jharkhand	760	1333	2278	3574	4641	5994	7933
Karnataka	4453	5266	7122	10730	13908	17962	23626
Kerala	1826	2554	3466	4771	7680	8267	15935
Lakshadweep	-	-	-	19	29	27	50
Madhya Pradesh	2769	3865	5577	8528	12274	15967	20069
Maharashtra	9201	11163	15711	21994	30542	41101	50818
Manipur	3	68	141	375	506	576	834
Meghalaya	59	117	147	241	330	454	595
Mizoram	7	14	38	122	318	441	572
Nagaland	4	19	51	120	208	343	571
Odisha	594	1110	1845	3110	4235	5517	7004
Puducherry	-	89	198	316	517	649	853
Punjab	1989	2567	3216	4648	5993	8263	10399
Rajasthan	2955	3281	4544	7211	10067	13214	17048
Sikkim	3	7	20	51	37	60	154
Tamil Nadu	7334	8991	12465	15952	19078	27484	34917
Tripura	43	103	162	226	422	546	961
Uttar Pradesh	8225	8984	11654	18750	25972	34540	44495
Uttarakhand	401	496	735	1149	1634	2179	3049
West Bengal	6282	8541	10967	14447	18708	22427	29093
ALL INDIA	62444	78937	109114	159463	217566	286120	377106

State wise urban population in thousands

India's rivers play a major role in the lives of its citizens. Irrigation, potable water, low-cost transportation, and energy are all provided by river systems, which also provide livelihoods for a significant number of people across the country. This explains why almost all of India's main cities are situated along riverbanks. The rivers are likewise revered by all Hindus in the country and play a significant role in Hindu mythology.

The Indian river system is made up of seven major rivers (Indus, Brahmaputra, Narmada, Tapi, Godavari, Krishna, and Mahanadi) and their countless tributaries. The majority of the rivers empty into the Bay of Bengal. Some of the rivers that flow through the western part of the country and into the state of Himachal Pradesh in the east end up in the Arabian Sea. Inland drainage exists in portions of Ladakh, the northern Aravalli range, and the parched Thar Desert. One of the three primary watersheds in India is the source of all of India's major rivers.

Dam	River	State
Nagarjunasagar	Krishna	Telangana
Pochampad (Sri Ramasagar)	Godavari	Telangana
Srisaillam	Krishna	A.P.
Sardar Sarovar	Narmada	Gujarat
Ukai	Tapi	Gujarat
Hirakud	Mahanadi	Orissa
Bhakra Nangal	Sutlej	Himachal Pradesh
Pong (Maharana Pratap Sagar)	Beas	Himachal Pradesh
Thein (Ranjit Sagar)	Ravi	Punjab
Baglihar	Chenab	Jammu & Kashmir
Chutak	Suru	Jammu & Kashmir
Panchet	Damodar	Jharkhand
Maithon	Barakar	Jharkhand
Tehri	Bhagirathi	Uttarakhand
Koyna	Koyna	Maharashtra
Mettur	Kaveri	Tamilnadu
Krishnaraja Sagar	Kaveri	Karnataka
Alamatti	Krishna	Karnataka
Mullaperiyar	Periyar	Kerala
Gandhisagar	Chambal	Madhya Pradesh
Nimoo Bazgo	Indus	Jammu & Kashmir

The Himalaya and the Karakoram ranges

Vindhya and Satpura ranges and Chotanagpur plateau in central India

Sahyadri or Western Ghats in western India

These are the water projects which were constructed on major rivers for generating electricity, to store water for irrigation purpose and many other purposes.

CHAPTER

2

HISTORY OF INDIAN ECONOMY

2.1 Indus Valley Civilization

The history of India begins with the dawn of the Indus Valley civilization, which flourished between 3500 BC and 1800 BC. The economy of the Indus civilization appears to have relied heavily on trade, which was facilitated by advances in transportation. Its inhabitants engaged in agriculture, domesticated animals, crafted sharp tools and weapons out of copper, bronze, and tin, and traded in terracotta pots, beads, gold and silver, colored gem stones such as turquoise and lapis lazuli, metals, flints, seashells, and pearls. They used ships to travel to Mesopotamia, where they traded gold, copper, and jewelry. The Mahajanapadas minted punch-marked silver coins around 600 BC. The era was characterized by intense trade activity and urban development.. The Maurya Empire (c. 321 -185 BC) united most of the Indian subcontinent by 300 B.C., when the Middle East was ruled by the Greek Seleucid and Ptolemaic empires. Political unity and military security enabled a common economic system and improved trade and commerce, resulting in higher agricultural productivity. The empire invested heavily in building and maintaining roads throughout India. Improved infrastructure, increased security, greater uniformity in measurements, and increased use of coins as currency all contributed to increased trade.. For the next 1500 years, India produced classical civilizations that generated enormous wealth. Between the 1st and 17th centuries AD, India is estimated to have had the world's largest economy, controlling between one-third and one-fourth of the world's wealth. India experienced unprecedented prosperity during the Mughal period (1526–1858 AD). In the 16th century, India's GDP was estimated to be about 25.1 percent of the global

economy. An estimate of India's pre-colonial economy places Emperor Akbar's treasury's annual revenue in 1600 AD at £17.5 million (compared to the entire treasury of Great Britain two hundred years later in 1800AD, which totaled £16 million). In 1600 AD, Mughal India's GDP was estimated to be about 24.3 percent of the world economy, making it the world's second largest. By this time, the Mughal Empire had expanded to encompass nearly 90% of South Asia and had imposed a uniform customs and tax-administration system. In 1700 AD, the Emperor Aurangzeb's exchequer reported an annual revenue of more than £100 millions. Professor Angus Maddison, Emeritus Professor at the University of Groningen, Netherlands, and Honorary Fellow at Cambridge University, calculated India's wealth relative to global GDP for the years 1000AD, 1500AD, 1600AD, and 1700AD. In the year 1000 AD, India's share of global GDP was slightly more than a quarter, and slightly less than a quarter between 1500 AD and 1700 AD.

Years	1000AD	1500 AD	1600 AD	1700 AD
India	33,750	60,500	74,250	90,750
China	26,550	61,800	96,000	82,800
West Europe	10,165	44,345	65,955	83,395
World Total	116,790	247,116	329,417	371,369

GDP in millions of 1990 USD

In the 18th century, the Marathas replaced the Mughals in much of central India, while other small regional kingdoms, mostly late Mughal tributaries, such as the Nawabs in the north and the Nizams in the south, remained. In the middle of the 18th century, the British imperial empire began to expand in India. The Indian industry entered a period of decline.

2.2 British rule

The British East India Company, whose political power gradually expanded in India beginning in 1757, spent vast sums of money generated by the provinces under its control on Indian raw materials, spices, and goods. As a result, the continuous inflow of billions that used to come into India as a result of foreign

trade ceased entirely. The Colonial government spent land revenue on wars in India and Europe, leaving little for Indian development. During the 80-year period of Colonial rule (1780-1860 AD), India transitioned from being an exporter of processed goods for which it received payment in bullion to an exporter of raw materials and a buyer of manufactured goods. More specifically, in the 1750s, India exported mostly fine cotton and silk to markets in Europe, Asia, and Africa; by the 1850s, raw materials, primarily raw cotton, opium, and indigo, accounted for the majority of India's exports. Under British colonial rule, the Indian economy was completely destroyed by ruthless exploitation. India's population experienced frequent famines, had one of the world's lowest life expectancies, was afflicted by widespread malnutrition, and was largely illiterate. According to British economist Angus Maddison, India's share of global income fell from 27 percent in 1700 AD (compared to Europe's 23 percent) to 3 percent in 1950.

2.3 INDIA AFTER INDEPENDENCE

2.3.1 (1950-1979)

Following India's independence from colonial rule in 1947, the process of economic reconstruction began. India chose centralized planning. The Five Year Plans that successfully transformed the former USSR were turned into a development tool. In 1952, the first five-year plan for the development of the Indian economy was implemented. As an agrarian economy, investments were made in irrigation facilities, dam construction, and infrastructure development. The dams mentioned in Chapter One are mostly constructed during this time period. The establishment of modern industries, modern scientific and technological institutes, and the development of space and nuclear programs were all given due consideration. Despite all efforts on the economic front, the country did not develop at a rapid pace, owing to a lack of capital formation, war political systems, national defence expense, population growth, and inadequate infrastructure. From 1951 to 1979, the economy grew at an annual rate of about 3.1 percent in constant prices, or 1.0 percent per capita. During this time, industry grew at a 4.5 percent annual rate, while agriculture grew at a 3.0 percent annual rate.

2.3.2 (1980-1990)

In the 1980s, the rate of growth increased. From 1980 to 1989, the economy grew at a 5.5 percent annual rate, or 3.3 percent per capita. Industry expanded at a 6.6 percent annual rate, while agriculture expanded at a 3.6 percent annual rate. A rising investments contributed significantly to improved economic progress. Investment increased from about 19% of GDP in the early 1970s to nearly 25% in the early 1980s. Private savings had financed the majority of India's investment, but any further increase in private savings was difficult by the mid-1980s because they were already quite high. As a result, during the late 1980s, India relied increasingly on foreign borrowing. This trend resulted in a balance-of-payments crisis in 1990, forcing the government to agree to additional economic liberalization measures in order to receive new loans. The government that took power in June 1991 reaffirmed this commitment to economic reform.

2.3.3 Liberalization and its effects (1991 onwards)

Dr. Manmohan Singh invoked Victor Hugo when praising his first budget in 1991, saying, "No force on earth can block an idea whose time has come." One such thought is the development of India as a major economic power in the world." Since then, the economy has grown tremendously, with GDP increasing at a rate of 6-8 percent every year. The nominal GDP increased from \$267.52 billion in 1992 to \$1.85 trillion in 2012. India is the world's third largest economy and a popular FDI destination. In 2012, India's foreign trade totaled US\$ 785 billion. Information technology, telecommunications, textiles, chemicals, food processing, steel, transportation equipment, engineering goods, cement, mining, petroleum, machinery, software, and pharmaceuticals are among India's most important sectors. Rice, wheat, oilseeds, cotton, jute, tea, sugarcane, potatoes, cattle, sheep, goats, poultry, and fish are also important agricultural goods. China, the United Arab Emirates, the United States, Saudi Arabia, and Switzerland were India's five largest trading partners in 2011–2012. The following table shows the percentage share of key sectors of economy in 2011-12. The significant contribution of the

services and manufacturing sectors demonstrates India's enormous progress since independence, when it was primarily an agrarian economy (59 percent in 1951).

Sectors	Percentage Share in GDP in	
	1950-51	2011-2012
Primary Sector	59	16.1
Secondary Sector	13	24.9
Tertiary sector or Service Sector	28	59

India is a world leader in the services sector, so much so that she is known as the world's back office. India, on the other hand, has achieved substantial development in numerous fields of science and technology over the years and can now boast of a strong network of S&T institutions, well-trained workforce, and a creative knowledge base. India has already established itself as a center for the production of small automobiles and engineering equipment. The government created the National Manufacturing Policy (NMP) in 2011 with the goal of increasing manufacturing's proportion of GDP to 25% by 2025 and creating at least 100 million jobs. According to consultancy firm Deloitte, India is on track to become the world's second largest manufacturing economy by 2017, with Brazil coming in third. According to a paper titled 'Made in India-the Next Big Manufacturing Export Story,' prepared jointly by industry association CII and McKinsey, manufacturing exports from India might reach around US\$ 300 billion by 2015. According to a McKinsey analysis, increased demand in India, combined with multinationals' desire to diversify their production to include low-cost factories outside of China, could enable India's manufacturing sector grow sixfold to \$1 trillion by 2025, producing up to 90 million jobs in the country. India is one of the world's largest and most rapidly developing marketplaces for food and agricultural products. India is the third-largest food producer in the world. Agriculture contributes roughly 16.1% of India's GDP. India has surpassed China as the world's greatest milk producer, with annual milk production exceeding 100 million

tons. By 2015, this is predicted to increase to 135 million tons. The retail industry for fresh fruits and vegetables in India is estimated to be worth \$35 billion dollars. Organized retailing has a market value of \$73 million and is increasing at a 30% annual pace. India has a large livestock population, estimated at 485 million animals. India is the world's largest producer of buffaloes, second in cattle and goats, and third in sheep. According to a recent report by the Federation of Indian Chambers of Commerce and Industry (FICCI) and Ernst & Young, the Indian food industry is expected to grow by 42.5 percent by 2015, from US\$181 billion to US\$ 258 billion, and by 76 percent by 2020, to US\$ 318 billion. India as a Global R&D Center In the last 50 years, the Indian government made enormous efforts to strengthen the country's scientific and technological infrastructure. India produces 200,000 engineers and another 300,000 technically skilled professionals each year, thanks to its more than 250 universities, 1,500 research institutions, and 10,428 academic institutes. In addition, India annually produces another 2 million graduates. India is well positioned to become the next global R&D hub, thanks to a combination of cutting-edge infrastructure and highly skilled labor. Large MNCs such as GE, Microsoft, Bell Labs, and others have created R&D centers in India, which is a first for most of these businesses outside of the United States. In the last several years, more than 100 multinational corporations (MNCs) have established (R&D) facilities in India, including Delphi, Eli Lilly, Hewlett-Packard, Heinz, Honeywell, and Daimler Chrysler. For some, like the US\$12.6 billion car-refinishing business of Akzo Nobel, the center arrived even before company started selling its products in India. This places India second only to the United States, and ahead of other well-established centres like Japan, Israel, Western Europe, and China.

2.4 INDIAN ECONOMY – FUTURE PROSPECTS

India's economy is currently one of the world's fastest expanding. Rising income and savings, investment opportunities, large domestic consumption, and a youthful population will all contribute to long-term prosperity. Information Technology, Telecommunications, ITES, Pharmaceuticals, Banking, Insurance, Light Engineering Goods, Auto Components, Textiles & Apparels, Steel, Machine

Tools, and Gems & Jewellery are the main engines of the Indian economy. These sectors are expected to grow at a rapid rate around the world, creating demand for Indian products and services. On a PPP basis, India's GDP is worth US\$ 4.5 trillion, and it is expected to continue growing in the future. The world's economic structure is set to undergo cataclysmic shifts in the coming decades. According to one projection, India's share of global output will rise from 5% currently to 20.8 percent by 2040.

CHAPTER 3

COMPENDIOUS STUDY OF CURRENT INDIAN ECONOMY

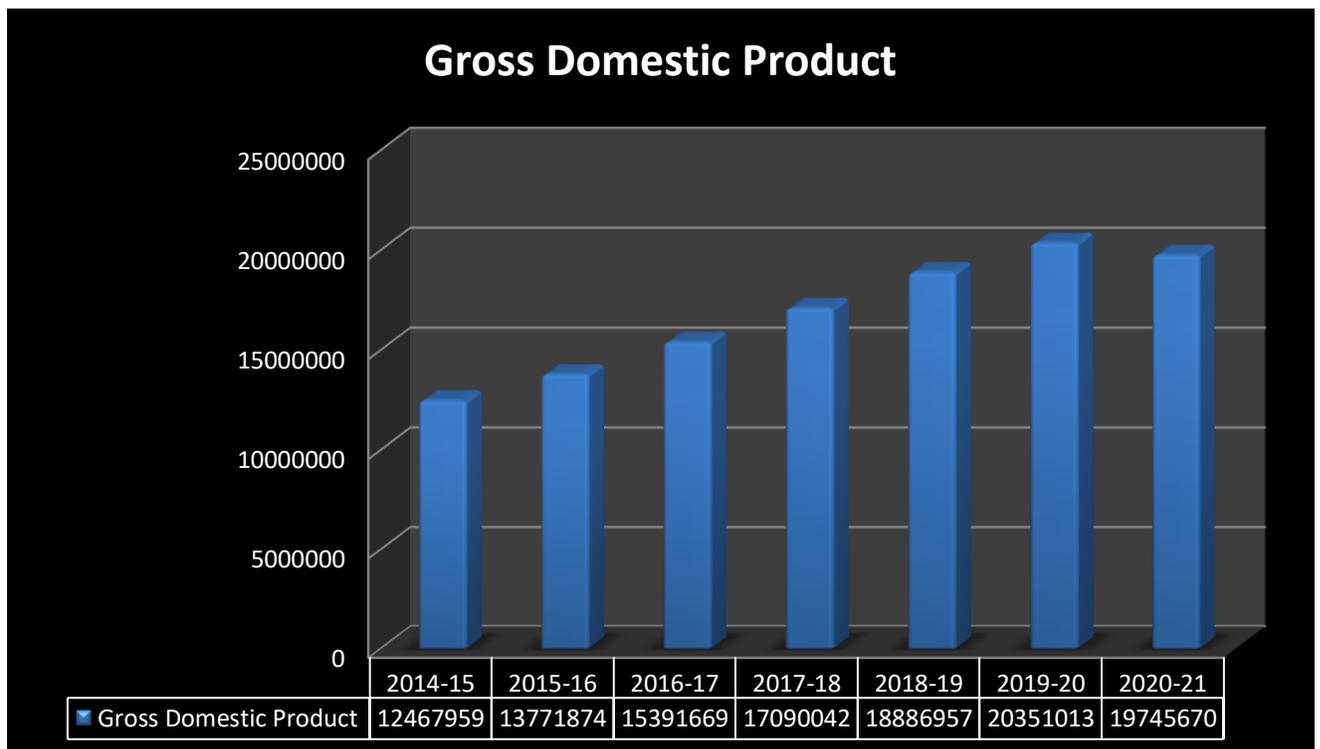
3.1 Introduction

With its powerful democracy and strong relationships, India has emerged as the world's fastest-growing major economy and is anticipated to be one of the three leading economic powers in the next 10-15 years. India's GDP declined at an unprecedented rate in 2020-21, brought down by the COVID-19 epidemic. Supply chain disruptions caused by the epidemic and rises in key food prices drove headline inflation for the majority of the year. Inflation, on the other hand, has eased since December 2020, owing to seasonal relaxation in food prices, but with an upward boost from unfavorable base effects in February and March 2021. On the strength of plentiful liquidity, monetary and credit conditions remained expansionary, and financial market circumstances eased significantly. A cyclical decrease in revenues, exacerbated by COVID-19, damaged public finances, but pandemic-induced fiscal measures forced up expenditure. On the external front, amid profound recessionary conditions, a huge decrease in imports relative to exports resulted in a current account surplus, which, combined with strong net capital inflows, resulted in a large build-up of foreign exchange reserves. The fiscal stimulus package delivered by the government was also unparalleled in scale and scope, totaling US\$ 16 trillion² (15.3 per cent of the GDP). Additional spending or foregone revenue accounted for US\$ 10 trillion of the total, while liquidity assistance in the form of assurances, loans, asset/debt purchases, and equity injections accounted for US\$ 6 trillion. This policy retaliation resulted in a huge relaxation of financial circumstances and the instillation of financial system stability, thereby minimizing downward growth risks.

3.2 Gross Domestic Product (GDP)

The gross domestic product, or GDP, is a national income account measure of aggregate output.

In FY2021-22, India's nominal gross domestic product (GDP) is expected to be 19745670 Crore INR



According to the National Statistical Office's (NSO) second advance estimate (SAE) released in February 2021, aggregate demand, as measured by real GDP, decreased by 8.0 percent in 2020-21. It's the first contraction since 1980-81, and it is the most severe ever. In actuality, the decrease was on the order of 15.9% in the first half of 2020-21, when the lockdown imposed to stop the spread of COVID-19 was fully implemented. A substantial comeback in the periodically adjusted annualized rate of growth (SAAR) in QUARTER TWO 2020-21 indicated a gradual restoration of demand circumstances, indicating a resumption of momentum. This trend continued in the next quarter, as seen by an increase in GDP's quarter three moving average (MA-SAAR) in QUARTER THREE 2020-21.

Economic liberalization on the Indian subcontinent

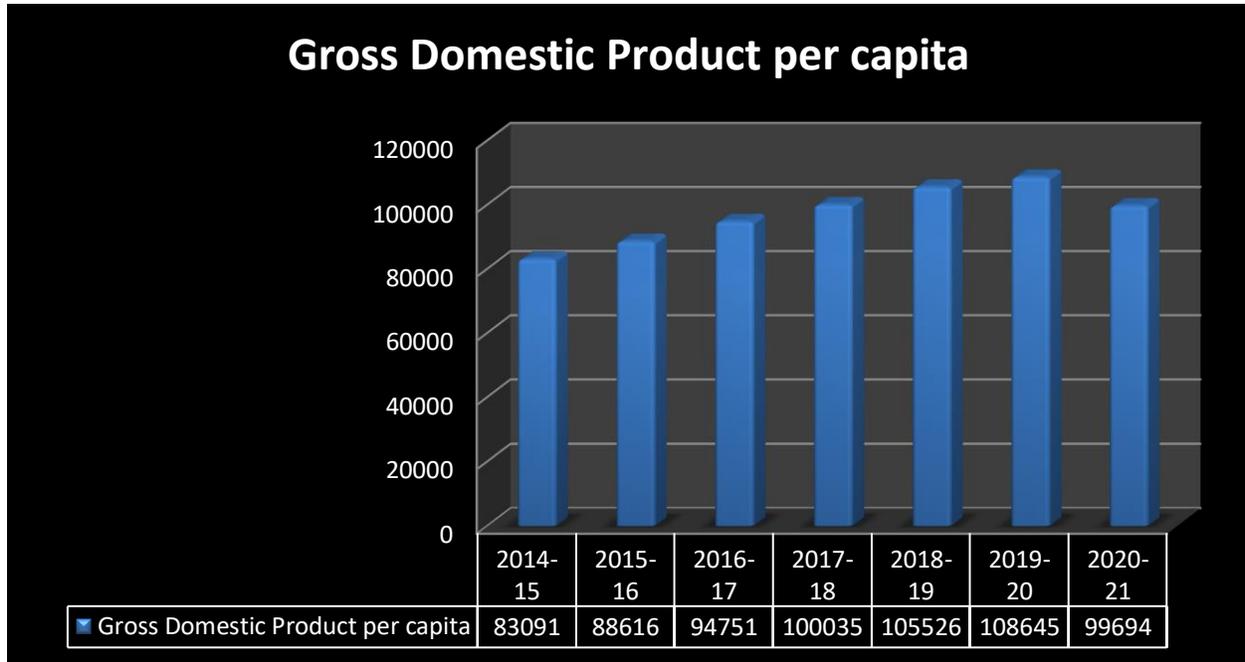
There aren't too many indicators more revealing than GDP among all the components and factual data that provide insight into the state of a country's economy. The entire market value of all final goods and services produced within a country in a specific period of time, generally a year, is referred to as GDP. Because real GDP estimates are adjusted for inflation and represent real price changes, they are an even more trustworthy tool for predicting where a country's economy is headed.

The post - independent Indian government's choice to pursue a mixed economy, including aspects of both the capitalist and socialist economies, led in massive inefficiencies borne out of a culture of interventionism that was a direct result of poor policy implementation and systemic flaws. The aim to move towards a Soviet-style mass planning system failed to gain traction in India due to a number of roadblocks, one of which was an uneducated workforce.

The economy began to recover when the government of the early 1990s had seen the formation of small scale industry in large numbers as a result of the removal of price controls, which we will discuss later, but with the collapse of the Soviet Union - India's main trading partner - the economy's hampered effects were exposed, and it underwent a large-scale liberalization. India was fast moving

toward a free-market economy at the turn of the century. India's economic expansion has persisted, and it is now a member of the BRIC group of fast-growing economies.

3.3 GDP per Capita

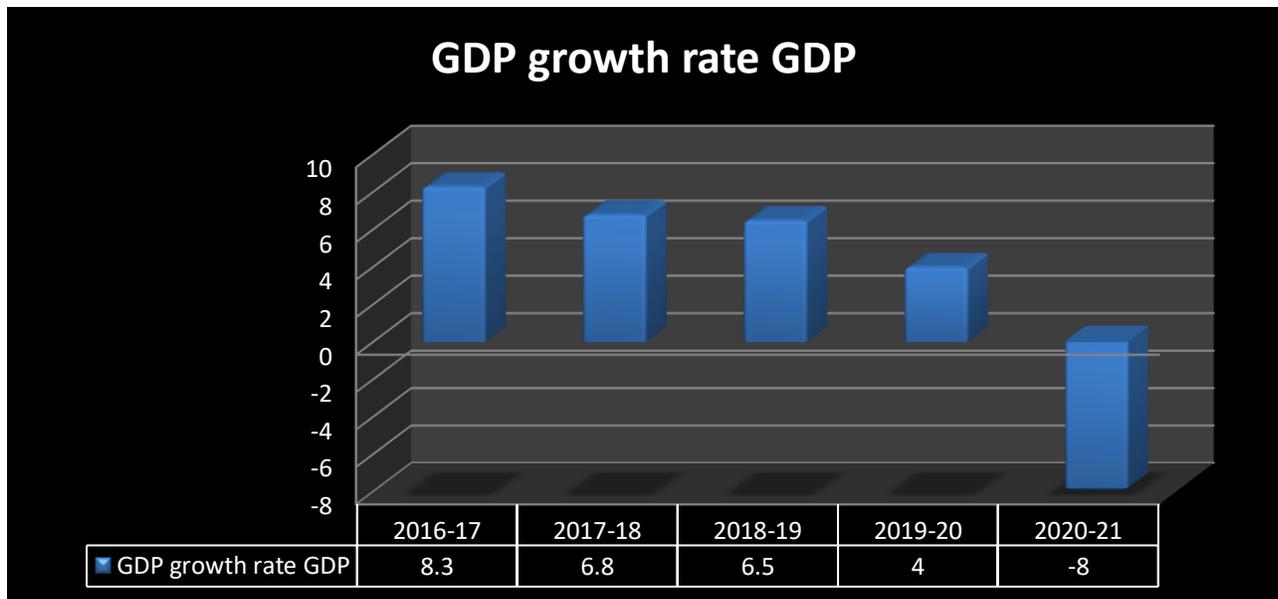


India's development over the last decade can be ascribed to a global reliance on cheaper commodities and services produced by affluent countries throughout the world. India's economy is based on agriculture, manufacturing, and services, which, combined with the country's rapidly growing population and desire for jobs, has resulted in a large growth in GDP per capita. In the fiscal year 2020-21 the per capita GDP was around 99694 crore INR .Despite making significant economic improvements since the mid-2000s, the Indian economy began to stagnate around 2012, with a drop in both overall growth and the value of its rupee. Residents and consumers in India have recently expressed despair about the fate of the Indian economy as well as their own financial status, and consumer confidence in the

country may be eroded in the coming years as a result of the recent economic stalemate.

Agricultural items, jewels, chemicals, and ores are all common Indian exports. Crude oil, gold, and precious stones are the most common imports, all of which are used to make jewelry. As an outcome, India has seen a sharp growth in the demand for a variety of gems in order to enhance its jewelry industry and overall exports. Despite the fact that India does not export a vast amount of commodities, especially when compared to its size, it remains one of the world's major exporters.

