SWISS SCHOOL OF BUSINESS AND MANAGEMENT, GENEVA

A Thesis Paper
Presented

By

ANWESHA PANDA

FOREIGN DIRECT INVESTMENT IN DEVELOPING COUNTRIES

THE INDIA AND CHINA EXPERIENCE

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ABSTRACT

FOREIGN DIRECT INVESTMENT IN DEVELOPING COUNTRIES
THE INDIA AND CHINA EXPERIENCE

DIRECTED BY Dr. Sc. Hrvoje Volarevic

ABSTRACT

This paper will investigate the impact of Foreign Direct Investment (FDI) in developing countries. It will establish the dependencies between FDI, GDP, and economic growth. The paper will provide an analysis of the policy framework of both countries and will lay out suggestive measures to increase the FDI inflows. To what extent FDI impacts the host country's economic growth will be studied in this paper. This paper will also analyze the impact of FDI on domestic industries.

CHAPTER ONE

INTRODUCTION

- Definition of Foreign direct investment.
- The impact of FDI on developing countries.

INTRODUCTION

Foreign direct investment (FDI) is defined as an investment involving a long-term relationship and reflecting a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor (OECD).

Flows of FDI comprise capital provided (either directly or through other related enterprises) by a foreign direct investor to an enterprise, or money received from an investing enterprise by a foreign direct investor. FDI has three components: equity capital, reinvested earnings, and intra-company loans (World Investment Report-2007).

1. Forms of FDI incentives

Foreign direct investment incentives may take the following forms:

- low corporate tax and individual income tax rates
- tax holidays
- other types of tax concessions
- preferential tariffs
- special economic zones
- EPZ - Export Processing Zones
- bonded warehouses
- maquiladoras
- investment financial subsidies
- free land or land subsidies
- relocation & expatriation
- infrastructure subsidies
- R&D support
- energy
- derogation from regulations (usually for massive projects)

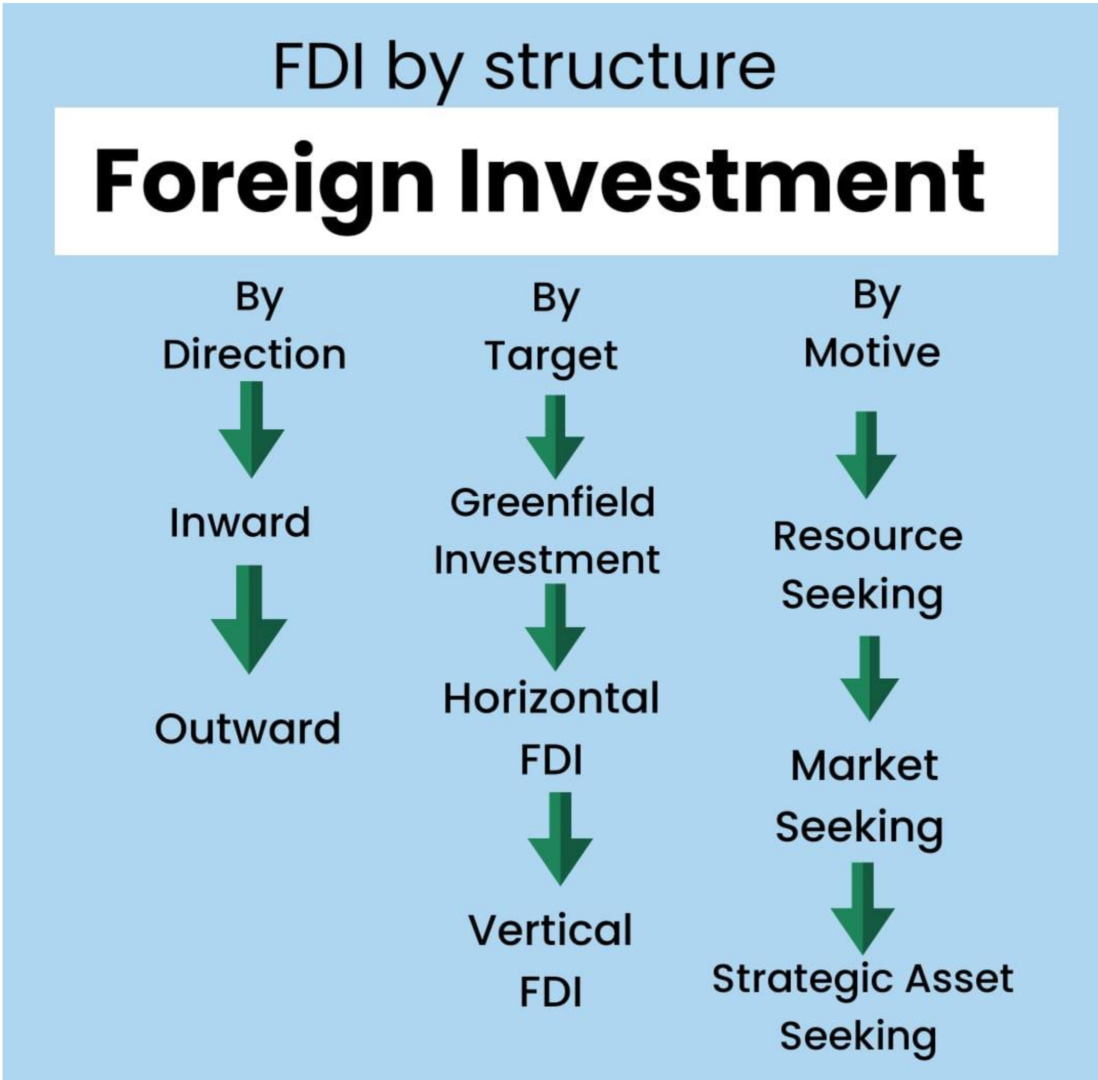
Table 1. Different types of FDI

Horizontal FDI- Overseas manufacturing of products and services similar to the company produces in the home country.
Vertical FDI occurs when a firm establishes multiple manufacturing units in different countries and produces other inputs in the company's production process.
Conglomerate FDI is a process of investment in a completely different industry.
Platform FDI- A business expands into a foreign country, but the output from the foreign country is exported to a third country.

Source: Made by Author (Data collected from financial times)

Types of FDI

Figure 1: A depiction of FDI by structure



Source: Foreign Direct Investment by structure, Made by Author.

Figure 2: A depiction of FDI by methods

Source: Made by Author

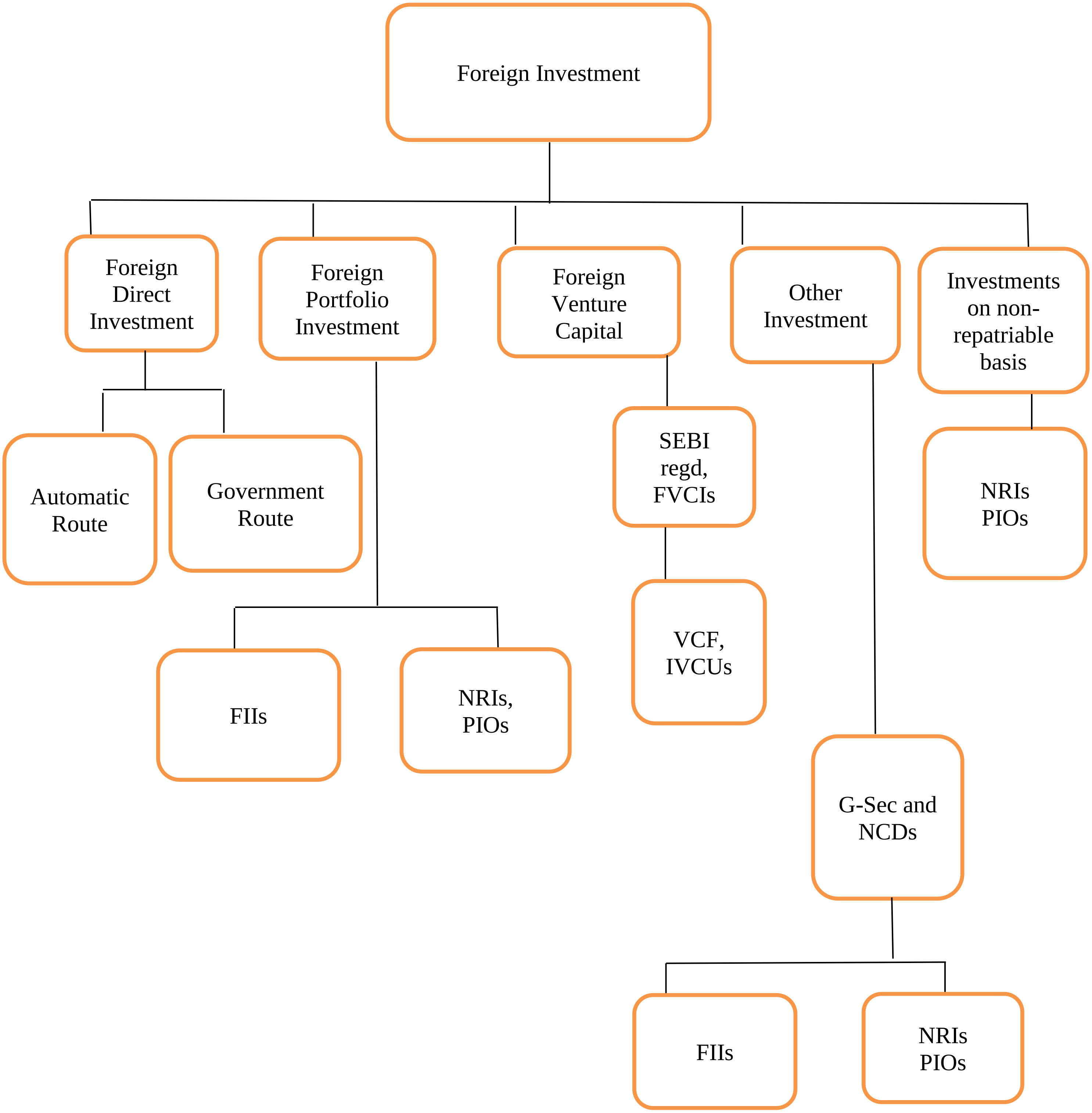


Table 2. A few Important mergers and acquisitions took place in 2021 in India

No:	**Company name**	**Type**
1	ZEEL and SPNI	Merger
2	Air India and Tata group	Acquisition
3	Tata Digital and Big Basket	Acquisition
4	Aakash Educational Services and BYJU’s	Partnership
5	Wipro and Capco	Acquisition
6	HDFC Life and Exide Life	Acquisition

Source: Made by the author (Data collected from Zee Business)

Table 3. Some Important mergers and acquisitions in China in the year 2020

No:	Company Name	Type
1	Shanghai Aiko solar energy co ltd and Shanghai Xinmei real estate	Reverse Merger
2	Wanhua Chemical Group and Yantai wanhua chemical limited	Merger
3	Enn Ecological Holdings Co and Enn energy holding ltd	Acquisition
4	YunanBaiyo group co and yunanbaiyo holdings	Merger
5	Zhuhai Mingjung Investment and Gree electric appliances of zhuhai	Partnership
6	SPIC Dongfeng New energy corporation	Material asset restructure

Source: Made by the author (data collected from practical law, UK)

2. The impact of FDI on developing nations

Natural resources are increasing in arithmetic progression, whereas the population is growing in geometric progression. If this continues, there won't be enough resources to cater to the needs of the people. The resources can be created, reused, or borrowed. FDI is the modern-day borrowing technique from one's neighborhood.

There is a conflict of understanding between the two nations about Foreign direct investment, and China says that the fastest route to economic development is through foreign inflows. In contrast, India has a different idea regarding FDI. According to India, the in-house businesses have an advantage over China's home-grown companies.

China's export-oriented growth was mainly due the foreign direct investment, which demolished room for home-grown companies. In the case of India, the investors were skeptical regarding the stringent policy framework of entry and exit from the market, which gave ample opportunities to the local businesspersons to grow and create an empire. Recently after the liberal market policies, India has become a hot spot for foreign investments owing to its population's size and cheap labor availability.

Considering the macroeconomic data, India lags far behind China, but things appear to be quite different at the microeconomic level. India is very much dynamic as compared to China.

China has imposed stringent policies on local entrepreneurs but is quite liberal towards foreign investors, leading to underdeveloped local businesses. In India, the case is a lot different. The government policies are liberal towards local businesses. Time and again, India has supplied liquidity into the market through credit support and subsidy for local businesses to sustain economic shocks. It has stricter rules for foreign Investors.

Table 4. Top five countries to invest in India and China in 2020-2021

No:	INDIA:	CHINA:
1	Singapore	Singapore
2	USA	South Korea
3	Mauritius	Virgin Islands
4	UAE	Japan
5	Saudi Arabia	USA

Source: Prepared by author.

Table 5. Top five sectors that received most of the investment

No:	INDIA:	CHINA:
1	Computer Services	Manufacturing
2	Transport	Real Estate
3	Manufacturing	Leasing and Business Services
4	Retail and wholesale trade	Information Transmission, computer services, and software
5	Financial Services	Scientific research, technical service, and geologic prospecting.

Source: Prepared by author.

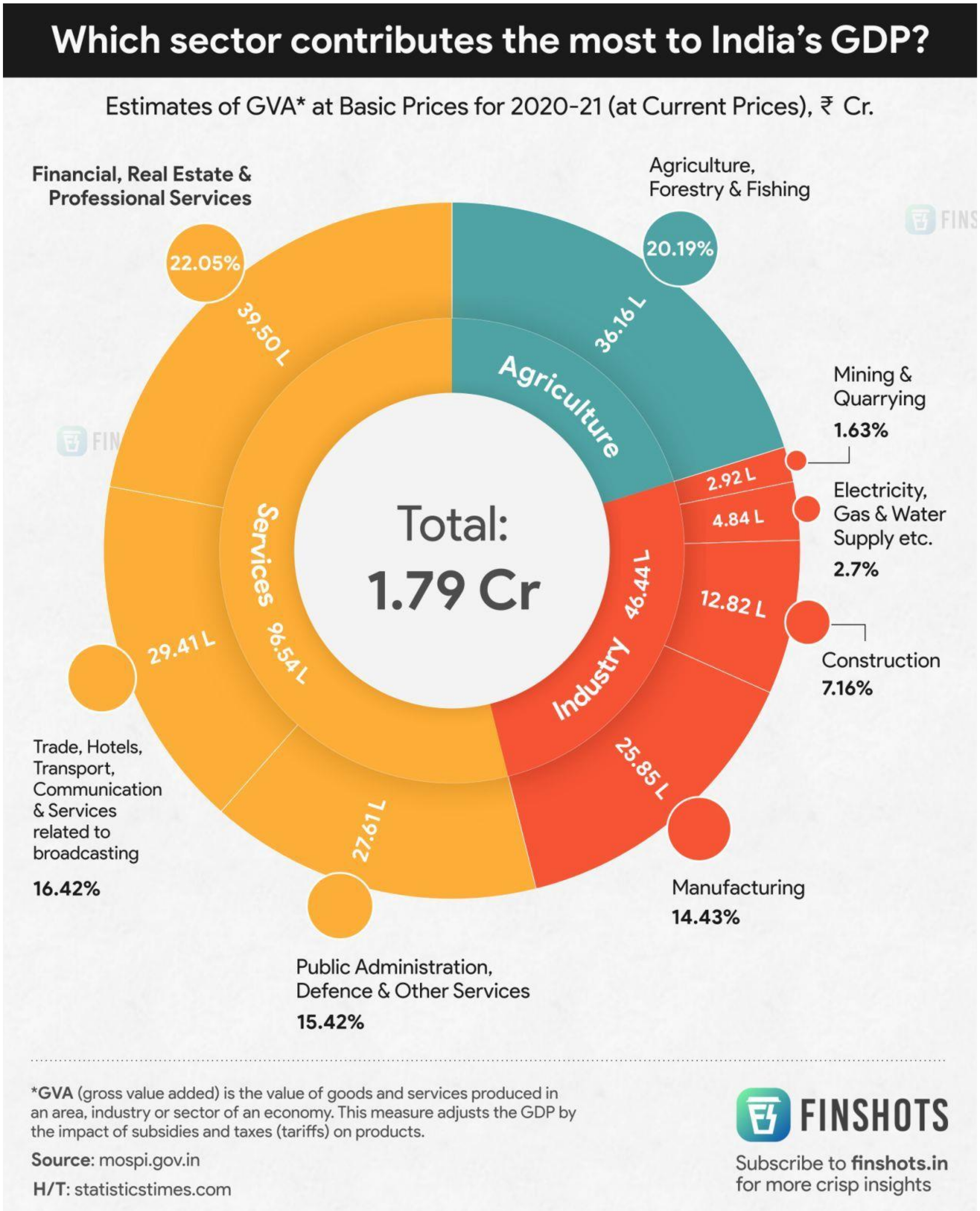


Figure 3: Sectors as per the contribution; Source: Ministry of Statistics and Program Implementation.

China is a densely populated country, and given the massive size of the market, many multinational companies have been moving into China to invest in the economy. India is the 2nd most populous globally with 1.38 billion people, offering vast markets and high-quality human resources and exporting skilled workforce worldwide.

(As of 2023, India has now surpassed China, becoming the most populous country in the world)

CHAPTER TWO

PROBLEM STATEMENT

PROBLEM STATEMENT

1. To analyze the impact of FDI on developing countries' GDP and economic growth.
2. Understanding the financial policy framework of both nations: How different it is to work with two different Government setups.
3. Analyzing the growth of the Indian economy from liberation to the current time.
4. Analyzing the growth trend of the Indian and Chinese economies.
5. Analysis of what can be done to make both countries more attractive for FDI inflows.

CHAPTER THREE

- **RESEARCH QUESTIONS**
- **RESEARCH OBJECTIVES**
- **RESEARCH HYPOTHESIS**
- **EXPECTED RESULTS OF THE RESEARCH**

RESEARCH OBJECTIVES

1. To understand the extent of the impact of FDI on economic growth.
2. Understanding the working of both economies: Why is China better at attracting FDI than India.?
3. To understand what can be done to bridge the FDI inflows gap between nations.

RESEARCH QUESTIONS

1. What is the impact of FDI on economic growth?
2. What is the current state of FDI inflows in India?
3. What is China doing differently to be an attractive candidate for FDI?
4. What should India do to attract more FDI?
5. What should be done to bridge the gaps between policies?

RESEARCH HYPOTHESIS

This research will explain the different methods to increase the FDI inflows. How various governments set up affects the quantity of FDI for a country. One will be able understand the dependency between FDI, GDP, and Economic growth, and how a change in one affects the other.

- **H0** - Higher FDI inflows bring positive growth in the GDP of the host country.
- **H0** - Higher inflows have a positive impact on economic growth.
- **H1** - Higher FDI inflows bring negative growth in the GDP of the host country.
- **H1** - Higher inflows have a negative impact on economic growth.

EXPECTED RESULTS OF THE RESEARCH

Expected outcomes:

- A clear understanding of foreign investment and machinery.
- How FDI policies are different in different setups
- How to bridge the gaps to expand the growth?
- To what extent FDI contributes to economic growth?
- How much impact does it have on GDP?
- Why does the domestic industry suffer in the process?
- What can be done to protect the domestic players and also to increase the foreign inflows?
- How to attract more FDI?

CHAPTER FOUR

LITERATURE REVIEW

1. Introduction
2. Theories related to the topic
3. Conclusion

Tables:

1. FDI inflows for India and China
2. FDI outflows for India and China
3. Example of 10 sectors under automatic route
4. Few examples of sectors under government route

LITERATURE REVIEW

4.1. Introduction

Foreign direct investment is generated when a foreign company acquires assets and controls operations in the host country. It is basically a non-debt medium for capital inflows. The host and the conducting country benefit from resource sharing and skill exchange. (Partially compiled from research by Pillai and Rao)

Another merit associated with FDI is, that it creates ample amount of employment opportunities. It brings capital inflows as well as technological expertise into the host country. The main reason to seek FDI is the need for more funds available for investment. Foreign Direct Investment is considered an essential tool for utilizing capital and technology; hence, it is regarded as an important factor for economic growth in the host countries. (Kumar, Vinay,2014)

The makers of economic policies go out of their way to bring in foreign direct investment. A high FDI inflow gives an assertion of the procedure and the policymakers.

Countries are competing with each other globally to attract FDI.

Table 1: FDI inflows for India and China (figures in millions)

No:	Country:	2015	2016	2017	2018	2019	2020
1	**India:**	44064	44481	39904	42156	50558	64062
2	**China:**	135577	133711	136315	138305	141225	149342

Source: Made by Author (data collected from UNCTAD World Investment Report 2021)

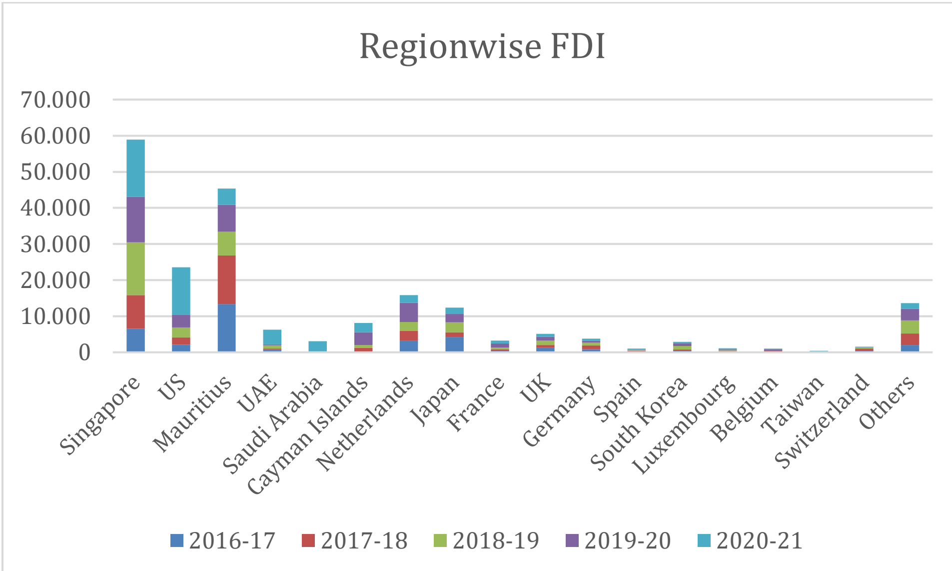


Figure 4: Region-wise FDI (Made by Author)

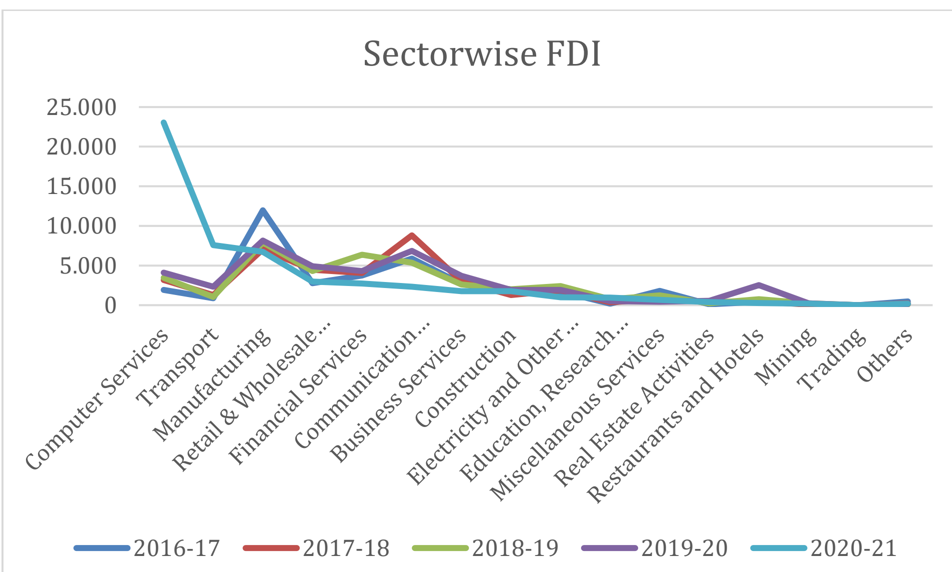


Figure 5: Sector-wise FDI (Made by Author)

Table 2: FDI outflows for India and China (figures in millions)

No:	Country:	2015	2016	2017	2018	2019	2020
1	**India:**	7572	5072	11141	11447	13144	11560
2	**China:**	145667	196149	158290	143037	136905	132940

Source: Made by Author (data collected from UNCTAD World Investment Report 2021)

India still receives less FDI in comparison to China. India's growth strategy has always depended on its domestic industries and enterprises. According to UNCTAD (1999), a transnational corporation can aid local development by incrementing the financial resources, providing upward thrust in export competitiveness, employment generation, environment protection, and enhancement in technology.

4.2. Theories related to the topic

On analyzing the trend, one can clearly see that India started attracting FDI only after 2000. The positive growth in FDI can be seen from 2009 onwards.

According to a report published by the Reserve Bank of India, the foreign inflows to India could have been faster-paced during the year 2010-2011. This created concern regarding the gap in the current account deficit.

This indicated that India needed a slight change in the policy fame work and ease of doing business.

But once considering the macro level factors, FDI flows into the country have turned fivefold in the period of 2001-2010. On analyzing the trend, one can clearly notice that India showed a steep rise in FDI even during a period of global economic crises from 2008 to 2010.

The main reason for the decline in FDI in 2009 was due to low cross-border mergers and acquisitions. There were stagnant inflows because of the uncertainty of the global economic recovery.

India has a developed financial sector, and highly skilled and educated workers with a growing industry are apt candidates to garner the inflows from foreign countries.

Before liberalization, India injected capital into the economy to make the domestic players self-reliant. But after the liberalization, it developed easy entry to the market for foreign companies to invest.

During the nineties, India had to open the economy because of the balance of payment crises faced by the nation. India took help from IMF and World Bank to deal with the balance of payment crises. A structural adjustment program (SAP) was introduced to promote the economic liberalization process.

This process brought many changes in the industrial policies, which are as follows:

1) Industrial licensing system was abolished except for those 18 industries specified in Annex II (Companies that manufactured hazardous materials and materials related to national concerns, social wellbeing, and environmental wellbeing).
2) 40 percent ceiling under FERA was removed.
3) Registrations under Monopolistic and Restrictive trade practices were removed.
4) Two routes of FDI approval were introduced a) the Automatic route and b) the Government route.

There are two routes in India to receive foreign direct investment:

1) Automatic Route: Prior approval of the Government or Reserve of India is required.
2) Government Route: The activities not covered under the automatic route need approval from the Government, which are considered by the foreign investment promotion board, Department of economic affairs, and Ministry of Finance. (A paper published by the Reserve Bank of India)

Table 3: Examples of 10 sectors under the Automatic route

No:	**Sectors/Activity:**	**Cap:**
1	Agriculture	100%
2	Plantation sector	100%
3	Mining and Exploration of metal and non-metal ores	100%
4	Manufacturing	100%
5	Airports Greenfield	100%
6	Airports Brownfield	100%
7	Duty-free shops	100%
8	White-level ATM operations	100%
9	Insurance	49%
10	Power Exchanges	49%

Source: Made by Author (data collected from Department for Promotion of Industry and Internal Trade)

Table 4: Few examples of sectors under the government route

No:	Sectors/Activity:	Cap/ Government approval:
1	Defense	100%, Government approval beyond 49%
2	Uploading /streaming news and current affairs through digital media.	26% / up to 26%
3	Telecom Services	100% / Beyond 49%
4	Private security agencies	74% / Beyond 49%
5	Banking Public Sector	20% / Up to 20%

Source: Made by Author (data collected from Department for Promotion of Industry and Internal Trade)

Table 5: Sector wise FDI limits

Sr.no	Sector	FDI Limit	Remarks and routes
1	**Agriculture & Animal Husbandry** • Floriculture, Horticulture, Apiculture, and Cultivation of Vegetables & Mushrooms under controlled conditions • Development and Production of seeds and planting material • Animal Husbandry (including breeding of dogs), Pisciculture, Aquaculture • Services related to agro and allied sectors	**100%**	**Automatic**
2	**Plantation Sector** • Tea sector, including tea plantations • Coffee plantations • Rubber plantations • Cardamom plantations • Palm oil tree plantations • Olive oil tree plantations	**100%**	**Automatic**
3	**Mining** Mining and Exploration of metal and non-metal ores, including diamond, gold, silver, and precious ores, but excluding	**100%**	**Automatic**

	titanium-bearing minerals and their ores		
4	**Mining (Coal & Lignite)**	**100%**	**Automatic**
5	**Mining** Mining and mineral separation of titanium-bearing minerals and ores, its value addition, and integrated activities	**100%**	**Government**
6	**Petroleum & Natural Gas** Exploration activities of oil and natural gas fields, infrastructure related to marketing of petroleum products and natural gas, marketing of natural gas and petroleum products, etc	**100%**	**Automatic**
7	**Petroleum & Natural Gas** Petroleum refining by the Public Sector Undertakings (PSU), without any disinvestment or dilution of domestic equity in the existing PSUs.	**49%**	**Automatic**
8	**Defence Manufacturing**	**100%**	**Automatic up to 49%** **Above 49% under Government route** in cases resulting in access to modern technology in the country

9	**Broadcasting** • Teleports(setting up of up-linking HUBs/Teleports) • Direct to Home (DTH) • Cable Networks (Multi System operators (MSOs) operating at the National or State or District level and undertaking upgradation of networks towards digitalization and addressability • Mobile TV • Head end-in-the Sky Broadcasting Service(HITS)	**100%**	**Automatic**
10	**Broadcasting** Cable Networks (Other MSOs not undertaking upgradation of networks towards digitalization and addressability and Local Cable Operators (LCOs))	**100%**	**Automatic**
11	**Broadcasting Content Services** • Terrestrial Broadcasting FM (FM Radio) • Up-linking of 'News & Current Affairs' TV Channels	**49%**	**Government**
12	**Up-linking of Non-News & Current Affairs' TV Channels/ Down-linking of TV Channels**	**100%**	**Automatic**
13	**Print Media** • Publishing of newspapers and periodicals dealing with news	**26%**	**Government**

	and current affairs • Publication of Indian editions of foreign magazines dealing with news and current affairs		
14	Publishing/printing of scientific and technical magazines/specialty journals/ periodicals, subject to compliance with the legal framework as applicable and guidelines issued in this regard from time to time by the Ministry of Information and Broadcasting.	**100%**	**Government**
15	Publication of facsimile editions of foreign newspapers	**100%**	**Government**
16	**Civil Aviation – Airports** Green Field Projects & Existing Projects	**100%**	**Automatic**
17	**Civil Aviation – Air Transport Services** • Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline • Regional Air Transport Service (Foreign Airlines are barred from Investing in Air India)	**100%**	**Automatic up to 49%** **Above 49% under Government route** **100% Automatic for NRIs**
18	**Civil Aviation** • Non-Scheduled Air Transport Service • Helicopter services/seaplane	**100%**	**Automatic**

	services requiring DGCA approval • Ground Handling Services subject to sectoral regulations and security clearance • Maintenance and Repair organizations; flying training institutes; and technical training institutions		
19	**Construction Development: Townships, Housing, Built-up Infrastructure**	**100%**	**Automatic**
20	**Industrial Parks (new & existing)**	**100%**	**Automatic**
21	**Satellites- establishment and operation, subject to the sectoral guidelines of the Department of Space/ISRO**	**100%**	**Government**
22	**Private Security Agencies**	**74%**	**Automatic up to 49%** **Above 49% & up to 74% under Government route**
23	**Telecom Services**	**100%**	**Automatic up to 49%** **Above 49% under Government route**
24	**Cash & Carry Wholesale Trading**	**100%**	**Automatic**
25	**E-commerce activities** (e-commerce entities would engage	**100%**	**Automatic**

	only in Business to Business (B2B) e-commerce and not in Business to Consumer (B2C) e-commerce.)		
26	**Single Brand retail trading** Local sourcing norms will be relaxed for up to three years. A relaxed sourcing regime for another five years for entities undertaking Single Brand Retail Trading of products having 'state-of-art' and 'cutting edge' technology.	**100%**	**Automatic up to 49%** **Above 49% under Government route**
27	**Multi Brand Retail Trading**	**51%**	**Government**
28	**Duty-Free Shops**	**100%**	**Automatic**
29	**Railway Infrastructure** Construction, operation, and maintenance of the following • Suburban corridor projects through PPP •High-speed train projects • Dedicated freight lines • Rolling stock, including train sets, and locomotives/coaches manufacturing and maintenance facilities • Railway Electrification • Signaling systems • Freight terminals • Passenger terminals • Infrastructure in the industrial	**100%**	**Automatic**

	park pertaining to railway lines/sidings including electrified railway lines and connectivity to the main railway line • Mass Rapid Transport Systems.		
30	**Asset Reconstruction Companies**	**100%**	**Automatic**
31	**Banking- Private Sector**	**74%**	**Automatic up to 49%** **Above 49% & up to 74% under Government route**
32	**Banking- Public Sector**	**20%**	**Government**
33	**Credit Information Companies (CIC)**	**100%**	**Automatic**
34	**Infrastructure Company in the Securities Market**	**49%**	**Automatic**
35	**Insurance** • Insurance Company • Insurance Brokers • Third Party Administrators • Surveyors and Loss Assessors • Other Insurance Intermediaries	**49%**	**Automatic**
	Pension Sector	**49%**	**Automatic**
37	**Power Exchanges**	**49%**	**Automatic**
38	**White Label ATM Operations**	**100%**	**Automatic**
39	**Financial services activities regulated by RBI, SEBI, IRDA, or any other regulator**	**100%**	**Automatic**

40	**Pharmaceuticals (Green Field)**	**100%**	**Automatic**
41	**Pharmaceuticals (Brown Field)**	**100%**	**Automatic up to 74%** **Above 74% under Government route**
42	**Food products manufactured or produced in India.** Trading, including through e-commerce, regarding food products manufactured or produced in India.	**100%**	**Government**

Source: Made by Author (Data collected from the department for the promotion of Industry and Internal trade)

1. Prohibited Sectors

FDI is prohibited in the following sectors:

- Lottery Business, including Government/private lottery, online lotteries, etc.
- Gambling and Betting, including casinos, etc.
- Chit funds
- Nidhi company
- Trading in Transferable Development Rights (TDRs)
- Real Estate Business or Construction of Farm Houses (Real estate business does not include development of townships, construction of residential /commercial premises, roads or bridges)
- Manufacturing of cigars, cheroots, cigarillos, and cigarettes, of tobacco or of tobacco substitutes
- Activities/sectors not open to private sector investment, e.g., Atomic Energy and Railway operations (other than permitted activities) (Source: Department for Promotion of Industry and Internal Trade, Government of India)

As a part of the Chinese economic reform, FDI has always played a vital role in the nation's economic growth. China opened up its economy to attract massive capital inflow. Government policies were designed in such a way as to catalyze joint ventures by using foreign funds. The policies majorly focused on export-oriented joint ventures. China's FDI policy can be studied in three stages:

1) Gradual and limited opening
2) Active promotion
3) Promoting FDI according to the domestic industrial needs

FDI in China has seen many phases, the most important being the peak of the 1990s. China was the most significant host for a lot of developing countries. The Major types of FDI in China are:

1) Equity joint ventures
2) Contractual joint ventures
3) Wholly-owned enterprises

Analyzing the data on the trends in China, one can clearly say that FDI is an essential constituent of macroeconomic development.

Tracing back to the 1990's FDI was a success story lodged in the books for China. FDI stocks shot over $300 billion by the end of 1999. But before that, in 1979, the Chinese economy was airtight for foreign investors.

Due to the rigid policies, China's economic condition showed disastrous results, so China had to seek access to foreign funds. There needed to be a participation formula for the hotel and tourism industry of the Chinese government. They didn't even allow foreign technology where it was majorly needed (oil field exploration).

The economic inflows from the FDI played an essential role in China's success.

China always engages in export-oriented activities, which is why there is always a constant flow to boost the economy. China tends to use minimum labor with a low infusion of funds and create a high output level, this makes China achieve much industrial profit.

Before the economy's opening 40 years ago, China had policies that made the economy very poor, stagnant, centrally controlled, and economically inefficient. The economy of China was relatively isolated from the rest of the world. Still, once it opened up for the rest of the world by implementing market reforms and by investing in the economy with free-market reforms, China has been among the world's fastest-growing economies, with a gross GDP of 9.5% through 2018. This was the most rapid, sustained expansion by an economy in history. This growth enabled China to double its GDP every eight years, and this helped China to drag 800 million people out of poverty. China has become the largest economy with respect to purchasing power parity and as well as a country with the largest population in the world. This makes China a unique destination for getting cheap labor at cheap rates. With this, China has become the major commercial partner of the United States and many other developed nations. China is the biggest merchandise trading partner of the United States. As a sign of the maturity of the Chinese market, the GDP growth has slowed significantly from 14.2 in 2007 to 6.6% in 2018. And recently, the IMF has predicted that the GDP will further fall to 5.5% by 2024. The Chinese government has naturally accepted this new phenomenon and is formulating policies surrounding these recent changes. The Chinese government has prioritized innovation in its economic planning through a new initiative called Make in China 2025. In 2017 surprisingly, the Trump administration launched a section called 301 investigations of China's innovation and intellectual property policies deemed harmful to the United States' economic interest. This led to an increase in tariffs by 25% on $250 billion worth of imports from China. This made China counter it by increasing the tariff rates by 5- 25% on $110 billion worth of imports from the United States. This came as a shocker for the Chinese government as the United States is one of the largest trading partners of China. If one looks at China's economy prior to reforms, it can be seen that under the leadership of Chairman Mao Zedong, China maintained a centrally planned economy. A large part of the economic output was majorly controlled by the state, which, in turn, set production goals, held prices, and limited allocated resources throughout the economy. Before the opening of the economy, the Chinese economy was impoverished. The Chinese market started growing after a free open market for foreign entry. The state got so drawn to attract foreign investment that it neglected the domestic players, resulting in China's domestic industries suffering a lot. According to the Chinese government, China's real GDP grew at an average annual rate of 6.7% from 1953 to 78. This data from the Chinese official received much criticism, according to economist Angus Madison, the data by the Chinese officials were exaggerated, according to her, during this time period, the average annual GDP of China was 4.4%.

Chinese economy started proliferating, forcing many economists to debate whether the Chinese economy would overtake the economy of the United States. In 2018 the GDP of China in nominal United States dollars was 13.4 trillion, which was 65.3% of the size of the United States' economic activities - Chinese per capita GDP in nominal dollars was 9608 dollars which was 15.3% of the US per capita level.

According to economist Angus Madison China was the largest economy in the world in 1820. The entire economy of China was estimated to be 32.9% of the global GDP. First, however, due to foreign and civil wars, internal strife, weak and ineffective government, and distortive economic policies caused a significant fall in China's GDP and reduced Purchasing power parity.

China's trade Witnessed a surge in the FDI from the beginning of the early 90s. Reports suggest that there were 4,45,244 foreign-invested enterprises registered in China in 2010. They employed Around 55.2 million workers or 15.9% of the urban workforce. Foreign-invested enterprises account for a significant output level of 2.3% in 1990 to a high of 35.9% in 2003. Given the slow growth of China's economy, this number fell to 25.9% in 2011. At the peak, these foreign enterprises were responsible for 58.3% of Chinese exports in 2005 and 59.7% of the imports.

Table 6: A Comparison between the economic parameters

Sr.no		China	United States
1	Nominal GDP ($ billions)	13,407	20,494
2	GDP in PPP ($billions)	25,270	20,494
3	Nominal per capita GDP ($)	9,608	62,606
4	Per Capita GDP PPP ($)1	18,110	62,606

Source: Prepared by Author, data collected from IMF, World Economic Forum

On comparing both the Chinese and Indian economies in the current time, one can see the gap between the inflows for both countries are narrowing, but it's still on the higher side. To bridge the gap, policymakers need much brainstorming. One can learn a lot from different economies, but the implementation in different government settings gets challenging. Every nation can learn from China's elaborative growth due to FDI. But it becomes pretty tricky to apply strategies from a communist country to a country with a democratic setting. India and China have their fair share of challenges. Still, despite that, given the population's size and cheap labor availability, India and China are the most desired destination for countries willing to invest.

China has repeatedly bragged about the largest share of FDI inflows the country has received in the list of developing nations. With 90% of the funds used in Greenfield projects by developing nations. On analyzing the trends, it is noticeable that FDI plays a vital role in the development of the economy.

China has been the world's largest developing host nation since 1993, as is evident. As can be seen, China has amassed FDI totaling more than $500 billion. Joint ventures, active enterprises, and wholly foreign-owned firms are the key FDI processes in China.

Foreign-owned businesses had not previously been included in China's economic policy, but after observing how the country's significant competitors responded, China chose to lift this prohibition.

The primary sources of FDI in China are East Asia, specifically Hong Kong, the most critical origin of China's FDI. Hong Kong received FDI of around dollar 204.9 billion. The statistical data also provides us with the idea that Taiwan plays an important role in shaping the economy of China, Taiwan accounted for around $33.1 billion. Taiwan is the second most crucial place to originate China's FDI.

If analyzed carefully, it is visible that 80% or more of the FDI in China goes to Greenfield investments, most of which are part of the manufacturing industry. If calculated, it can be seen that 70% of the total FDI projects belong to the manufacturing industry.

It can be said that China has always had a very hostile and aggressive regulation related to foreign investment.

China's FDI policy falls in the category of Favorable, which is why foreign-invested enterprises enjoy much liberty in China. China gives a lot of priority to foreign enterprises. On the other hand, if domestic industries are to be considered, it can be seen that the gap between the household sector's growth and the foreign-invested enterprises is enormous. The foreign investor's enterprises enjoy a lot of liberty and benefit compared to the domestic industries established in China.

China mainly encourages FDI for the following reasons:

As a matter of fact, developing countries mostly depend on agriculture for their sustenance, China makes sure that it spends the revenue received from FDI for the modernization of agriculture.

To run a country, transportation plays a vital role. It helps with the movement of the materials from one corner to another and also helps manage the supply of raw materials for the smooth running of the industries. China primarily invests in creating a robust infrastructure to maintain a smooth supply chain.

With the emergence of 5G, supercomputers, and genetically modified crops, it is essential for a country to remain technologically advanced. It becomes challenging for a country to handle everything on the home front as the reason of which China encourages foreign direct investment to get hands-on experience in cutting-edge technology bioengineering, new technological advancement in the sector of aviation and aerospace, and also establishment of further research and development wings to garner new technologies.

Human beings are social animals it is complicated for them to stay secluded from the rest of the World. The same is the principle for a country, too. It is challenging for a country to remain secluded from technological advancement, discovery, scientific knowledge, invention, and innovation. The reason of which China encourages foreign direct investment is to experience different improvements taking place in other parts of the world.

It took nearly 25 years for China to be ranked 4th among the other countries in the world it was in the year 2003, China made it to the international trade chart, which led to a quick rise in China's trading power.

China's export value in the year 1986, which the foreign-invested enterprises contributed, stood at 1.94% of China's total export value. In the year 2003, it rose to 54.81%. Between 1986 and 2003, foreign investor enterprises contributed up to 58.8% of China's total export value.

As seen from the figures, China's FDI policies have been quite fruitful in increasing the GDP of the nation. But before entering the membership of WTO, China's policy was relatively mundane and restrictive. Earlier foreign investors enterprises entered the Chinese economy because of the lower production cost irrespective of the restrictive policies. But after the ease of restrictions, many companies Decided to make China a host country for the manufacturing sector.

Before gaining WTO membership, China had maintained a very high tariff level to be more specific, it can be said that, on average, the level was 55.6% in 1982 and 43.2% in 1992, after a much-needed reform in the tax system of China in the year 1994 At 17 percent VAT plus a 10% excise tax.