3.4 Gross domestic product (GDP) growth rate in India

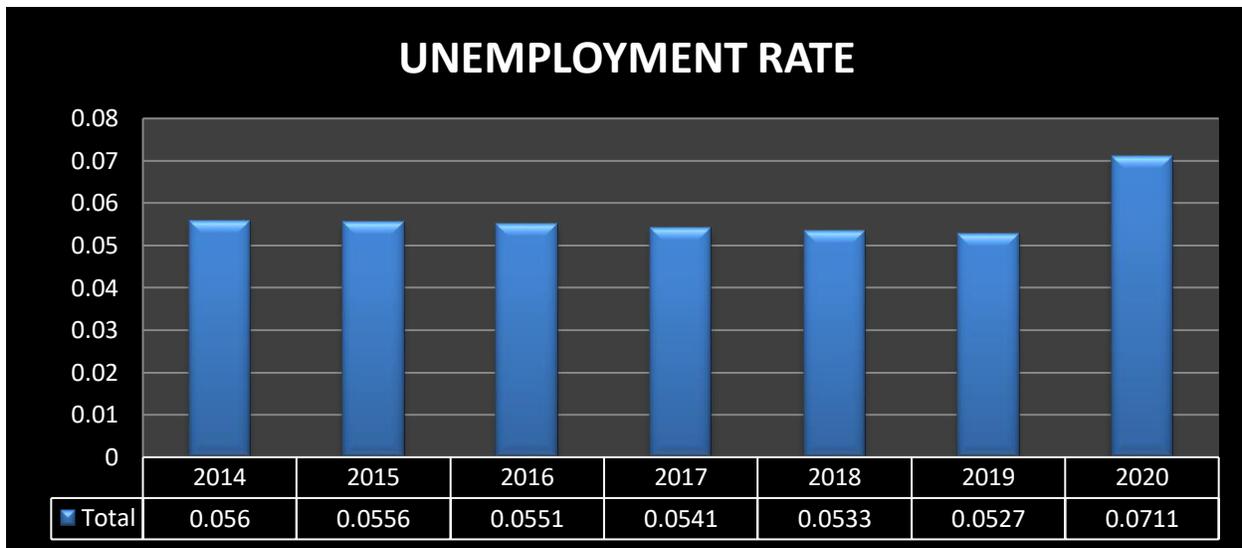


In recent times, there has been a change in economic power and emphasis to the BRIC countries' rising economies: Brazil, Russia, India, and China. The BRIC countries' GDP growth rate is much higher than that of historically strong economies such as the United States and Germany. For the last 5 year there was a constant growth in the GDP until COVID-19 wave in 2020. That is the reason behind fall in the GDP growth rate to -8.0%.

While the United States is the biggest economy in the world by practically any measure, China claims the second-highest percentage of global GDP, with India edging out Japan for third place. Despite the global recession in 2008 and 2009, India managed to sustain outstanding GDP growth rates, especially considering that the majority of the world saw negative growth in at least one of those years. Economic liberalization, which began in 1991 and fostered commerce by removing some government monopolies, is one of the reasons for India's success. Because of rising inflation, GDP growth has slowed in recent years. India's workforce is rising in the manufacturing and service sectors, thanks in part to overseas outsourcing, which has proven to be a successful enterprise for the country. Except for China, India's agriculture industry remains a worldwide force, producing more wheat and tea than anybody else. However, due to the automation of many processes and India's fast increasing population, the country's unemployment rate remains high.

3.5 UNEMPLOYMENT RATE

The amount of persons who have a job is referred to as employment. Unemployment refers to the amount of persons who are unemployed and seeking for work. The labor force is made up of both employed and unemployed people:



India is one of the world's fastest-growing economies, and as a result, it is recognized as a member of the G-20 major economies as well as the BRIC nations, an organization of quickly expanding economies. Three additional nations, namely Brazil, Russia, and China, are BRIC members, in addition to India. The manufacturing sector in India contributes significantly to the country's economic development; nonetheless, the service industry is the most important economic element. This industry employs the vast majority of India's people. India's strong economic growth may be ascribed to major improvements in the efficiency of products production over the last decade, as well as the country's comparatively low debt, especially when compared to the total amount generated from goods and services created throughout time.

When it comes to individual development, India has made considerable strides throughout the years. India, on the other hand, has made very little development in compared to the other BRIC countries. While China's rise was the most visible, India's efficiency and productivity stayed relatively stable over the last three or four years. Over the last decade, India has also reported a huge trade deficit, suggesting that its total imports surpassed its total exports, thus requiring the government to borrow money to support itself. Most economists regard trade deficits as a negative issue, particularly in the long run and for developing or rising economies.

3.6 SHARE OF GLOBAL GDP

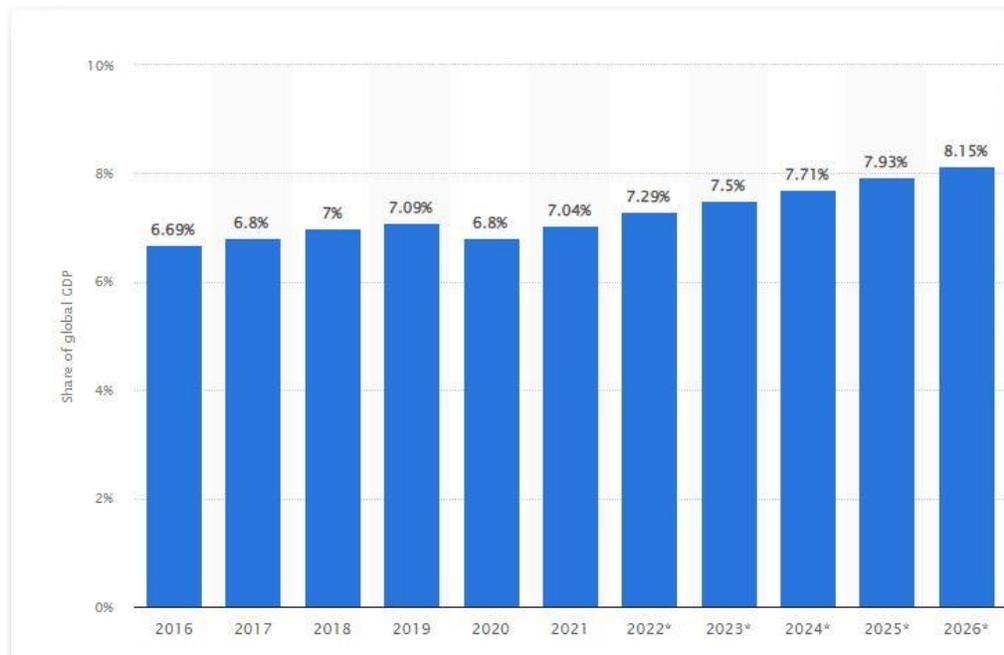


Image 3.1

A movement of the manpower from the farming sector to the more productive service sector accounts for a substantial percentage of India's economic growth. Because of the country's massive population, this labor force movement is especially crucial in India. As a result, changes in the Indian economy affect a large section of the global population.

3.6.1 Measuring the Standard of Living

We are concerned about expansion because we are concerned about our level of living. We're interested in knowing how much the standard of life has risen over time. Comparing between countries, we want to know how much greater one country's quality of life is than another. As a result, rather than focusing on production itself, we wish to compare output per person through time and between nations. Then there's the practical issue: How can we compare per-capita output across countries? Because different countries have different currencies, each country's output is stated in its own currency. The usage of currency rates is an

obvious solution: When comparing, instance, India's output per person to the United States' production per person, we may calculate Indian GDP per person in rupees, convert it to dollars using the exchange rate, then compare it to the United States' GDP per person in dollars. This straightforward technique, however, will not be enough for two reasons:

For starters, exchange rates may fluctuate a lot. For example, in the 1980s, the dollar soared and then declined by nearly 50% in relation to the currencies of the United States' trade partners. However, the United States' standard of living did not rise by 50% and then fall by 50% in comparison to its trade partners over the decade. However, if we compare GDP per person using exchange rates, we would get to the same result.

The second explanation is unrelated to exchange rate movements. By using current rate, India's GDP per person in 2020 was \$63,413.5, compared to \$63,413.5 in the United States. In the United States, no one could possibly survive on \$1750 a year. However, in India, where the costs of essential goods—those required for survival—are far cheaper than in the United States, people survive on it—albeit not very well. The typical individual's consumption in India, which consists primarily of basic items, is not 36 times that of the typical person in the US. This is true of countries other than the United States and India: Generally, the lower a country's output per person, the cheaper its food and basic service prices are. By accounting for the two factors we just discussed—variations in exchange rates and systematic disparities in pricing between countries—we get more relevant comparisons when we focus on comparing levels of living. The technicalities of creating these distinctions are complex, but the premise is straightforward: The GDP figures—and hence the GDP per person figures—are calculated using a common set of prices for all nations. Buying power parity refers to such adjusted real GDP statistics, which may be thought of as indicators of purchasing power over time or between nations (PPP) numbers.

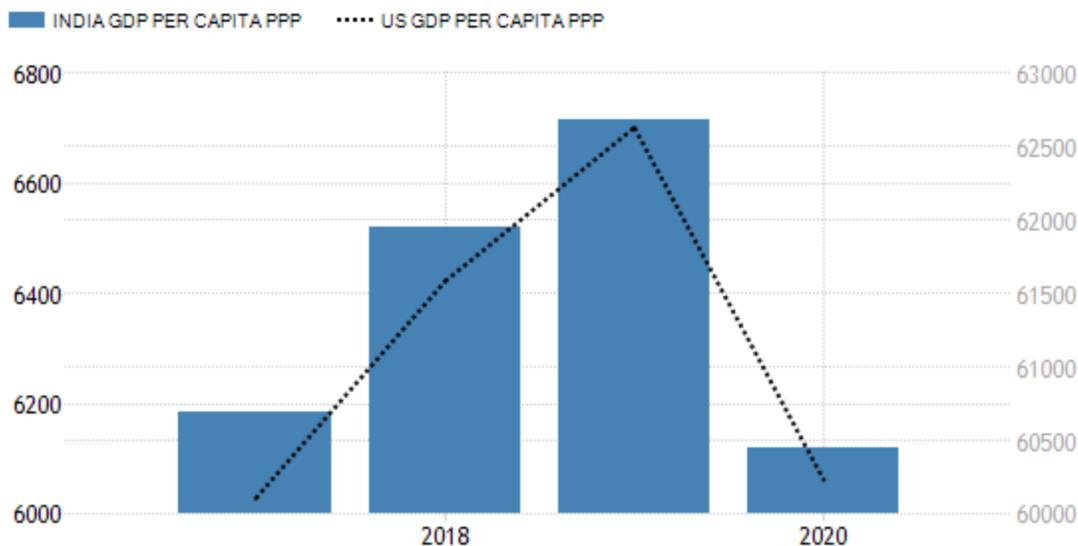


Image 3.2

3.7 SHARE OF GDP SECTORWISE

India is one of the four BRIC countries, along with Brazil, Russia, and China. Jim O'Neill of Goldman Sachs coined the moniker BRIC to describe the four fastest-growing developing countries. These four countries are thought to be in a similar economic evolution stage — on the verge of becoming industrialized countries — and may even dominate the global economy because they are already large economies. When it comes to GDP and basic population counts, they are already greater than the rest of the globe. India is placed second in practically all critical

parameters among these four countries.

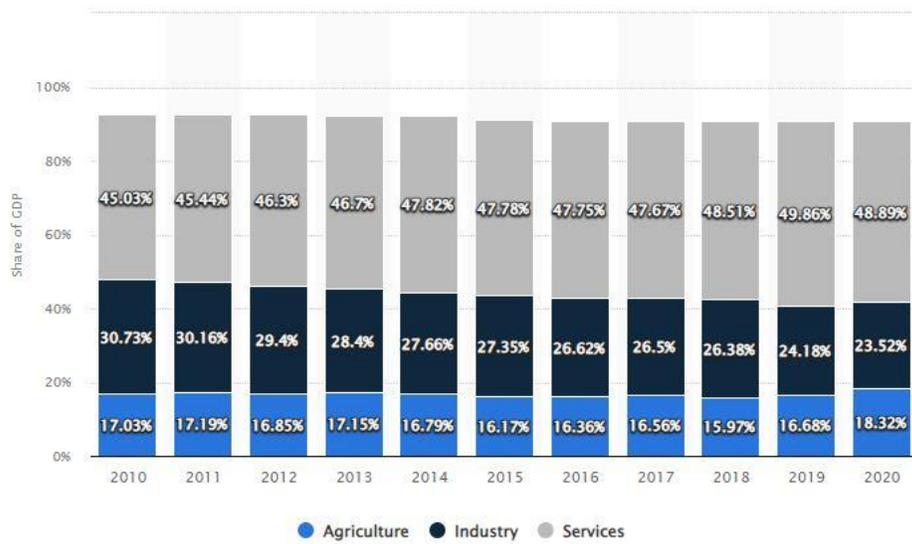


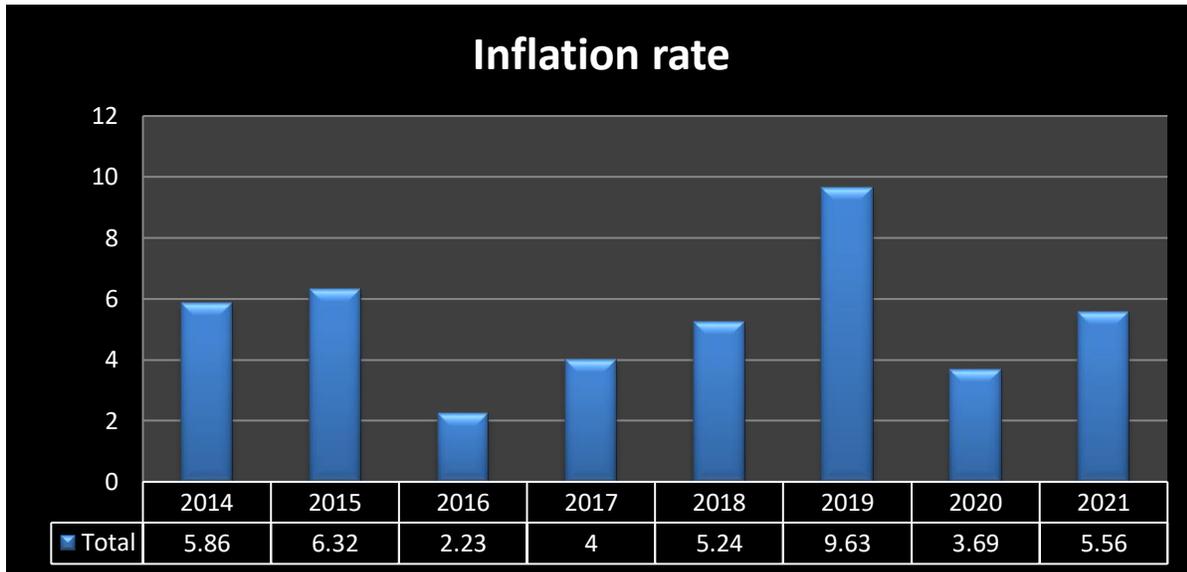
Image 3.3

3.7.1 Services on the rise

While the agriculture sector employs the majority of the Indian workers, the services sector accounts for the majority of the country's GDP. In reality, when looking at the distribution of GDP among economic sectors, agriculture comes in last with only 15% of the total. Telecommunications, software, textiles, and chemicals are some of the most important service sectors, and output appears to be increasing - India's GDP and employment are both increasing.

3.8 INFLATION

As per IMF, Inflation measures how much more expensive a set of goods and services has become over a certain period, usually a year.



According to the International Monetary Fund, inflation indicates how much more costly a set of products and services has gotten over a certain time, generally a year. The price increase of a particular product basket is used to determine the inflation rate. This product basket includes items and services that the average customer purchases during the year. Groceries, clothing, rent, electricity, telephones, recreational activities, and raw materials (e.g., gas, oil), as well as federal fees and taxes, are all included. In comparison to the previous year, India's inflation rate was roughly 3.69 percent in 2020. For further information, look at the numbers on India's economic growth.

Inflation, as opposed to deflation, is defined as an increase in the price of goods and services over a period of time. Inflation is a key measure of a country's economic health. The inflation rate is the rate at which prices, products, and services in an economy grow in general, and how this impacts the cost of living of individuals who live in that country. It has an impact on interest rates paid on

savings and mortgages, as well as the amount of state pensions and benefits received. For example, a 4% increase in inflation in 2011 would indicate that an individual would have to spend 4% more on items than he would have in 2010.

Over the previous ten years, India's inflation rate has risen. Since 2010, however, it has been declining somewhat. India's economy, on the other hand, has been performing admirably for years, with its GDP constantly expanding and its national debt falling. With a state deficit of more than 9% of GDP, the budget balance in proportion to GDP does not appear to be in good shape.

3.9 *STARTUP*

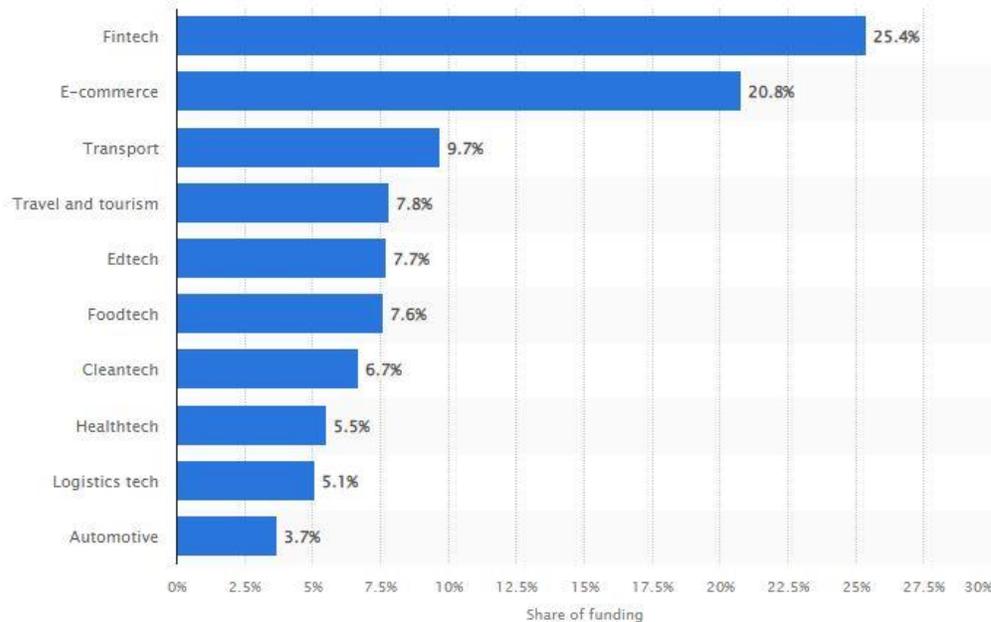


Image 3.4

According to the Economic Survey, India has the world's third-largest unicorn population, with over 83 unicorns worth a total of US\$ 277.77 billion. According to the Nasscom-Zinnov report 'Indian Tech Start-up,' India would have 100 unicorns by 2025, creating 1.1 million direct employment. According to the McKinsey Global Institute, India needs to raise its pace of employment growth and create 90 million non-farm jobs between 2023 and 2030 to boost productivity and economic growth. To attain 8-8.5 percent GDP growth between 2023 and 2030, the

net employment rate must increase by 1.5 percent each year. According to figures from the Department of Economic Affairs, India's foreign exchange reserves hit US\$ 634.287 billion on January 28, 2022.

Recent Developments: Recent economic developments in India are as follows:

In February 2022, India's trade deficit was revised down to USD 20.88 billion, down from a previous estimate of USD 21.1 billion and a year earlier of USD 13.12 billion. Imports increased 36.07 percent year on year to USD 55.45 billion, owing mostly to higher imports of petroleum, crude, and products (69.19 percent) and coal, coke, and briquettes (36.07 percent) (116.99 percent). Meanwhile, exports increased by a softer 25% to USD 34.57 billion, owing mostly to sales of petroleum products (88.14%) and engineering equipment (88.14%). (32.04 percent). Sales of oil meals (-69.47 percent) and iron ore (-69.47 percent) dropped on the negative (-56.32 percent). The trade deficit increased to USD 175.75 billion in April-February, up from USD 88.99 billion a year before.

CHAPTER

4

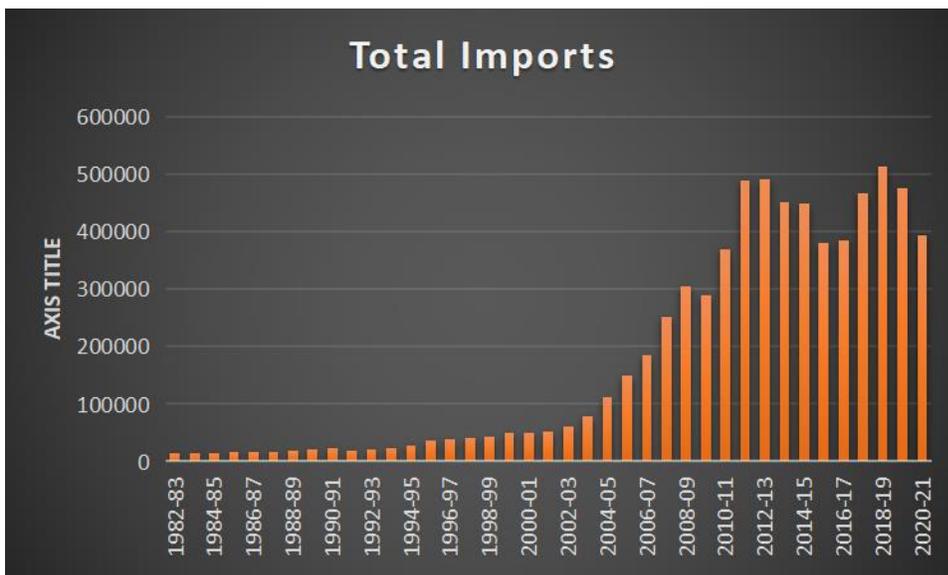
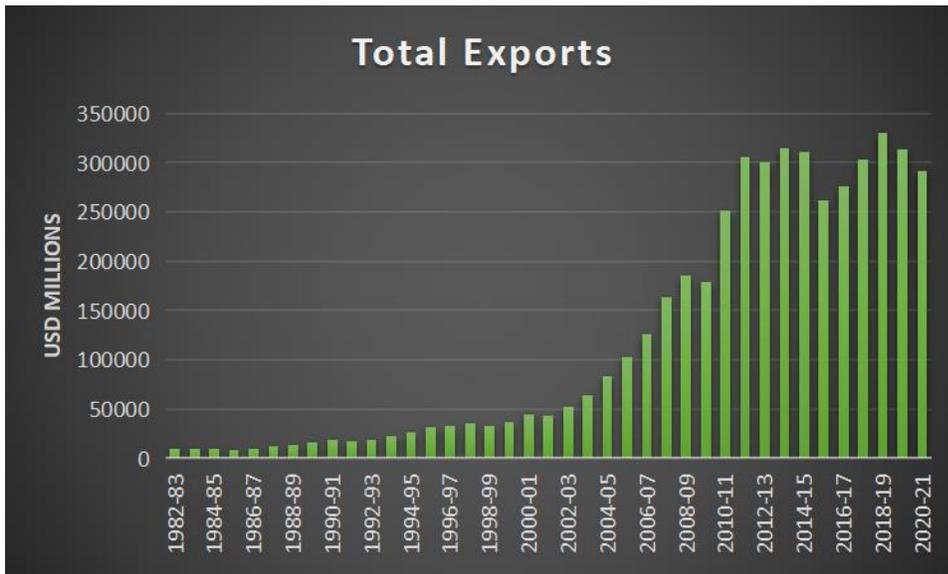
FOREIGN DIRECT INVESTMENT IN INDIA

When consumers and businesses may pick between domestic and international products, a country is said to have an open economy. Open markets include the sale and purchase of products, financial market investment both inside and beyond the country, and the capacity and freedom to choose where to locate a manufacturing plant and which personnel to recruit.

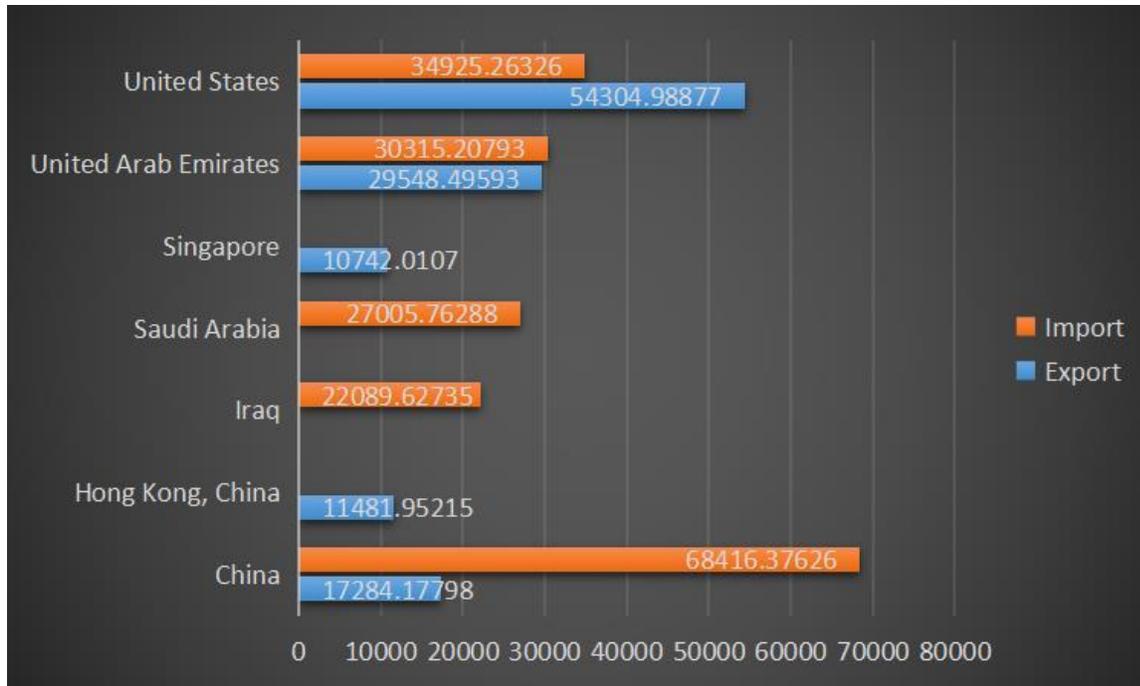
4.1 OPENNESS IN GOODS MARKET

Openness in the products market refers to consumers' and businesses' capacity to select between domestic and foreign goods. This option is not entirely unrestricted in any nation. On at least some foreign commodities, even the countries most devoted to free markets have tariffs on imports quotas—restrictions on the number of items that may be imported. Around the same time, average tariffs in most nations are low and falling.

4.1.1 Exports and Imports



The accessibility of the products market is determined by variables such as the ability of domestically produced goods to compete with international goods. If domestic items are comparable to foreign ones and are produced at a fair cost, imports may be affected, but not the other way around. Another important consideration is the currency rate. It might also lead to an imbalance in imports and exports. The market becomes more chaotic when exchange rates fluctuate more.



The United States of America, the United Arab Emirates, Singapore, Iraq, China, and Hong Kong are India's five most important trading partners. The graph above depicts the import and export in millions of dollars. The following are some of the trade balance comparisons with other nations.

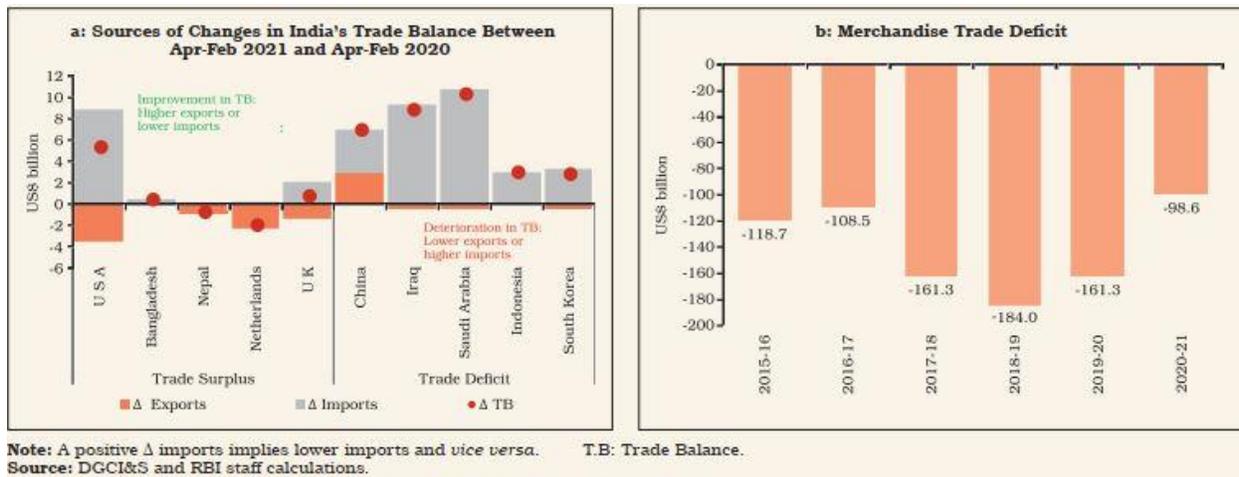


Image 4.1

The mutual trade deficit with China decreased from April to February 2020-21, while the trade surplus with the United States rose. Overall, the trade imbalance fell to US\$ 98.6 billion in 2020-21 from US\$ 161.3 billion in the previous year's equivalent period, indicating the impact of both tight lockdown measures and slower economic activity as a result of COVID-19.

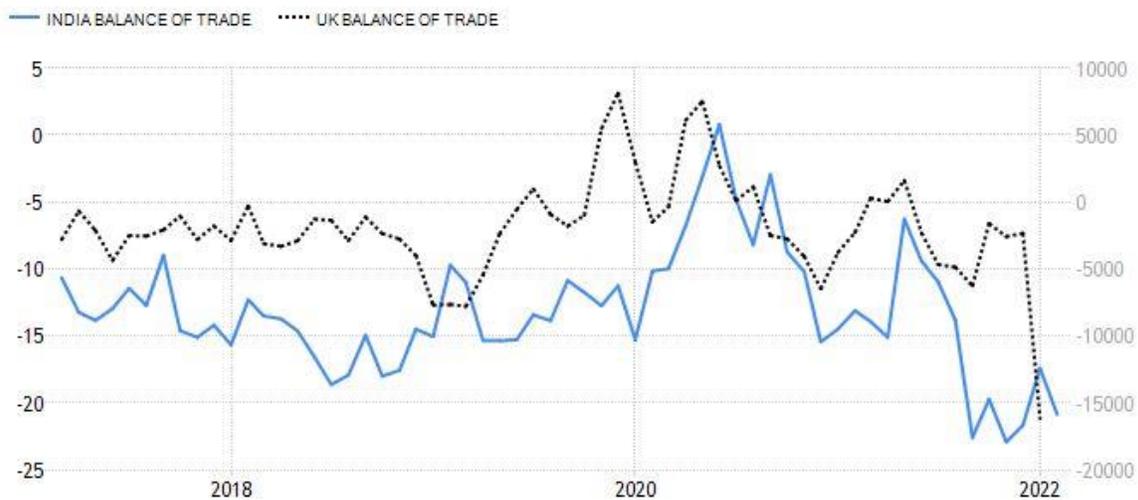


Image 4.2

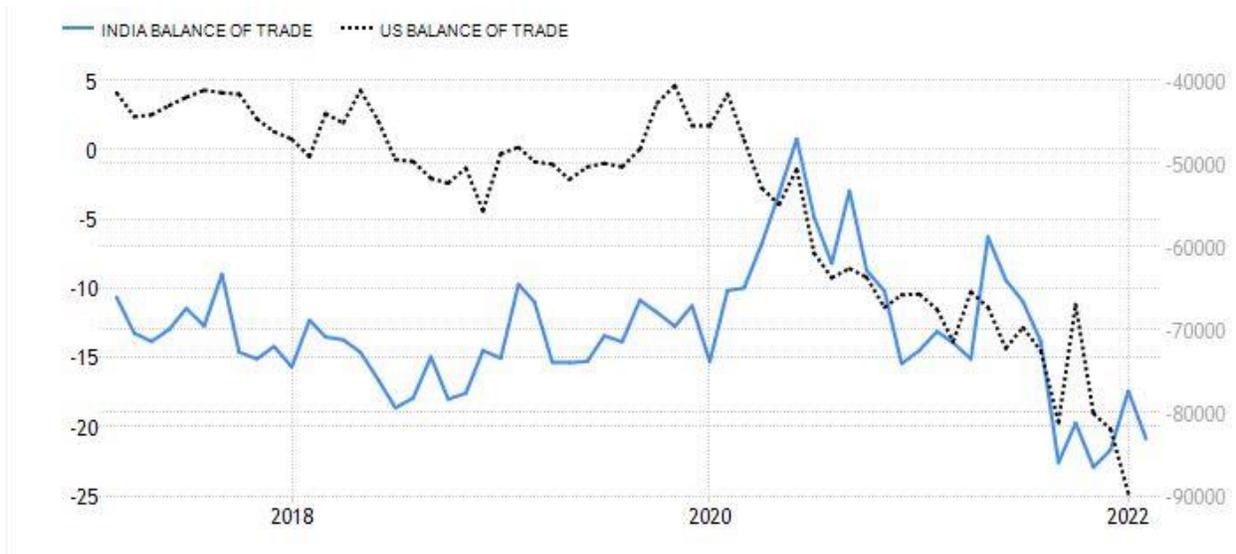
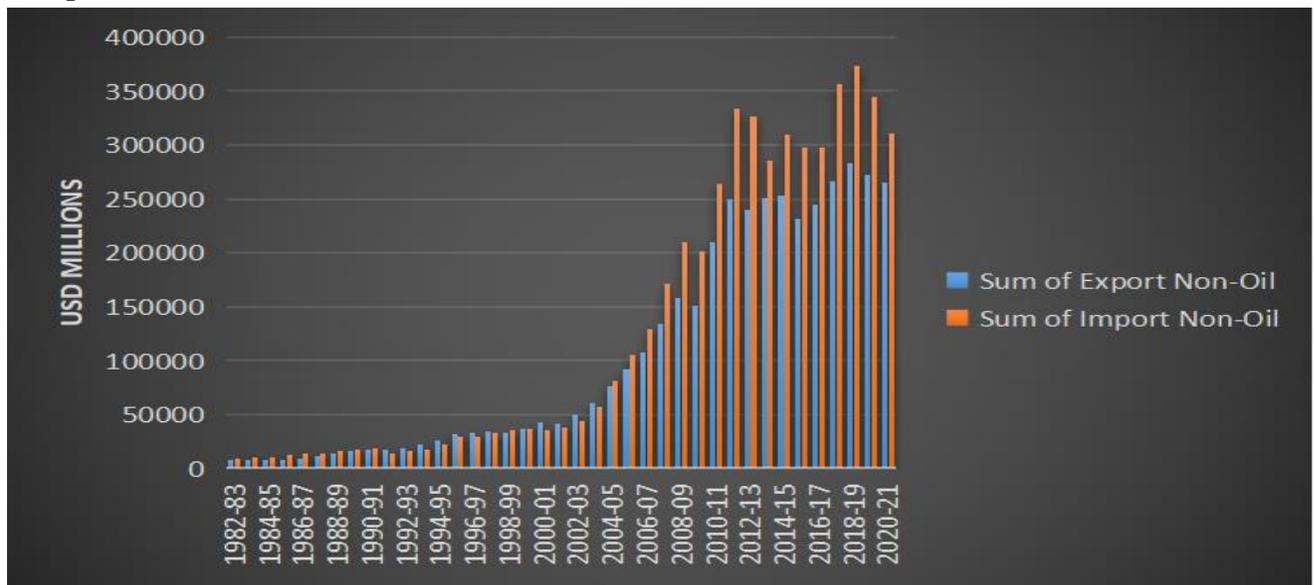
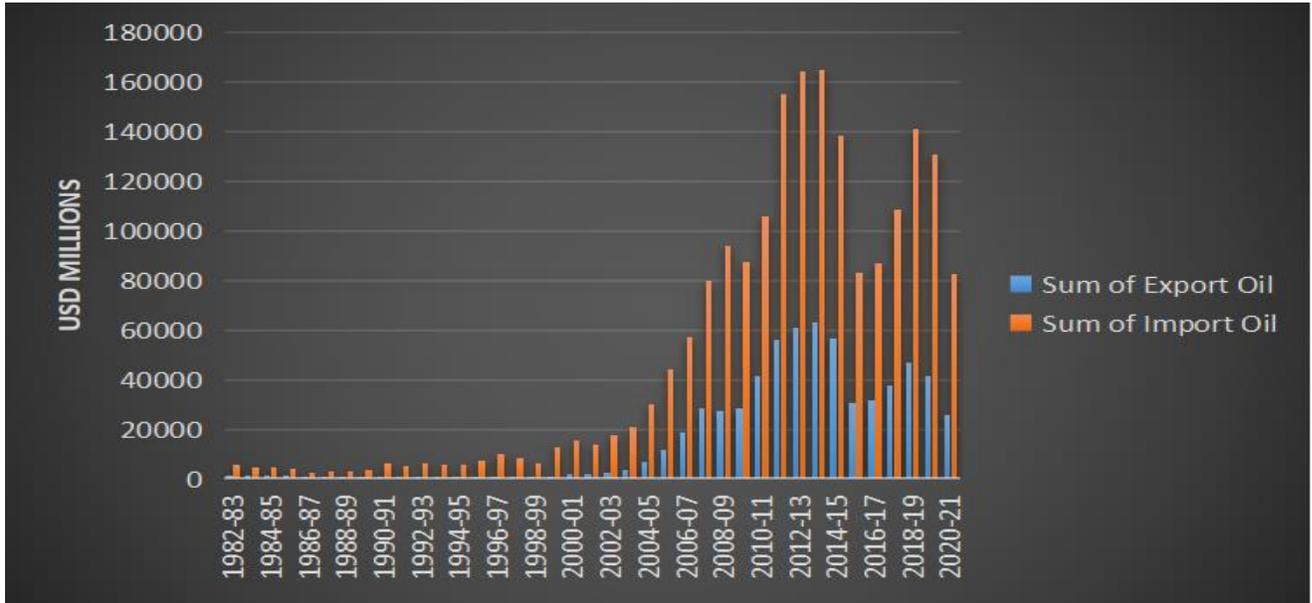


Image 4.3

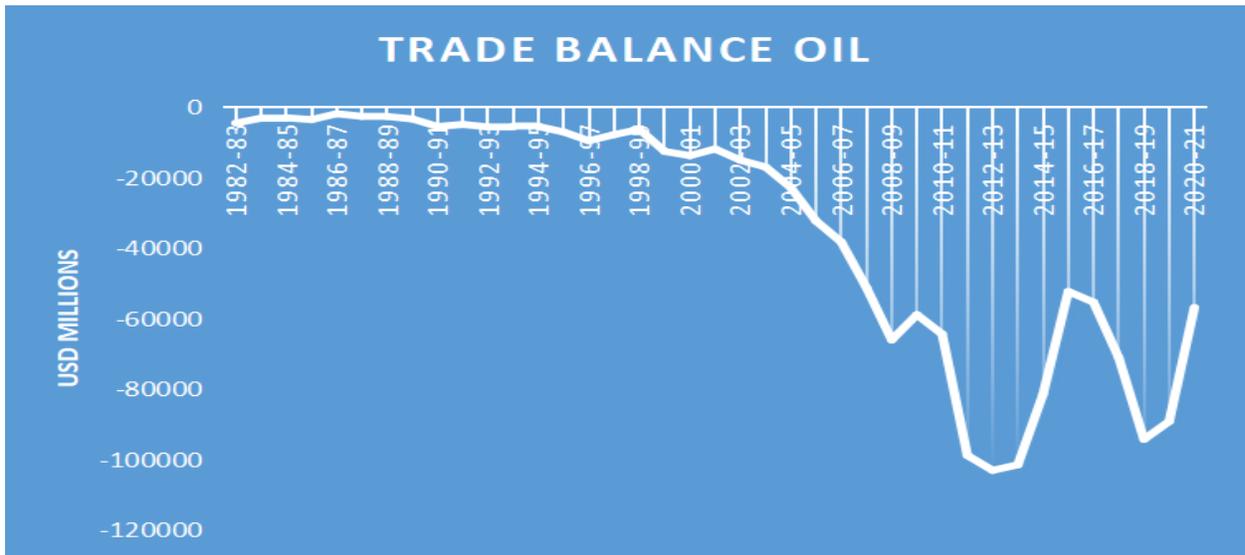
I began analyzing India's trade balance summary after comparing it to the trade balances of other major nations. It is primarily split into two types: oil and non-oil. The reason for this is because oil is India's most important commodity, which it buys and sells in significant quantities. The graphs at the bottom provide a comprehensive view of India's overall trade balance condition.



The overall value of non-oil exports is \$4033485.2 million, whereas the total value of non-oil imports is \$4928770.9 million, resulting in a trade imbalance of (\$895285.6 million).



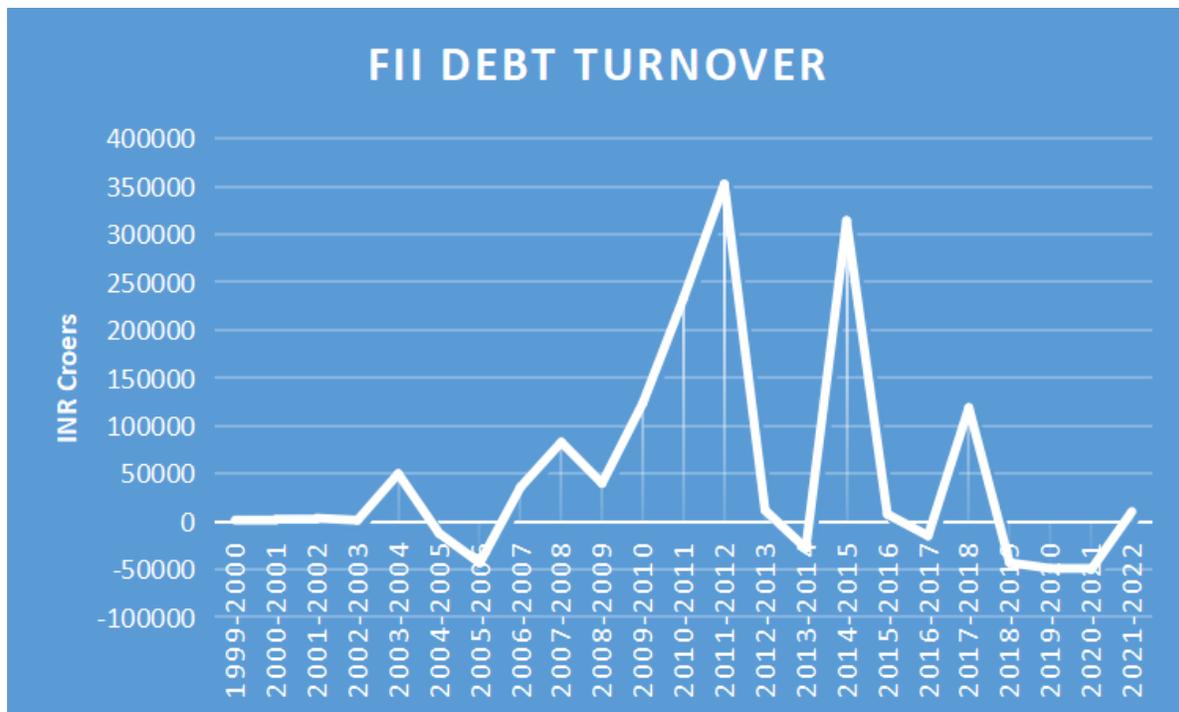
Non-oil exports total \$633180.2 million, while non-oil imports total \$1924935.6 million, resulting in a trade deficit of (\$-1291755.4 million).

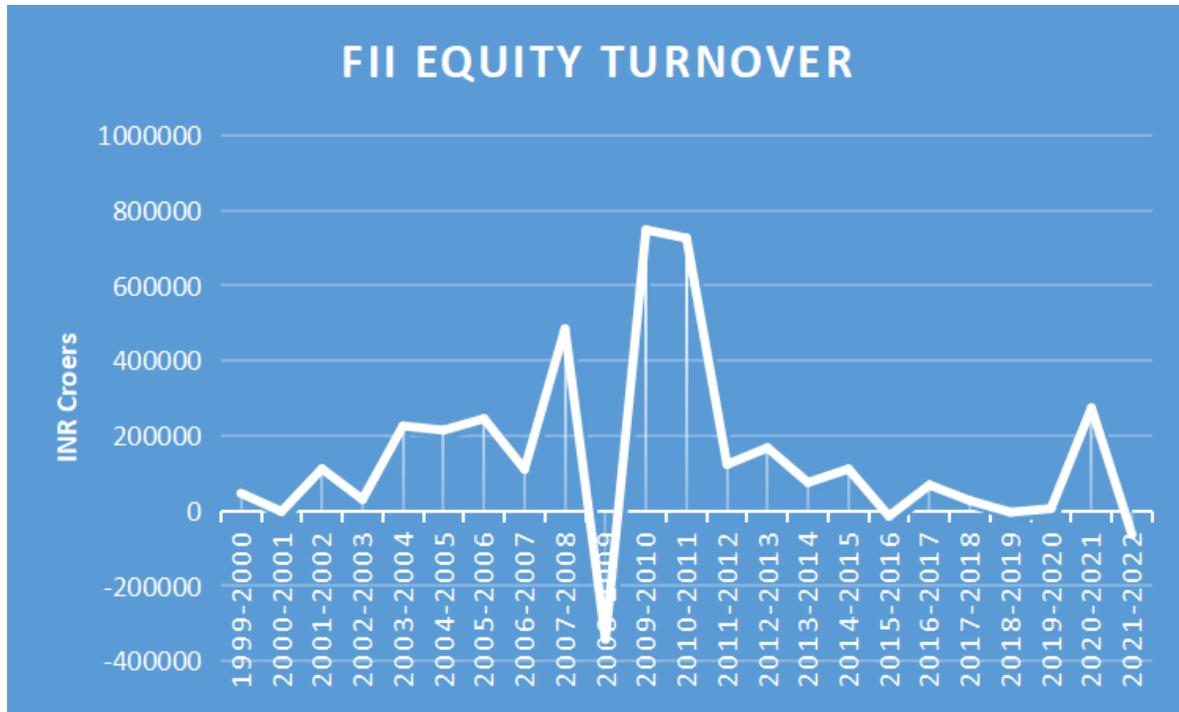




4.2 OPENNESS IN FINANCIAL MARKETS

Financial markets' sets up investors to hold both local and international assets, diversify their portfolios, bet on changes in foreign interest rates vs domestic interest rates, and so on. Because purchasing or selling foreign assets entails purchasing or selling foreign money, the process is commonly referred to as foreign exchange. The significance of international capital flows can be gauged by the number of transactions on foreign currency markets.





The graphs above depict total foreign institutional investor (FII) turnover in Indian financial markets. The first graph depicts FII's net debit market turnover during the previous two decades. The second graph depicts the net turnover in the equities market by FII during the same time period. Financial market openness increases the value of a country's currency. Another implication is that it permits countries to have trade surpluses and deficits. The Indian financial market just surpassed a market capitalization of \$3.21 trillion, surpassing the \$3.19 trillion held by the United Kingdom. It has risen to the top of the market capitalization rankings. According to the Times of India newspaper, over 19 million demat accounts were established in India between April and October 2021. This demonstrates that individuals in India are interested in retail investment.

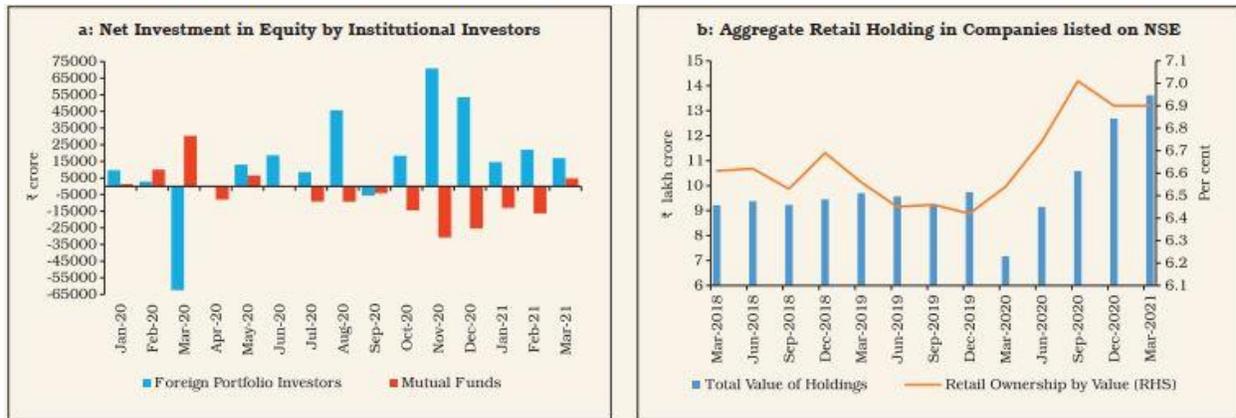


Image 4.4

With the exception in the month of April and month of September 2020, FDIs were buyers in the Indian equities market, with highest inflows of INR 70,896 crore in November. In 2020-21, the Indian equities market had a net Foreign portfolio investment influx of INR 2.8 lakh crore, compared to a net FII outflow of INR 6,204 crore the last year. Investment funds, on the other hand, were net sellers of 1.2 lakh crore in 2020-21. The number of demat accounts opened by individual investors in stocks increased over the year, with 1.43 crore demat accounts formed in 2020-21, compared to 50 lakh demat accounts opened a year before. Furthermore, retail ownership in NSE-listed businesses climbed to 6.9% at by March 2021, up from 6.5 percent at the end of March 2020. In national stock exchange retail holdings has increased from seven lakhs twenty thousand to thirteen lakhs sixty thousand in march 2021.

4.2.1 Primary Market Resource Mobilization

Moreover, during 2020-21, the major section of the equities market saw increased activity, the market value has touched the mark of one lakh crore in march 2021 from 76,965 crore in the march 2020 through channels like resource mobilization initial public offerings (IPOs), follow-on public offerings (FPOs) and rights issues. A total of 46,060 crore was raised through 57 IPO/FPO offerings, with 27 of them worth 246 crore being listed on the BSE and NSE's small and medium scale enterprises (SME) platforms. From 55,642 crore the last year, resource mobilization by rights offerings grew to 64,059 crore in 2020-21. Comparing to last year Qualified institutional placement and preferential allotment resource

mobilization fell from two lakh thirty thousand crore to one lakh twenty thousand crore.

Furthermore, due to a favorable base effect, retail Net resources mobilized by mutual funds increased by 146% to 2.15 lakh crore in 2020-21, owing to a favorable base effect, as mutual funds experienced a sharp B outflow in March 2020, largely led by open-ended debt-oriented schemes, due to concerns about the spread of COVID-19. In 2020-21, equity-oriented plans had a net redemption of '39,327 crore, compared to net mobilization of '81,597 lakh crore in 2019-20. Equity-oriented mutual funds' assets under management (AUM) climbed by 66.0 percent to '10.0 lakh crore at the end of March 2021, up from '6.0 lakh crore at the end of March 2020.

4.2.2 Foreign Exchange Market

Due to interruptions connected to COVID-19, turnover in both the merchant and inter-bank segments in the foreign currency market was lower than the previous year's levels during the first half of the year. During the latter half of the year, turnover recovered to prior year levels, with segments like interbank swaps and merchant shops indicating increased activity. At the height of the epidemic, the Indian rupee hit an all-time intra-day low of '76.91/USD in April 2020, with mild volatility in comparison to its rivals. It then traded with an upward tilt throughout the remainder of 2020-21. Following the resumption of economic activity, the rupee was covered by a recovery of risk appetite for EME currencies, but fears about COVID-19 infections caused the INR to trade sideways in quarter one 2020-2021. The rupee improved in QUARTER TWO 2020-21, after advances in other EME currencies, spurred by solid FDI inflows following optimism about economic recovery, until reporting minor losses due to raising war tension in September 2020. With the news of corona virus vaccine in November 2020, which would result in cash flowing to EMEs, along with an improvement in confidence due to an increase in growth rate, helped INR to gain. FDI and merchant-related inflows continued to boost the Indian rupee in QUARTER FOUR 2020-21. Nevertheless, in the last week of February, the rupee depreciated sharply, echoing global sentiments weak followed by selling in US bonds caused by rising inflation

forecasts and dismal auction demand. Finally, the INR gained 3.5% by end of march 2021, but lagged its Asian counterparts throughout 2020-21. In 2020-21, the 40-currency nominal effective exchange rate (NEER) fell on average in parallel with variations in the nominal exchange rates of the rupee (y-o-y). The 40-currency NEER fell by 4.2%, while the 40-currency real effective exchange rate (REER) stayed nearly steady in 2020-21.