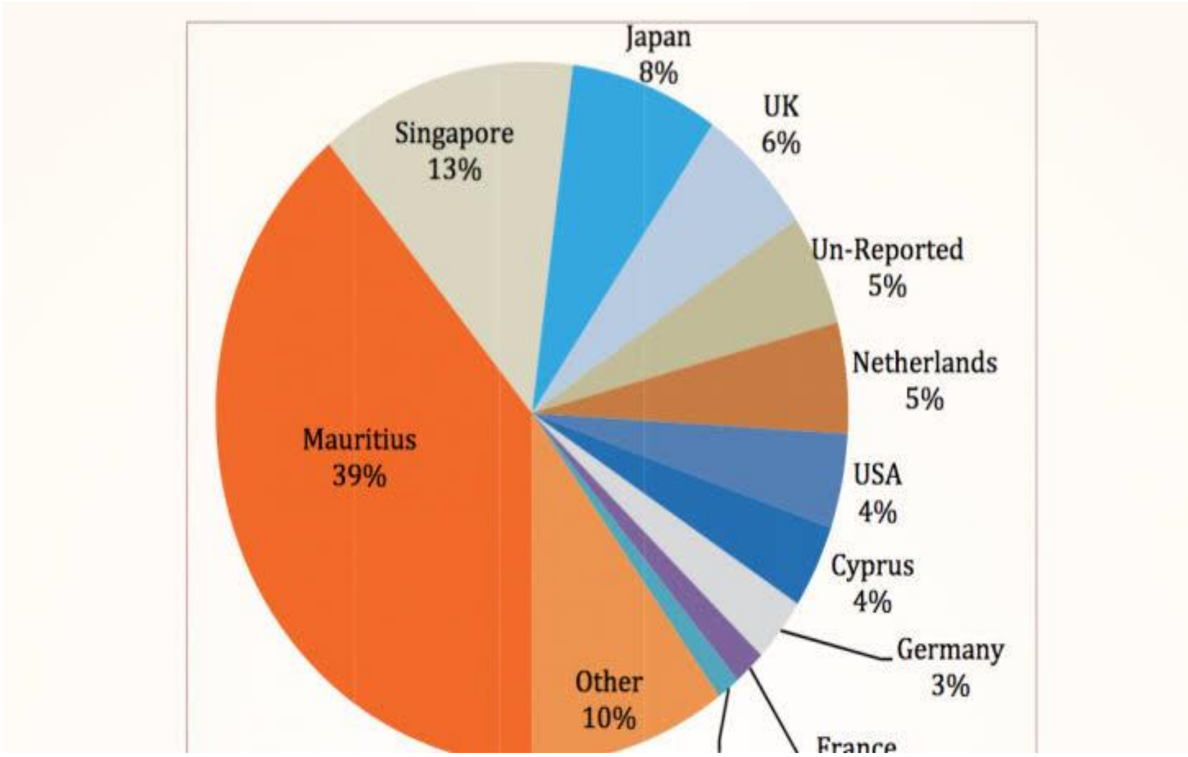


Figure 6: Countries that are contributing to the GDP of India, Source: Economic Times.

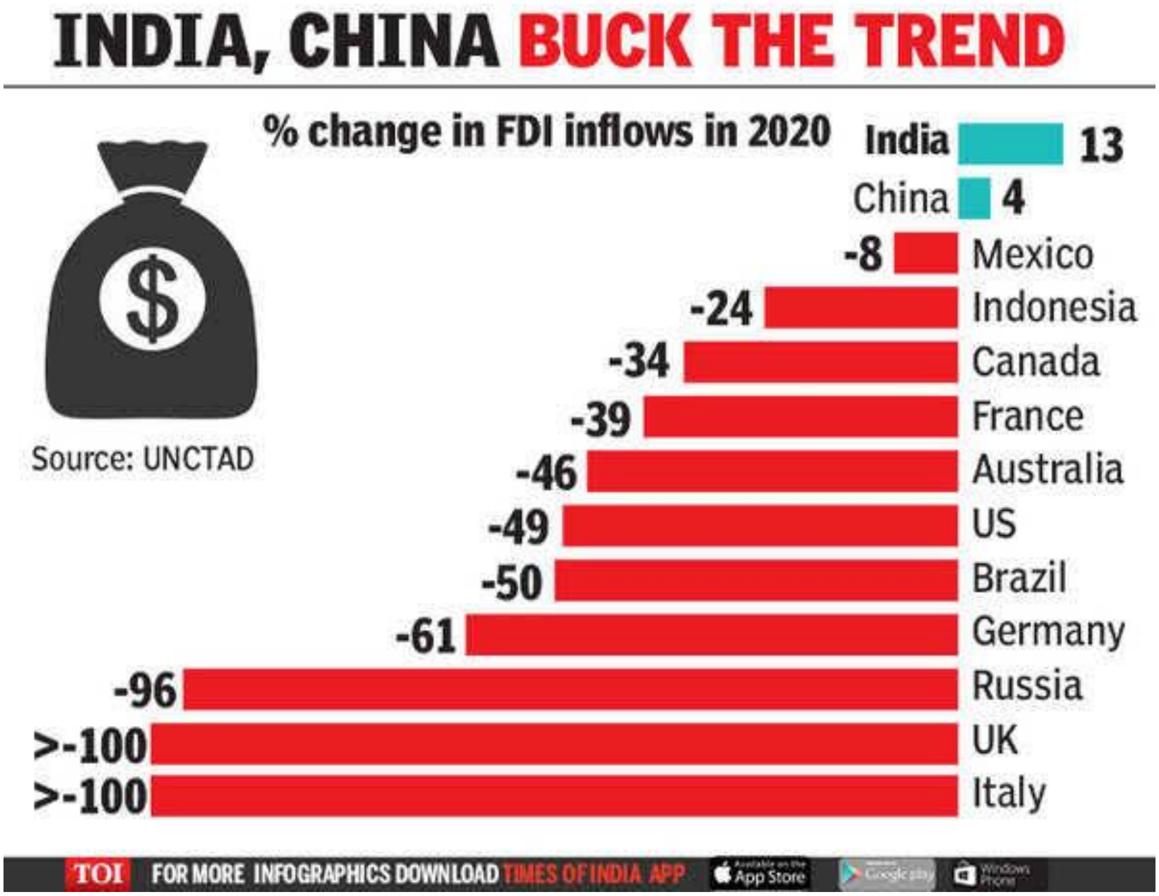


Figure 7: Percentage change in FDI inflows in 2020; Source: Times of India

Table 7: Data on the significant 10 sources of FDI inflows to China from 1979-2017

Sr.no	Country	Amount (in billions of $)
1	Hong Kong	1,241
2	British Virgin Island	286
3	Japan	165
4	Singapore	108
5	Germany	87
6	South Korea	73
7	US	72
8	Cayman Islands	49
9	The Netherlands	37
10	Taiwan	33

Source: Prepared by Author, Data collected from IMF coordinated direct investment survey

CHAPTER FIVE

RESEARCH METHODOLOGY

RESEARCH METHODOLOGY

This report will collect most of the data from available secondary sources. The data and factsheets will be available with the Reserve Bank of India, Department for Promotion of Industry and Trade, Ministry of Finance, and Ministry of Commerce. For the data on the Chinese economy, different research papers will be available for the large part. These data will be thoroughly analyzed and compiled into tables, graphs, and charts to show growth projections for both countries. The policies will be examined in the paper, and how both countries manage with different sets will be portrayed.

5.1. Types of research that can be used.

Research methodologies include organized ways to gather, examine, and evaluate data for various research projects. Quantitative research uses numerical data and statistical analyses to find patterns and links, providing accuracy and statistical validity. Through techniques like interviews and content analysis, qualitative research, in contrast, dives into subjective experiences and meanings and offers insightful contextual information. The experimental research strategy establishes cause-and-effect linkages by changing variables, but the mixed-methods approach combines quantitative and qualitative methodologies to obtain a holistic understanding.

Case study research provides in-depth analyses of particular cases, while survey research collects information from a large sample to provide insights into opinions and attitudes. Action research works in tandem with practitioners to progressively address problems in the real world. The study objectives, available funding, and phenomena being studied play a role in the method selection. Some researchers may combine approaches for a more comprehensive view.

5.2. The Research Process

As it studies the data sets found in various government publications, this paper more or less focuses on quantitative research methodologies. This report includes a compilation of secondary sources and additional research papers that can be expanded upon.

This essay helps the reader comprehend the critical analytics related to the basics of FDI, GDP, and national economic development. When analyzing the trends, two key players are engaged. They can be distinguished as the host nation and the investor nation.

The problem statement and the purpose of the paper's authoring were stated at the outset of the research. The research questions were developed following the formulation of the problem outline. This paved the way for future investigation of the relationship between FDI, GDP, and economic growth.

Rich declarations made accessible by the governing bodies of India and China's Republican Party served as the source of the critical information for this research. Vital reports from the Reserve Bank of India and the Central Bank of China were acquired and calibrated to understand the relationship between the abovementioned criteria.

These data were transformed into graphs, tables, and charts to demonstrate specific relationships when necessary.

One can detect a favorable association between the three parameters taken into consideration after connecting the problem definition and the hypothesis.

India and China have the highest populations in the world, making them nations with an excess of labor. They are frequently a profitable choice for many international investors because of their advantage in labor endowments.

This research aims to demonstrate how FDI increases the GDP of the host country by inadvertently spurring economic growth.

The data and facts are meticulously examined with patience and clarity to avoid mistakes and demonstrate the precise contribution of the host nation's resources.

CHAPTER SIX

FOREIGN DIRECT INVESTMENT(FDI) ANALYSIS

6.1. THE INCOME DISTRIBUTION PROBLEM FACED BY DEVELOPING COUNTRIES

The divide between the rich and the poor in India is quite prominent. People with low incomes cannot even sustain a bare minimum sustenance. The top 10% own 64.6 percent of the country's wealth, and the bottom 50% owns 5.9% of India's wealth.

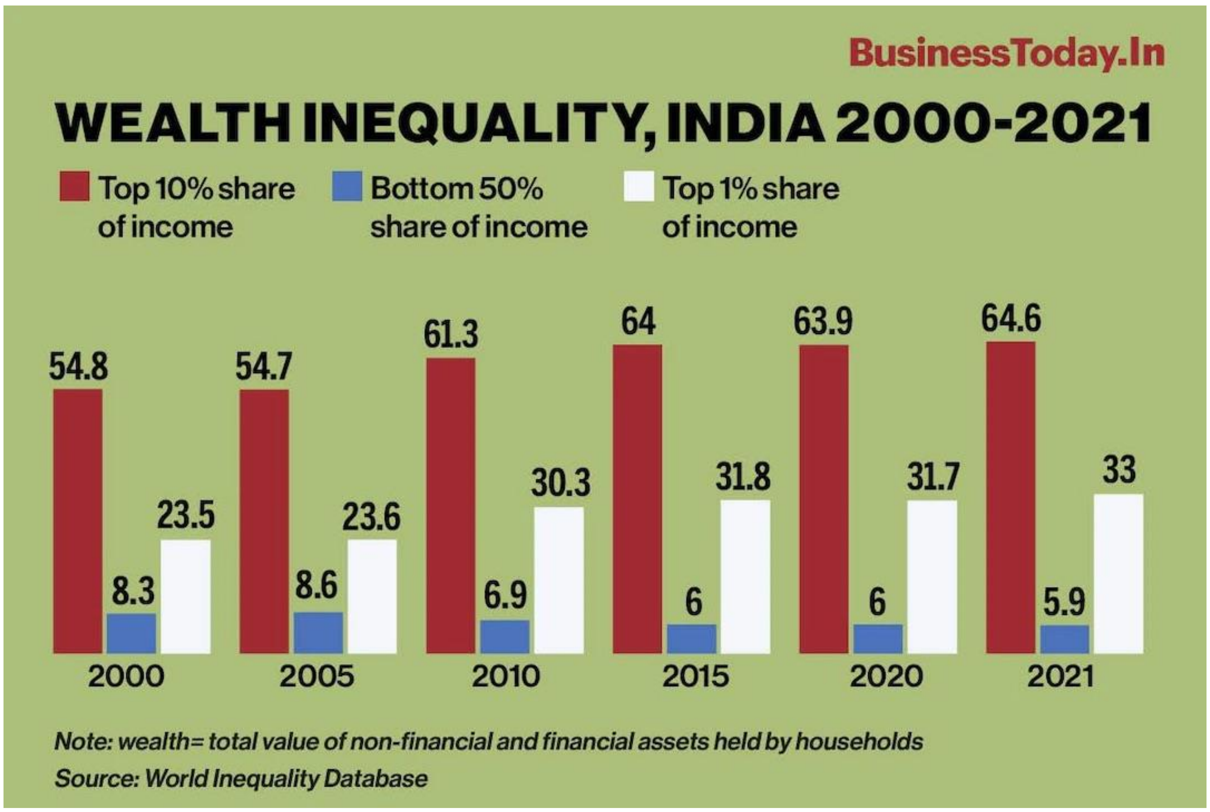


Figure 8: Wealth Inequality; Source: Business Today, wealth inequality illustration.

The above image shows that the rich in India are getting richer, and the poor are getting poorer.

The world bank data portrayed that the income distribution gap between the rich and the poor is alarmingly increasing. The top 10% of the population owns the maximum wealth in China. The wealthiest 10 percent owned 62 percent of the national wealth, whereas the richest 5% owned more than 50%.

While calculating the GDP of the country, one can see positive growth, these countries are economically growing, but they need to be developing in the true sense, to bridge the gap between the rich and poor, it will take a considerable thrust.

The Gini index calculates the deviation from a perfectly equal distribution of income (or, in some circumstances, consumer expenditures) across people or households within an economy. Starting with the lowest person or household, a Lorenz curve shows the cumulative percentages of total income received versus the cumulative number of beneficiaries. As a percentage of the most significant area under the line, the Gini index calculates the distance between the Lorenz curve and a fictitious line of absolute equality. Since perfect equality is represented by a Gini index of 0, perfect inequality is implied by a Gini index of 100.

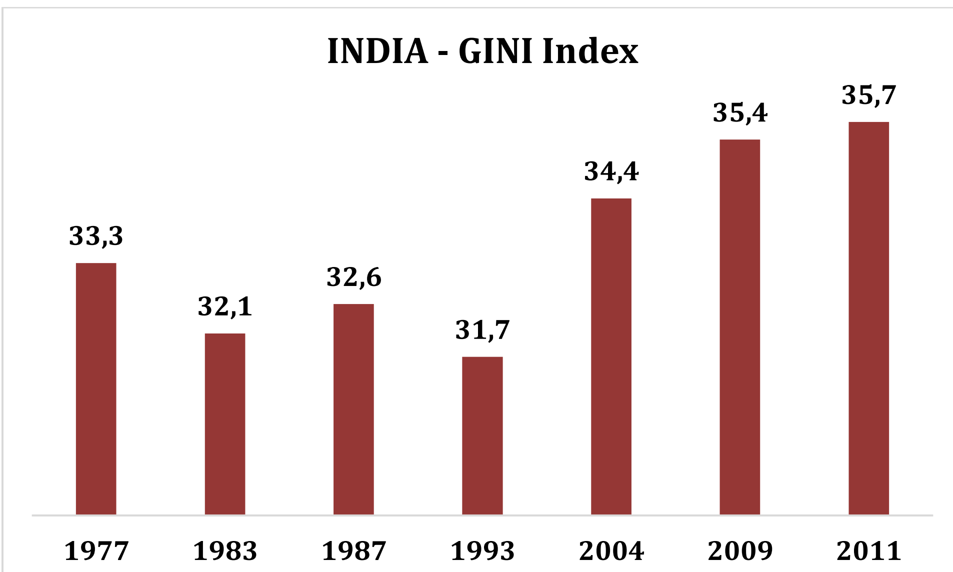


Figure 9: GINI Index for India; Source: Made by Author.

On analyzing the figure, it can be seen that India had quite a fair share of ups and downs in the inequality of income distribution. Still, when traced back to 1991, after the opening of the economy, one can see that the inequality between the rich and the poor has increased evidently.

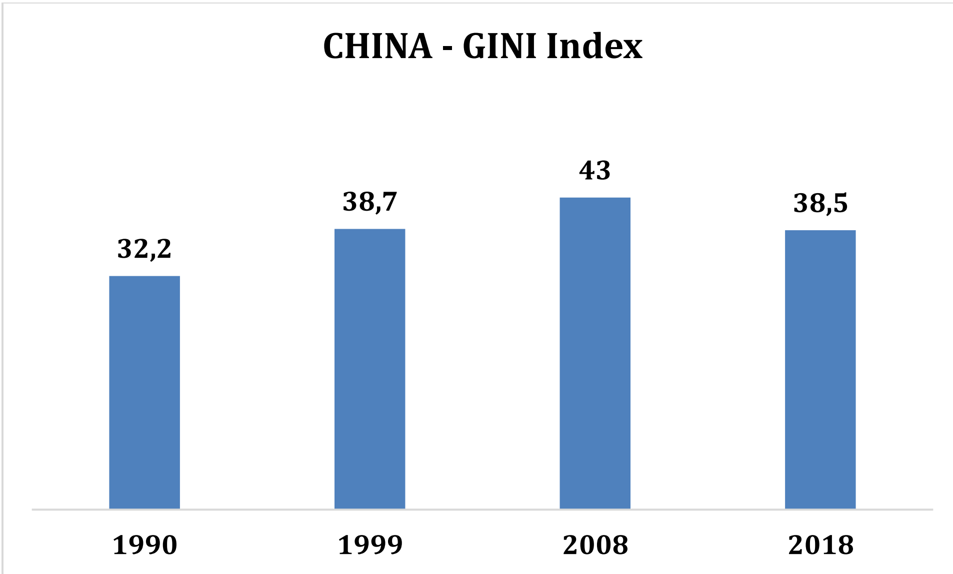


Figure 10: GINI Index for China; Source: Made by Author.

The inequality between the rich and the poor is high in the above figure.

The national poverty headcount ratio is the percentage of the population living below the national poverty line(s). National estimates are based on population-weighted subgroup estimates from household surveys. For economies for which the data are from EU-SILC, the reported year is the income reference year, which is the year before the survey year.

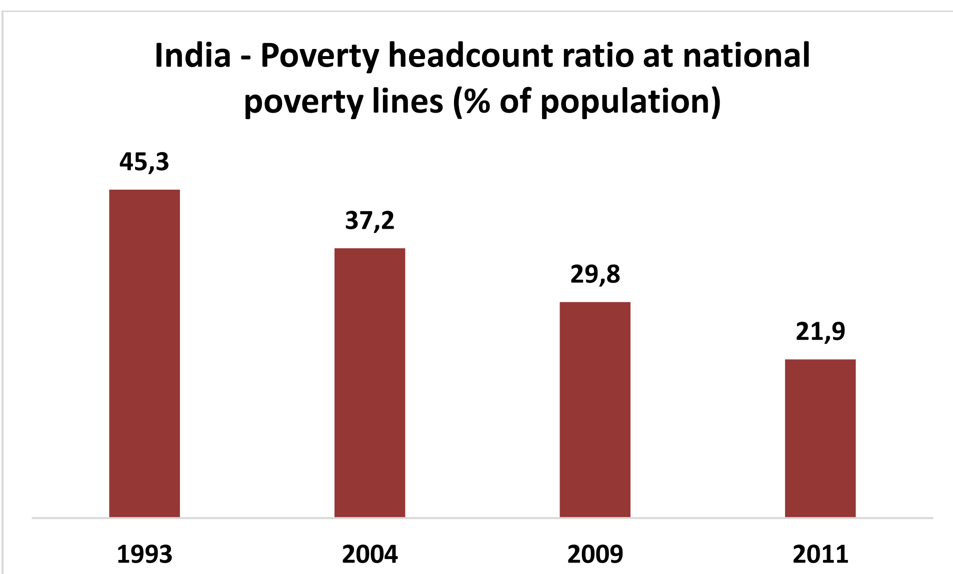


Figure 11: Poverty Headcount Ratio for India; Source: Made by Author.

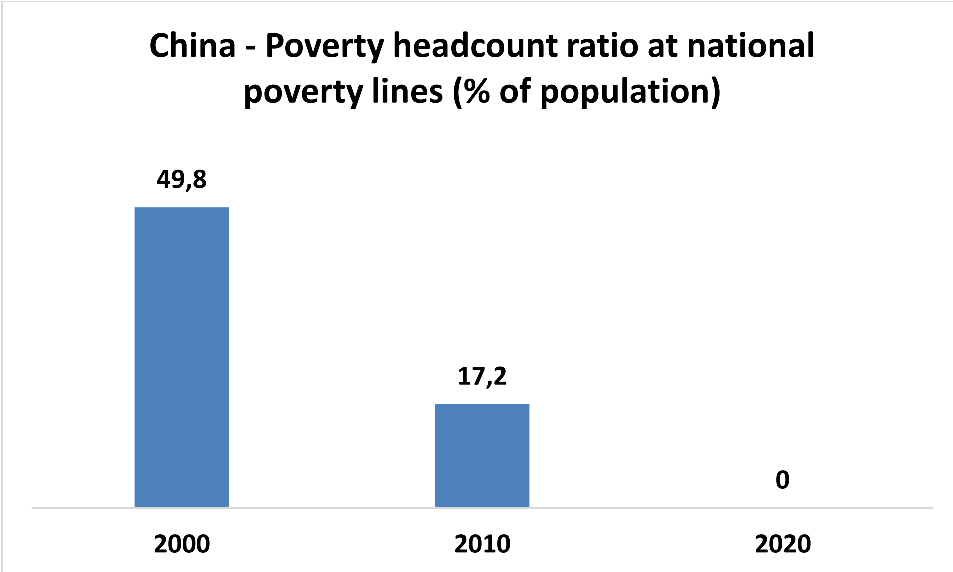


Figure 12: Poverty Headcount Ratio for China; Source: Made by Author.

The gap between the rich and poor is so huge that it never gets displayed in the actual growth projections of the country. The country's GDP may be increasing, but there will be a set of people in the society who will be struggling even to put a proper meal on their plate.

6.2. How FDI helps this section of society?

To end this vicious cycle of poverty, little fund circulation won't greatly help. Instead, a big thrust in the form of capital is required. Here FDI plays a vital role in shaping the country's economy. The increased money flow will create employment opportunities and improve living standards.

Figure 13: Flow of Income Cycle; Source: Made by Author.