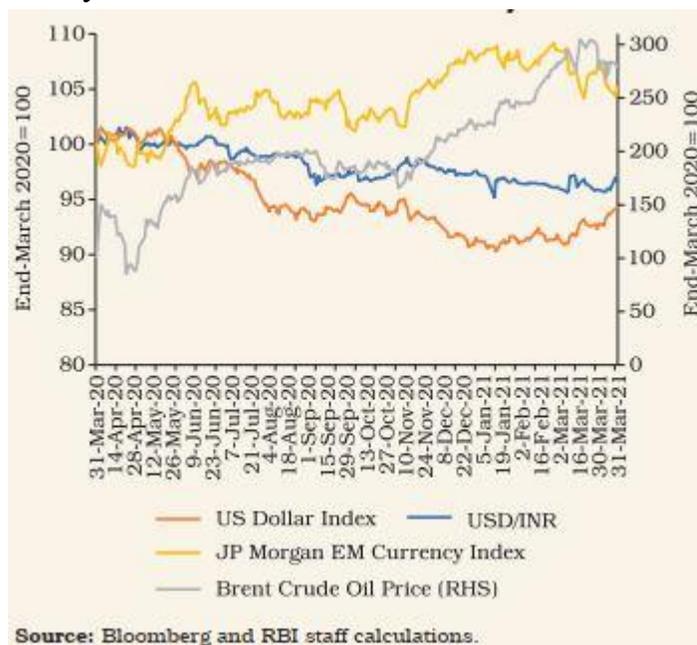


Image 4.5

In conclusion, the Reserve Bank took a number of steps to restore trust in the financial markets and the economy. These actions not only maintained orderly market conditions, but also hastened the rate of recovery, as evidenced by high frequency economic indicators. The gradual dismantling of some of the governmental restrictions put in place in the aftermath of the epidemic need a measured approach. Financial market movements in the future will be directed by progress in managing the COVID-19 pandemic, particularly through vaccine delivery, the rate of global and local economic recovery, and changes in global liquidity and financial circumstances.

4.3 Balance of payments

The balance of payments is a series of accounts that summarizes a country's dealings with the rest of the world, including both commerce and financial movements.

A country's dealings with the rest of the world are recorded in the balance of payments. The current account balance is equal to the total of the country's trade balance, net income, and net transfers from other countries. Capital flows from the rest of the world minus capital flows to the rest of the world equals the capital account balance.

Both the current and capital accounts are mirror reflections of one another. Aside from statistical issues, the current account and capital account must equal zero. A capital account surplus is used to fund a current account deficit, which is supported by net capital flows from the rest of the globe. A current account surplus is equivalent to a capital account deficit.

Number	Item/Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
I.	Merchandise										
A)	Exports, f.o.b.	1482517	1667690	1931074	1934210	1743289	1878943	1991436	2358211	2270919	2193253
B)	Imports, c.i.f.	2394647	2732146	2815918	2820072	2592820	2633395	3023163	3619072	3385822	2946318
I.	Trade balance (A-B)	-912129	-1064456	-884845	-885862	-849531	-754452	-1031727	-1260861	-1114902	-753065
II.	Invisibles, net	536157	584846	697709	722549	705769	657536	717601	860633	942474	935135
III.	Current account (I+II)	-375973	-479610	-187136	-163313	-143762	-96916	-314126	-400227	-172429	182070
IV.	Capital account (A to F)	307470	500313	283190	541238	259592	241150	594942	380023	595634	467611
A)	Foreign Investment	241706	298205	217933	473655	270436	334814	396925	301927	398156	692395
B)	External assistance, net	12055	6882	7400	12623	13031	14665	19423	24654	27250	83332
C)	Commercial borrowings, net	42099	46607	66128	1368	-38793	-50928	-5129	69629	154263	874
D)	Rupee debt service	-381	-313	-304	-489	-476	-665	-482	-213	-483	-484
E)	NRI deposits, net	58241	80651	238000	86125	104666	-83664	62390	71897	61123	55121
F)	Other capital	-46251	68281	-245967	-32044	-89272	26927	121815	-87871	-44675	553552
V.	Overall balance (III+IV)	-68503	20702	96054	377925	115830	144234	280816	-20204	423206	649681
VI.	Monetary movements (VII+VIII+IX)	68503	-20702	-96054	-377925	-115830	-144234	-280816	20204	-423206	-649681
VII.	Reserves (increase -/ decrease +)	68503	-20702	-96054	-377925	-115830	-144234	-280816	20204	-423206	-649681
VIII.	IMF, net	0	0	0	0	0	0	0	0	0	0
IX.	SDR allocation	-	-	-	-	0	-	-	-	-	-

4.4 Foreign Direct Investment overview India

Foreign direct and portfolio investment inflows were considerable among the primary components of financial flows; nevertheless, loans in the form of external commercial borrowings, trade credit, and banking capital registered net outflows. The accretion of forex reserves on a BoP basis (excluding value adjustments) was in the order of US\$ 83.9 billion in April-December 2020, with the current account in surplus.

Foreign direct investment (FDI) dominated capital flows, which were greater in gross and net terms than a year before. FDI restrictions in military production have been raised to 74% via the automatic approach, up from 49% before. The OECD's FDI restrictiveness score has steadily improved, from 0.244 in 2015 to 0.207 in 2019. The extension of the PLI program has the potential to attract international corporations wishing to diversify their supply chains. India's FDI performance in 2020-21 was in stark contrast to worldwide FDI. 38 Since April 2000, India has received a total of US\$ 500 billion in FDI equity inflows.

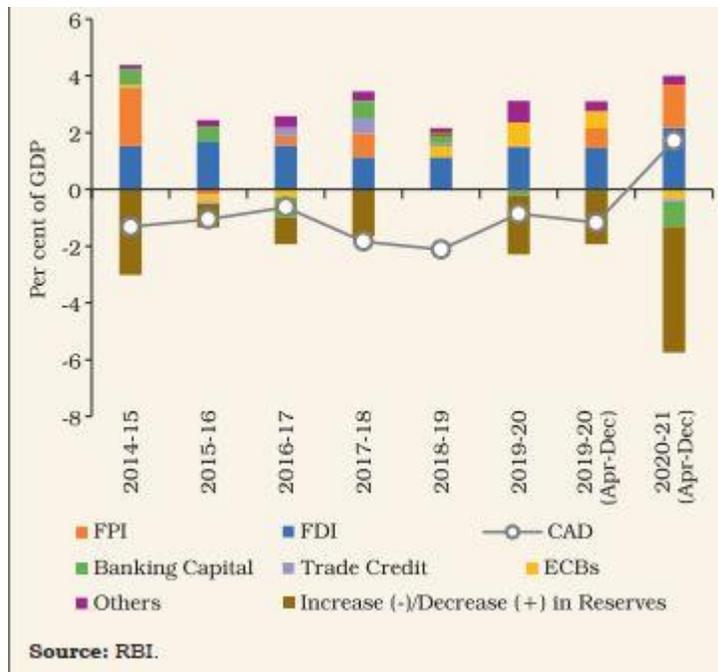


Image 4.6

The global pandemic's unprecedented shock had an influence on cross-border flow of capital, notably in the form of foreign direct investment (FDI). In 2020 (OECD, 2021), global FDI flows fell by 38%, to their lowest level since 2005. Lockdowns throughout the world not only affected current investment projects to be delayed, but they also prompted multinational firms to reconsider their future ventures. OECD, 'FDI in Figures,' April 2021. India and China are the two big economies that have defied the worldwide trend in FDI inflows. The majority of these investments in India went towards e-commerce and digital platforms, with big transactions in Indian enterprises reflecting the expanding commercial opportunities for digital operations throughout the world.

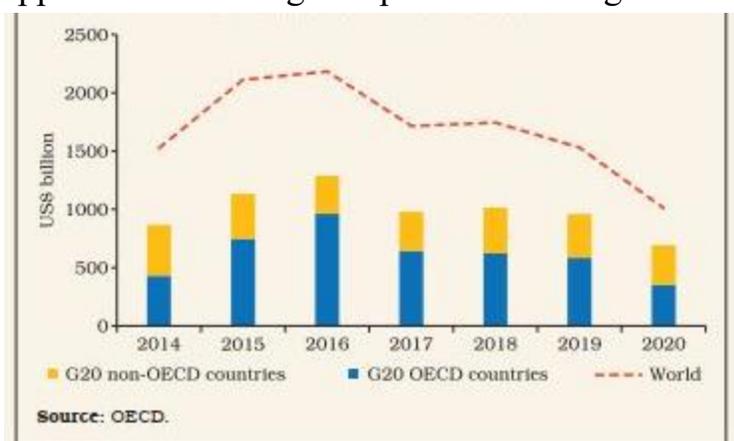


Image 4.7

Trend in global FDI

FDI inflows were higher in 2020-21, although their distribution was heavily skewed. During the pandemic, the coefficient of variance of FDI flows (based on transaction size) was higher, reflecting a concentration in distribution. The reduced frequency of transactions reflects the year's underlying decline in FDI inflows. Without the top five FDI agreements, FDI inflows would have been around a third lower in 2020-21 than they were a year earlier. During the pandemic, the number of FDI transactions plummeted by 31%, although their average size reduced modestly. The impetus provided to PLI, as well as domestic economic projections, could bolster the FDI pipeline for 2021-22.

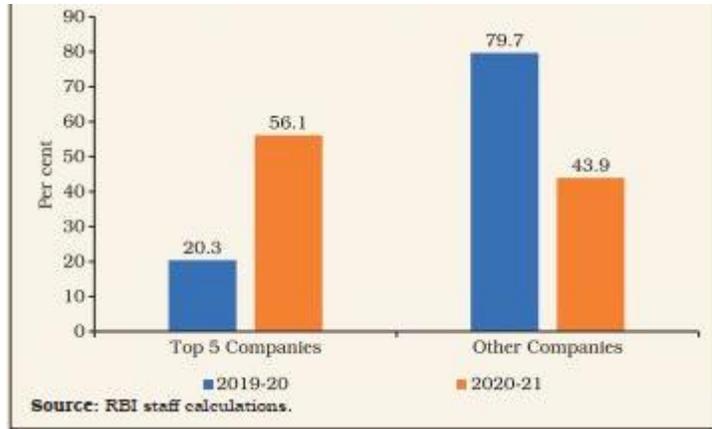


Image 4.8

Distribution of FDI equity (share of companies)

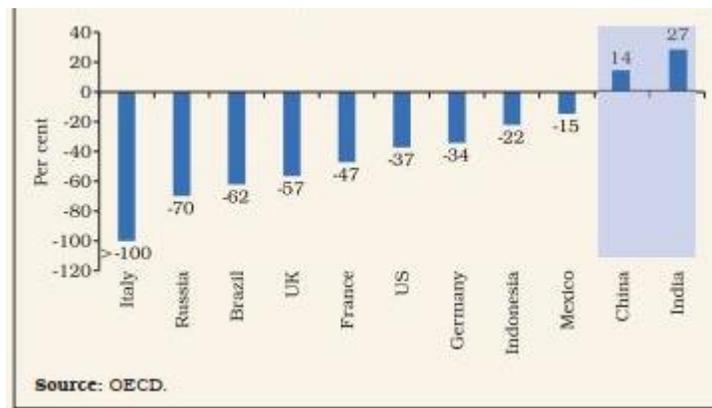


Image 4.9

FDI inflows during covid period (% change in 202 over 20109)

Computer services got the most FDI inflows (43.9%), then by transportation, manufacturing, retail and wholesale trade, and financial services in the year 2020-21. Singapore and the United States continued to be the top sources of FDI equity inflows (55.4 percent of total flows), followed by Mauritius, the United Arab Emirates, Saudi Arabia, the Cayman Islands, and the Netherlands.

Apart from equity investment, FDI businesses' reinvested earnings (i.e., profits presumed to be invested) and inter-corporate loan transactions between related organizations were also strong, totaling US\$ 15.7 billion from April to December 2020-21.

Outward FDI fell 13% year on year to US\$ 11.3 billion in 2020-21, mirroring a global fall in FDI flows. Singapore, the United States, Mauritius, the Netherlands, and the United Kingdom were the top destinations, which contributed over 73% of India's external FDI.

Business services, manufacturing, restaurants and hotels, agricultural and mining, and construction were the top 5 industries which were garnering India's international direct investments.

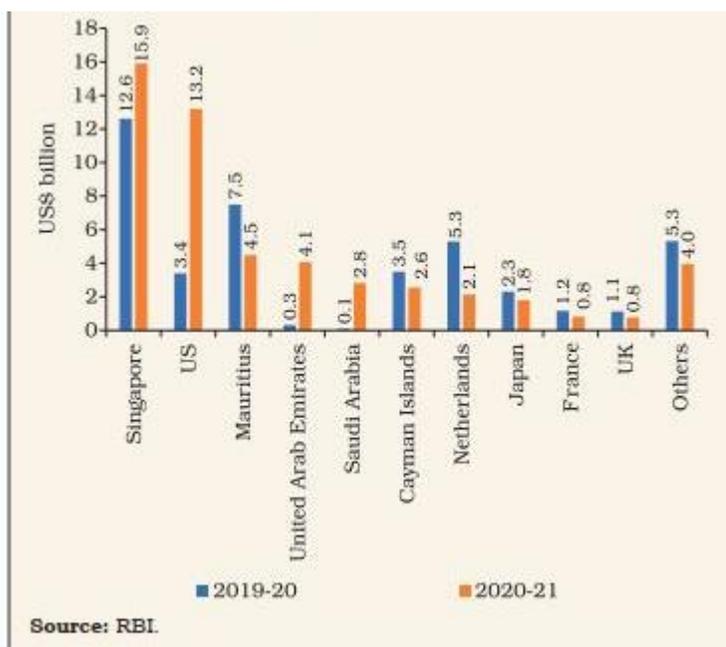


Image 4.10

Source country-wise inflow of FDI (equity)

Portfolio flows bounced back from their lows in March this year. Despite a selloff in the debt sector in QUARTER ONE 2020-21, high exposures of foreign portfolio investors in the equities segment in succeeding quarters increased overall inflows to \$37.1 billion in 2020-21. Global financial conditions have improved as a result of ample global liquidity brought on by unprecedented monetary easing. In November-December 2020 there was a boom in capital flow to EME's particularly to India due to optimism about vaccinations and fiscal stimulus in the USA. However, due to very high valuations in equities and greater supply in bond markets, these flows slowed in QUARTER FOUR 2020-21.

While the domestic equities sector saw the highest net inflows in its history in 2020 (calendar year), the debt segment saw a record sell-off over the same time period.

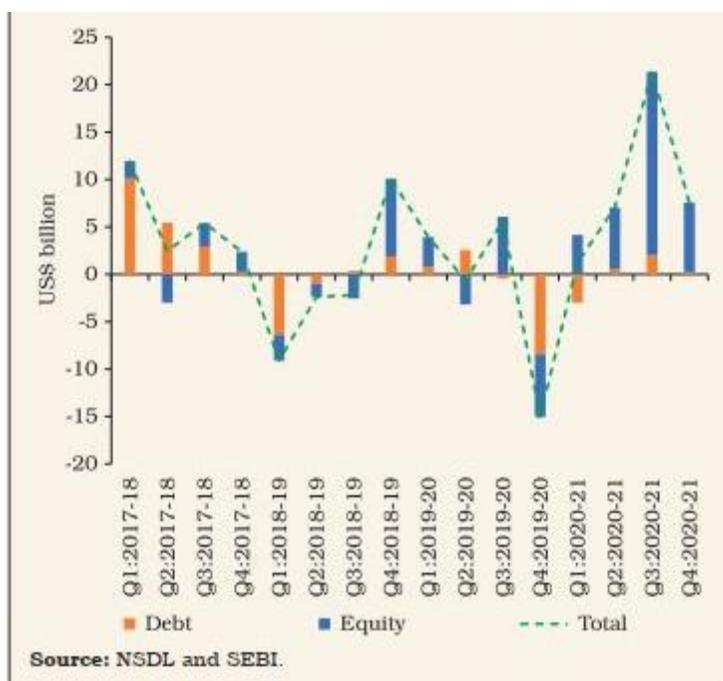


Image 4.11

Net foreign portfolio flows to India

Amid falling real yields and large foreign portfolio investors lowered their debt exposure in the debt sector during the year, with a utilization rate of around 28% of the overall investment limit of G-sec and state development loans as of March 31, 2021. While just 2.7 percent of designated government securities available through the 'totally accessible route' announced in March 2020 for foreign portfolio investors were used, 72 percent of the investment limit available under the voluntary retention route was used, albeit mostly through corporate bonds. As of March 31, 2021, FOREIGN PORTFOLIO INVESTORS held 24.5 percent of the general investment limit in corporate bonds (i.e., 15% of the outstanding stock), down from 54.5 percent a year ago.

Major foreign portfolio investor inflows were financial services (39%), software and services (17%), and oil and gas (11 percent) respectively which contributed of

almost 67%. Portfolio flows to the banking sector were positive, as banks increased capital in time to address COVID-19 concerns, with the government's plan to sell several state-owned banks providing additional momentum. The dependence on digital transactions in the payments system as a result of the lockdown enhanced the prospects for IT and IT-enabled services. Automobiles and auto components, as well as pharmaceuticals and biotechnology, were among the areas where investors were optimistic. Assets under custody were dominated by US-based portfolio investors as of end-March 2021, followed by Mauritius, Luxembourg, Singapore, and the United Kingdom. In January 2020, the VRR limit for foreign portfolio investors was extended to '1,50,000 crore, and in light of the interruptions created by COVID-19, foreign portfolio investors were given three months to invest their promised portfolio size of 75 percent. Until March 31, 2021, cumulative foreign portfolio investor investment under VRR (which was implemented in March 2019) was US\$ 14.8 billion.

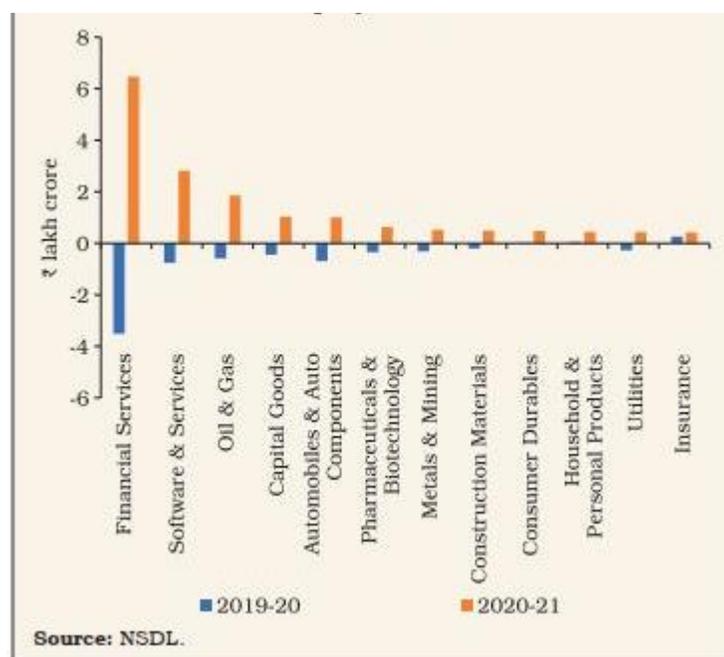


Image 4.12

The number of foreign commercial borrowing arrangements has decreased. Firms pre-paid ECBs, and fresh ECB disbursements were smaller in 2020-21 than a year previously. Due to greater borrowing rates than a year earlier, repayments surpassed new disbursements. ECBs saw a net outflow of US\$ 0.6 billion in 2020-21, compared to inflows of US\$ 21.7 billion the previous year.

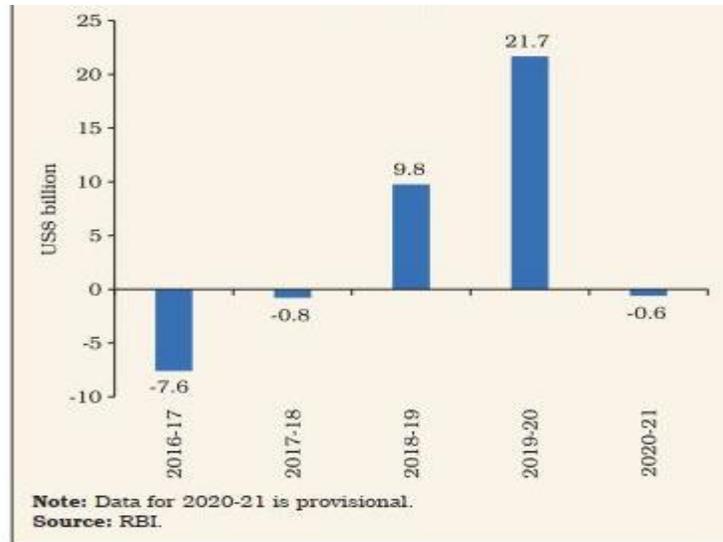


Image 4.13

External commercial borrowings to India

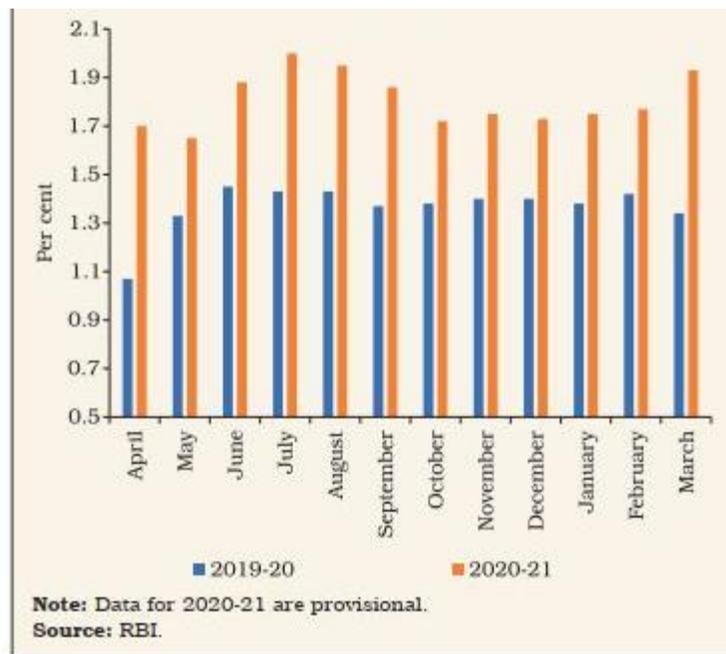


Image 4.14

Weighted average interest margin on cumulative ECB's

Infrastructure development, refinancing of previous borrowings, operating capital, new projects, overseas acquisition, and refinancing of rupee loans were among the most common uses of ECBs raised during the year. Rupee denominated loans and

rupee denominated bonds (RDBs) contributed for 6.0 percent of total ECB deal value, down from 7.1 percent a year earlier. Furthermore, hedged loans/bonds (other than rupee denominated borrowings) were for 51.3 percent of total borrowings, down from 56.7 percent a year before RDBs had net outflows of US\$ 0.9 billion, which were lower than the US\$ 1.3 billion seen in the same time previous year. External finance in the form of short-term borrowing for product imports has also decreased. In April-December 2020-21, there was a net outflow of US\$ 1.8 billion as repayments surpassed new credit available to importers. Imports of crude oil, gold, coal, and copper received over 36% of the trade credit.

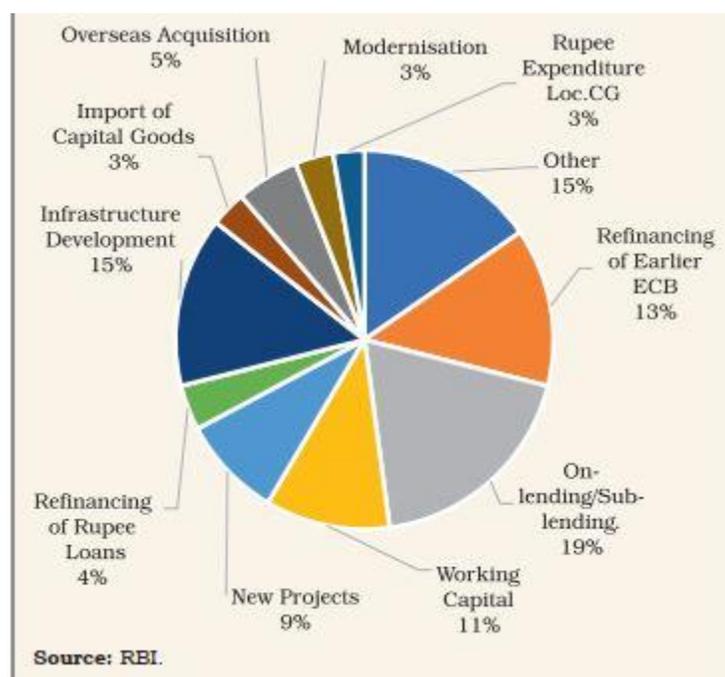


Image 4.15

End use of ECB (2020-2021)

Net inflows into non-resident deposits accounts were US\$ 7.4 billion in 2020-21, lower than the level a year before, thanks to strong inflows into Non-Resident(External) Rupee (NRE) accounts, which account for about 72 percent of total outstanding NRI deposits (Table II.6.3). While inflows to NRE and NRO accounts were US\$ 8.8 billion and US\$ 2.3 billion, respectively, withdrawals to FCNR(B) deposits totaled US\$ 3.8 billion, owing in part to the US dollar's weakness.

India's external debt, at 21.4 percent of GDP at the end of December 2020, was lower than that of its developing market rivals. India's external debt grew by US\$ 5.3 billion (or 1.0 percent) from end-March 2020 to end-December 2020, owing mostly to nonresident deposits. The rise was further aided by a US\$ 11.4 billion valuation loss due to the US dollar's fall versus the Indian rupee and other important currencies (such as Euro, Yen, and SDR). External debt would have dropped by US\$ 6.1 billion instead of growing by US\$ 5.3 billion if the valuation effect had not been taken into account. With a share of 36.9%, commercial borrowings remained the largest component of foreign debt, followed by non-resident deposits (24.9%) and short-term trade credit (17.7 percent). Total debt grew from 20.6 percent of GDP at the end of March 2020 to 21.4 percent of GDP at the end of December 2020. Short-term debt (measured by residual maturity) also grew during the year. However, a significant increase in reserves improved other vulnerability measures including reserve cover of short-term debt (on a residual maturity basis) and imports. During the same year, India's net international investment position (NIIP) increased by US\$ 34.6 billion (i.e., a decrease in net claims of non-residents on India).

Strong foreign portfolio and direct investments, as well as the current account surplus, drove the increase in reserves, which reached a historic high of US\$ 590.3 billion at the end of January 2021 and were at US\$ 577.0 billion by the end of March 2021. India's reserves accumulated to the tune of US\$ 99.2 billion in 2020-21.

The influence of the pandemic on demand and supply side dynamics, both internationally and in India, will continue to define the prognosis for India's external sector in the future. The budget's emphasis on open access to specific raw resources bodes well for the resurgence of exports. Downside risks might be posed by dwindling terms of trade benefits if global crude oil prices rise and remittance flows remain muted. Improvements in external vulnerability indices, appropriate foreign exchange reserves, and good domestic macroeconomic fundamentals, on the other hand, would assist the economy survive spillovers from global macro-

financial shocks. Global financial circumstances are still favorable, but they may change quickly. The government's many reform initiatives have the ability to maintain the external sector viable.

CHAPTER

5

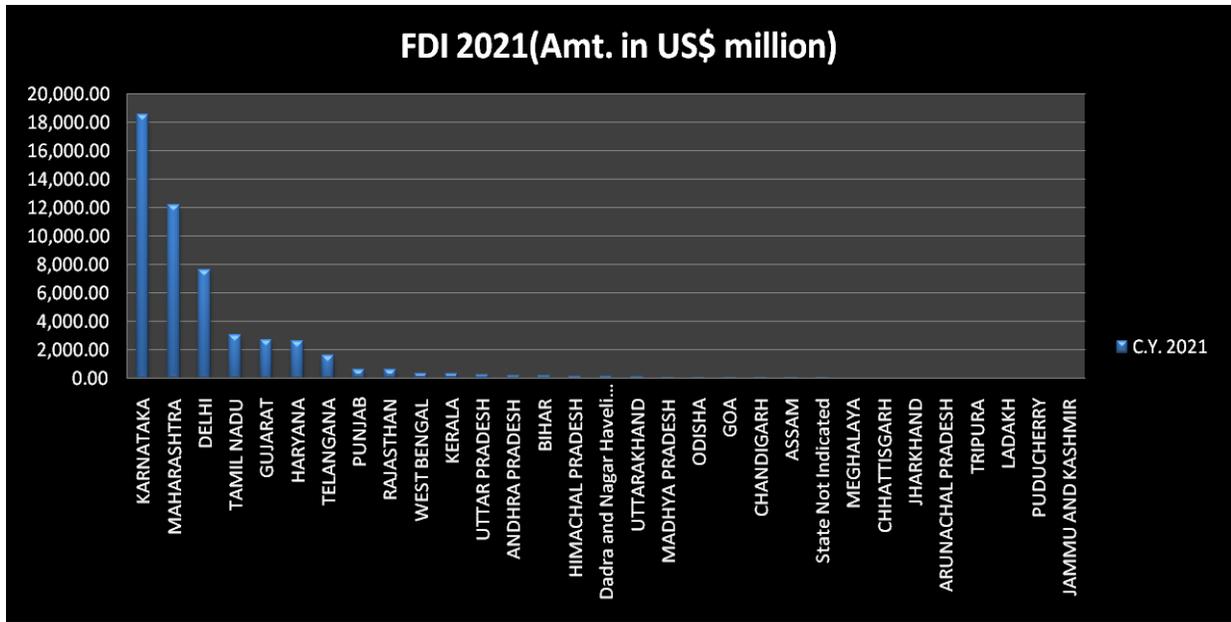
QUANTITATIVE STUDY OF FDI IN INDIA BY REGIONS

5.1 FDI DISTRIBUTION THROUGHOUT INDIA

India is one of the most attractive places for foreign direct investment, as highlighted in previous chapters. The country has been drawing foreign direct investment (FDI) since the turn of the century, and it has increased quickly in the recent decade. Business executives said they look for development, political and economic stability, and a qualified workforce when deciding where to invest. India received high marks for its trained workforce and economic development prospects, both of which are regarded as aiding the FDI momentum.

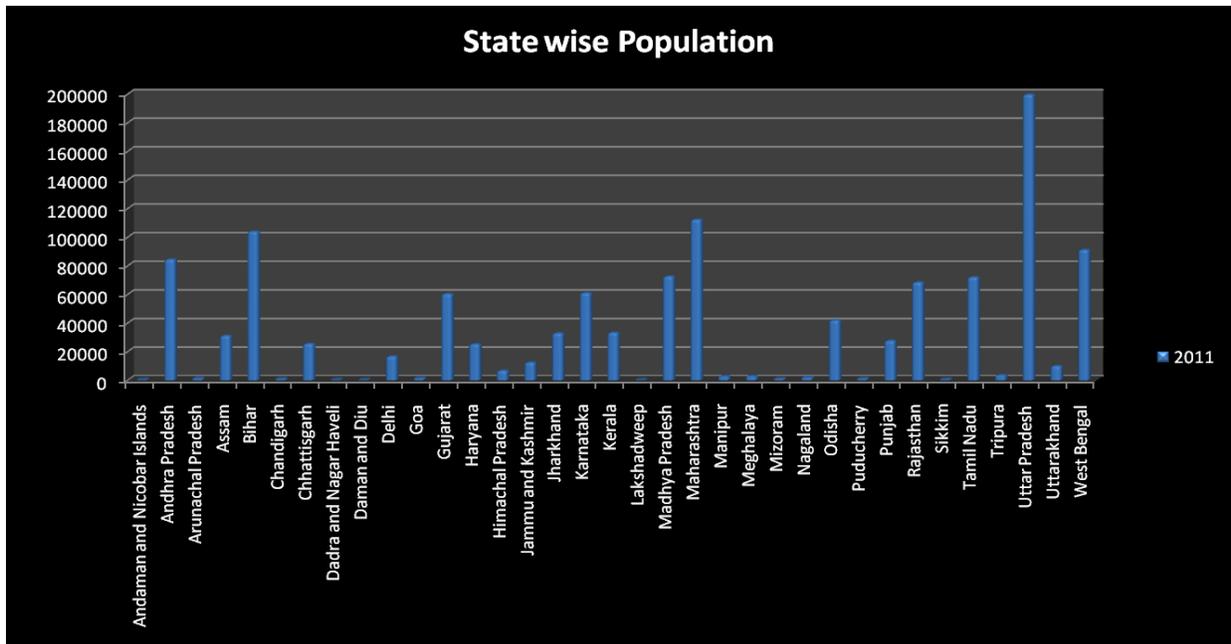
In this chapter, we'll look at which states have been able to recruit the most people and which have not. What are the characteristics that drive the most successful states in recruiting investors, and what are the obstacles that prevent other states from attracting investors?

According to official data, in 2021, Karnataka, Maharashtra, and Delhi would draw the majority of FDI, whereas states like Arunachal Pradesh, Tripura, and Jammu & Kashmir will not. As we move forward, we'd like to investigate what made these states advantageous in comparison to others, as well as why others couldn't. We'll also figure out how to make other states as attractive as the top-performing ones. In 2021, the amount of FDI influx into various states is depicted in the graph below.



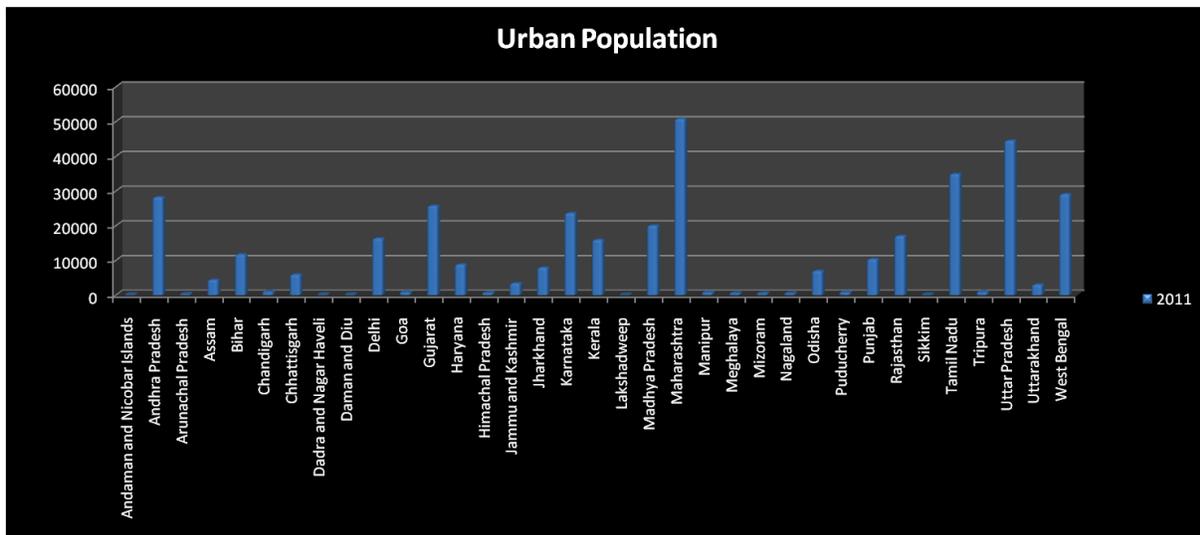
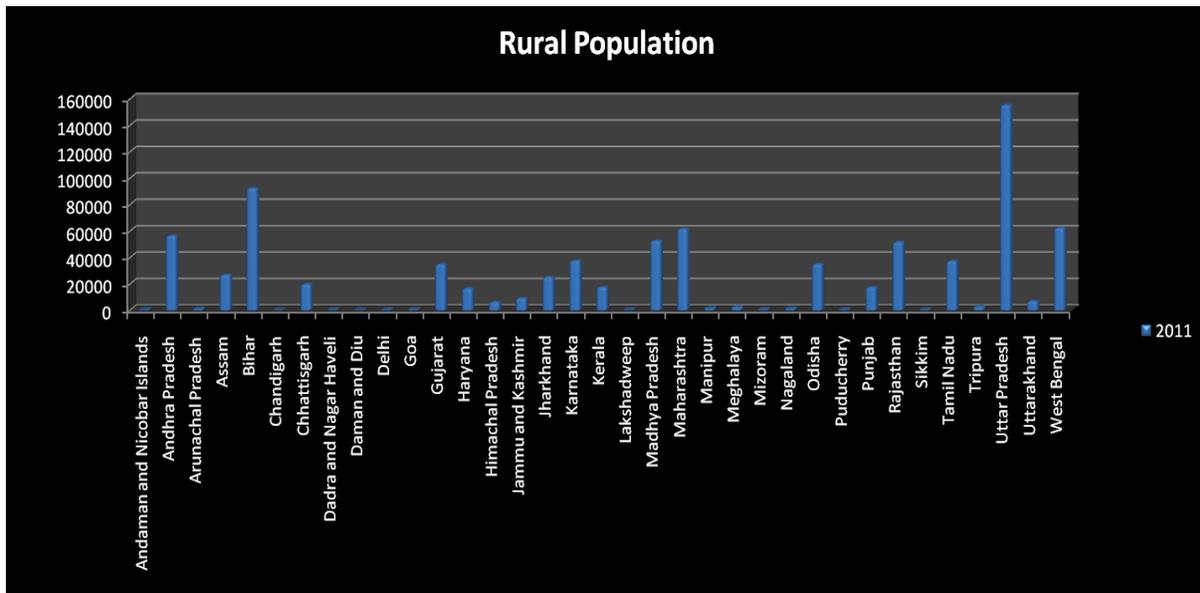
5.2 Factors influencing Foreign Direct Investors

5.2.1. Population



The above graph represents the total population of each state as of 2011 census. The top 5 states with highest population are Uttar Pradesh, Maharashtra, Bihar,

West Bengal and Andhra Pradesh. The least populated states are Sikkim, Mizoram, Arunachal Pradesh.

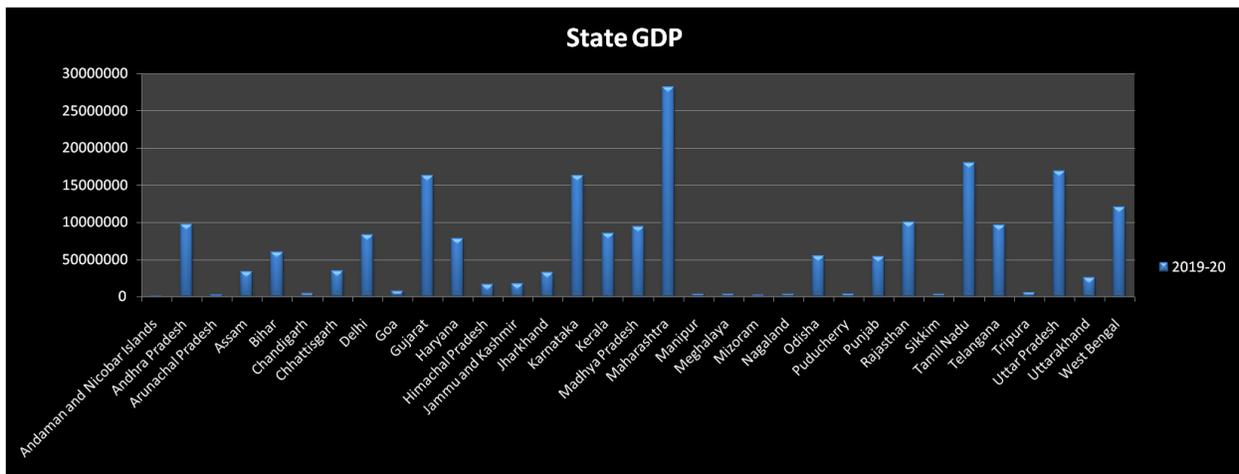


The graphs above show the population in both urban and rural areas. The majority of Indians still reside in rural areas. Agriculture and associated activities are the primary source of income in rural areas. Agriculture employs the vast majority of Indians. The majority of people who live in cities work in technology, banking, retail, and other professions.

The focus of debate is how population affects FDI attractiveness. If we look at FDI inflows in 2021 and the year before, we can see that the majority of FDI is going to the top seven states with the biggest population. The reason for this is because as the population grows, so does the work force. More work force allows corporations to pool more talent for company development. If they are located in the least populous states, the cost of finding workers and creating jobs will be very low, and the cost of pooling talent will be challenging. The corporation must invest more in human resources rather than product development.

As a result, the majority of FDI would be drawn to densely populated areas. However, as we move forward, we can observe that other variables also have a significant influence in attracting FDI.

5.2.2. State GDP

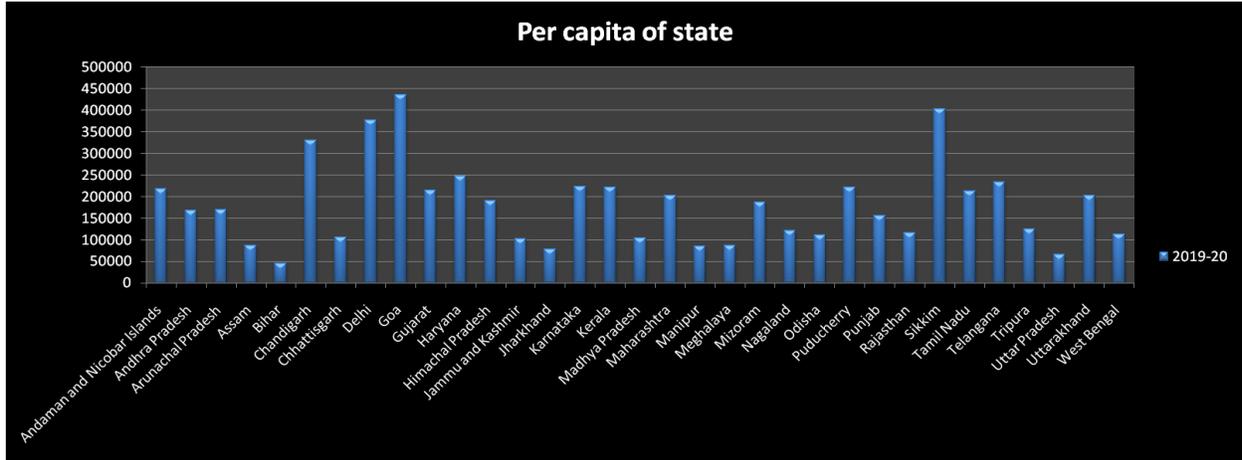


GDP is the best indication of a country's performance, just as GDP is the best sign of state success.

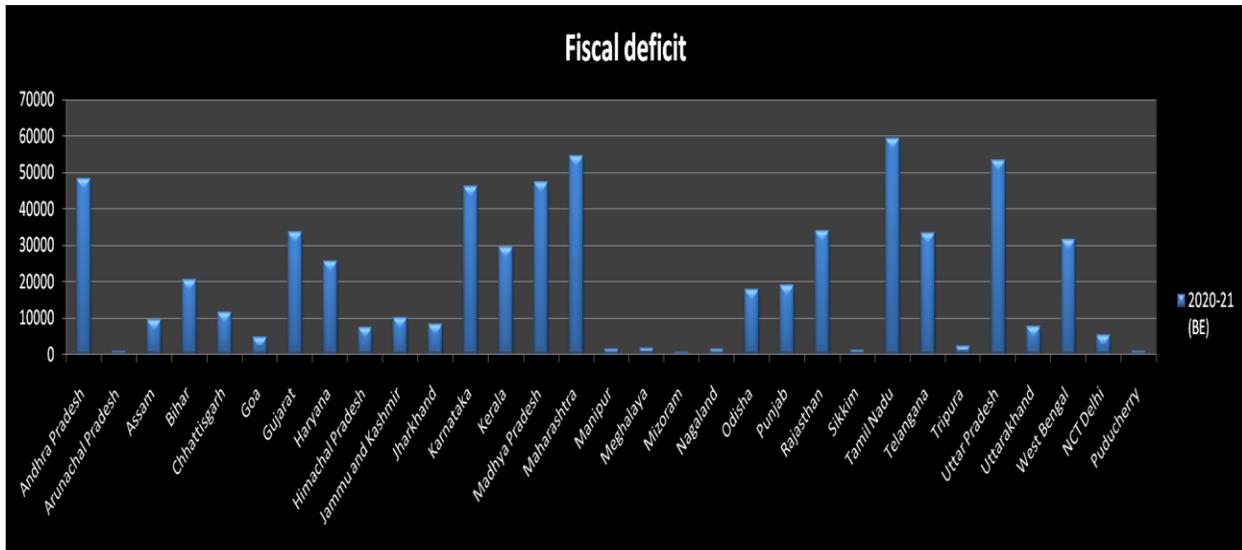
The graph above depicts the GDP of each major state. GDP can provide a clear picture of how well the state is operating economically. Is the state expanding or contracting? So, before investing in an area of a given country, any foreign firm would consider the performance of the state GDP and pick their site.

If we look at the graph above, we can see that the majority of the states with a large population also have a high GDP. However, this is not always the case. Consider

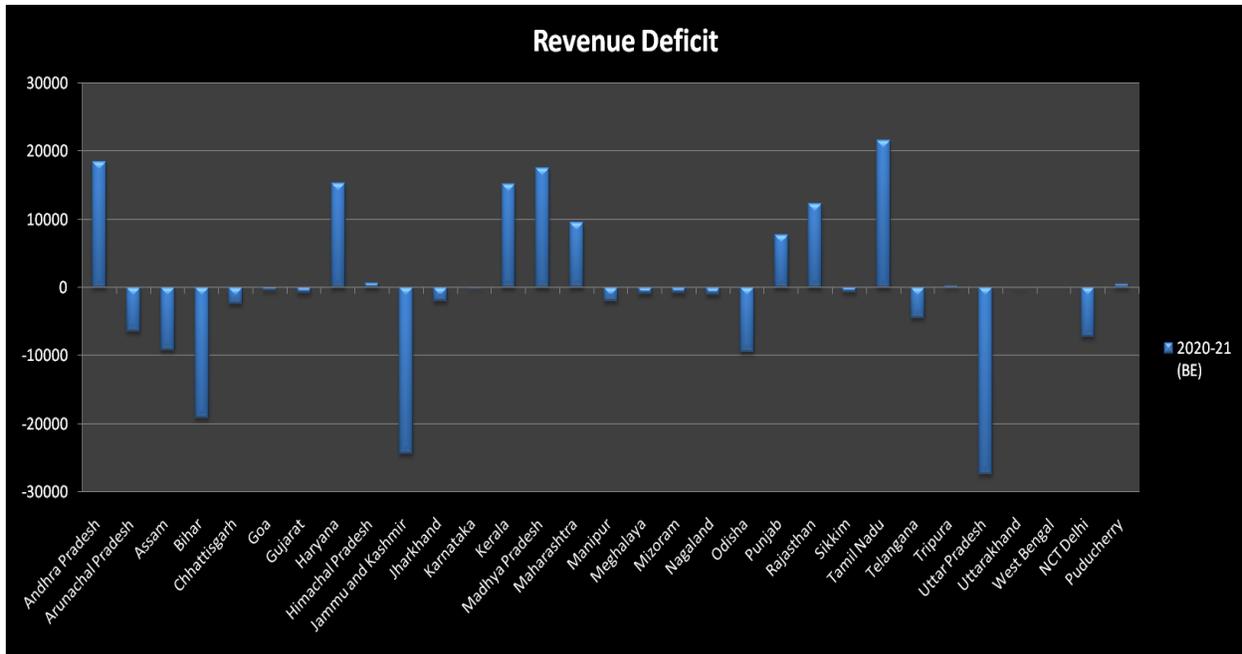
Bihar, which, while being one of the most populous states, has a GDP that is lower than that of the other states in that rank.



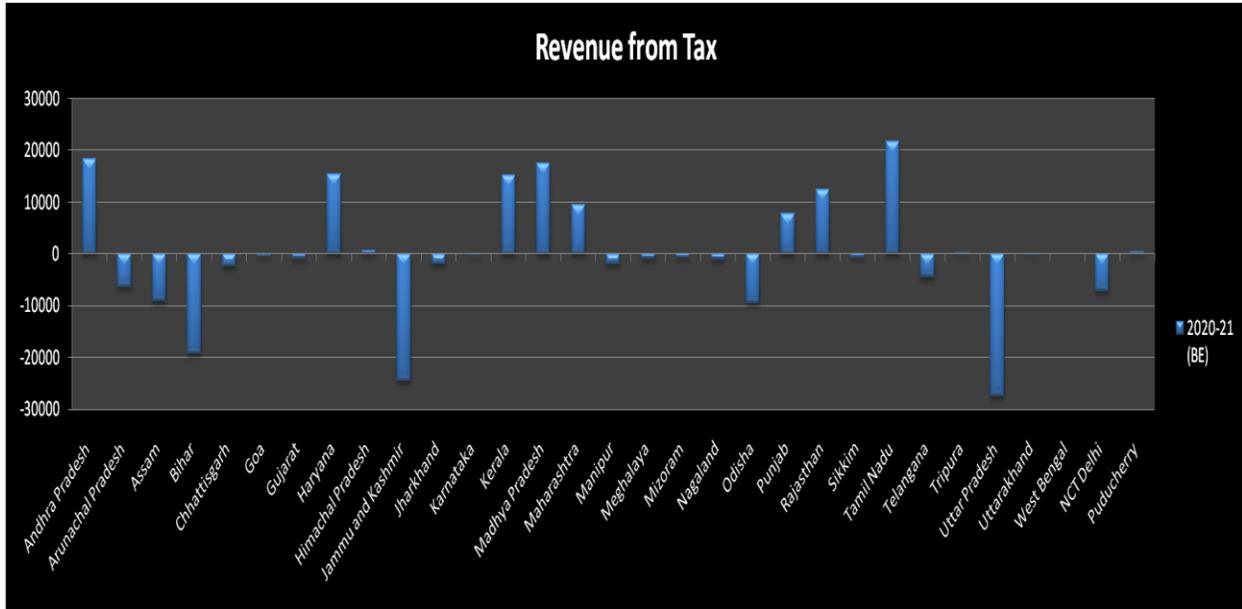
Other influences include state per capita income and state balance sheets. These assess whether the state's health is in excellent shape or whether anything needs to be corrected.



A fiscal deficit suggests that the state spends more than it earns. It implies that they will spend more money on social policies such as free household supplies, pensions for the elderly, a minimum income for the unemployed, and social housing initiatives, among other things. They may have various motivations for different people.

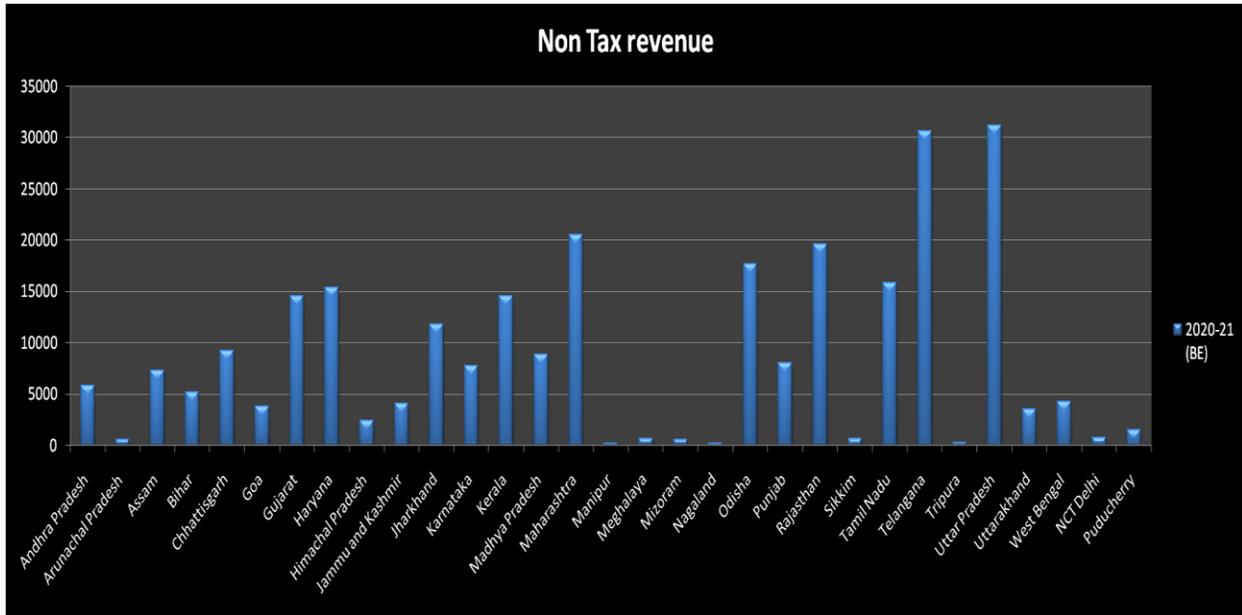


The revenue deficit is defined as the difference between actual and planned revenue. This usually occurs when things do not go as planned. This might be caused by both internal and external sources. For example, during COVID-19, state governments' income projections were not met due to lockdown.



. The whole country was confined to their homes for at least three months, resulting in a loss of tax income. The primary source of money for the government

was taxation gained from trade and commerce. Most enterprises were shuttered, as were corporate headquarters, which were big contributors to municipal taxes.