As seen in the above chart, low-wage workers employed by businesses typically need help to conserve money after paying for their basic needs. It can be seen from the figure that the industrial firm pays laborers' wages, which is revenue for the family. To maintain the family's lifestyle, the family may spend money on things like food, clothing, and rent, depicted in the above diagram as an expenditure, and return to the industries. These households struggle greatly with saving, frequently leading to shortages, poverty, and a drop in the standard of living.

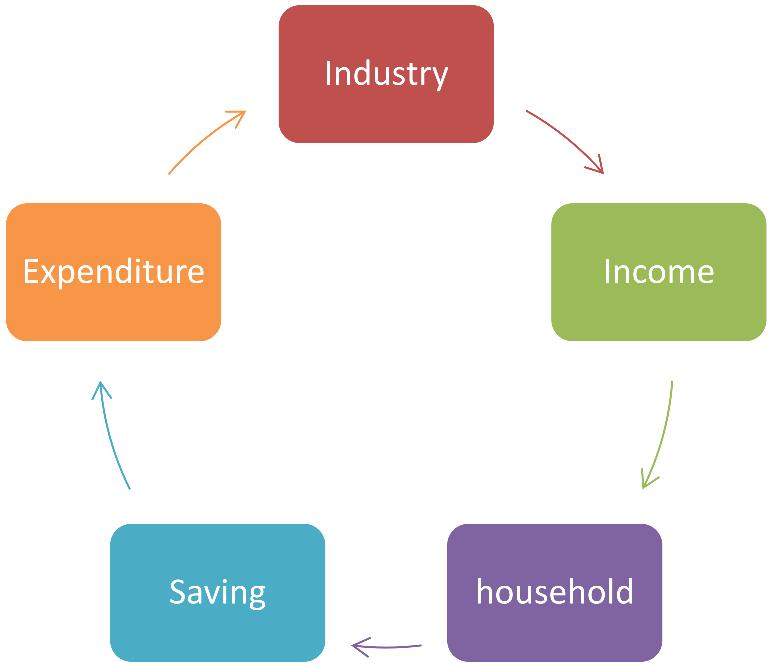


Figure 14: Income cycle after introduction of FDI; Source: Made by Author.

The above figure shows a new component," saving," added to the previous cycle. Here a thrust or push is provided in the form of FDI, which acts as business capital. The industries use this capital to establish their business and pay wages to the worker, the wages become income for the household, and the household divides the income into two parts, saving and expenditure. The saving, later on, can be used as capital to expand the businesses, and the spending is given back to the industries. Here it is evident that FDI generates employment and increases people's standard of living by pushing them gradually out of the vicious circle of poverty.

Table 3: FDI (percent of GDP)

Year Countries	INDIA	CHINA
2003	0.7	2.9
2004	0.8	2.8
2005	0.8	3.4
2006	1.9	2.8
2007	1.7	2.9
2008	1.8	2.1
2009	2.0	1.8
2010	2.1	1.6

Source: Prepared by Author, Data collected from EIU (2007)

Table 4: FDI (percent of Gross Fixed investment)

Year Countries	INDIA	CHINA
2003	2.9	7.3
2004	3.2	7
2005	2.9	8.4
2006	6.4	6.9
2007	5.2	7
2008	5.5	5
2009	5.9	4.3
2010	6	3.8

Source: Prepared by Author, Data collected from EIU (2007)

Table 5: FDI per head (in US dollars)

Year	Countries	INDIA	CHINA
2003		4	37
2004		5	43
2005		6	61
2006		16	60
2007		16	60
2008		16	64
2009		18	65
2010		19	68

Source: Prepared by Author, Data collected from EIU (2007)

Table 6: Doing Business Ranking of India 2020

Srno.	Particulars	DB Rankings
1	Overall	63
2	Starting a business	136
3	Dealing with construction permits	27
4	Getting electricity	22
5	Registering property	154
6	Getting credit	25
7	Protecting minority investors	13
8	Paying taxes	115
9	Enforcing contracts	163
10	Resolving insolvency	52

Source: Prepared by Author, Data collected from World Bank

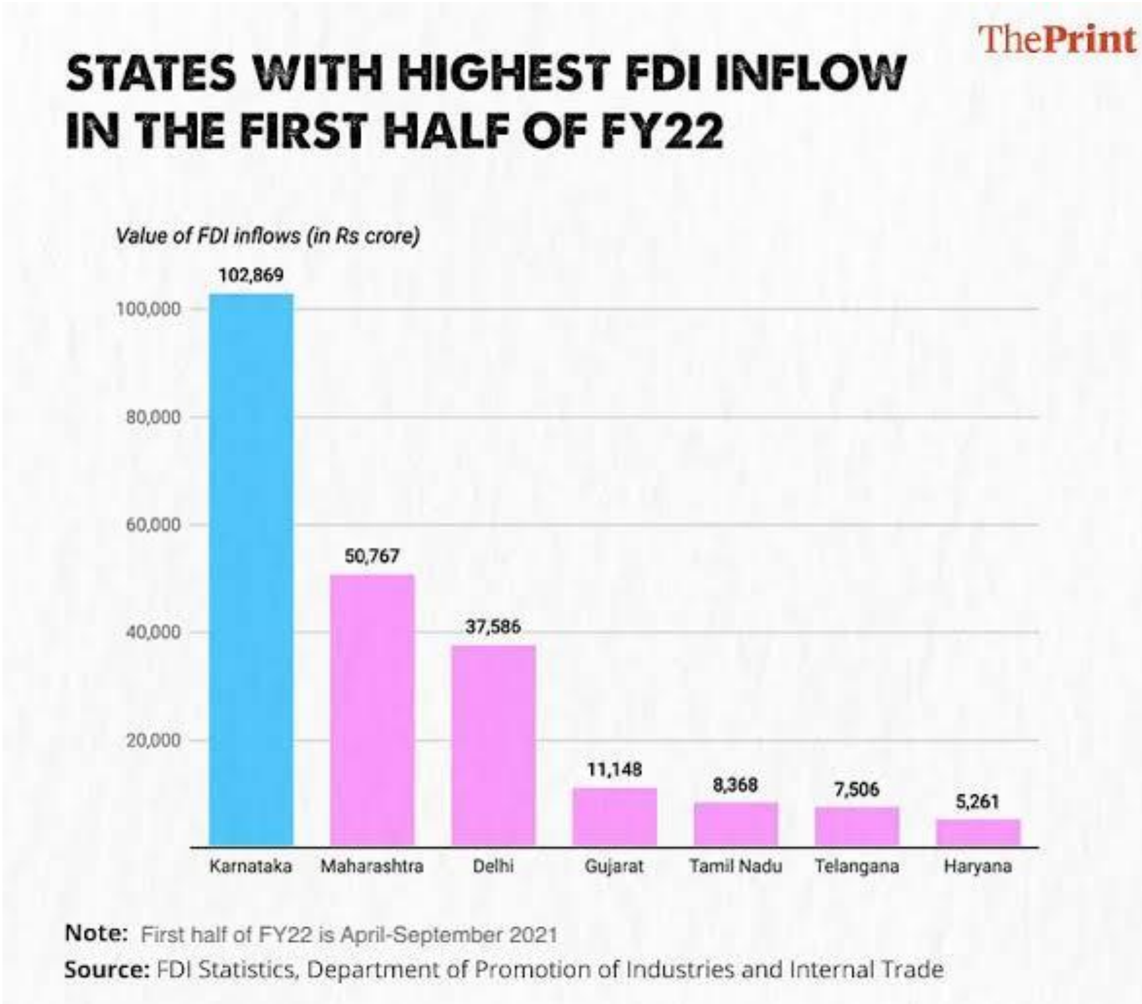


Figure 15: States with Highest FDI inflow in 1st half of FY 2022. Source: Department for Promotion of Industries and Internal Trade (DPIIT)

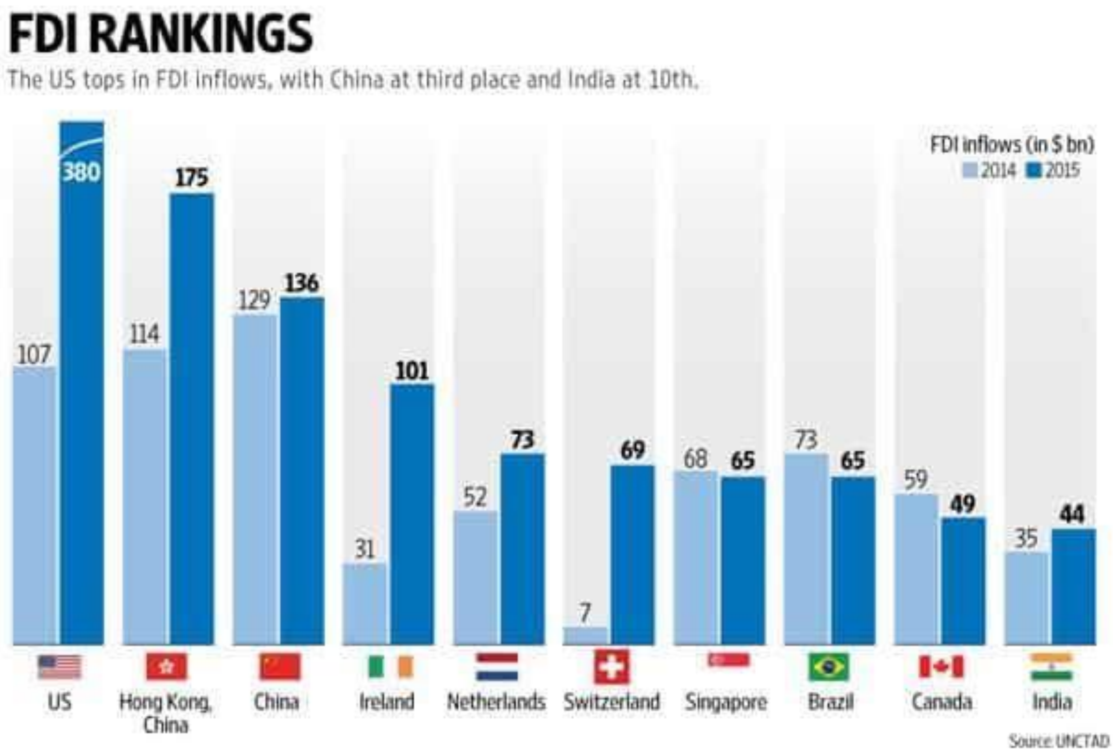


Figure 16: FDI Rankings of countries for the year 2014 and 2015; Source: Financial Times.

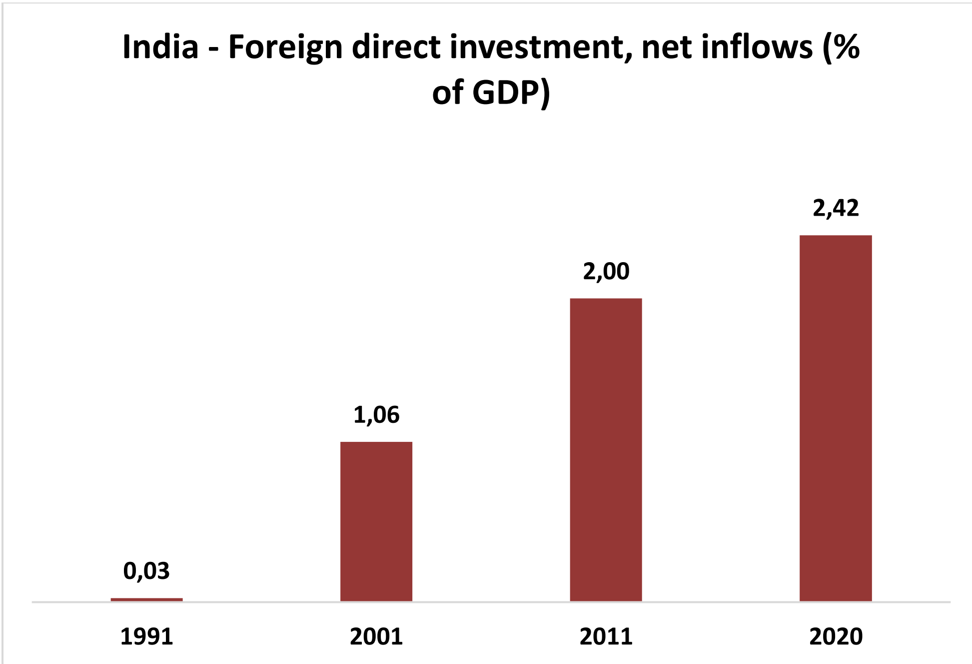


Figure 17: Foreign Direct Investment, net inflows (% of GDP); Source: Made by Author.

On analyzing the above figure, which represents the FDI inflows, and percentage of GDP, one can see that FDI inflows increase with the easing out of policies. It not only boosts the GDP of the host country but also aids in economic growth. After the opening of the Indian economy, one can see that there has been an increase in the percentage of FDI, and net inflows in the percentage of GDP.

The above figure represents an upward rising slope which can be seen at higher output levels.

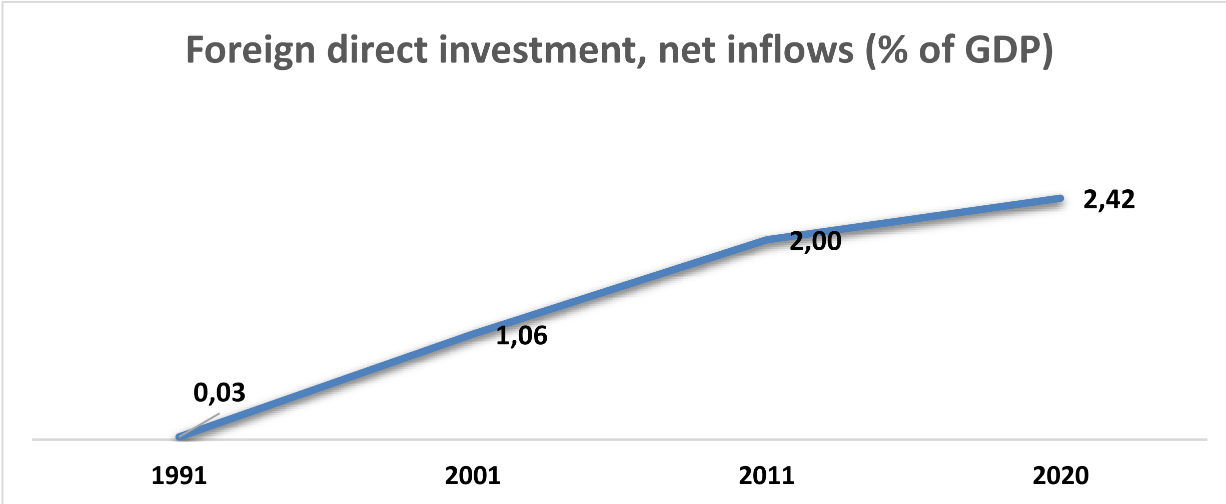


Figure 18: Foreign Direct Investment, net inflows (% of GDP); **Source:** Made by Author.

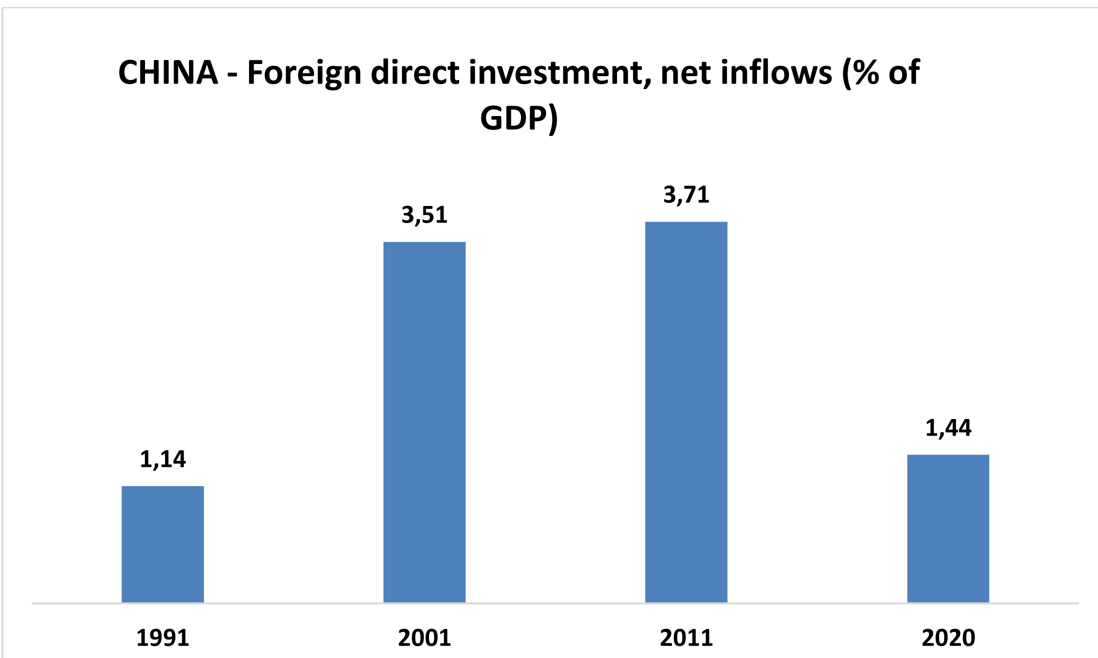


Figure 19: Foreign Direct Investment, net inflows (% of GDP); **Source:** Made by Author.

On analyzing the figure, one can see that the percentage in the share has increased in every decade in China up until 2020, the main reason for this decline is that many companies exited the Chinese market because of the Covid-19 pandemic. This has shown a slight decrease in the country's GDP compared to previous years.

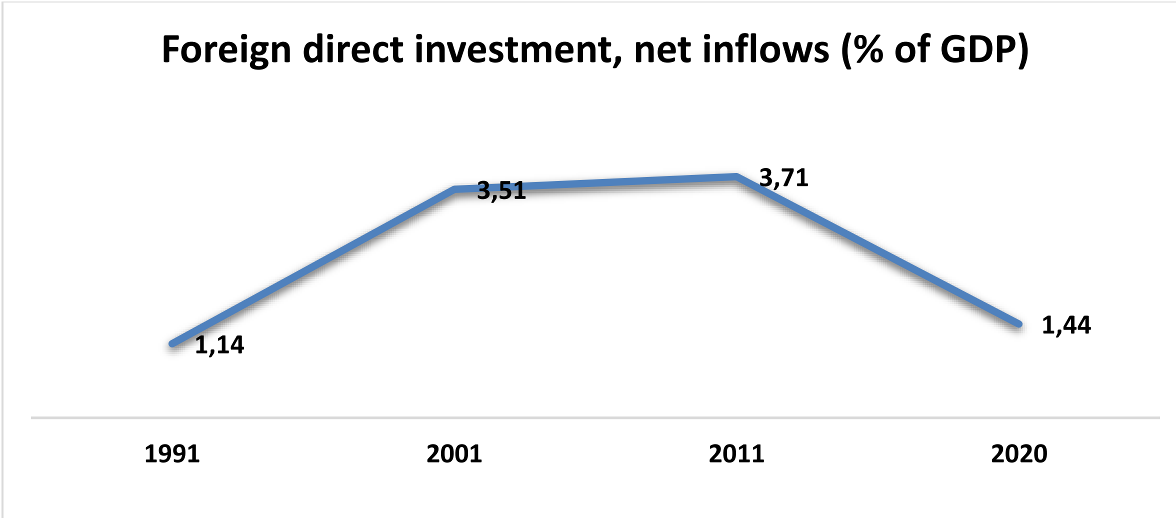


Figure 20: Foreign Direct Investment, net inflows (% of GDP); **Source:** Made by Author.

A comparison of the trends of India and China

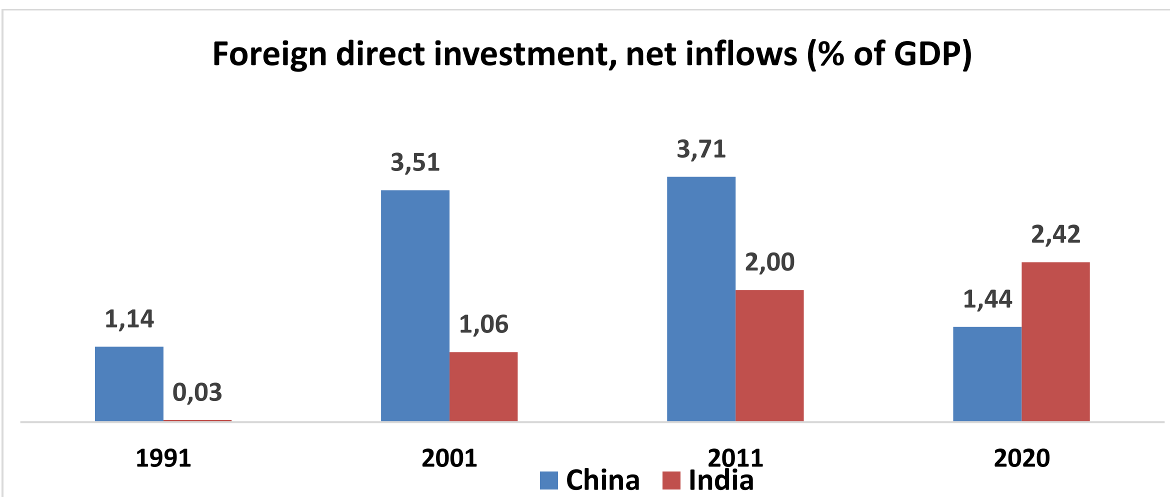


Figure 21: Foreign Direct Investment, net inflows (% of GDP); **Source:** Made by Author.