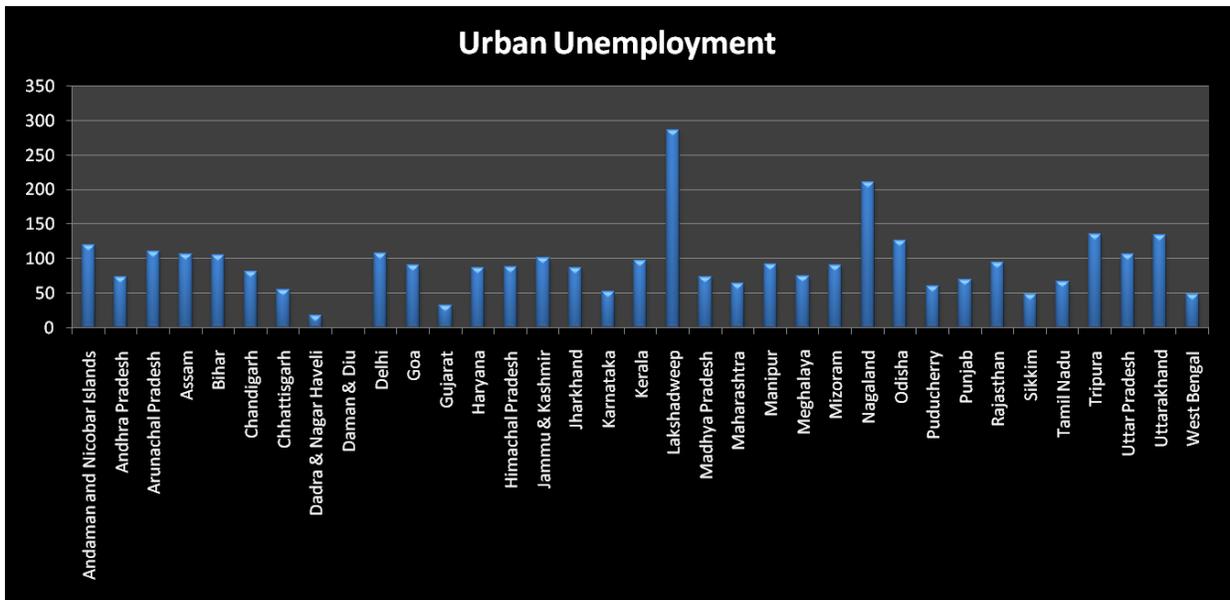
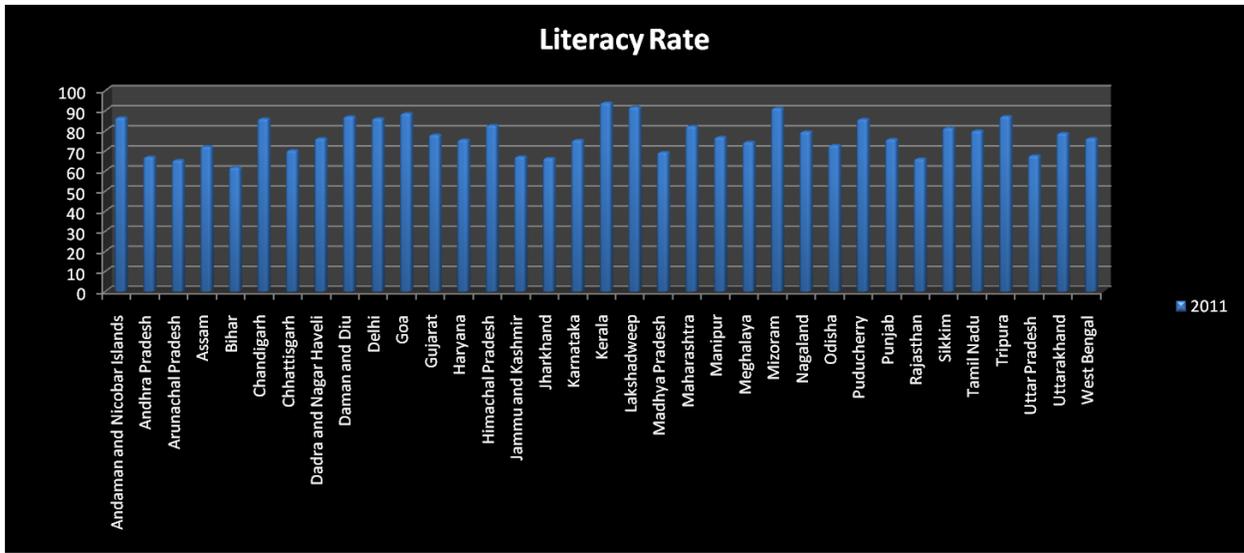


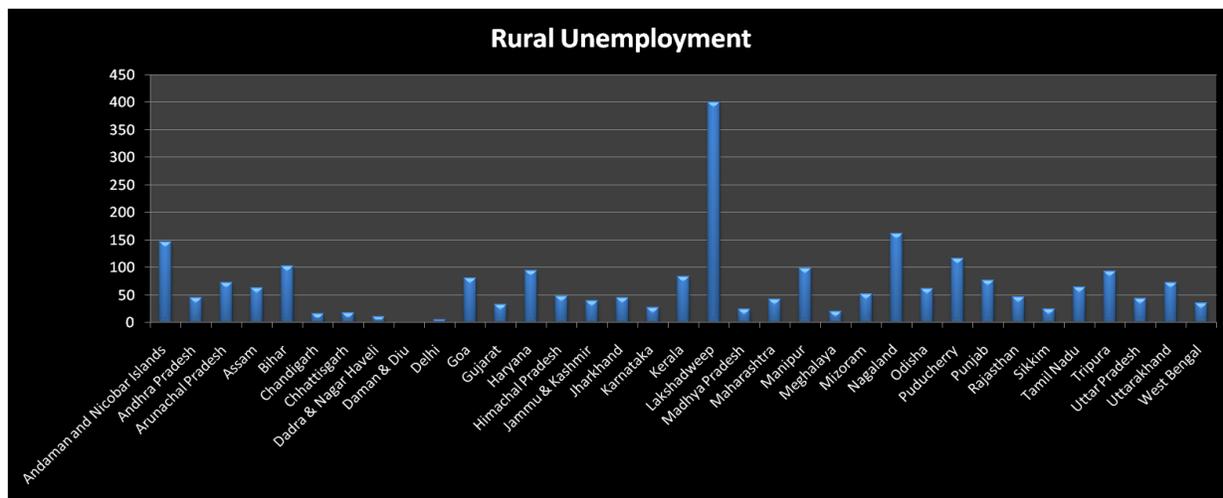
Hence even though population matters but GDP acts one of the major factor for attracting the FDI.

5.2.3. Literacy rate and Skill development

Education is critical to the prosperity of every nation. The image below depicts the literacy rate in each state. This data reveals that certain states have a high literacy rate while others have a low literacy rate, although FDI in some states is higher than in others. The reason for this is because some states have a far larger population than others. When we evaluate the overall number of educated persons in states with low literacy rates, we find that they outnumber those in states with high literacy rates.

As a result, while literacy rates might be misleading at times, they remain an important component in attracting FDI.





The economic decline caused by the epidemic necessitates more skill development for greater employability. Rajasthan and Madhya Pradesh were among the top states with available capabilities in English as a second language, according to the most recent assessment on talent demand and supply in post-COVID India.

First in list of states with critical thinking and computing skills accessible is Rajasthan. As per India Skills Report 2021 which was done by Wheebox, students in these states did not have a greater employability rate than students in states such as Maharashtra, Tamil Nadu, Uttar Pradesh, Karnataka, and Andhra Pradesh, which took the top five rankings for youth employability. This study, developed in collaboration with Taggd, CII, AICTE, AIU, and UNDP, is based upon an evaluation of 65,000 people all over India who took the Wheebox National Employability Test (WNET).

Skilling investments in top 10 States

1. Maharashtra

Maharashtra is expected to be about have GDP of Rs. 32,24,013 crore in 2020-21. This depicts that it's a solid 12% increase from the revised forecast for 2019-2020. The government established the Department of Skill Development and Entrepreneurship in 2015 to support vocational training and livelihood enhancement operations inside the state.

In both informal and formal sector of Maharashtra the people are highly employable. Maharashtra is the top state in terms of the number of students trained

in vocational programmes (150000). According to sources, more over half of the PMKUVA recipients are women. MSDE granted a sum of Rs. 85,77,62,615 each year from 2016 to 2020 for the execution of PMKVY (2016-2020). However, despite the substantial financing, only 7,30,522 individuals have been awarded jobs under the program. Nonetheless, Maharashtra remains the best state to work in in terms of job possibilities and competent labor.

Maharashtra does not rank among the top ten states in terms of accessible female employable resources. Given the large number of women who benefit from different government skilling efforts, the state must expect more employable women by 2021 and forward. Cities such as Mumbai and Pune are creating new job prospects due to their overall high employability score.

2. Tamil Nadu

The Tamil Nadu Skill Development Corporation (TNSDC) was established by the state government as a nodal organization to build skills development programs across the state. Until 2019, 227,106 adolescents have been trained via this program. Attendance in many skill programs has decreased throughout 2020 due to the global pandemic. However, the Tamil Nadu government has pioneered a slew of additional efforts to upskill the workforce and satisfy the needs of the fast expanding cities of Chennai and Coimbatore.

Under the PPP model, the Indian government established the ICT Academy of Tamil Nadu (ICTACT) in 2009 to bridge the industry-academia talent gap. It promotes faculty growth, skill development, youth empowerment, entrepreneurial development, research and journal development, industry-institute engagement, and digital empowerment.

In addition to the efforts of the state government, the Government of India has sanctioned Rs. 68,86,21,441 for 14 sectors in 2019-20 for the execution of PMKVY-related activities (2016-20). Out of 1,56,168 individuals trained under the PMKVY 2016-2020 plan, 450 training centers hired 55 percent of the short-term trainees.

Tamil Nadu's have elevated itself as one of the most employable and being favourite destination to work .Chennai has less employable women than cities like Salem and Coimbatore .Furthermore, the state with the fewest individuals seeking internships was Tamil Nadu, which also had the highest percentage of candidates expecting a salary of Rs. 2-2.5 lakhs per year.

The overarching premise is that improved access to technology and a growing number of possibilities in places such as Chennai, Salem, and Coimbatore are fast forming a favorable employment picture for Tamil Nadu.

3. Uttar Pradesh

During the worldwide epidemic, Uttar Pradesh contributed more than 8% of India's GDP. It has a big labour force and has evolved as an important center for IT and ITeS businesses such as software, business process outsourcing (BPO), and electronics. The UPSDM program was launched by the government in 2013 to assist youngsters with training in the electrical, healthcare, construction, and wellness industries.

To further improve the skills ecosystem, the UP government built two new Skill Centres of Excellence in UP, addressing plumbing and other service requirements. The India Institute of Skills in Kanpur has partnered with the Institute of Technical Education in Singapore to provide a facility for technical education in the state. The Government of India has sanctioned Rs. 52.26 crores for skilling investments in UP for the implementation of PMKVY components from 2016 to 2020. The MSDE also authorized a sum of Rs. 208.04 crores for the fiscal year 2016-20, to be distributed evenly over four years. As a consequence, 10,65,458 trainees have been effectively placed in their respective employment responsibilities.

However, the percentage of cash allotted is not particularly encouraging, given that UP received the most money from the Central Government for skill development. Only 24 percent of applicants trained for short-term projects and 42 percent of candidates educated for unique projects were hired from the 660 training centers.

Due to the funding granted, skill development in accordance with the PMKVY government plan received a stronger response from UP, which is among the top states ranking for employment. In addition, 90 percent of WNET survey

respondents reported having a computer at home, which is one of the highest percentages behind Karnataka, Delhi, Telangana, and Haryana, which are all above 90 percent in terms of computer access. This is a direct result of the state's five-year investment in IT infrastructure. As the pandemic took its toll, the internet's accessibility definitely influenced the state's skilling process, owing to access to technology.

4. Karnataka

Karnataka has a strong economy that is thriving as a result of national and international investment. Karnataka is India's IT powerhouse and home to the world's fourth-largest technological cluster. Karnataka has a chance to achieve quicker economic growth through a favorable demographic dividend, through increasing skill development of the working population in general and youth in particular, with 55 percent of the population in the working age bracket of 20 to 59 years.

Karnataka's government has committed resources to the development of specialized talents needed to boost the state's economy. The government allocated Rs. 100 crores for the Chief Minister's Kaushalya Karnataka Yojane (CMKKY) to impart industrial training to 80,000 new candidates in the 2020 budget, while Rs. 40 crore has been set aside for upgrading the skills of 25,000 women workers from scheduled castes and scheduled tribe communities.

The Karnataka government works hard to efficiently execute initiatives implemented by the Government of India. PMKVY is one such flagship initiative, with a budget of Rs. 43,99,20,000 for the period 2016-2020. The figures of funds expended vs outcomes attained have not been the greatest. In fact, 3,14,577 people were taught and orientated during this time period, when expectations for one of the fastest-growing state economies were substantially greater. The placement under special projects had the largest number of placements, with 70% of trainees securing a job the following year, a figure estimated to be less than 9,000 persons.

When it comes to the economic dividend of cash given and skilling equipped, the government did not play the most important role. According to the WNET study, Karnataka ranked seventh out of ten top states in terms of computer abilities. Given that India is an IT center, these figures are far below standard. Karnataka, on

the other hand, is in the top ten states in terms of qualified applicants for English as a second language and Numericals.

5. Andhra Pradesh

Over the last five years, Andhra Pradesh has been expanding its social, industrial, and physical infrastructure. Being the first state to reserve 75% of jobs in industrial units and factories for local youngsters has established a precedent for others to follow. The economy is expected to increase by 12.73 percent at current prices if 9.73 lakh crore rupees are contributed in 2020. The state, which is ranked first in India for ease of doing business, also sponsored various skill development programs throughout 2020.

The Andhra Pradesh State Skill Development Corporation (APSSDC) was established in 2014 with the goal of increasing worker skill and employability. This state's skill development efforts are also aimed at encouraging entrepreneurship and industrial growth.

Andhra Pradesh has drastically altered the skilling environment after its partition into Telangana and Andhra in 2014 to encourage local enterprises and increase employability through job opportunities and skilling investments. The MSDE authorized a sum of Rs. 35,52,79,392 for 2018-19 and 2019-20 in accordance with the PMKVY (2016-2020) skilling mission. It is expected that 60% of trained applicants were placed through short-term training programs, while 40% were put through special projects.

Andhra Pradesh is one of the most appealing places for WNET survey applicants. The state also has the fifth highest proportion of highly employable talent. This reflects not just the tremendous steps taken to expand the state's infrastructure, but also the incorporation of countless start-ups, enterprises, and local industries.

6. Delhi

Delhi is one of the country's fastest-growing union territories. The Delhi government, through its Department of Social Welfare, established the Delhi Skill Development Programme (DSDP) to offer ambitious people with job-related skills.

The skills are taught in smart centers by NSDC-approved authorized training partners (National Skill Development Council). According to NSDC, training partners will give jobs to 80 percent of the taught individuals through networking.

In terms of skilling investments, the Government of India granted Rs. 54,66,00,600 per year for the execution of PMKVY (2016-2020). The skill development objectives include training, specialities, and initiatives that will help the company use its personnel and make prospective professionals more employable.

Delhi does not appear on the list of top 10 states with highly employable female workforces, nor does it appear on the list of top 10 states with employable male prospects. However, according to the WNET poll, Delhi is one of the top ten cities with high employability. It also rated first among users who own a computer at home. Given that the internet is the most valued communication medium, this is a positive sign for one of India's most bustling economic regions.

7. Telangana

This state has emerged as one of the top ten employable states, ranking seventh with a 41 percent employability rating, trailing Gujarat, West Bengal, and Rajasthan. Telangana's nominal gross state domestic product for the fiscal year 2020-21 is Rs. 11.05 lakh crore. These values are expected to rise as a result of a consistent growth trajectory. With the establishment of Hi-tech metropolis in Hyderabad, the state is progressively becoming a hub for many multinational corporations.

The government announced an unemployment benefit of Rs. 3,016 per month to the qualified in its 2019 budget, totaling Rs 1,810 crore for the fiscal year ending 2020. The international and national media praised this reformative initiative for fostering long-term well-being. In terms of skill development investments, the government has established Telangana Jagruthi Skill and Knowledge (Tj Skill) under the National Skill Development Corporation of India (NSDC) and the organization TASK (Telangana Academy for Skill and Knowledge).

Hyderabad is the city with the highest employability rating among the major cities as measured by WNET. The MSDE approved money of Rs. 27,53,44,124 for 2019-20 as part of the PMKVY plan as part of the 2016-2020 skills development

efforts. In comparison to the money allotted, only 2,28,745 people were recognized as having been put in jobs in the state. However, investments in IT and industry have increased over time, with IKEA furniture launching its first Indian firm in Telangana. Google, Microsoft, Amazon, Accenture, and a slew of other major corporations have made Hyderabad their headquarters.

Hyderabad is rapidly urbanizing as a result of improved possibilities. The COVID-19 epidemic hit it when the fast increasing economy lacked the production of a competent workforce pool to fulfill the needs. Telangana is expected to expand faster than any other state in the following year, therefore the impact was short-lived.

8. Gujarat

Gujarat is one of the most industrialized states in India. As part of its skilling efforts, the state launched the Gujarat Skills Development Mission (GSDM), which continues to collaborate with social groups and the government to make the workforce more employable. In accordance with the PMKVY, monies totaling Rs. 1573.12 crores were released for the fiscal year 2019-2020.

During the 2018-19 and 2019-20 fiscal years, 4.39 lakh applicants were trained under the DDU-GKY initiative, with 84,156 of them belonging to Scheduled Tribes. During the 2018-19 and 2019-20 fiscal years, a total of 49.67 lakh applicants were trained under the PMKVY 2016-20, with 2.13 lakh coming from Scheduled Tribes. Given the amounts provided over a 5-year period, the placement success rate is not promising. This has resulted in the program putting 2,39,202 individuals with jobs. The WNET poll, on the other hand, classified Gujarat as one of the top ten states in the country in terms of employable resources. This number corresponds to the state's infrastructural, social, economic, and physical growth.

9. West Bengal

West Bengal has consistently provided 12.58 percent of India's GDP during the last three years. The corona virus outbreak was not far behind. In 2020, the state's GDP is expected to be 12.54 lakh crore. The Paschim Banga Society for Skill Development (PBSSD) was created by the State with the goal of providing

vocational training and education for skill development in order to offer sustainable employment for its people.

The West Bengal Chief Minister's Utkarsh Bangla Scheme is a major initiative of the state that intends to train 6 lakh people each year. Given the substantial changes in India's employment landscape in 2020, the plan has committed Rs. 1,106 crores to technical education, training, and skill development in 2020.

The State received the SKOCH Award for its efforts in internal skill development. The Government of India, MSDE, has allocated a budget of Rs. 38,04,64,812 for 2016-2020 to implement the PMKVY plan until 2020. Approximately 50% were placed for short-term training through the PMKVY, whereas only 13% were hired following the special projects training. Through West Bengal's skill development programs, a total of 2,96,092 trainees received employment offers. According to the employability index, West Bengal is one of the top ten states in terms of access to English as a second language and ranks second in terms of computer skills. The state also ranked in the top ten states in terms of employable females, at 18.87 percent.

10. Rajasthan

The Rajasthan government has established the state's first Skills University. Since July 2018, 60 skill development institutes have become associated, with over 3000 students receiving specialized training.

Rajasthan has been selected as a major operating region in the response to the Pradhan Mantri Kaushal Vikas Yojana (PMKVY). MSDE, the government, approved Rs. 33,11,71,776 for skilling investments in 2019-20. Because of its successful first year, the Union Cabinet authorized the Scheme for additional four years (2016 – 2020) to train 10 million youngsters throughout the country.

By the end of the four-year period, a total of 6,43,544 people had been trained in Rajasthan. The figures are not very encouraging, but they do reflect the government's efforts and skill-building investments in employing Rajasthan's skilled workforce.

Rajasthan was ranked first in terms of accessible resources for pupils' critical thinking skills. According to the WNET study, the state ranked #1 among all states

in terms of business communication capabilities. The state also ranked first in terms of critical thinking skill availability.

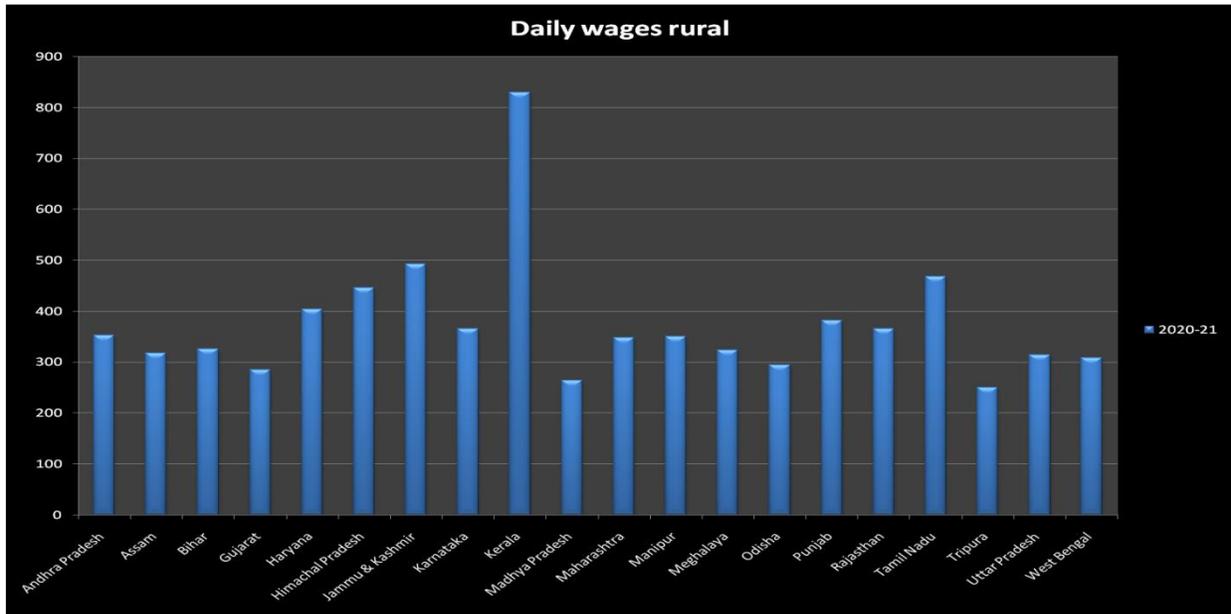
Although the data on money deployment against outcome have not been promising, local governments and industrial breakthroughs appear to be guiding the road forward. Rajasthan is also ranked first in terms of the percentage of test takers who are proficient in computer skills.

Although the worldwide pandemic did not favor the employment of Rajasthan's brilliant workforce, the State's employable candidates are expected to increase in the next years. Rajasthan has the most employable ladies, with 46.18 percent of them being highly employable.

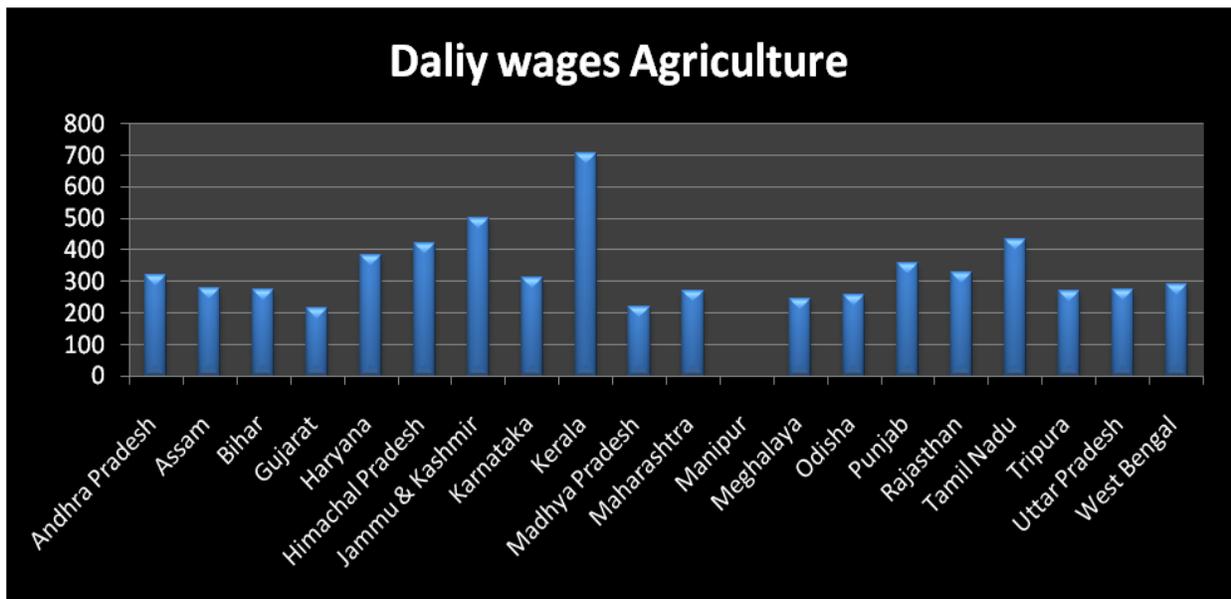
5.2.4. Wage rate

Wage rates are critical in attracting FDI to the host nation. The main draw for FDI in the host nation is the pay disparity with the home country.

Companies in the home nation should pay much more than companies in the host country for the same effort and competence. The reason for this is that the cost of living in developing economies is significantly lower than in host nations. For example, India is drawing a large amount of FDI in the computer industry since pay rates are much lower than in the United States. Projects from the United States are being outsourced to Indian firms because they may be completed at a lower cost while maintaining the same quality. Another reason for FDI in technology in India is that India was dominated by the British for a long period, and they gave us the English language, which made it easier for Indian enterprises to globalize.



But the wage rates displayed here are the rural wage rates which are unskilled labor. They most consist of agriculture and other auxiliary works related to agriculture.



These salaries differ between urban and rural areas. Most urban areas have varied pay rates, but they are still quite low when compared to a company's home country salaries.

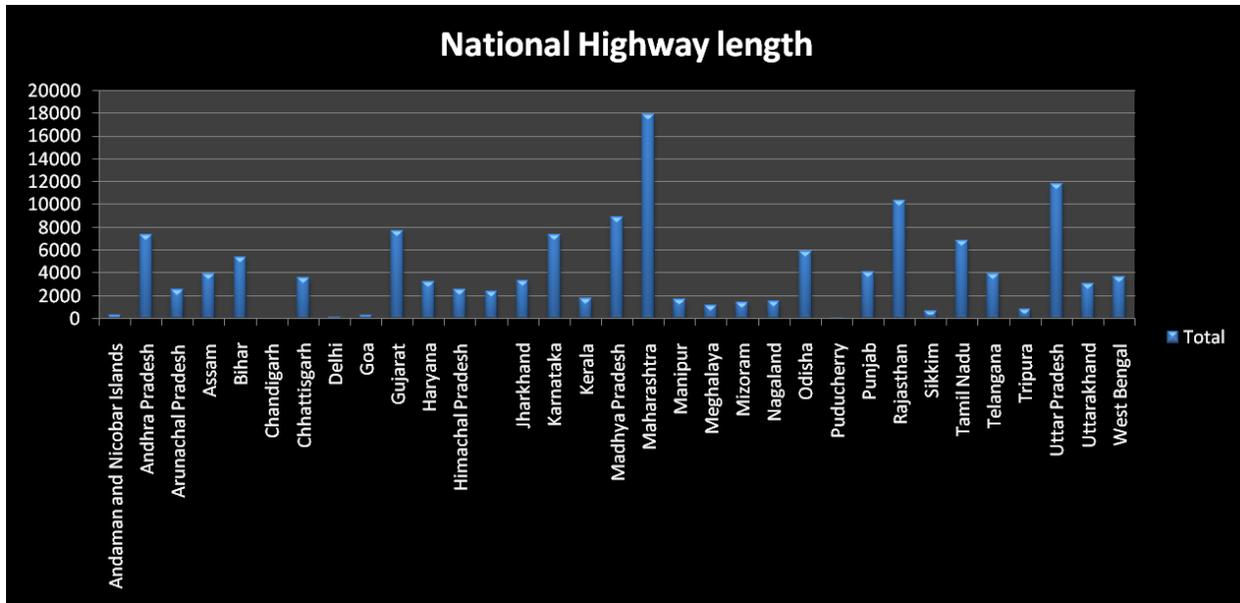
If you look at the same locations, you will see that Maharashtra, Delhi NCR, Karnataka, Andhra Pradesh, and Tamil Nadu are the ones where more FDI is

invested since they have both talent and lower wage rates. Thus, wage rates, in conjunction with the host region's expertise, play a critical role in attracting FDI..

5.2.5. Transport and Infrastructure

Infrastructure is essential for the growth of every economy. Roads, trains, airplanes, and canals connect the region to the rest of the globe, promote trade, and provide wealth to the region. Rapid movement of products and services is enabled by advanced forms of transportation. Improved connection aids in marketing and moving items from the point of manufacture to the market. Complex worldwide supply networks have also been made possible by advanced infrastructural facilities. Infrastructure has a large multiplier effect in economic terms. The RBI and the National Institute of Public Finance and Policy both estimate the multiplier to be between 2.5 and 3.5. This indicates that every rupee invested by the government on infrastructure development increases GDP by Rs. 2.5 to Rs. 3.5. Furthermore, such a high multiplier shows that government infrastructure expenditure crowds out private investment.

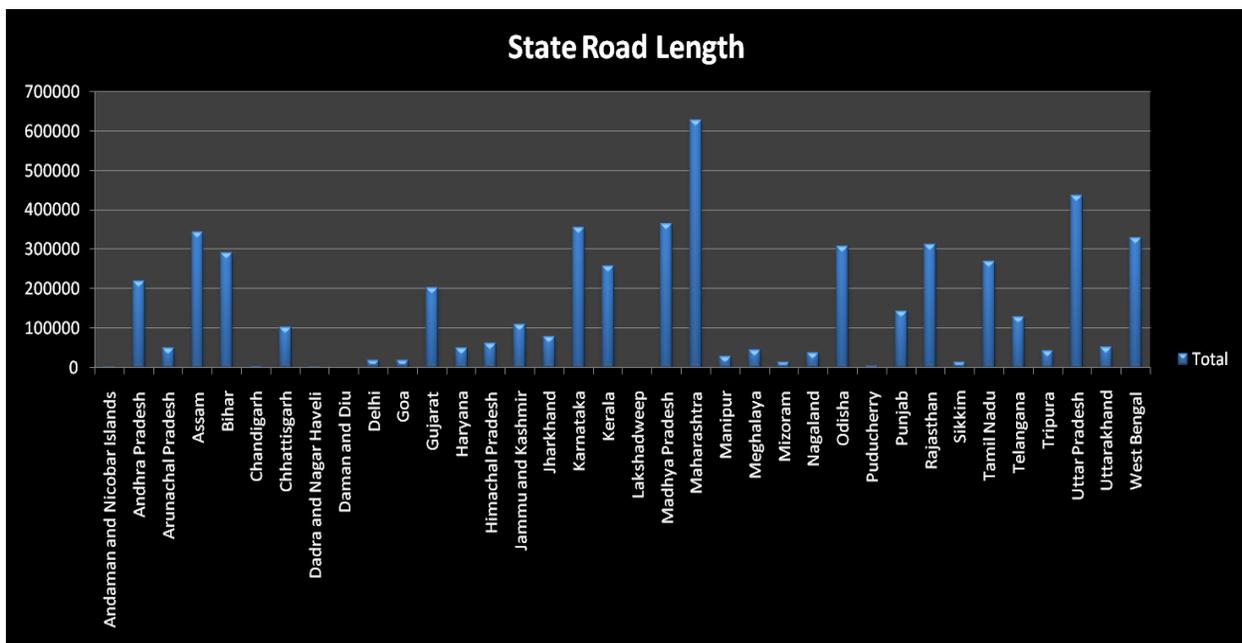
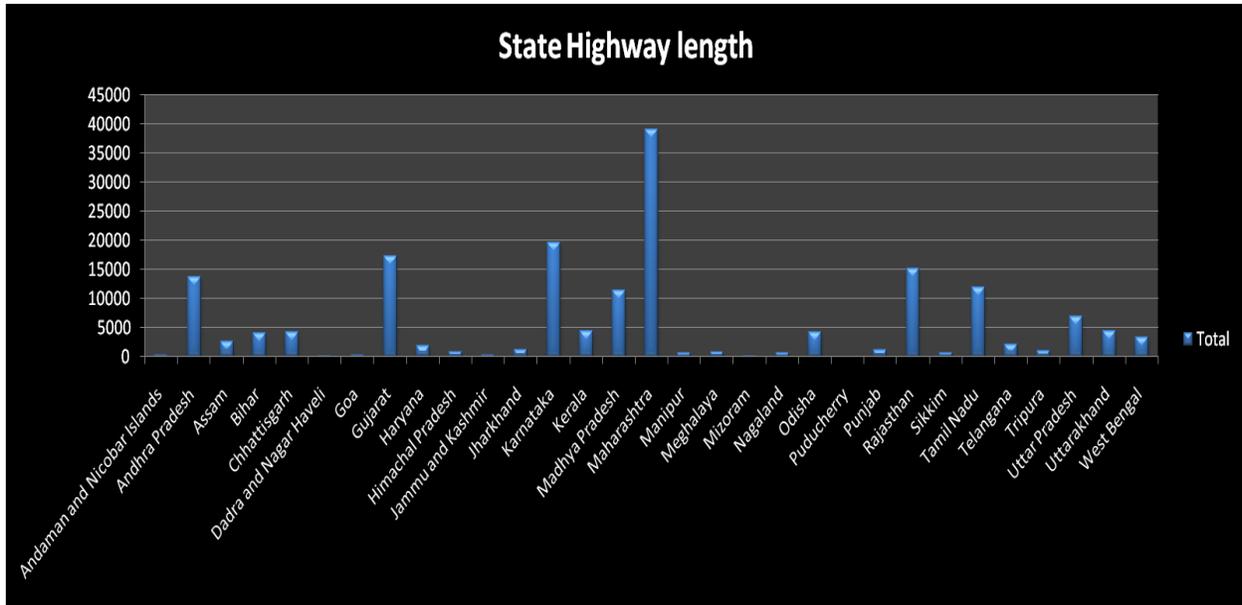
Connectivity is critical for regions seeking to attract large levels of FDI. We can see that states with a high level of FDI have stronger connectivity than other regions. For example, Maharashtra has the most national and state roadways. Highways are built to connect important seaports and airports. This would make cargo transit considerably easier and faster.



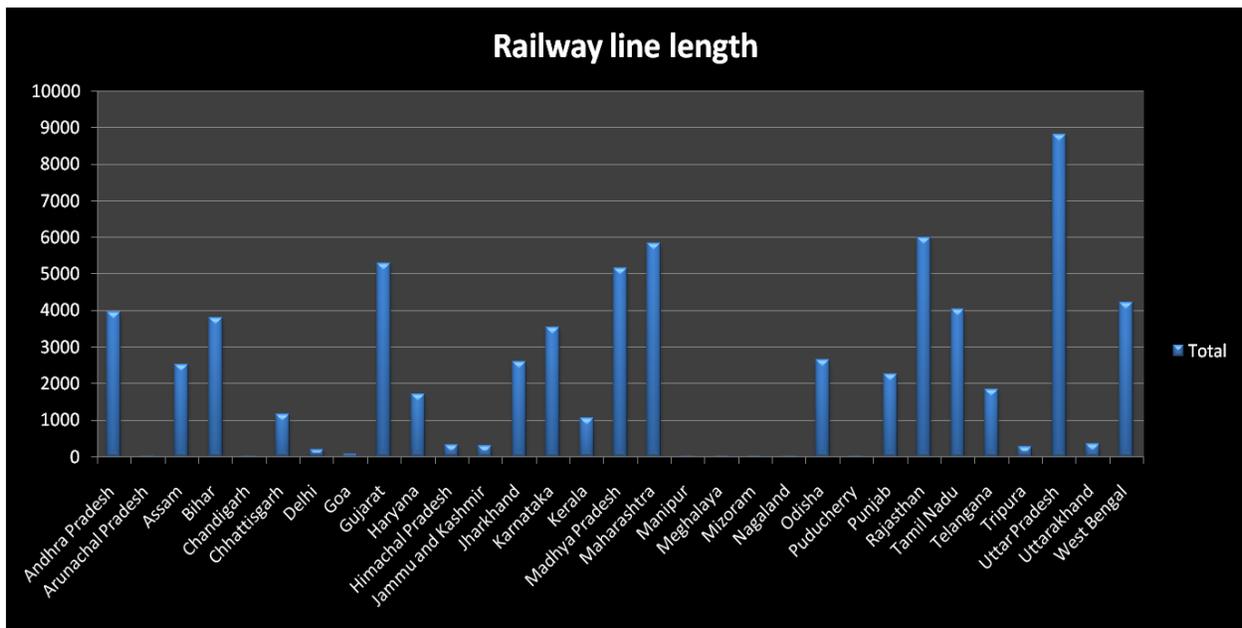
The government is adopting policies and initiatives for infrastructure development since the infrastructure sector is a crucial driver of India's economic development. The government recently announced intentions to invest Rs. 1,000,000 crore (US\$ 13.1 billion) in infrastructure projects by FY 24–25. In FY 21, the five-year National Infrastructure Plan (NIP) commenced its second year, with a budget of Rs. 19.5 lakh crore (US\$ 2.6 billion). Road transportation, urban infrastructure, trains, and electricity received almost 70% of the budget in 2020. These programs demonstrate the government's commitment to infrastructure. Furthermore, this has made the infrastructure industry a profitable investment opportunity. According to the Department for Promotion of Industry and Internal Trade (DPIIT), infrastructure operations received 13% of overall FDI inflows in FY 21. According to Mordor Intelligence, a market research organization, India's infrastructure business would develop at a compounded growth rate of 7% between 2021 and 2025. Furthermore, India is predicted to become the world's third-largest building market by 2022. The following are some of the significant trends in the country's infrastructure industry:

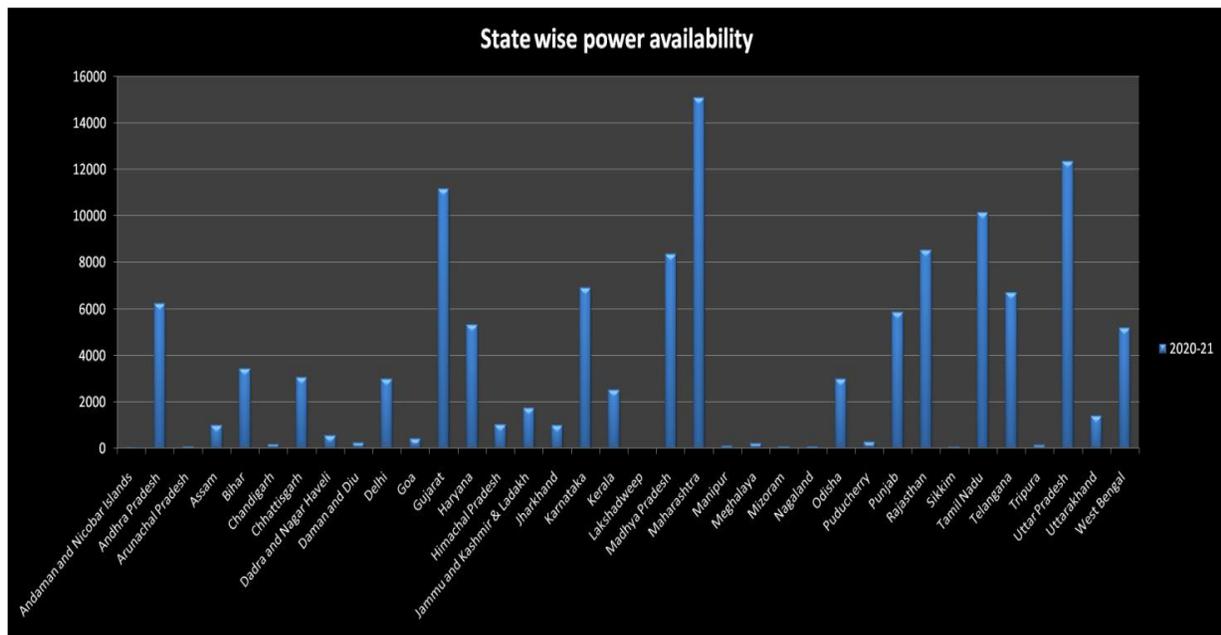
Growth in Road Construction: A country's infrastructure relies heavily on roads. The majority of cargo traffic is transported by road. Road transport accounts for around 64% of all freight. Furthermore, as India's economy grows and more people own automobiles, traffic congestion may worsen. The government recognizes this predicament and has committed Rs. 1,99,107.71 crore (US\$ 26.1 billion) in the FY

22–23 budget to the Ministry of Road Transport and Highways. Under the Gati Shakti plan, national highways will be increased by 25,000 km in 2022–23; 70 km of roads will be completed every day, roughly twice the 40 km amount slated for 2021–22.



Expansion of Railways: While highways are the most common mode of transport for freight, they come with a price. Petrol and diesel are used in road cars; increased fuel use has an environmental impact as well as an increase in India's import cost. Moreover, rising oil costs wreak havoc on the economy and fuel inflation. Trains are a more cost-effective way to transfer commodities from one location to another. Additionally, train transportation aids in the reduction of automobile congestion. With a projected capital expenditure of Rs. 215,058 crore (US\$ 28.2 billion) in FY 21, the Indian railroads had the largest planned capital expenditure. The Railway Ministry was given Rs. 140,367 crore (US\$ 18.4 billion) in Budget 2022–23, a 16.9% increase over the previous year. The railways will design a "One Station One Product" program, which will be inspired by the One District One Product scheme. A product from each station will be chosen and marketed under this plan. Businesses that make that product will be rewarded. By 2025, India would also produce 400 new Vande Bharat trains. These trains will help lessen the country's reliance on foreign fuel because they are energy efficient.





5.2.6. Local government policies

Starting a business, registering property, dealing with construction permits, obtaining electricity, obtaining credit, paying taxes, trading across borders, protecting minorities investors, enforcing contracts, and resolving insolvency are some of these aspects. In the World Bank's rating, the country rose from 142 out of 189 countries in 2014 to 63 in 2019.

With the push to gain a larger part of global commerce in the post-pandemic world and steer the economy away from the pandemic's growth impact, India has identified the next step in increasing ease of doing business by arguing for the elimination of outmoded procedures, the infusion of transparency, and the reduction of citizen-state contact and bureaucratic discretion at the subnational level up to local bodies. The rating of states is an important instrument for the Centre in achieving this.

The federal government increased state borrowing restrictions from 3% to 5% of gross state domestic product (GSDP) in FY21 for states that implemented specific

reforms. A portion of the additional borrowing was tied to state-level changes to make it easier to do business. Inspector raj was to be combated at the state and district levels. The Centre established goals such as removing the need for enterprises to renew registrations and licenses under numerous regulations, as well as establishing a computerized central and random inspection system to guarantee that the same inspector is not assigned to the same unit in following years. Businesses were also to be notified in advance of inspections, and inspection results were to be submitted within 48 hours. The compliance load would be decreased to the level of panchayats.

According to the World Bank's Ease of Doing Business 2020 report, India ranks 163rd in the world when it comes to contract enforcement. This was a 23-position improvement from the previous year's ranking of 186 in the Doing Business Report. The government has been vigorously pursuing changes to build an effective, efficient, transparent, and robust contract enforcement system, according to the Department of Justice's website, and multiple rounds of discussions have been conducted with law firms, corporate bodies, chambers of commerce and industry to work in an integrated manner with the judicial fraternity to enhance the quality and efficiency of commercial courts. According to experts, establishing business courts is a huge step toward streamlining conflict resolution in India. Business disputes would be tried and disposed of in a rapid and time-bound way with the introduction of commercial courts across the country. Following the 2015 Act, India established specialized commercial courts with dedicated facilities in Delhi, Mumbai, Kolkata, and Bengaluru to expedite the resolution of cases.

Niti Aayog, a federal policy think tank, is actively lobbying for online dispute settlement, which might enhance conflict resolution and hence ease of doing business. This comprises resolving conflicts outside of the courtroom, particularly in small and medium-sized cases, by the use of digital technology and alternative dispute resolution processes such as negotiation, mediation, and arbitration.

Another major concern for corporations is gaining faster access to property for the purpose of establishing facilities. With the government's previous efforts to make land acquisition easier for setting up new factories through legislative amendments failing to take off, the effort now is to provide entrepreneurs with a plug-and-play

set-up with the basic infrastructure and all the clearances they need to start businesses.

Making bankruptcy resolution more predictable and distressed business reorganization faster, steps to allow faster business startup, the rollout of the goods and services tax, decriminalization of the Companies Act and LLP Act, and liberalizing foreign direct investment norms are among the ease of doing business reforms that have helped India improve its score thus far.

While the efforts made thus far have resulted in significant advances, some sector executives stated that lowering compliance costs is also critical.

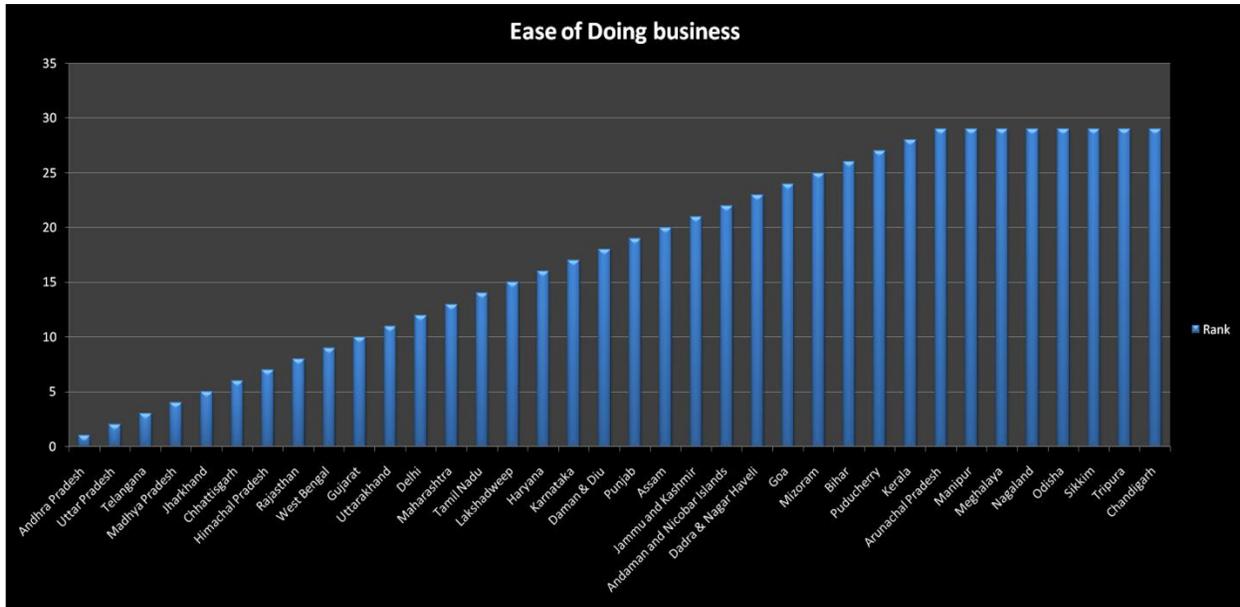
Businesses want the cost of compliance to be reduced since it affects their cost competitiveness. According to Deepak Sood, secretary-general of industry organization Assocham, reducing the regulatory burden on micro, small, and medium companies (MSMEs) and revising the cost of doing business will go a long way in assuring the country's long-term prosperity. Its policy recommendations include simplifying GST, revising the GST exemption ceiling for MSMEs and professionals, and expediting the bankruptcy process.

The Department for the Promotion of Industry and Internal Trade (DPIIT) directs central ministries and states in their attempts to simplify the regulatory architecture, and rates states based on their business reform action plans.

The aim to increase ease of doing business includes removing unnecessary paperwork that adds time and expense, abolishing redundant regulations, and making procedural failures civil offenses.

States have also been contacted by Niti Aayog to remove any unnecessary compliance requirements.

One element of the tale is making things simpler for businesses. Chief ministers and lieutenant governors that since technology is assisting all interfaces between authorities and individuals, there is no need to ask for the same document many times for different purposes. While there are examples of how to make life easier, overhauling the vast steel structure of bureaucracy and the myriad laws might be a lengthy road.



5.2.7. Clustering effect of Industries

Micro, Small, and Medium Enterprises (MSME) is an acronym for Micro, Small, and Medium Enterprises. Because they lack resources and technology, these sectors or firms represent the backbone of our economy and require aid and protection from other large corporations. To do this, the government offers these businesses various programs, incentives, and counseling.

Threshold for Micro, Small, and Medium-Sized Businesses

The existing MSME classification system was based on factors such as plant and machinery or equipment investment. As a result, in order to benefit from MSME advantages, they must limit their investment to a lesser amount, as outlined below:

Existing MSME Classification

Sector	Criteria	Micro	Small	Medium
Manufacturing	Investment	< Rs.25 lakh	< Rs.5 crore	< Rs.10 crore
Services	Investment	< Rs.10 lakh	< Rs.2 crore	< Rs.5 crore

Because they are unable to extend their firms any farther, these lower boundaries are destroying the will to grow. In addition, there has been a long-standing need for the MSME categorization to be revised so that they may continue to benefit from MSME benefits while expanding their operations. The government has now changed the MSME categorization under the Atmanirbhar Bharat Abhiyan by incorporating composite criteria for both investment and yearly turnover.

In addition, the MSME definition no longer distinguishes between the manufacturing and service industries. This elimination will bring the sectors closer together. The following is the updated MSME categorization, which takes into account both investment and yearly revenue when determining an MSME.

Revised MSME Classification

Criteria	Micro	Small	Medium*
Investment	< Rs.1 crore	< Rs.5 crore	< Rs.10 crore
Annual Turnover	< Rs.50 crore	< Rs.50 crore	< Rs.250 crore

The government has made another upward modification.

The change of the MSME categorization helps firms to grow more quickly while also increasing healthy competition among them.

MSME Programs The Udyog Aadhaar Memorandum was launched by the government.

The government issues everyone with an Aadhaar card, which is a 12-digit number. The Aadhaar card is a prerequisite in this case. The advantage of enrolling in this program is the simplicity with which you may obtain government credit, loans, and subsidies. Both online and offline registration options are available.

Zero Defect Zero Effect

In this paradigm, commodities created for export must meet a specific quality in order to avoid being rejected or returned to India. This strategy was created by the government to attain this goal. If the items are exported, they are entitled for certain discounts and concessions.

Quality Management Standards & Quality Technology Tools

By enrolling in this program, micro, small, and medium businesses will be able to better grasp and apply the quality standards that must be maintained in the face of new technologies. Various seminars, initiatives, and events are held as part of this plan to educate companies about the new technologies accessible.

Grievance Monitoring System

In terms of getting concerns from company owners addressed, registering under this system is advantageous. Business owners may use this to monitor the progress of their complaints and open them if they are unhappy with the outcome.

Incubation

This program assists innovators in putting their novel designs, ideas, or products into action. The government can fund up to 80% of a project's cost under this arrangement. This program encourages the development of innovative concepts, designs, and products.