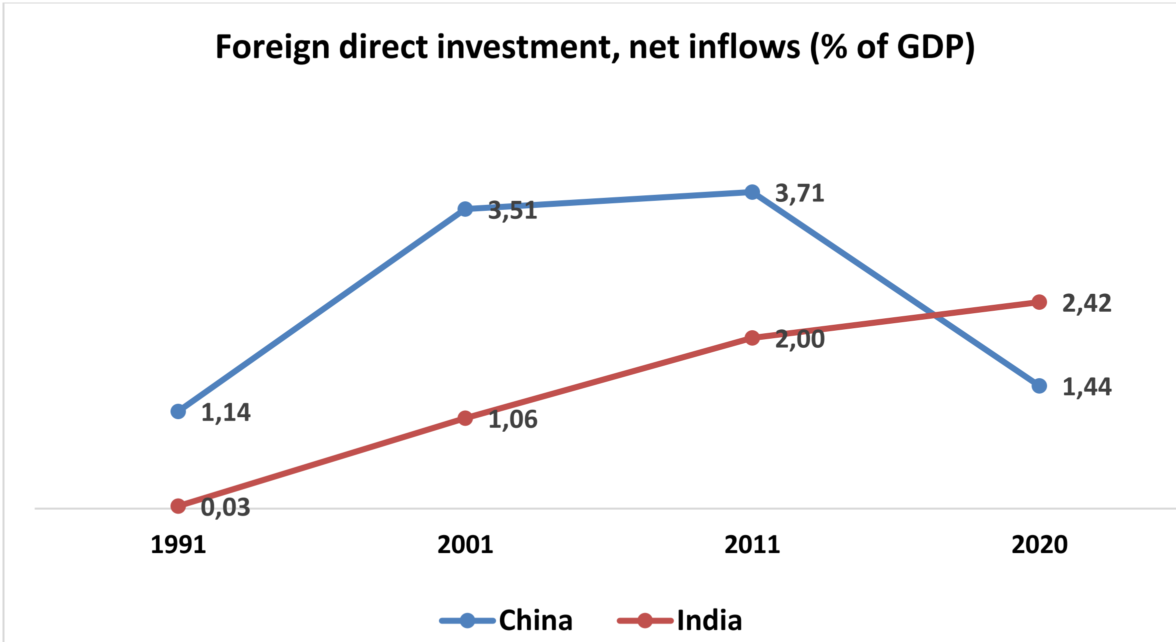


Figure 22: Foreign Direct Investment, net inflows (% of GDP); **Source:** Made by Author.

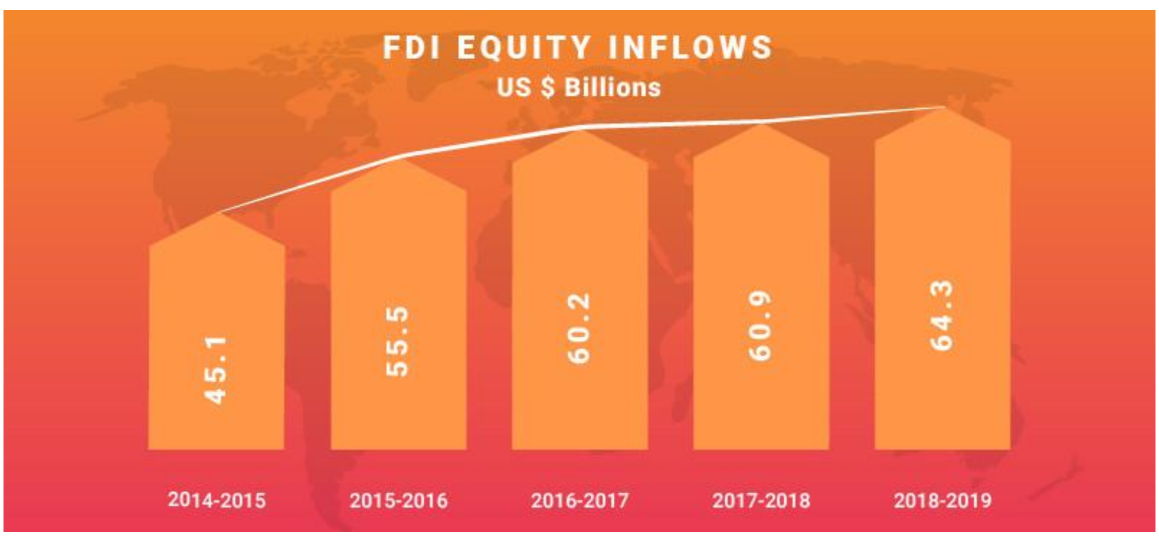


Figure 23: FDI Equity Inflows; **Source:** Invest India.

Table 8: The contribution of Indian states to the GDP of India and the specialty of the states

Sr.no	States	GSDP Figures Current price	Highlights
1	Andaman and Nicobar	$1.1bn (2017-18)	Richly endowed with 200 species of timber.
2	Andhra Pradesh	$138bn (2019-20)	Ranks no 1 in ease of doing business in India
3	Arunachal Pradesh	$4.25bn (2020-21)	Largest hydropower potential in India of 60000 MW
4	Assam	$55.14bn (2020-21)	World's largest tea-producing region
5	Bihar	$84.5bn (2020-21)	Fastest growing state in India
6	Chandigarh	$5bn (2017-18)	One of the first planned cities in India
7	Chhattisgarh	$45 (2020-21)	Ranked 4th in India in ease of doing business
8	Dadra and Nagar Haveli and Daman and Diu	$1.8bn (2012-13), received FDI inflows of $143.6mn in Oct 2019-2020	Presence of over 90 established industrial estates.
9	Delhi	$123.90bn (2021-22)	3rd highest per capita in India
10	Goa	$11.14bn (2019-2020)	Highest Net State Domestic Product (NDSP) in India in 2020-2021

11	Gujarat	$259.23bn (2021-22), received $27.1bn FDI inflows	The highest number of operational ports and commercial cargo ports
12	Haryana	$120bn (2021-22)	Ranked 2nd in the national logistic index 2021
13	Himachal Pradesh	$23.58bn (2021-22), received 160.82mn FDI inflows in Oct 2019-march 2022	Home to Asia's largest pharmaceutical hub
14	Jammu and Kashmir	$27.14bn (2021-2022)	Leading producer and exporter of dry fruits
15	Jharkhand	$49.48bn (2021-22), received $2.6bn FDI inflows Oct 2019-March 2022	Leading producer of minerals in India
16	Karnataka	$230bn (2020-21), received $34bn FDI inflows Oct 2019-March 2022	World 4th largest technology cluster in Bengaluru
17	Kerala	$130bn (2021-22), received $617.44mn FDI inflows in Oct 2019- March 2022	The largest producer of rubber in India
18	Ladakh	$196mn exports, J&K and Ladakh region	The finest pashmina wool in the world comes from Ladakh.
19	Lakshadweep Islands	47% growth in exports	5th highest population density in India

20	Madhya Pradesh	$126.4bn (2020-21), received $490.85mn FDI inflows in Oct 2019- march 2022	The largest producer of copper and diamond in India
21	Maharashtra	$402bn, accounting for 14% of India's GDP, received $39.2bn FDI inflows Oct 2019-March 2022	State with the highest GDP in India
22	Manipur	$4.2bn (2019-20)	Moreh in Manipur is the gateway to South-East Asia
23	Meghalaya	$4.7bn (2018-19)	The largest producer of coal and limestone in North-East India
24	Mizoram	$2.98bn (2018-19)	The bamboo plantation covers 31% of the state's geographical area
25	Nagaland	$3.6bn (2018-19)	Rich resources of minerals, petroleum, and hydropower
26	Odisha	$77bn (2021-22), received 123.13mn FDI inflows (Oct 2019-March 2022)	Largest mineral-producing state
27	Puducherry	$5.39bn (2019-2020)	The region with the highest sex ratio in India
28	Punjab	$85.8bn (2020-21), received $868.239mn FDI inflows in Oct 2019-March 2022	Ranks 3rd in the production of food grains in India

29	Rajasthan	$131.96bn (2020-21), received $1.2bn FDI inflows in Oct 2019 and March 2022	2nd largest mineral-producing state
30	Sikkim	$3.8bn (2018-19)	World's first 100% organic state, the first state in India to officially adopt organic farming in 2003
31	Tamil Nadu	$299.3bn (2020-21), received FDI inflows of $6.3bn Oct 2019-March 2022	State with 2nd highest GDP in India
32	Telangana	$131.97bn (2020-21), received $3.5bn FDI inflows Oct 2019-March 2022	Leader in ease of doing business, consistently ranked in the top 3 in the government of India
33	Tripura	$7.86bn (2019-20)	2nd the largest rubber-producing state
34	Uttar Pradesh	$230bn (2020-21), received $881.63mn FDI inflows in Oct 2019- March 2022	Ranked 1 in India's smart city mission
35	Uttarakhand	$25.36bn (2019-20)	State with home to tourism, AYUSH, and hydropower industry
36	West Bengal	$181.75bn (2019-20), received $1,033.90mn FDI inflows in Oct 2019- March 2022	Land of famous Darjeeling tea- 2nd largest producer of tea in India

Source: Made by Author (Data collected from Invest India)

6.3. The unique selling proposition of each state in India

6.3.1. Andhra Pradesh

among Indian states, the largest exporter of marine and pharmaceutical products

974 kilometers is the second-longest coastline.

There are 6 ports, 6 airports, 123,000 roads, and 2600 rail lines.

It can produce 24,000 MW of power.

The KG basin is home to India's most extensive offshore gas field.

The following industries are well-known in the state: capital goods, mining, electronics, food processing, textiles, leather, biotechnology, and life sciences.

A notable example of well-planned infrastructure is Sri City Special Economic Zone, near Chennai and home to 180 firms from 27 countries.

6.3.2. Chhattisgarh

Its common border with seven states allows access to 40% of India's population.

With $1.5 billion already spent and another $2 billion on the way, Naya Raipur, the state's new capital, is India's first greenfield smart city.

Centrally placed in India, Chhattisgarh borders seven other states.

It has access to 38% of India's GDP and almost 510 million consumers in the market.

Chhattisgarh has the potential to swiftly replace Delhi as India's primary logistical hub thanks to its superior rail, road, and aviation connections.

As a result, the state is witnessing the growth of several corporate investment opportunities.

It contributes the most to railroad freight and generates one-sixth of total national freight income.

The state is constructing an industrial park in every one of its 27 districts.

The state today has 42 industrial parks.

Cement, limestone, dolomite, coal, aluminum, iron and steel, tin, and coal are some of the state's five business segments.

India only produces tin in one state, Chhattisgarh, which generates 30% of the nation's steel and aluminum manufacturing.

Chhattisgarh's industrial infrastructure has been enhanced by constructing cutting-edge facilities, allowing many businesses to grow. The installed capacity in the state is close to 24,000 megawatts.

6.3.3. Gujrat

Gujarat is acknowledged by DPIIT as an "Achiever" among coastal states in terms of logistical simplicity (LEADS 2022).

The state has 42 ports total—1 large port and 41 smaller ports.

The State is also home to 17 operational airports, including one international airport. Gujarat was one of the Top Performers in the State Startup Ranking for 2021.

Gujarat emerges acclaimed as the "Green House Capital" of the globe.

Gujarat has more promising business and investment opportunities. There are 202 industrial estates, 21 special economic zones (SEZs) that are operational, 26 SEZs that have received official clearance, and 8 Special Investment Regions (SIRs).

The Delhi-Mumbai Industrial Corridor (DMIC), which covers 38% of the state of Gujarat, is another factor supporting the growth of Gujarat's industrial sector.

Gujarat International Financial Tec-City (GIFT City) in Ahmedabad is the country's first International Financial Services Centre (IFSC) that caters to customers outside the scope of the local economy.

6.3.4. Haryana

Haryana, one of India's leading centers for the automobile industry, has also emerged as a center for business and technology.

DPIIT praises Haryana as an "Achiever" in terms of logistics ease and is the top-ranked landlocked state in the Export Preparedness Index for 2021. (LEADS 2022).

Haryana exported goods worth $13.9 billion in FY22.

With the greatest per capita income among the larger states, Haryana, historically an agrarian state, is today one of India's most industrialized and prosperous states.

At least one significant industrial corridor, like as the Delhi-Mumbai Industrial Corridor (DMIC), the Amritsar-Kolkata Industrial Corridor, and the Kundli-Manesar-Palwal Expressway, traverses the entirety of the state (KMP).

The first indigenous factory in India with a 10 Ton/day capacity and integrated enzyme synthesis for ethanol would be located in Panipat, Haryana, by December 2022.

The state of Haryana is remarkably well-connected, with access to 2 international airports, five civil airports, 1,703 km of the rail network, 26,131 km of road network, including 34 national highways (NH), and a total installed power capacity of 12,307 MW.

6.3.5. Himachal Pradesh

Thanks to its five perennial rivers, Himachal Pradesh has the highest hydropower production rates, producing nearly one-fourth of all the hydropower made in India.

Himachal Pradesh has the potential to increase India's hydroelectric potential by 26%, with an estimated hydropower capacity of 25,000 MW.

Developing the Baddi-Barotiwala-Nalagarh industrial belt as a prominent manufacturing hub for many industries and a reputation as the "Manchester of Pharma in India" has created a wealth of commercial prospects in Himachal Pradesh.

The state ranks second in NITI Aayog's Export Preparedness Index (EPI 2021) for Himalayan states and is deemed an "Achiever" by DPIIT in Logistics Ease (LEADS 2022).

6.3.6. Jharkhand

This region contains 40% of India's mineral resources.

Jharkhand is home to one of Tata Motors' largest industrial manufacturing sites in India.

Second-largest iron ore reserves.

One of the country's biggest and oldest steel factories is located in Jamshedpur and is operated by Tata Steel, the tenth-largest steel producer in the world.

Due to the presence of metals and minerals like coal and steel, Jamshedpur offers a wide range of industrial choices, including the production of power generation equipment, cement, and automobile component manufacture. Jharkhand now has a production capacity of more than 2500 MW.

Jharkhand is one of the most sought-after destinations for setting up mineral-based enterprises due to its substantial mineral reserves and committed workforce.

The state is rich in natural resources of many kinds.

Over 30% of Jharkhand's territory is covered by highly biodiverse forests, which present numerous opportunities for developing AYUSH-focused firms and minor forest product-based industries.

The State has numerous prestigious academic institutions, major industrial businesses, and managerial, research, and technological centers of excellence.

6.3.7. Madhya Pradesh

Madhya Pradesh was ranked #7 in the 2021 Export Preparedness Index.

The state has a top-notch infrastructure to assist industrial growth.

With 550 trains per day passing through, the state has a sizable rail network. It also has a 5,000+ km national highway system, five commercial airports that handle more than 100 flights, and six inland cargo facilities (ICDs).

Indore was named the cleanest city for the sixth consecutive year.

Madhya Pradesh has the best overall sanitation in all of India, according to the Swachh Survekshan 2022 report from the Indian government.

Invest in Madhya Pradesh because it produces 14% of all the cement in India and has a strong base of mineral resources.

The state's oil refinery, which has a 6 MMT annual capacity, is in Bina.

35% of the state's installed electricity capacity, or around 23,400 MW, is derived from renewable energy sources.

The state has economic possibilities for the food processing business and produces a wide variety of horticultural crops at an elite level.

Several commercial opportunities exist in Madhya Pradesh in several sectors, including manufacturing soy, agricultural and engineering machinery, textiles, and automobiles.

6.3.8. Maharashtra

The state of Maharashtra is located on the western coast of India.

It is India’s third-largest state, occupying roughly 9.4% of its total land area.

The state is well connected to all the significant markets with five international and 13 domestic airports, a 3.01 lakh km road network, and a 6,000 km rail network (which accounts for 10% of all Indian railway routes).

The 720 km coastline and 55 ports in the State enable almost 20% of all freight flow in India. Jawaharlal Nehru Port Trust (JNPT), the country's primary container port, is connected to 34 CFS and 46 inland container depots (ICDs).

The total installed capacity for the state is about 43,497 MW (as of March 2020).

Maharashtra placed first in the Export Preparedness Index for 2020.

DPIIT recognizes Maharashtra as an "Achiever" among coastal states for its logistical simplicity (LEADS 2022).

Maharashtra contributes 15% of India's industrial output. The State has one of India’s highest per capita incomes at $ 2,900. (in 2019-20).

With 991 engineering and management schools and 958 ITIs, Maharashtra is one of the top States and boasts 68% of India's employable population.

6.3.9. Odisha

The DPIIT recognizes Odisha as an "Achiever" among coastal states for logistical simplicity, ranking 13th in the Export Preparedness Index 2021. (LEADS 2022). Odisha, a state in eastern India, has a 480 km-long coastline along the Bay of Bengal. It might take six hours to reach about half of the world's GDP. Essential minerals were produced in Odisha to 25% of the total national output. The most significant concentration of mineral deposits for chromite, nickel, bauxite, manganese, and iron core are found in this Indian state.

The state is served by a 10,000 km highway network, a 2,500 km rail network, and two ports, Paradip and Dhamra.

Additionally, the State Budget for 2022–2023 allocated around 2,000 Cr to the Transferred Road Improvement Program.

The state produces more than 17,600 MW of power.

The NTPC Talcher Kaniha (3000 MW) in Odisha, with a Plant Load Factor of 94.2%, is the most effective thermal power plant.

A first-of-its-kind single window platform, the Government of Odisha - Single Window for Investor Facilitation and Tracking (GO SWIFT) covers the whole life cycle of industrial projects enabling prompt and trouble-free investment in the State.

6.3.10. Rajasthan

highest installed solar power plant capacity (over 13000 MW)

India's top producer of mustard, garlic, and bajra, as well as second in terms of oilseeds, cumin, and pulses, is the state. Rajasthan ranked 11th in the Export Preparedness Index for 2021.

Rajasthan is the second-largest producer of minerals in India, with 82 major and minor minerals.

In addition to being the only producer of zinc and lead in the country, it also produces the most marble. Rajasthan is also proud to be the world's leading silver, copper ore, and limestone producer.

With approximately 54 million tourists, including foreign visitors, the state placed sixth in India regarding foreign tourist arrivals in 2019.

The largest solar park in the world, a 2245 MW plant close to Bhadla, is located in Rajasthan.

Rajasthan is home to nine inland container depots, seven airports with direct domestic and international links, India's second-largest rail network, India's third-largest national highway network, and one air cargo complex.

6.3.11. Tamil Nadu

The well-developed infrastructure of Tamil Nadu has a first rail and road network in addition to seven airports. The state's 1,076 km coastline, the second-longest in India, is home to 4 important ports. Tamil Nadu is rated #4 among the Coastal states by DPIIT's Logistics Ease (LEADS 2022) and Export Preparedness Index (EPI) 2021 rankings and is regarded as an "Achiever" in this field.

Additionally, the state contributes the largest to India's total installed capacity of 32,620 MW with 16 GW of installed renewable energy capacity.

6.3.12. Telangana

The nation's largest IT hub is located in Hyderabad, the state of Telangana.

Furthermore, the state is responsible for almost a third of India's pharmaceutical production and a fifth of its exports.

The state's road system consists of around 27,600 kilometers of roadways, 24 NH, and an international airport in Hyderabad that connects it to significant domestic and global markets.

The state's contribution from green energy sources is 42%, or around 15,800 MW, of the installed electricity capacity.

6.3.13. Uttarakhand

The young state has also developed into one of the nation's top investment destinations for manufacturing, particularly in the automobile, pharmaceutical, and food processing industries, thanks to its business-friendly environment, supporting investment legislation, and easy regulations.

Due of Uttarakhand's tremendously promising commercial prospects, businesspeople can profit from them.

The state offers an unmatched combination of single-point clearances, inexpensive power, clean water, a highly skilled workforce, reliable law and order, and proximity to the National Capital Region.

6.3.14. Uttar Pradesh

Many regionally specialized business clusters can be found in Uttar Pradesh, including those for sports products in Meerut, brassware in Moradabad, perfumes in Kannuaj, leather in Kanpur, shoes in Agra, embroidered sarees in Varanasi, carpet in Bhadohi, and chikan work in Lucknow, among others.

The State is one of India's most well-known tourist destinations thanks to the Taj Mahal, significant Hindu and Buddhist pilgrimage sites like Prayagraj and Varanasi, and Buddhist monuments like Sarnath and Kushinagar.

Regarding local and foreign tourist arrivals in 2020, the state placed second and third, respectively.

In the Logistics Ease category, DPIIT named Uttar Pradesh an "Achiever" among the Landlocked States, placing it sixth in the Export Preparedness Index 2021. (LEADS 2022).

6.3.15. West Bengal

With a road density of 333.5 km per 1000 km, the State has a sizable road network totaling 3,15,404 km. with 2 Asian Highways and 16 National Highways.

The state also features the nation's second-largest metro rail network and the highest rail density, with almost 4000 km of railway tracks.

In terms of the distribution, density, and reach of National Inland Waterways, the state also ranks first in the nation.

The State boasts 950 km of waterfront and 13% of the country's coastline, giving it a wealth of natural marine advantages and navigable canals.

It has the oldest maritime infrastructure, with two important ports at Kolkata and Haldia, two international airports at Kolkata and Bagdogra, and one privately owned greenfield airport at Andal, West Bengal.

Table 9: FDI of different regions of China

Region	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Beijing	32.2	32.6	39.3	40.2	42.9	45.5	46.3	53.2	60.7	69.7
Tianjin	22.2	23.7	29.4	33.1	34.1	36.5	41.6	47.0	56.8	68.6
Liaoning	37.9	42.8	43.1	65.5	63.8	66.4	73.5	67.9	81.5	94.5
Shanghai	86.8	91.8	90.7	98.5	112.7	128.0	150.8	172.2	200.7	225.5
Jiangsu	69.2	71.7	72.9	75.0	92.0	125.5	150.0	217.0	265.7	324.3
Zhejiang	27.1	27.7	27.5	29.3	34.1	43.2	61.2	83.4	101.9	125.7
Fujian	47.4	47.9	49.4	47.1	51.3	59.4	66.1	68.9	75.3	87.8
Shandong	42.9	39.3	38.1	38.9	42.5	47.1	59.7	69.4	78.6	88.5
Guangdong	217.1	221.7	215.2	216.5	221.8	236.4	241.3	261.0	288.9	314.3
Total	753.4	774.2	778.6	824.7	875.0	981.9	1117.4	1311.2	1464.0	1707.6

Source: Made by Author (Chinese Foreign Investment Report)

Table 10: Companies who are relocating from China in recent times

Sr.no	**Company's Name**
1	Nike
2	Apple
3	Samsung Electronics
4	L.G Electronics
5	Adidas
6	Puma
7	Zoom
8	Airbnb
9	Sharp
10	Hasbro
11	Kia Motors
12	Hyundai motors
13	Hyundai mobis
14	Stanley Black & Decker
15	Dell
16	HP
17	Google /Alphabet
18	Microsoft
19	LinkedIn

20	GoPro
21	Intel
22	Sony
23	Nintendo
24	Under Armour
25	Steve Madden
26	Old Navy/ Gap
27	Super Dry
28	Space NK
29	The New York Times
30	Naver
31	Quanta Computer

Source: Made by Author (Data collected from Love money website)

Steps taken by the Government to boost FDI (India):

1. Reducing the corporate tax rates
2. Easing out liquidity problems for Banks and NBFCs
3. Refinement of ease of doing business
4. Policy reforms regarding FDI
5. Compliance burden reduction
6. Increasing domestic manufacturing through public procurement order
7. Phased manufacturing program
8. Production-linked initiative scheme

Introducing measures such as:

1. Indian Industrial Landbank
2. Industrial Park rating system
3. National single window system
4. National infrastructure pipeline
5. National monetization pipeline

Empowered Group of secretaries (EGOS) project development cells (PDCs)

The central government approved the EGOS and PDCs in the ministry, this will increase domestic investment as well as the FDI by creating investor friendly ecosystem.

Production Linked initiative schemes

For the more significant benefit, Aatmanirbhar Bharat was introduced to increase India's manufacturing capabilities. In the union budget, 1.97 lakh crores (USD 26 billion) were announced.

The sectors involved were:

1. Mobile manufacturing and electronic components
2. Critical key starting materials

3. Active pharmaceutical ingredients
4. Manufacturing medical devices

The ten key sectors are:

1. Automobiles and Auto component
2. Pharmaceutical
3. Steel
4. Telecom and networking
5. Electronic
6. White goods
7. Food products
8. Textile products
9. High-efficiency solar PV module
10. ACC battery

Make in India was launched in 2014:

To attract investment, the government fostered creativity, constructed world-class infrastructure, and transformed India into a manufacturing and innovative hub. It was a local vocal campaign to bring India's manufacturing sectors to great heights. It is an initiative to draw the attention of the rest of the world to come down and manufacture in India.

Investment clearance cell (ICC):

In the presentation of budget 2020-21, the finance minister announced setting up an investment clearance cell, which will provide end-to-end support to investors. A proposal for an online interface was made for the cell's operation.

One district, one product (ODOP):

In this program, one product is identified from a particular district that can be manufactured and globally marketed.

Figure 24: Key Factors Required to Attract FDI; **Source:** Made by Author.

As per the UNCTAD world investment report 2022, India ranks in the seventh position regarding FDI inflows. Worldwide United States tops the list for the highest inflows in the world. As per the data published by the Department for Promotion of Industry and internal trade, India received an FDI of 83.57 billion between 2021 and 2022. Whereas in 2020 and 2021, it received 81.97 billion dollars signifying year-on-year growth (YOY) Of 2%. India received the highest inflows from Singapore and Mauritius, closely followed by the United States and Japan. The most increased FDI was obtained for the current year's computer software or hardware sector and services.

To boost India's FDI government has already taken up the under noted initiatives:

- formation of the empowered group of secretaries to project development cells
- production linked initiative in 14 sectors
- investment clearance sells - single window clearance
- conducive tax regime

Further, the other initiatives that can be taken to boost FDI in India:

- tax reforms, including the declaration of tax holidays, corporate income tax rate reduction, and weighted deduction on research and development expenditure.
- Quick redressal or resolution of the investor-state dispute settlement cases under the international investment agreements.
- Widening of the ambit of the PLI Scheme to include more sectors to ensure inclusive development. Increasing sectoral caps and reducing sectors under the government-approved list.
- Higher push for infrastructure development.
- Easing of compliance norms, too many records.
- Digitization of land records, better security creation.
- By improving ease of doing business, no retrospective policy changes.
- Making regulatory framework more transparent and more straightforward.
- Opening up more sectors
- Expanding automatic route, using policy roadblocks.

Table 11: The comprehensive strength of China at a glance

Sr.No.	Particulars
1	In 2020 the GDP was 3.6 trillion yuan.
2	In 2020 the per capita GDP was 24000 USD
3	Its R and D expenditure reached 19.4% than the previous year in 2020
4	The new economy accounted for 37.8% of its GDP
5	Accounting for about 10% of the GDP utilized in 2020
6	Its service trade accounted for 1/5th of China's total.
7	Regarding HQs of Fortune 500 companies, it ranked 1st for the 8th consecutive year.
8	In A T Kearney cities index 2020, it was ranked 5th Globally

9	Ranked 6th Globally in "The world according to GAWC in 2020."
10	It has the most significant number of Unicorn companies.
11	One of the top 10 world financial centers
12	One of the top 10 world's scientific innovation centers

Source: Prepared by author, data collected from 2021 Beijing foreign investment development report.

1. During the 13th five-year plan period, the GDP of Beijing turned to 1 trillion-yuan, annual growth rate compounding to 6%
2. In 2020, the overall productivity increased from 212,000 yuan in 2015 to more than 280,000 yuan
3. In 2020, Beijing's tertiary industry had added value of 3027.86 billion yuan, an increase of 49.7 compared to 2015

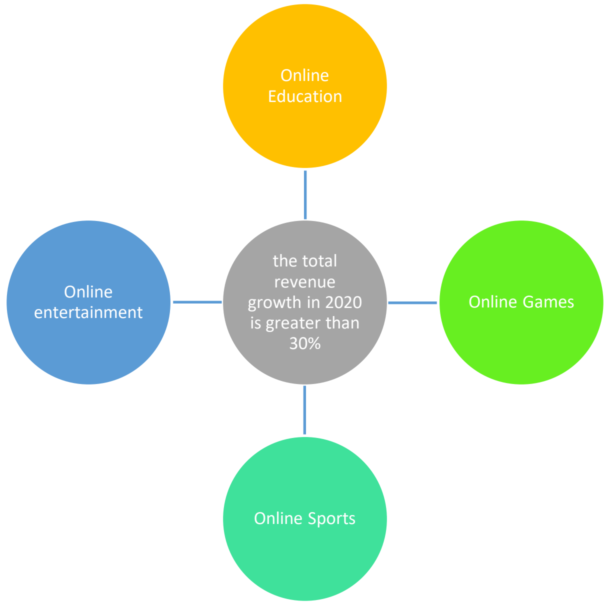


Figure 25: Revenue Growth; **Source:** Made by Author.

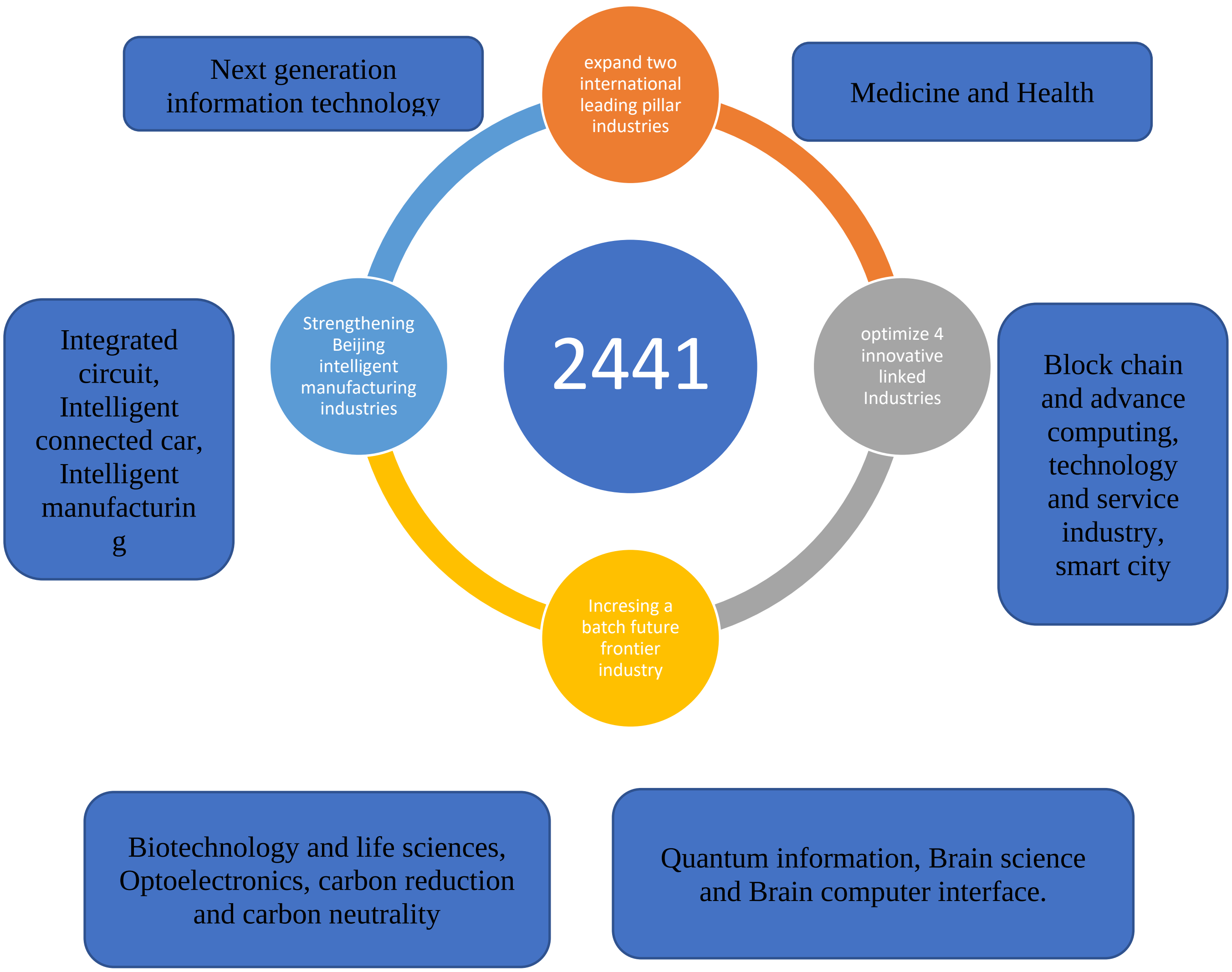


Figure 26: An illustration of steps taken by China; **Source:** Made by Author.

6.4. Some visible impact on the Indian Sector

FDI equity inflow in manufacturing sectors increased by 76% in the financial year 2021-2022 the figures are in U.S. dollars 21.34 billion compared to the previous financial year 2020-2021, which was United States dollar 12.09 billion.

India is rapidly emerging as a preferred country for foreign investments in the manufacturing sector. Singapore 27.01%, United States of America 17.94%, Mauritius 15.98%, Netherlands 7.86%, and Switzerland 7.31%. These nations have emerged as the top 5 countries for FDI equity inflows to India for 2021 and 2022.

6.5. Some of the best practices across the globe

- Angola amended its private investment law to introduce mechanisms for trade facilitation. For example, investors who obtained a private investment registration certificate can now be exempted from obtaining provisional licenses from public administration bodies.
- China made a more straightforward documenting procedure for company registration in the special economic zone.
- Fiji introduced a massive range of treatment and protection guarantees for foreign investors it also removed the provision of the application requirement for a foreign investor registration certificate.
- India launched the national single window system, which will become a one-stop destination for approval and clearances required by the investors.
- Indonesia eased up the employment licensing process for tech-based Startups seeking foreign workers to smooth out the process it waives. The foreign worker utilization plan is required for contracts shorter than three months.
- The United Arab Emirates, specifically Abu Dhabi, launched the virtual license allowing nonresident foreign investors to obtain an economic permit for doing business in Abu Dhabi without any prior residence procedures.

Higher FDI inflows have been possible due to the liberal and attractive policy regime for the investors, a good business climate, and a reduced regulatory framework. On analyzing the recent trends of the FDI inflows globally and across different regions and countries. The suggestions that can be made are that India has generally attracted higher FDI inflows and has remained among the top attractive destinations for international investors. In most sectors of the economy, India has one of the most liberalized FDI laws in the world, which enables the country to allow foreign investment of up to 100% through the automatic route. Government schemes like Production linked incentive schemes in 14 sectors have been notified to attract significant foreign investment.

Make in India, the Atma Nirbhar Bharat campaigns, and the strengthening of India's footing in global supply chains have given momentum to the FDI inflows over the past few years.

Setting up an investment clearance cell, or national single window system, was announced in the budget of 2020 and 2021 to provide end-to-end facilitation and support to the investors, including pre-investment advisory, provision for information related to land banks, and facilitation of clearance at center and state. Currently, 146 central approval across 21 ministries and departments are enabled to be applied through this portal, 14 States and union territories have started the single window system, which is now linked with the national single window system portal by providing access to the approvals of these states and union territories to be applied through a single login ID.

An empowered group of secretaries and project development cells has been formed to smoothen the investment flows in India.

The composition of the empowered group of secretaries:

- cabinet secretary who is also the chairperson
- CEO niti aayog who is a member
- Secretary Department for the Promotion of Industry and internal trade, who is the member and convenor
- Secretary Department of Commerce is a member
- Secretary Department of Revenue is a member
- Secretary Department of Economic Affairs is a member
- secretary of the department concerned which is to be Coopted.

The objectives of the empowered group of secretaries to bring synergies and ensure timely clearances from the different departments and ministries to attract increased investment into India and provide investment support and facilitation to global investors. As of June 29, 2022, the country's foreign exchange reserves today us $573.8 billion. In 8 years since 2013, the US fed a taper tantrum, and the country's forex reserves nearly doubled till September 2021. from a peak of US $642.5 billion recorded on September 3rd, 2021, this represents a fall of around 1.6% in less than a year. Valuation losses in foreign currency assets due to a strong dollar in capital outflows are among the main reason for falling forex resources. Foreign portfolio investors have pulled out over INR 3.5 lakh crore since April 2021.

6.6. Few factors driving investment in China

Capital availability: FDI highly depends on the available investment capital to be circulated. In the early 2000s, A thriving global economy resulted in large investable capitals across many nations. This overwhelmed the domestic markets and the idea governing the domestic markets, which forced many governments to move towards developing countries due to the availability of cheap resources compared to the countries' available resources.

China has outpaced many other emerging countries and India when attracting foreign investment and nurturing the elements necessary for business growth. The development infrastructure has been robust and is this area's main driver. The infrastructure in China is so well built that it helps a lot in business growth, because roads, highways, and bridges are essential for employee movement and transportation of goods.

As China is a communist country, the power lies within the hand of the state, the reason of which the national government policies act like a double-edged sword. This, in turn, sometimes make China a less favorable investment destination. For entities looking to set up manufacturing facilities have encountered high startup costs and legal exposure, another compliance entanglement.

The Chinese government tries to promote investment by increasing commercial and entrepreneurial activities to the best of its ability. It provides attractive financial incentives through tax breaks, grants, low-cost government loans, and subsidies.

Higher FDI inflows can overwhelm the economy when the government is strong. Blackmail, abduction, and other forms of instability give the economy a negative face and fuel hyperinflation and slow economic progress. The argument is that a country must strive for and experience exceptional political stability to develop economically.

Foreign direct investment is paramount for a nation like China, as most earnings are captured through foreign inflows.

6.7. Positive Relationship between FDI and Economic Growth

On analyzing the pattern, it can be found that with restrictive policy and a closed economy before 1991, the GDP of India was $ 266 billion. This positive contribution of FDI to the host country's growth is evident throughout the study. As can be observed, foreign direct investment rose to 316.9% between 1992 and 2005 following liberalization. India has traveled a tremendous path from 1992 to 2022. Its GDP currently stands at $3.535 trillion (nominal) and $11.745 trillion (PPP).

It is currently the fifth-largest economy in the world by GDP.

Pre liberalization, it can be seen that the domestic enterprises in India were flourishing prominently. In contrast, the country had very little foreign investment due to stringent policies and restrictive trade barriers. In 1991 after the recommendation of the then finance minister Sri Manmohan Singh, the decision was taken to open the market. After the market's opening, India's GDP rose many folds. With the entry of monetary resources into the country, many job opportunities were created. This enhanced the country's production capacity and increased the people's standard of living. Foreign investors saw India as a desired destination for investing. India is a country with surplus human capital and cheap resources. It is always seen as a preferred destination for production/manufacturing, assembly, and services. It can be seen that when the trade barriers are strict with unnecessary restrictive policies, the country's GDP somehow shows a falling trend, on the other hand, when the restrictions are light, and the barriers are free-flowing, the country's GDP increase

Similarly, looking at China's trends, it can be seen that it has been a favorite destination for FDI since the beginning. The manufacturing sector works in China at 100% capacity, and over time this has made the domestic industries in China suffer a lot. As the power lies with the state, it becomes difficult for the domestic sectors to outperform the foreign-invested enterprises. The rules and regulations for foreign investors in China are pretty liberal, and the domestic industries do not enjoy that kind of liberty. The GDP of China stood at 36,085.79 Crores USD in 1990. Since then, it has covered a considerable journey, and now the GDP of China stands at a dollar 17.7 trillion. From the report, it can be made out that Foreign direct investment and foreign-invested enterprises contribute a lot to the GDP of the host country. After so much evidence provided in the report, the central hypothesis stands true, and the alternative hypothesis gets nullified.

To prove the hypothesis, the primary parameter considered is foreign direct investment, and net inflows (% of GDP). On analyzing the data of India, it can be vividly seen that the slope for India is rising upward. The values are taken for every ten years, in the opening year, that is, 1991, the net inflows percentage of GDP is 0.03%, moving forward, after adding another ten years, that is, 2001, one can see an increase in the percentage flow of GDP which is 1.06. In 2011 10 years later, the net inflows percentage of GDP now stood at 2%, in 2020, it can be seen that it is 2.42. For India, the vitals kept increasing irrespective of the pandemic because the economy was operating in one way or another, which played to the advantage for India.

Similarly, while looking at the trend of China, analyst/reader can see much difference between the numbers of India and China. In the opening year, which is 1991, China stood at 1.14, adding ten years to it that is, in 2001, China stood at 2.51, and 10 years later, the number for China is 3.71. But in the case of China, a significant dip can be seen in the net inflow's percentage of GDP in the year 2020, where it stands at 1.44. The primary reason for this sudden shift is Covid 19 pandemic. The pandemic originated in China. China had to shut down all of its important commercial cities. Many trading partners were prohibited from making more investments or conducting business operations in or outside of China because of the strict regulations. This became the main justification for many businesses to leave China and operate elsewhere in the world. This not only reduced China's GDP but also resulted in economic losses for the nation.

From the above, it can be established that higher FDI inflows bring positive growth in the host country's GDP and positively impact the nation's economic growth.

With this, the alternative hypothesis gets falsified, and the leading hypothesis stands as proven.

- **H0** - Higher FDI inflows bring positive growth in the GDP of the host country.

- **H0** - Higher inflows have a positive impact on economic growth.

After the research, the evidence proves that the hypothesis mentioned above is true.

CHAPTER SEVEN

FDI SUCCESS STORIES

7. FDI Success stories

Foreign Direct Investment (FDI) is the investment made by a person residing outside of India through equity instruments in either (a) an unlisted Indian company or (b) at least 10% of the post-issue paid-up equity capital on a fully diluted basis of an Indian firm that is publicly traded.

One must go back to the time before independence when the East India Company first arrived to understand the history of FDI. Following independence, officials took issues involving foreign financing and MNC operations seriously.

The FDI strategy aims to employ FDI to acquire cutting-edge technology and mobilize foreign exchange resources while considering the nation’s interests.

The FDI policy has evolved, following various political and economic systems.

The economic prosperity of a country depends heavily on foreign direct investment (FDI). India has been able to develop its infrastructure, boost productivity, and create more jobs thanks to the inflow of foreign currency.

FDI can be used to acquire cutting-edge technologies and access foreign exchange reserves. In India, FDI is permitted up to 100% through the automatic route in non-critical industries and does not require a security clearance from the Ministry of Home Affairs (MHA).

Investments from Pakistan and Bangladesh and those in sensitive sectors, including mining and the media, telecommunications, satellites, private security firms, and civil aviation, require prior government approval or security clearance from MHA.

India is ranked seventh in the world for FDI inflows, according to the UNCTAD World Investment Report 2022.

US FDI inflows are the highest globally. The equity inflow from FDI into India in FY22 is $58.8 billion. Computer Software & Hardware (24.60%), Services Sector (Fin., Banking, Insurance, Non-Fin/Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other) (12.13%), Automobile Industry (11.89%), Trading 7.72%, and Construction (Infrastructure) Activities (5.52%) are the top 5 sectors receiving the highest FDI Equity Inflow during FY 2021–22.

7.1. Maruti Suzuki India Limited

To put India on wheels, Maruti Suzuki India Ltd (Formerly Maruti Udyog Limited) was established in 1981 by the Indian Companies Act of 1956.

The company's leader, V Krishnamurthy, was aware that this mission needed the appropriate partner to be successful, and Suzuki seemed to be such a partner.

A joint venture (JV) was established in 1982 between the Government of India and Suzuki Motor Corporation, with Suzuki acquiring a little interest (26% of the company's shares).

Maruti introduced the Japanese philosophy of "smaller, fewer, lighter, shorter, and neater" to India from the very beginning.

Due to the joint venture's performance, Suzuki increased its share from 26% to 40% in 1987, 50% in 1992, and 56.37%.

As of 31.03.2022, Suzuki Motor Corporation owned 56.37% of Maruti Suzuki India Ltd., with a book value of around Rs. 30600 crore and a market value of Rs. 1.28 crore (Market Value).

India was not on the global manufacturing map when Maruti Suzuki began operations there, today, it is the world’s fourth-largest automobile manufacturer, trailing only the United States, Japan, and China.

Maruti Suzuki currently leads the passenger car sector in India with a market share of almost 40% and employs more than 16000 people.

To celebrate Suzuki’s 40 years in India, Prime Minister Modi recently laid the cornerstone for two significant Suzuki group projects in INDIA: a factory for electric vehicle batteries in Gujarat and a factory for Maruti Suzuki cars in the northern state of Haryana, both of which require investments totaling Rs 18500 Cr.