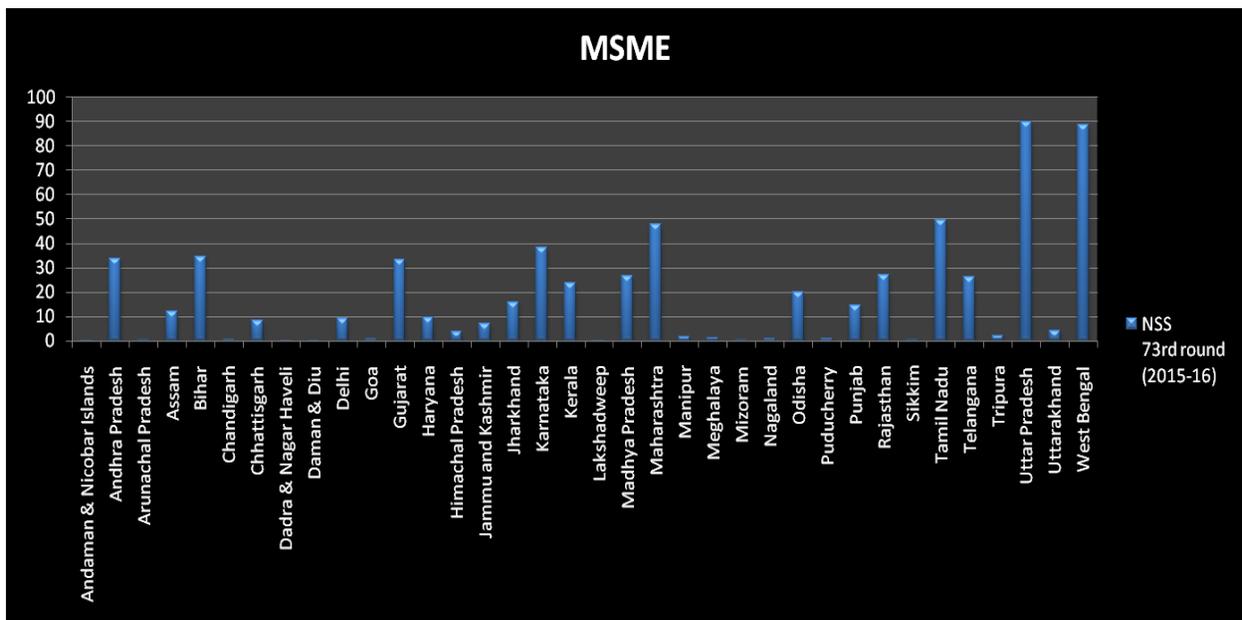
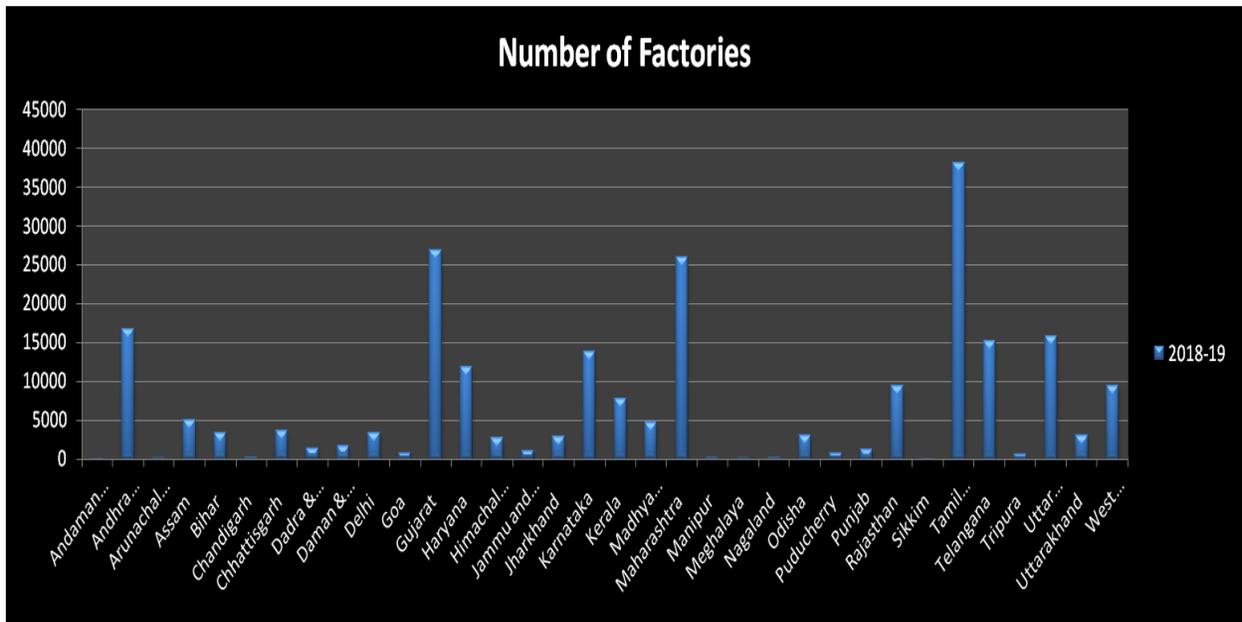
Credit Linked Capital Subsidy Scheme

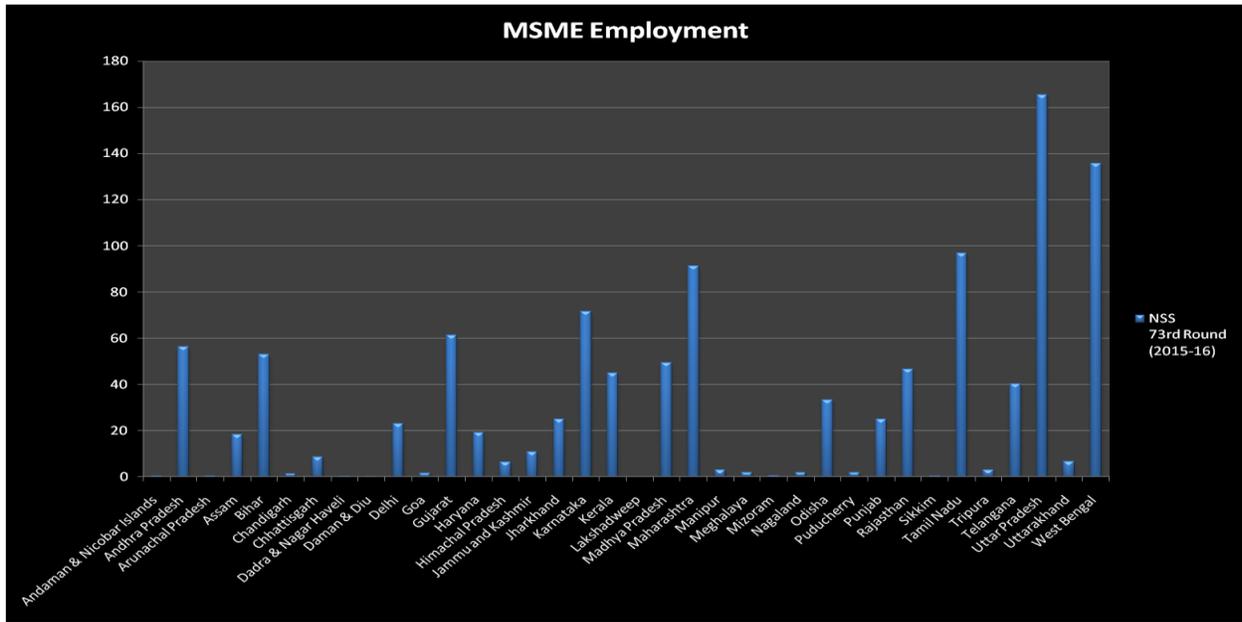
Business owners are given new technology to replace their outdated and outmoded technology under this program. The capital subsidy is offered to businesses to help them update and improve their operations. Small, micro, and medium businesses can contact banks directly for these incentives.

Women Entrepreneurship

This program was created specifically for women who aspire to establish their own business. The government helps these women run and build their businesses by providing financing, counseling, training, and delivery strategies.

The government has introduced a variety of new programmes and support systems for small businesses; for more information on the MSME initiatives, see the government's website.





The information on the number of industries in each state is shown in the graph above. Depending on the sort of clustering done, FDI is diversified by grouping sectors regionally. The following are a few instances.

AUTOMOBILE & AUTOMOBILE COMPONENTS

Market Size (FY19):
26.27 mn vehicles sold; 30.92 mn produced
Automobile Mission Plan 2016-26: USD \$ 300 bn
industry by 2026 (world's 3rd largest by volume)

Policy Support: To make India an EV Hub
FAME (Faster Adoption and Manufacture of
(Hybrid and) Electric Vehicles) Scheme
National Electric Mobility Mission Plan 2020

Region, State	Major Occupiers	Port / Dry Port Connectivity	Highway Connectivity	Remarks
Pune-Aurangabad, Maharashtra	Fiat, GM, Volkswagen, Mercedes-Benz, Tata Motors, Bajaj Auto, JLR, Mahindra & Mahindra, Honda Auto, Goddard Tyres, Balakrishna Tyres, Duro Valves, Force Motors, JCB, Sany, John Deere, Continental, Minda, Camaro	Mumbai Port (major port); JNPT (major port); KCD Dighri*	NH48 (Delhi-Chennai) NH65 (Pune-Machhapattanam) Proposed Samruddhi Corridor	Maharashtra accounts for ~35% of India's output of automobiles by value.
Chennai-Sriperumbudur-Oragadam, Tamil Nadu and Srirangapatnam, Andhra Pradesh	Hyundai Motor, Schwing Stetter, Daimler Commercial Vehicles, Renault-Nissan, Yamaha Motors, Bharat Benz, Eicher, Ashok Leyland, BMW, Royal Enfield, Isuzu, Komatsu, Ford, TAFE, CEAT Tyres	Chennai Port (major port)* Ennore Port (major port)* Kattupalli Port* Krishnapattanam Port	NH48 (Delhi-Chennai) NH32 (Chennai-Nagapattinam) NH16 (Kolkata-Chennai)	Part of Chennai and surrounding areas, which are popularly nicknamed "Detroit of India", due to the large presence of auto industry.
Manesar-Faridabad-Gurgaon, Haryana	Maruti Suzuki, Honda Motorcycle and Scooter, Suzuki Powertrain, Suzuki Motorcycle, Hero Motors, Mitsubishi Electric Automotive, Harley Davidson, Yamaha Motor, JCB, Escorts Tractors, Minda	KCD Gurugram (Garhi-Harsaru)* KCD Faridabad (ACTU)* KCD Rawan* KCD Padi* KCD Ballabhgarh*	NH48 (Delhi-Chennai) KHP Expressway	Home to the first and largest plant of India's largest automobile manufacturer - Maruti Suzuki.
Sanand-Mandal-Bachraj, Gujarat	Tata Motors, Ford Motors, Suzuki Motors, Honda Motorcycle and Scooter	Kandla Port (major port) Mundra Port Hazira Port KCD Sanand (Thar Dry Port)* KCD Khodiyar*	Connected through SH to NH8A (Mandvi-Ahmedabad in Gujarat)	~100 sq. kms. of MSIR (Mandal Bachraj) Special Investment Region) being developed as an industrial hub, including a Japanese zone.
Bengaluru-Bidadi, Karnataka and Hosur, Tamil Nadu	Toyota Kirloskar, Mahindra Reva Electric, TVS Motors, Ashok Leyland, Continental	Chennai Port (major port) Ennore Port (major port) New Mangalore port (major port) KCD Whitefield* KCD Hosur*	NH48 (Delhi-Chennai) NH44 (Srinagar-Kanyakumari) NH948 (Coimbatore-Bengaluru) NH840 (Dobbaspet, Karnataka to Hosur, Tamil Nadu)	Karnataka is the first state in India to roll out an Electric Vehicle and Energy Storage policy. It is also the R&D hub of India with 400+ R&D Institutes.

Bikanpur, near Indore, Madhya Pradesh is an auto cluster with the presence of players such as 16 (Bajaj) Commercial Vehicles, Man Trucks, Mahindra 2-wheelers, Force Motors, Bridgestone Tyres, Caparo India, Jajug, Pritrade Auto, JBM etc.

KIA Motors established its first factory in India at Anantnagar - Gudipalli, Andhra Pradesh in 2018. KIA Motor's supplier base is also establishing its base in the vicinity.

Haridwar - Pantnagar, Uttarakhand is home to world's largest integrated 2-wheeler plant by Hero Motors. Tata Motors, Ashok Leyland, Bajaj and Mahindra are other notable players.

SECTOR SNAPSHOT

- 4.9% Share of exports 2018-19
- 7.5% Share of GDP 2017-18
- 1st Largest manufacturer of tractors, 2-wheelers & 3-wheelers in world
- 4th Largest car manufacturer; 2nd largest bus manufacturer globally

DRUGS & PHARMACEUTICALS

Market Size (FY18): USD \$ 36.7 bn
Expected to be \$55 bn by 2020
20% share of global supply volume of generic medicines

Policy Support:
Cluster Development Programme:
6 pharma parks in the pipeline

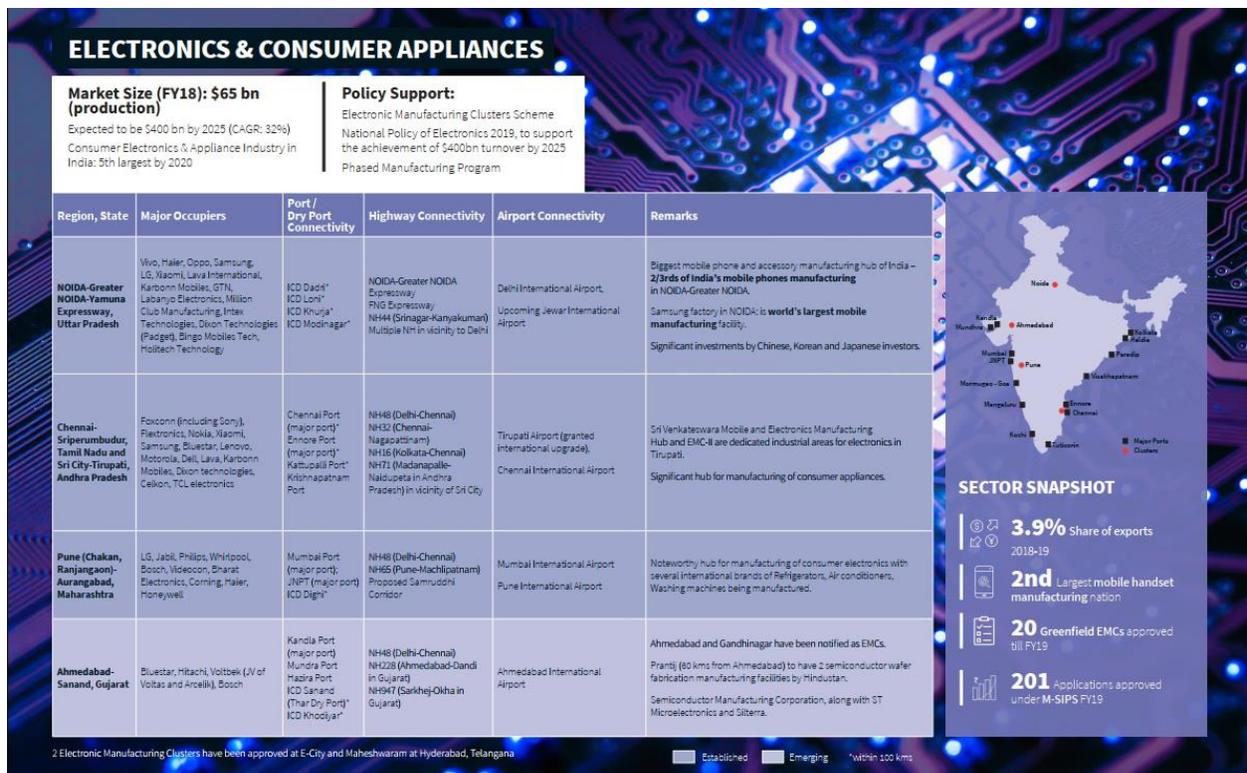
Region, State	Major Occupiers	Port / Dry Port Connectivity	Highway Connectivity	Airport Connectivity	Remarks
Hyderabad-Medak, Telangana	Novartis, GSK, Alembic, Biological E. Du Pont, Aurebindo Pharma, Achland, Inosud Pharma (Chemol), Mylan, TCI, Laurus Labs, Idama, Dr. Reddy's Laboratories, USP, Bharat Biotech, Piramal	Vishakhapatnam Port (major port) Gangavaram Port, Kakinada Port, Krishnapattanam Port KCD Sanathnagar* CFC Kukatpally*	NH44 (Srinagar-Kanyakumari) NH768 (Hyderabad to Thokapalle, Andhra Pradesh) NH65 (Pune-Machhapattanam) NH165 (Hyderabad to Bhopalpatnam, Chattisgarh) NH161AA (Bhongir-Sangareddy in Telangana)	Hyderabad International Airport	Hyderabad contributes 40% of the total Indian bulk drug production and 50% of the bulk drug exports. Genome Valley in Hyderabad is the first and systematically planned and developed cluster dedicated to life sciences in India. Pharma City, being planned.
Bengaluru, Karnataka	AstraZeneca, GSK, Biocin, Cipla, Mylan, Himalaya Drug Company, Kemwell, Novozymes, Merck	Chennai Port (major port) Ennore Port (major port) New Mangalore Port (major port) KCD Whitefield*	NH48 (Delhi-Bengaluru-Chennai) NH44 (Srinagar-Kanyakumari) NH948 (Coimbatore-Bengaluru) NH840 (Dobbaspet, Karnataka to Hosur, Tamil Nadu)	Bengaluru International Airport	R&D Hub of India with 400+ R&D Institutes, and 55 Clinical Research Organisations and 12 Adverse Drug Reaction Reporting Centres. Karnataka contributes ~12% of India's pharmaceutical exports and ~10% of India's pharmaceutical revenues.
Ahmedabad-Halol-Vadodara, Gujarat	Zydus Cadila, Sun Pharma, Torrent Pharma, Glenmark, Alembic, Dishaan Group, Claris Lifesciences, Intas Biopharmaceuticals	Kandla Port (major port) Mundra Port Hazira Port KCD Sanand (Thar Dry Port)* KCD Khodiyar*	NH48 (Delhi-Ahmedabad-Chennai) NH228 (Ahmedabad-Dandi in Gujarat) NH947 (Sankhej-Okha in Gujarat) Ahmedabad-Vadodara Expressway	Vadodara and Surat domestic Airports, Ahmedabad International Airport	40% of machinery for India's pharma sector is manufactured in Gujarat. Gujarat has 850+ WHO compliant manufacturing units of ~1,200 units in India. Gujarat is the world's largest producer of contraceptive pills.
Baddi, Solan district, Himachal Pradesh	Ranbaxy, Dr. Reddy's Labs, Abbott, Pfizer, Glenmark, Monepan Labs, Unichem Labs, Torrent Pharma, Alliance World India, Cipla, Zydus Cadila, Alembic, Wolkardt	KCD Baddi*	NH108 (Punjab, Haryana to Swarghat, Himachal Pradesh)	Shimla Airport, Chandigarh International Airport	Himachal Pradesh meets more than 1/3rd demand of demand for pharmaceuticals in India. Proposed bulk drug pharma park in Kripalpur in Solan.
Goa (Union Territory)	Pfizer, Abbott, Glenmark, Unichem Labs, Zydus Cadila	Marmagao Port (major port)* New Mangalore Port (major port) at ~350 kms	NH66 (Panvel, Maharashtra to Cape Comorin, Tamil Nadu)	Goa International Airport	Goa contributes ~10% of India's pharmaceutical output. The Goa pharmaceuticals industry is growing at a rate of 18% annually.
Haridwar, Pantnagar, Dehradun, Uttarakhand	Jubilant Life sciences, India Glycols Ltd, Coral Laboratories, Sharom Biomedicine Ltd.	KCD Pantnagar KCD Kashipur MMLP Pantnagar	NH 50, NH 108, NH 72	Pantnagar Airport Jolly Grant Dehradun Airport	More than 300 Pharmaceutical units. Pharma exports from the State were worth USD 1000 Mn during 2017-18 (majorly to USA, Russia and Australia). Proposed Medical device park in Haridwar

More, Madhya Pradesh players such as Cipla, Lupin, Piramal Group, Glenmark, etc. are also possible cluster.

GSK, Glenmark, Ranbaxy etc. and contributes ~10% to India's pharma output.
Vadodra, Andhra Pradesh is an emerging cluster with an established pharma city (Mylan, Laurus Labs, Biocin, Aurebindo Pharma etc.) and a proposed second pharma city.

SECTOR SNAPSHOT

- 4.4% Share of exports 2018-19
- 1st Largest vaccine producer, largest provider of generic medicines globally
- 3rd Largest pharma industry by volume in world
- 3,000+ Pharma companies with 10,500+ manufacturing facilities



The clustering of industries in the given data is done by sector. Bangalore has companies connected to electronics, whereas the Hyderabad area has industries relating to medications and pharmaceuticals. Following the steps outlined above, FDIs can select the best location for their industry based on their sector. As a result, FDI can be more diverse, resulting in the growth of several regions rather than just a few.

As a result, clustering of sectors is significantly more crucial for FDI corporations when developing their corporate strategy, but FDI diversification can aid regional development in host countries.

5.3 FUTURE OF FDI IN INDIA

Foreign Direct Investment (FDI) has been a key non-debt financial resource for India's economic development, in addition to being a crucial engine of economic growth. Foreign firms invest in India to take advantage of cheaper salaries and unique investment benefits such as tax breaks, among other things. When foreign investment is made in India, it aids the country in gaining technological know-how and creating jobs.

Foreign capital continues to come into India thanks to the Indian government's favorable policy framework and thriving economic climate. In recent years, the government has made a number of steps, including loosening FDI restrictions in areas like as defense, PSU oil refineries, telecommunications, electricity exchanges, and stock exchanges, among others.

5.3.1 MARKET SIZE

According to the Department for Promotion of Industry and Internal Trade (DPIIT), FDI equity inflows into India totaled \$572.81 billion from April 2000 to December 2021, demonstrating that the government's efforts to increase ease of doing business and reduce FDI rules have paid off.

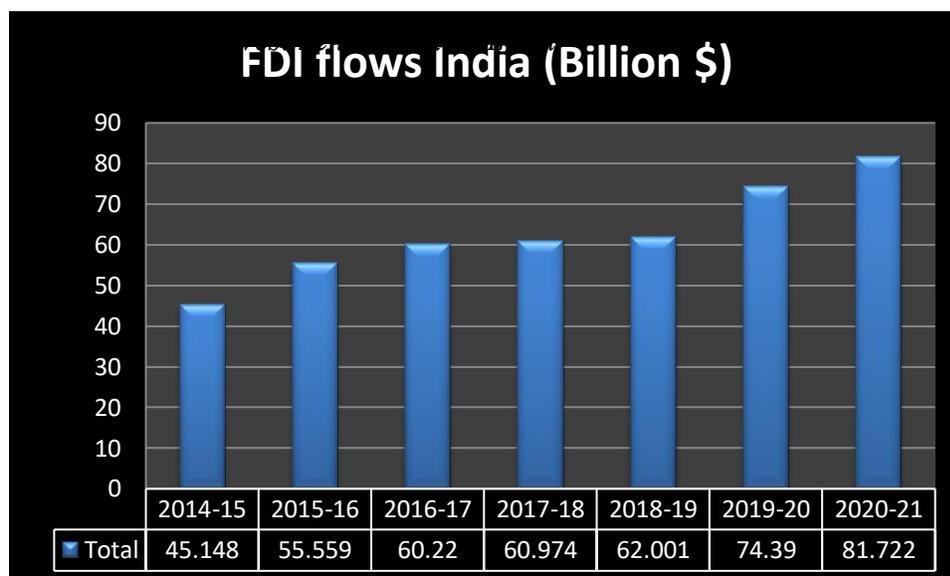
In the third quarter of FY22, total FDI inflows into India totaled US\$ 17.93 billion, with FDI equity inflows totaling US\$ 12.02 billion.

The computer software and hardware industry attracted the most FDI equity inflow of US\$ 10.25 billion between April and December 2021, followed by the automobile sector at US\$ 5.96 billion, services at US\$ 5.35 billion, trading at US\$ 2.99 billion, construction activities at US\$ 1.59 billion, and drugs and pharmaceuticals at US\$ 1.21 billion.

India received the most FDI equity inflows from Singapore (US\$ 11.69 billion) between April and December 2021, followed by the United States (US\$ 7.52 billion), Mauritius (US\$ 6.58 billion), the Cayman Islands (US\$ 2.74 billion), the Netherlands (US\$ 2.66 billion), and the United Kingdom (US\$ 1.44 billion).

Karnataka received the most FDI equity inflows of US\$ 17.25 billion over the same time, followed by Maharashtra (\$ 9.69 billion), Delhi (\$ 6.39 billion), Tamil Nadu (\$ 2.38 billion), Gujarat (\$ 2.06 billion), and Haryana (\$ 2.03 billion).

Foreign-owned assets in India were US\$ 926.2 billion in the third quarter of FY22, up from US\$ 852.4 billion in the third quarter of FY21.



5.3.2 INVESTMENTS

The following are some of the most recent FDI investments and developments:

In May 2022, the following investments were made:

For Rs. 1,252.96 crore (US\$ 161.92 million), Italian financial services giant Generali acquired a 25% share in Future Generali India Insurance from Future Enterprises.

Somerset Indus Capital Partners, Morgan Stanley through its investing arm Grand Vista, Evolvece, and Wipro GE led a group of investors in a second round of funding for Rs. 135 crore (US\$ 17.44 million) for GenWorks Health.

Tiger Global and Sequoia Capital India led a \$15 million fundraising round for Topyne, a software-as-a-service (SaaS) firm.

KiranaKart Technologies Pvt. Ltd, the company behind Zepto, a 10-minute grocery delivery service, raised \$200 million in a Series D fundraising round spearheaded by Y Combinator's Continuity Fund, valuing the company at \$900 million.

In a pre-seed fundraising round, KoinBasket, a themed crypto investing start-up, raised US\$ 2 million.

Amansa Capital, Jungle Ventures, and Nexus Venture Partners led a Series-E fundraising round for Invictus Insurance Broking Services Pvt. Ltd, which runs insurtech platform Turtlemint Insurance Services Pvt. Ltd.

Woodenstreet.com, a Jaipur-based online furniture and home décor marketplace, raised around \$30 million in a Series-B fundraising round headed by WestBridge Capital.

Tiger Global and Info Edge Ventures led a Series-B round of investment for Geniemode, a B2B cross-border digital platform.

Google announced a US\$ 1 billion investment in Indian telecom company Bharti Airtel in January 2022, which includes a US\$ 700 million equity investment for a 1.28 percent stake in the company and US\$ 300 million for potential future investment in areas such as smartphone access, networks, and the cloud.

As an anchor investor in the IPOs of numerous Indian firms - One 97 communication (Paytm), Zomato, FSN E-Commerce Ventures (Nykaa), and PB Fintech - Canada's pension fund investment board contributed Rs. 1,200 crore (US\$ 160.49 million).

For the first half of the fiscal year 2021-22, FDI into India's renewable energy industry was US\$ 1.03 billion.

5.3.3 GOVERNMENT INITIATIVES

The government has taken a number of steps to encourage FDI in India, including amending the Foreign Exchange Management Act (FEMA) to enable up to 20% FDI in the insurance business LIC via the automatic method. The Indian

government is contemplating loosening the rules on certain foreign direct investments from nations with which it shares a border.

In 2022, efforts such as PM Gati Shakti, single window clearance, and a GIS-mapped land bank are projected to increase FDI inflows.

As part of the Space Activity Bill in 2022, the government is expected to implement at least three measures. The scope of foreign FDI in the Indian space sector is expected to be explicitly defined by this bill.

India and the United Kingdom agreed in September 2021 to increase investment to deepen bilateral connections as part of a 'Enhanced Trade Partnership.'

The Union Cabinet declared in September 2021 that, in order to promote the telecom industry, they will authorize 100% FDI via the automated method, up from the existing 49 percent.

The government changed the Foreign Exchange Management (non-debt instruments) Rules, 2019, in August 2021, to allow for a 74 percent increase in the FDI quota in the insurance industry.

5.4 CONCLUSION

ROAD AHEAD

According to a CII and EY estimate, India is anticipated to receive FDI of US\$ 120-160 billion per year by 2025.

According to the Economic Times, investors placed India third in terms of attractiveness; 80% of investors want to invest in India in the next 2-3 years, with 25% reporting investments worth more than US\$ 500 million.

Furthermore, according to a Deloitte analysis released in September 2021, India remains an appealing market for overseas investors in both the short and long term.

The Institute for Management Development's (IMD) annual World Competitiveness Index 2021 rated India 43rd. According to the IMD, India's improvements in government efficiency are mostly attributable to reasonably stable public finances (despite COVID-19-related issues) and hopeful emotions among Indian industry players towards government financing and subsidies.

Finally, from a holistic perspective, India's prospects for attracting FDI are brighter than ever, and the foregoing initiatives done by the Indian government will only help to reach its goal with better management in ground level.

Currency conversion

One lakh (1,00,000) = 0.1 Million

One Crore (1,00,00,000) = 10 Million

As per exchange rate 1 USD ranges from 72 to 76 INR

Acronyms and Abbreviations

FDI- Foreign Direct Investment

BRICS- Brazil, Russia, India, China, South Africa

SAARC-South Asian Association for Regional Cooperation

SCO- Shanghai Cooperation Organisation

WFTU- World federation of Trade Unions

WCO- World Customs Organisation

BIS- Bank of International Settlements

AIIB- Asian Infrastructure Investment Bank

IMF- International Monetary Fund

ADB- Asian Development Bank

FYP- Five-Year Plan

NITI Aayog- National Institution for Transforming India

MNP- Minimum Needs Programme

RBI- Reserve Bank of India

SBI- State Bank of India

IBDR- International Bank for Reconstruction and Development

IDA- International Development Association

SDR- Special Drawing Rights

LPG- Liberalization, Privatisation, Globalization

SLR- Statutory Liquid Ratio

CRR- Cash Reserve Ratio

NDA- National Democratic Alliance

UPA- United Progressive Alliance

LIC- Life Insurance Company

BPO- Business Process Outsourcing

KPO- Knowledge Process Outsourcing

LPO- Legal Process Outsourcing

PMI- Purchasing Manager Index

IIP- Industrial Production index

BSE- Bombay Stock Exchange

ASEAN- Association of Southeast Asian Nations

Pictures & sources

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Charts

All the data of the charts are taken from below mentioned books of Reserve Bank Of India

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