7.2. Samsung India Ltd

Early in the 1980s, if someone wanted a phone connection, it would often take two years. Back then, a telephone was seen as more of a luxury than a need.

There was just one government-run telecom service that charged hefty rates for its services. It will, however, take less than an hour to set up a new connection today.

This is because the telecom sector is now accessible to domestic and foreign companies.

The world's largest mobile phone manufacturing facility, with a capacity to produce about 120 million units annually, is now in Noida, India.

With the announcement of its "Make for the World" program, Samsung has elevated the "Make in India" movement by aiming to sell mobile devices made in India in foreign markets.

7.3. FDI's beneficial spillovers in India

India's liberalization process has had some beneficial breakthroughs during the past three decades. It is currently one of the world's strongest emerging nations after once being listed as one of the five fragile economies.

In the South Asian region, India receives the most foreign direct investment. India has a young population, providing enough labor and strong consumer traction.

India has become a desirable location for FDI thanks to its average GDP growth rate of over 6% over the past ten years, a foreign exchange reserve of US $ 550 billion, and somewhat more stable macroeconomic conditions.

There are several benefits to having foreign investors in India, including but not limited to the following: Filling the gap in the balance of payments; creating jobs, transferring technology, and increasing tax revenue for the government.

CHAPTER EIGHT

RECENT TRENDS IN FDI

8. RECENT TRENDS IN FDI AND CHALLENGES FACED

Foreign direct investment (FDI) plays a multifaceted and well-acknowledged role in economic growth in industrialized and developing nations. Additionally, FDI is essential for supporting the integration of international value chains between countries.

However, the flow of FDI is not automatic, it depends on various variables, such as the host country's political stability, market size, competitiveness, and regulatory policies.

The flow of FDI has been diverted toward Asia, particularly to large economies like China and India, due to the change in the global economy's center of gravity and a very aggressive policy stance to attract FDI from essential countries in the Asian region.

As most Western nations struggled in 2020 to deal with the COVID-19 Pandemic, the movement in FDI flows worldwide toward Asia has intensified.

The COVID-19 outbreak caused a significant drop in worldwide FDI in 2020, according to the "Investment Trend Monitor," published by the United Nations Conference on Trade and Development (UNCTAD) in January 2021.

Global FDI fell by more than 42% in 2020, from over US$1.5 trillion in 2019 to an anticipated US$859 billion.

India and China were the only two major FDI destination economies that defied the trend and saw increased FDI flows over the prior year.

FDI flows climbed by 13% to an estimated US$57 billion for India, but 4% to an estimated US$163 billion for China. Most other major economies, including the US, Germany, France, the UK, and Brazil, have seen a substantial fall in FDI inflows.

China, which has long held the second spot, has supplanted the US as the leading beneficiary of global FDI flows after the US had a severe decrease of almost 49% in 2020. The US had previously held that position for decades.

Although the US and China have closed the FDI inflow gap over the past five years, the US lost its top ranking in 2020 mainly due to how it handled the COVID-19 outbreak. However, once the pandemic is under control and pre-pandemic economic growth is restored, the US will likely resume its position, at least for the upcoming few years.

The shifting proportions of five significant economies in FDI flow globally over the previous five years. In contrast to the US, whose share of global FDI flows continuously decreased from 24% in 2016 to 16% in 2020, India and China saw their respective shares rise from 2.2% and 6.7% to 6.6% and 19%.

But it's crucial to remember that a sizable gap exists between China and India.

Since 2017, Japan's FDI share has steadily increased, whereas FDI flows to Germany have fluctuated. While FDI flows to Japan have consistently lagged behind those to India over the past five years, FDI flows to Germany have also lagged behind those to India over the past two years.

According to the "Fact Sheet on FDI" published by the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, FDI inflows into the country have increased significantly during the past five years compared to the previous five years. India got roughly US$312 billion in total FDI from 2015–2016 to 2019–20, about 59% greater than US$197 billion in FDI received from 2010–2011 to 2014–2015.

FDI has been entering India since 2010–11.

Annual FDI inflows were significantly below US$50 billion before 2015–16. Still, they have since consistently been above US$55 billion, demonstrating a significant increase in FDI flows to the nation over the past five years.

The overall amount of FDI that entered India in 2019–20 topped US$74 billion, which increased even further in 2020–21, given that the first six months of that year (from April to September 2020) had the most remarkable FDI inflow on record for a comparable time frame.

The computer software and hardware industry alone garnered FDI equity inflows of US$17.55 billion in the first half of 2020–21, which is substantially responsible for the most recent boom. Equity has made up a significant portion of the FDI flow to India—roughly 70% of the total FDI received by India in 2019–20—needs to be noted as another encouraging development.

Until March 2020, services like finance, banking, insurance, outsourcing, R&D, courier, etc., made up more than 17% of the total amount of FDI equity the nation had received.

This was followed by developing townships, housing, telecommunications, trading, and computer hardware and software (of which software is the primary component). Until

March 2020, these top five, primarily non-manufacturing sectors, attracted more than 46% of the nation's total cumulative FDI equity.

The top 10 FDI-receiving sectors only included manufacturing vehicles, chemicals, drugs, and pharmaceuticals.

The metallurgical, food processing, electrical equipment, and industrial machinery industries are among the other manufacturing sectors that made it into the top 20 recipient sectors.

Total cumulative FDI equity inflows have grown at a CAGR of 13.6% over the past five years, from US$248.6 billion in March 2015 to more than US$470 billion in March 2020.

The most significant rise was recorded in FDI equity investment in infrastructure building, which increased from US$3.4 billion to US$16.8 billion over the same period at a CAGR of 37.4%.

Trading (27.9%), computer software and hardware (24.5%), unconventional energy (20.6%), information and broadcasting (18.3%), medical facilities and diagnostic centers (18%), electrical equipment (17.3%), telecommunications (16.9%), and consulting services (15.4%) were the next most popular industries.

Automobiles (14.4%), hotels and tourism (14.1%), and services (13.9%) are three other significant industries that garnered FDI inflows at growth rates higher than total FDI equity.

The non - manufacturing industries have once again dominated FDI inflows in terms of growth during the past five years, just as they did in terms of the total amount of FDI flows.

Although overall FDI inflows have increased significantly in recent years, flows into manufacturing are still below the targeted level, despite the enormous policy emphasis on improving the capacity and competitiveness of Indian manufacturing.

The only manufacturing sectors that have seen FDI inflows at a pace higher than total FDI inflows are automotive and electrical equipment.

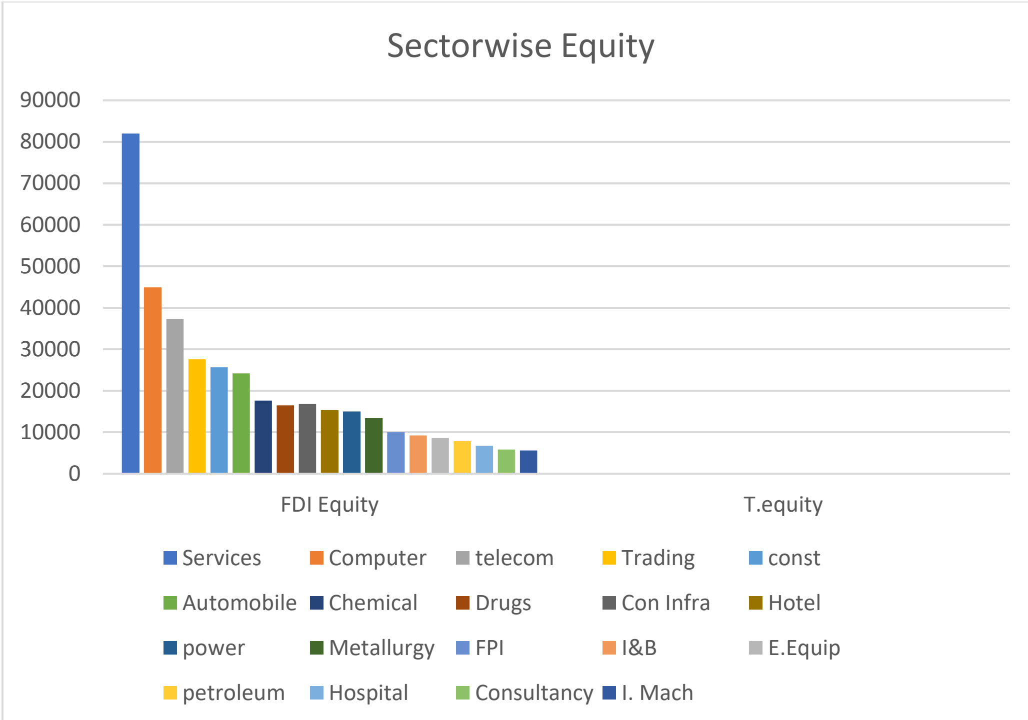


Figure 27: **Sectorwise FDI Equity**; **Source:** Made by Author.

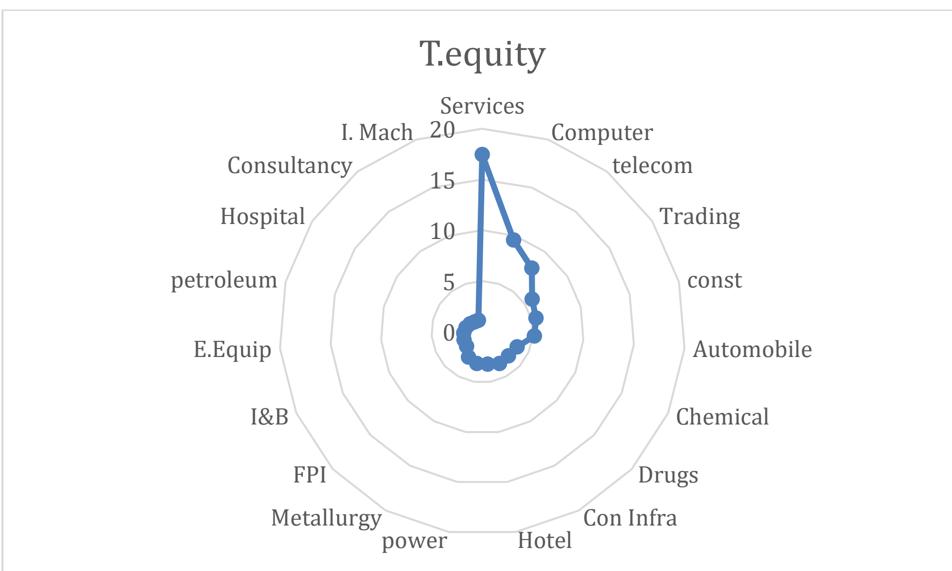


Figure 28: **Total FDI Equity**; **Source:** Made by Author.

Several ambitious policy reforms and government efforts implemented over the past few years to improve economic competitiveness and ease of doing business in the nation are among the causes of the recent surge in FDI inflows into India. Additionally, political stability has increased foreign investors' confidence.

The introduction of the goods and services tax (GST) regime and a significant reduction in the corporate profit tax rate to 17% for new manufacturing firms and 25% for other firms are two of the most effective policy reforms that have been in the works for a while but have only recently been put into effect by the government.

With the corporate tax rate cut, India is now more competitive with other Asian nations in taxes and is more appealing.

The gradual liberalization of the FDI regime relating to important sectors, including manufacturing, railways, insurance, pension, defense, construction, single-brand retail trading, coal mining, etc., is another significant reform that has helped to improve the country's overall investment climate.

India's appeal has also increased due to the simplification of labor rules into four labor codes and the adoption of the 2016 Insolvency and Bankruptcy Code.

Attracting foreign investment has been a significant area of attention for the recently established "Aatmanirbhar Bharat Abhiyan" campaign and the preceding "Make in India" program. The focus was primarily on paying taxes, dealing internationally, and resolving insolvency. The government has made concentrated attempts to adopt changes in all the areas covered by the World Bank's "Doing Business framework."

As a result, during the past few years, India has made impressive strides in the ease of doing business and has proven its dedication to reform. The nation's overall rating increased from 130th in 2016 to 63rd in 2020. To be on a level with Asian rivals like China (31st), Thailand (21st), etc., India still has much catching up to accomplish.

The OECD's FDI Regulatory Restrictiveness Index, which shows that India's FDI restrictiveness has decreased from 0.244 in 2015 to 0.207 in 2019, also reflects the improvement in India's investment climate.

India's ranking is better than China's (0.244), but it is still lagging below some of the major FDI rivals, such as Vietnam (0.130).

The government has launched several efforts to increase the effectiveness of the logistics sector in the nation because it understands the significance of logistics in determining economic competitiveness and luring FDI.

Along with improving and expanding complex infrastructures like roads, railways, airports, and ports, the government has also implemented numerous reforms pertaining to the logistics process.

The required electronic toll collection system (FASTag), the paperless EXIM trading process through E-Sanchit, the RFID tagging of all EXIM containers for track and trace, and other substantial process improvements have all significantly increased the country's logistical efficiency.

With a logistics performance index (LPI) score 3.18, India was rated 44th out of 160 economies in the World Bank's "Connecting to Compete for 2018" study. It was also one of the top performers among lower middle-income nations.

Increased rivalry among states to attract investment, with several offering a variety of incentives to lure investors, is another significant reason that could be causing an increase in FDI inflows.

Although recent reform initiatives and the government's significant efforts have helped FDI inflows significantly increase recently, many areas still require additional reforms and action to realize India’s potential fully.

In recent years, India has experienced a steady price increase in essential industries like electronics.

Although this might improve the flow of FDI-seeking markets in a few sectors, a stable and lower tariff regime is required to maintain the economy's competitiveness, which is essential for long-term, sustainable FDI inflows, particularly for FDI-seeking efficiency.

For industries in the nation that lack scale, efficiency-seeking FDI is crucial.

High tariffs, particularly on intermediate goods, may further limit India's ability to participate in international production networks.

Although the most recent changes to tariff rates may be advantageous as long as the coverage remains consistent with the production-linked incentive (PLI) scheme, it is crucial to have a stable and lower tariff regime that is comparable to those of rival economies to ensure solid and widespread FDI inflows in the long run.

Even though there has been a dramatic improvement in the availability of electricity, the commercial and industrial (C&I) power cost and supply quality continue to be critical concerns for businesses. In this regard, several initiatives were made public as part of the COVID-19 package in 2020; however, the execution of these initiatives at the state level is crucial and necessitates a state-specific focus from the center.

India has made significant strides in some areas of the "ease of doing business" over the past few years. However, much work remains in other crucial areas like contract enforcement, property registration, business startup, and tax payment. India has been ranked very poorly compared to many of its rival economies.

The government must make changes in judicial procedures through digitization and a paperless court system, quick digitization of land records, additional GST simplification, and creating a one-stop shop for federal and state government clearances/approvals to improve these parameters.

Logistics continues to be a significant barrier to FDI, especially FDI that seeks efficiency. Along with ensuring the timely completion of critical infrastructure projects, such as the designated freight corridors, the government also needs to pay attention to structural problems, such as the absence of uniform policies and regulations, the multiplicity of line ministries and agencies dealing with the sector, and the suboptimal modal share in freight movement. Maintaining a stable and consistent policy regime is equally critical, notably with regard to e-commerce, as it is essential to securing long-term investment commitments.

CHAPTER NINE

SOME RECENT DEVELOPMENTS IN FDI

9. RECENT DEVELOPMENTS TO BOOST THE FDI INFLOWS IN INDIA AND CHINA

9.1. Recent Developments in India

In addition to being a significant factor in economic expansion, foreign direct investment (FDI) has been a substantial non-debt funding source for India's economic growth. Foreign businesses invest in India to exploit the nation's unique investment advantages, such as tax reductions and relatively lower wages. Along with other benefits, this aids India's technical advancement and job creation. These investments have flowed into India due to the government's benevolent policy environment, thriving business climate, increased international competition, and economic impact.

Recent initiatives by the government include reducing FDI laws in various industries, PSUs, oil refineries, communications, and defense. India received record amounts of FDI between 2020 and 21. A 10% rise over the prior fiscal year, the total amount of FDI inflows was US$ 81,973 million.

India moved up one spot from 2019 to 2020, when it came to receiving the most foreign direct investment (FDI), according to the World Investment Report 2022. The top recipients of FDI in FY22 were in information and technology, telecommunication, and car.

The amount of cross-border M&A increased by 83% to US$ 27 billion due to substantial transactions in the technology and health sectors, which allowed multinational corporations (MNCs) to pursue strategic partnerships with leading local corporate conglomerates.

9.1.1. Market Size

Between 2000-01 and 2021-22, FDI into India rose 20 times. According to the Department for Promotion of Industry and Internal Trade (DPIIT), India received US$ 871.01 billion in total FDI between April 2000 and June 2022, mainly due to the government's initiatives to make business more accessible and reduce FDI regulations. Between January and March 2022, India received a total of US$ 22.03 billion in FDI, whereas the amount invested in FDI equity during the same time was US$ 15.59 billion. The foreign direct investment

(FDI) equity that India's computer software and hardware sector attracted from April 2021 to March 2022 was US$14.46 billion. The automobile industry came in second with US$6.99 billion, trading in third with US$4.53 billion, and construction activities in third with US$3.37 billion.

Following the US ($10.54 billion), Mauritius ($9.39 billion), the Netherlands ($4.62 billion), and Singapore ($15.87 billion), India also received a significant amount of foreign direct investment (FDI) from these countries. Karnataka got the most foreign direct investment (FDI) during this time, totaling US$22.07 billion. Karnataka was followed in FDI receipts by Maharashtra (US$15.43 billion), Delhi (US$8.18 billion), Gujarat (US$2.70 billion), and Haryana (US$2.7 billion). Eight hundred eleven industrial investment proposals for Rs. 352,697 crores (US$ 42.78 billion) were submitted to India in 2022 (up until August 2022).

9.1.2. Investment and developments

Due to several variables that have increased FDI, India has recently been a popular location. The economy of India, which came in at number 68 on the Global Competitive Index, fared relatively well during the pandemic. Additionally, among the top 50 nations, India was ranked as the 48th most innovative nation. These elements have increased FDI inflows to India. The following are a few of the most recent investments:

- A total of US$3,427 million in FDI investments were made in India's computer software and hardware sector between April and June 2022.
- India got FDI investments totaling Rs. 494 crores (US$ 61.91 million) in defense manufacturing in May 2022.
- Generali, an Italian financial services giant, paid Future Enterprises Rs. 1,252.96 crores (US$ 161.92 million) in May 2022 to complete the purchase of a 25% share in Future Generali India Insurance.
- A group of investors, including Somerset Indus Capital Partners, Morgan Stanley through its funding arm Grand Vista, Evolvence, and Wipro GE, provided GenWorks Health with a second round of funding totaling Rs. 135 crores (US$ 17.44 million) in May 2022.

- During a funding round led by Tiger Global and Sequoia Capital India in May 2022, Topline, a Software-as-a-Service (SaaS) startup, raised US$ 15 million.
- Zepto, a platform for 10-minute grocery delivery owned by Kiranakart Technologies Pvt. Ltd., raised US$ 200 million in a Series D fundraising round spearheaded by Y Combinator's Continuity Fund in May 2022, valuing the company at US$ 900 million.
- A thematic cryptocurrency investment start-up named KoinBasket raised $2 million in a pre-seed funding round in May 2022.
- Amansa Capital, Jungle Ventures, and Nexus Venture Partners led a Series E fundraising round in which US$ 120 million was raised by Invictus Insurance Broking Services Pvt. Ltd. This company operates the insurtech platform Turtlemint Insurance Services Pvt. Ltd
- In a Series B investment round led by WestBridge Capital in May 2022, the Jaipur-based online furniture and home decor retailer Woodenstreet.com raised nearly USD 30 million.
- A Series B fundraising round headed by Tiger Global and Info Edge Ventures in May 2022 saw US$ 28 million invested in the B2B international technology platform Geniemode.
- Google announced a $1 billion investment in Indian telecom Bharti Airtel in January 2022. This investment consists of an equity investment of US$ 700 million for a 1.28% stake in the company and an unspecified future investment of US$ 300 million in areas like smartphone access, networks, and the cloud.
- India got R&D investments worth Rs. 343.64 million (US$ 4.35 million) in 2021, a 516% increase from the year before.
- The One97 Communications (Paytm), Zomato, FSN E-Commerce Ventures (Nykaa), and PB Fintech initial public offerings each attracted investments totaling Rs. 1,200 crores (US$ 160.49 million) from the Pension Fund Investment Board of Canada.
- For the first half of FY2021-22, foreign direct investment (FDI) into India's renewable energy sector was $1.03 billion.

9.2. Initiatives by the Government

Due to favorable government policies, India has recently become a desirable location for FDI. India has created several programs and policies that have aided in increasing FDI. These programs have stimulated FDI investment in India, particularly in emerging industries like defense manufacturing, real estate, and research and development. Major government programs include:

- With a growth of 74% via the automated method and 100% via the government route, the Indian government increased FDI in the defense sector.
- The government has revised the Foreign Exchange Management Act (FEMA) to permit up to 20% FDI in the insurance business LIC via the automatic route.
- The administration is considering relaxing regulations on some FDIs from nations bordering India.
- FDI inflows are anticipated to increase in 2022 due to implementing policies such as PM Gati Shakti, single window clearance, and GIS-mapped land banks.
- The Space Activity Bill is expected to be introduced by the government in 2022 in at least three different forms. The purpose of this law is to define FDI in the Indian space industry precisely.
- India and the UK decided to expand investment in September 2021 to fortify their bilateral connections and create an "enhanced trade cooperation."
- The Union Cabinet declared in September 2021 that it will now permit 100% FDI via the automated method, up from the previous 49%, to promote the telecom sector.
- To allow the 74% increase in FDI quota in the insurance sector, the government modified the Foreign Exchange Management (non-debt instruments) Rules, 2019, in August 2021.

9.3. The road ahead for FDI Investment in India

A significant worldwide hub for FDIs has lately emerged in India. India is one of the top three international locations for FDI, and a poll found that 80% of respondents from around the world planned to invest there. India has also significantly lowered company taxes recently and simplified its labor rules. Additionally, the nation has loosened FDI limits, overall FDI limitations have dropped from 0.42 to 0.21 during the past 16 years. India continues to provide both short- and long-term potential, making it a desirable foreign investment market. One of the most attractive sectors for FDI is low-skill manufacturing in India.

India has also improved the effectiveness of its administration. The improvements in government efficiency are mainly attributable to the relatively steady public finances (despite difficulties brought on by COVID) and the positive attitude among Indian business stakeholders toward the funding and subsidies provided by the government to private enterprises. By 2025, India might benefit from all these reasons attracting FDI worth US$120–160 billion annually.

9.4. Recent Trends in FDI in China

According to data released recently by the Ministry of Commerce, foreign direct investment into China will increase by 6.3% annually to CNY 1.27 trillion in 2022. The FDI increased 8% from a year earlier to USD 189.13 billion in US dollars. FDI in the manufacturing sector increased by 46.1% from a year ago to CNY 323.7 billion. In comparison, it increased by 28.3% in high-tech industries, led by electronic and communication equipment (56.8%), services for the transformation of scientific and technological achievements (35%), and information services (21.3%). FDI from South Korea (up to 64.2%), Germany (up to 52.9%), the UK (up to 40.7%), the EU (up to 92.2%), and the ASEAN nations (up to 8.2%) all increased.

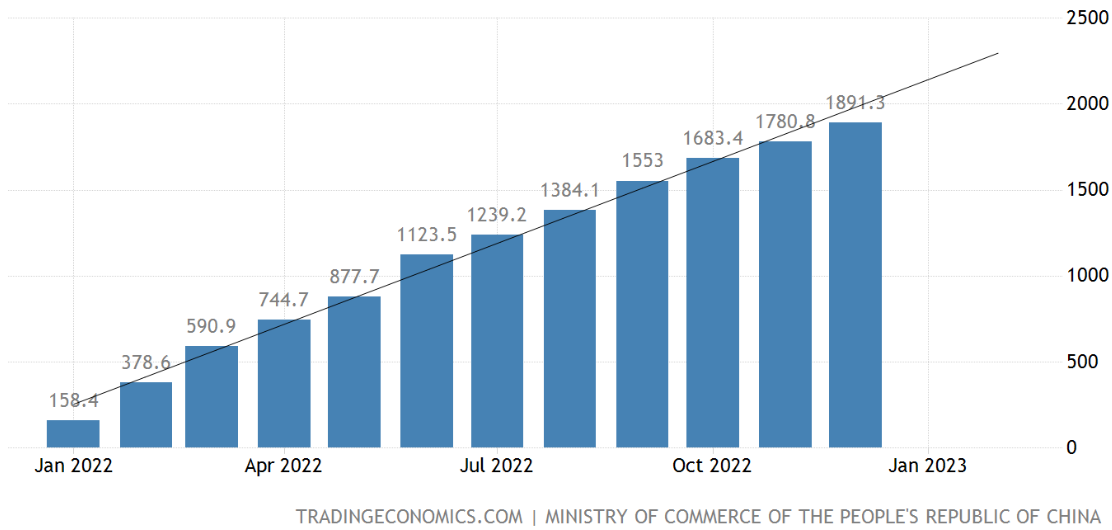


Figure 29: **The FDI Inflows to China. Source:** Ministry of Commerce, People's Republic of China.

The COVID-19 pandemic severely influenced the world economy and caused a fall in foreign direct investment (FDI) in China in 2020. Due to supply chain disruptions, temporary firm closures, and decreased consumer spending caused by the epidemic, foreign investment in China fell.

The pandemic influenced the fall in FDI in China, the US-China trade disputes, and the relocation of manufacturing to other Southeast Asian nations. China's GDP suffered significantly due to the decline in FDI (GDP). The transfer of capital and technology that FDI brings to the Chinese economy is crucial for economic development. Particularly in the export-oriented and foreign investment-intensive industries, the drop in FDI resulted in a slowdown in the rate of economic growth and fewer job prospects.

The COVID-19 outbreak and the unsteady global economic outlook were the leading causes of the fall in FDI in China in 2020. Its effect on the nation's GDP serves as a reminder of how crucial foreign investment is to the Chinese economy's long-term expansion and development. China's Gross Domestic Product (GDP) was significantly impacted by the drop in Foreign Direct Investment (FDI) in that country in 2020. The fall of FDI led to a slowdown in the economic growth rate since FDI offers crucial resources, including capital and technology transfer, to support the growth of the Chinese economy.

Particularly in the export-oriented and foreign investment-intensive industries, the decline in FDI resulted in fewer job possibilities, hampered consumer spending, and decreased demand for products and services.

Due to this and supply chain delays brought on by the COVID-19 pandemic, economic activity slowed, and GDP growth was lowered.

The fall in FDI also harmed spending on infrastructure, research and development, and other productive assets. As a result, fewer resources were available for technological development, and the expansion of the production capacity, further hampered economic growth. Overall, the fall in FDI in China in 2020 had a discernible effect on the nation's GDP, underscoring the significance of foreign investment for the country's economy's continued growth and development.

In recent years, much discussion has been over how resilient foreign direct investment (FDI) is in China. Since the COVID-19 outbreak in 2020, China has seen record-high FDI inflows, according to government data, although this has quickly decreased in the second half of 2022. Other data points to a longer-lasting decline in new investment starting in 2020.

Short-term investments fuelled by exceptional macroeconomic circumstances exaggerated official figures reporting record FDI in 2020 and 2021. China's strong currency and high-interest rates attracted foreign investors to transfer funds there. In contrast to portfolio (or other) investments, a sizable fraction of these short-term capital flows was classified as FDI, as they would have been in an open market economy free of capital controls and restrictions on foreign ownership.

The direction of Chinese foreign direct investment during the first two years of the pandemic could be more apparent. According to other datasets, foreign acquisitions and new greenfield projects will fall significantly between 2020 and 2021, following trends in the real economy. The reality is less rosy than the official figures imply, despite the possibility that datasets that aggregate disclosed FDI transactions are underestimating inflows due to MNCs' increasing reluctance to publicly announce their investments in China and that these datasets still need to fully capture multi-year greenfield projects.

Due to adverse macroeconomic and geopolitical conditions and the global monetary environment, inflows have significantly decreased since the second quarter of 2022. Unless meaningful policy changes are made in Beijing that reignite the enthusiasm of foreign investors, the world's interest and exchange rate expectations have drastically changed, China's growth prospects have been revised downward, and the international policy environment has become more complex.

Macro factors and capital control circumvention influence robust official data.

According to official FDI figures, China became the world's largest recipient of FDI in 2020 and maintained a healthy level of foreign investment attraction in 2021 and into 1H 2022. The Ministry of Commerce (MOFCOM), which assesses "utilized FDI" based on the directional principle, and the State Administration of Foreign Exchange (SAFE), which utilizes a balance of payments (BOP) norms, both show record inflows since the pandemic breakout. According to SAFE data, FDI inflows are, on average, $89 billion every quarter, about twice the pre-pandemic norm. Curiously, FDI inflows have been strong amid significant pandemic-related disruptions and rising geopolitical tensions. China's particular external economic policy configuration must still be considered. Early characteristics of China's monetary policy strategy were openness to FDI. Other cross-border capital movement types, including portfolio investment and other short-term flows with more speculativeness, remained more strictly regulated. Therefore, market participants have depended on FDI structures to transfer funds into and out of China, including for financial goals that would typically be recorded in traditional financial account channels.

One such method is capital raised through offshore fundraising in Hong Kong and other countries.

From 2017 to 2021, Chinese companies raised a lot of money through offshore fundraising. Still, some of these funds were misclassified as portfolio investments because of the unusual legal structures used to circumvent capital controls (like variable interest entities, where offshore entities "own" a subsidiary in China that then "own" the interest in the operating entity in China).

A sizable amount of these monies is transferred from Chinese state banks and investors to Hong Kong before being returned as FDI to China (referred to as "round-tripping").

China's official FDI figures are broken down to show how significant this phenomenon is. Together, Hong Kong, the Cayman Islands, and Singapore accounted for 78% of all FDI utilized by MOFCOM in 2020, this percentage rose significantly from 60% in 2010. China's official data on FDI inflows has gradually "decoupled" from mirror statistics on FDI outflows from China provided by counterpart governments over the same period (suggesting that these governments are recording these outflows in other BOP categories). According to official data from Hong Kong and Singapore, FDI flows are either flat or dropping at substantially lower levels (50-60%) than what MOFCOM estimates reflect since 2015/2016. These are two of the most significant sources of FDI for China.

9.5. The Current situation of FDI in India

The US monetary policy, the Russia-Ukraine conflict, and other global uncertainties are not expected to affect the Indian economy significantly. Due to initiatives like implementing production-linked incentive (PLI) schemes and the expectation of robust economic growth, India may continue to draw the attention of foreign investors in 2023.

In 2022, India had so far attracted a sizable amount of FDI. According to the most recent data provided by the government, India received $84.84 billion in FDI overall in 2021–2022—the most significant amount ever. However, from April through September of this fiscal year, FDI inflow decreased by 14% to $26.9 billion. With stock inflows, reinvested earnings, and other capital included, the overall amount of FDI inflows fell to $39 billion during the first half of this fiscal year from $42.86 billion in the same period last year.

Between April 2000 and September 2022, FDI into India totaled $887.76 billion. Around 26% of FDI passed via Mauritius. Singapore (23%) came in second, followed by the US (9%), Netherlands (7%), Japan (6%), and the UK (5%). The UAE, Germany, Cyprus, and the Cayman Islands contributed 2%.

The services industry, computer software and hardware, telecommunications, trading, construction development, automotive, chemicals, and pharmaceuticals are the primary industries that drew the most foreign direct investment. Although FDI is permitted through the automatic route in most sectors, authorization from the government is necessary for foreign investors in some industries, including telecom, media, pharmaceuticals, and insurance.

The shifting nature of the global investment environment is impacting global investment flows. Investors are worried about the present geopolitical upheaval even as economies recover from the pandemic's ravages. Many problems compel businesses to reassess their global priorities and identify potential vulnerabilities.

It is consoling that international investors still consider India a trustworthy partner and a desirable place to invest against this volatile background. The most recent CII-EY MNC Survey 2022 assesses how interested MNC decision-makers are in India and what kind of interest they have.

One of the major economies with the quickest growth rate, India has the potential to attract USD475 billion in FDI over the following five years. Some elements contributing to the confidence about India's potential include strong consumer trends, digitalization, a burgeoning services industry, and the government's strong emphasis on infrastructure and manufacturing.

9.6. Critical Drivers of India’s FDI Story

9.6.1. accelerated growth

India, which currently has the fifth-largest economy in the world, is anticipated to proliferate, surpassing Japan in 2027 to become the third-largest economy in the world and Germany in 2025 to become the fourth-largest economy.

9.6.2. Conscious Regulatory Reforms

The implementation of institutional changes for ease of business, the design of contemporary Free Trade Agreements (FTAs) to promote commerce, and the creation of cross-border investment opportunities have all contributed to the direction of the Indian economy. Foreign investors and businesses all highly receive those.

9.6.3. Basis of Domestic Consumption

Due to a significant domestic customer base and a rapidly expanding consumer culture, it is predicted that by 2030, consumer expenditure will have increased across India by a real USD 1.7 trillion. In general, this would represent the third-highest demand growth across economies. New investment opportunities are shown by the proportion of health, education, and other services in the total consumption basket.

9.6.4. A strong services sector and favorable demographics

The software services export center is in India. The market for IT outsourcing services in India will grow by 6-8% between 2021 and 2024, the IT and business services market for IT and business services will reach USD 19.93 billion by 2025, and the software service industry will reach USD 1 trillion by 2030, shows the prediction. The availability of skilled labor, along with successful advancements in technologically innovative services that are technologically innovative and can be traded internationally, makes India an attractive location for MNCs.

9.6.5. Emphasis on the Manufacturing Sector Continually

As India's flagship "Make in India" program completed its eight-year run in 2022, several government-led reforms to make the country competitive have started to produce positive outcomes, sending a clear message to the rest of the world about India's potential as a hub for global manufacturing.

9.6.6. Digitalization's Huge Drive

New consumption patterns are emerging in India due to growing smartphone adoption, internet usage, and real-time payment transactions. India's digital economy will be worth USD 1 trillion by 2025 thanks to adopting new technologies and digital transformation, which offers MNCs lucrative investment prospects. MNCs see positive effects of e-commerce growth.

9.6.7. Infrastructure Drive

The National Monetization Pipeline (NMP), with an aggregate monetization potential of INR 6.0 lakh crore through the sale of a core of Central Government assets, and Gati Shakti offer enormous potential for investments by the private sector—Indian infrastructure spending pipeline of USD 1.3 trillion in 5 years. Public CAPEX increased from 1.6% of GDP in 2018-19 to 2.9% in 2022-23.

9.6.8. Hegemonic stability and positive interaction with the global community

India offers considerable stability compared to other emerging market economies across various metrics, such as macroeconomic stability and robustness to geopolitical shocks. In contrast, the rest of the globe is going through a difficult geopolitical and economic time. India's attractiveness is enhanced by the country's political stability and continuous monetary policy improvements.

9.6.9. Constructing sustainably

MNCs can invest in sustainability through India's sustainability goals, particularly in renewable energy, real estate, and transportation. Eighteen billion USD have come into India due to global green bond issuances. With demand expected to reach 15-20 MT by 2030, the Indian Green Hydrogen Mission would also make the country a hub for producing and exporting green hydrogen.

9.7. The Way Forward

In the future, it will be crucial for the government to concentrate on implementing infrastructure projects and project preparation deadlines, particularly for Public-Private Partnership (PPP) projects.

In addition to continuing the path to NetZero and attaining environmental, social, and governance (ESG) goals, developing competitive business clusters and maintaining financial sector and power sector reforms will be vital for India's growth story.

9.8. Reasons for Low FDI

For some reason, India may be drawing less foreign direct investment (FDI) than it could in comparison to other nations. Here are a few potential explanations:

1. Administrative obstacles and regulatory barriers: India have long been criticized for its cumbersome bureaucracy, which might dissuade international investors from establishing enterprises there. Investors may also need more trust due to the regulatory environment, which can be unexpected and uncertain.
2. Infrastructure gaps: Despite significant advancements in recent years, India still has infrastructure gaps in sectors like telecommunications, energy, and transportation, making it challenging for companies to operate profitably and efficiently.
3. Skill gaps and workforce quality: India has a sizable population and labor force. However, some industries can have severe skill shortages and workforce quality problems, making it difficult for international investors to recruit suitable talent.
4. Political and economic unrest: India has occasionally experienced political and economic turmoil, which can breed uncertainty and make foreign investors leery of investing there.
5. Competition from other nations: Due to their more hospitable business environments, other countries in the region, such as China and Vietnam, have successfully lured FDI, increasing competition for international investment.

Overall, even while India has made considerable strides in recent years to enhance its business climate and draw more foreign investment, a number of issues must be resolved before it can fully achieve its potential as an attractive location for FDI.

Due to its sizable market, youthful population, and advantageous location, India has much potential for foreign direct investment (FDI). Despite these benefits, India has yet to be able to draw as much foreign direct investment (FDI) as other nations in the region. One of the leading causes of this is the regulatory and bureaucratic obstacles that international investors encounter while establishing firms in India. The time-consuming and complicated licensing and permit application process might make investors lose faith in a project.

India's poor infrastructure is another aspect that hinders its capacity to draw FDI. Even though India's infrastructure has significantly improved over the past few years, telecommunications, energy, and transportation infrastructure gaps can make it difficult for companies to run successfully and economically. Foreign investors who need dependable and contemporary infrastructure to establish their companies may find this a significant barrier.

India must also improve its workforce quality and skill gaps, especially in some industries like technology and engineering. India has a sizable and expanding labor pool, but a talent gap may make it challenging for international investors to locate qualified candidates for their projects.

Another aspect that can discourage foreign investors from making investments in India is political and economic uncertainty. While having a stable political system now, India has historically suffered periods of political and economic upheaval, which can be unsettling for investors and pose risks.

Last but not least, China and Vietnam are the only two nations in the area competing with India for FDI. India finds it challenging to compete for investment because these nations have been able to improve business climates and provide better incentives to foreign investors.

Apart from India's recent progress in enhancing its business climate and luring more international investment, some issues still need to be resolved. To overcome these obstacles, the public and private sectors must work together to improve the business climate and address the infrastructural, skill, and workforce quality deficiencies.

CHAPTER TEN

THE POSITIVE RELATIONSHIP BETWEEN FDI AND ECONOMIC GROWTH

10. RELATIONSHIP BETWEEN FDI AND ECONOMIC GROWTH

10.1. The positive relationship between FDI and Economic Growth

It is well known that FDI significantly contributes to economic growth and development, particularly in developing nations. Many studies have been conducted on the apparent correlation between FDI and economic growth, which has been discovered to have several beneficial economic consequences.

First, FDI can aid in developing new enterprises and industries, creating jobs, and accelerating economic growth. Foreign investors can bring new technology, skills, and resources to support innovation and boost productivity, resulting in better output and incomes.

Second, FDI can boost exports and revenue through foreign exchange transactions. Foreign investors can export the goods and services they manufacture locally, increasing export income and improving a nation's balance of payments. This may lessen trade deficits and promote economic expansion.

Thirdly, FDI can encourage disseminating of information and skills to the local labor force, boosting output and competitiveness. Training local workers in new technology and skills by foreign investors may result in a more knowledgeable and effective labor force, ultimately stimulating economic growth.

Fourthly, FDI can encourage local market rivalry, producing more effective production and higher-quality goods. As a result of being compelled to improve their goods and services to compete with foreign investors, local businesses might also benefit customers.

Finally, FDI can assist the expansion of small and medium-sized businesses and boost infrastructure construction (SMEs). Foreign investors might need new telecommunications and transportation infrastructure, which could spur the growth of new enterprises and industries. Foreign investors may also finance and support local SMEs, which can aid in promoting growth in these industries.

In summation, there is strong evidence linking foreign direct investment (FDI) to economic growth, with FDI helping to boost exports, productivity, competition, and infrastructure growth. Governments that work to draw FDI stand to gain from increasing economic development and growth, which can raise residents' living standards.

In many nations, foreign direct investment (FDI) is a significant force behind economic expansion and development. Particularly in developing countries, FDI can positively impact the economy by fostering job development, transferring technology and knowledge, and increasing exports.

Developing new firms and sectors is one of FDI's most important advantages. New technology, skill sets, and resources that might not be accessible locally can be introduced by foreign investors. This could encourage innovation, boost production, and enhance efficiency, resulting in greater output and earnings.

Furthermore, FDI can help increase employment by opening up new job opportunities. Foreign investors can provide money, knowledge, and technology to build new enterprises and sectors, creating jobs for local employees. This might result in lower unemployment rates and higher living standards.

Increased exports and foreign exchange earnings are two additional benefits of FDI. Foreign investors can export the goods and services they manufacture locally, boosting export income and improving a nation's balance of payments. This may lessen trade deficits and promote economic expansion.

Transferring skills and information to the local workforce is an advantage of FDI. Local personnel can benefit from training and support from foreign investors, which can help to boost productivity and enhance skills. This could contribute to developing a workforce with greater skill levels, promoting economic growth.

Along with these benefits, FDI can increase market competitiveness locally. New goods and services introduced by foreign investors may put current local businesses in competition. By improved quality and efficiency, customers and nearby companies stand to gain.

Lastly, FDI can assist the expansion of small and medium-sized businesses and boost infrastructure construction (SMEs). Foreign investors might need new telecommunications and transportation infrastructure, which could spur the growth of new enterprises and industries. Foreign investors may also finance and support local SMEs, which can aid in promoting growth in these industries.

Finally, it should be noted that there is strong evidence linking FDI to economic growth. Foreign investors can encourage economic growth, the creation of jobs, and the increase of exports by contributing money, knowledge, and technology. To leverage these advantages, nations should foster an environment encouraging foreign capital to flow into their economy and attract foreign investors.

10.2. Measures that India can take to attract more FDI

There are many ways India can differ from China to attract the same amount of FDI. Here are a few potential actions:

1. Improve the Ease of Doing Business: India needs to streamline its regulatory procedures and make it simpler for international corporations to conduct business there. This can be accomplished by lowering the number of licenses and permissions needed, streamlining tax procedures, and simplifying the land and infrastructure acquisition processes.
2. Improve Infrastructure: India needs to invest in better roads, trains, airports, and ports. As a result, India's connectivity will increase, transportation costs will drop, and it will be more appealing for international investors to establish businesses there.
3. Emphasis on Skilled Labor: To increase the skills of its workers, India must engage in education and training programs. This will encourage the hiring of skilled workers and higher-paying sectors.
4. Enhance IP Protection: India needs to improve its laws and enforcement procedures for protecting intellectual property. More high-tech industries that require robust IP protection will be drawn to the area.
5. Enhance Political Stability: India needs to strengthen its political system and lessen corruption. As a result, foreign investors will become more confident and inclined to invest in India.
6. Emphasis on Key Sectors: India needs to put more effort into growing key industries, including electronics, pharmaceuticals, renewable energy, and the military. These industries can draw significant amounts of foreign investment and produce high-quality jobs.
7. Increase Bilateral and Multilateral Relations: India must strengthen its bilateral and multilateral partnerships with other nations to improve the environment for foreign investment. Free trade agreements, investment treaties, and other forms of economic cooperation with other countries can be negotiated to accomplish this.

India can match the quantity of FDI that China receives by putting these steps in place to boost its attractiveness as a location for FDI and raise the amount of FDI it receives.

10.3. A report on the recent developments regarding FDI in India

Notwithstanding the uncertainty brought on by the pandemic, India continues to be a popular place for foreign investment. Around 44% of 1,200 company executives from developed economies planned to invest in India for the first time or again in 2021.
Many countries claimed that India was a center for exports and a lucrative destination due to its domestic market.
Gross FDI inflows increased from $82 billion in FY 2021 to $83.6 billion in FY 2022.
Investors continued to be drawn to many industries, such as FMCG, Technology, pharmaceuticals, financial services, etc. Aside from the UK, Cayman Islands, and the Netherlands, some of the top nations from which equity inflows were registered were Singapore ($11.69 billion), the US ($7.52 billion), and Mauritius.
India's favorable business landscape and supportive government policymaking have increased the ease of doing business there. Investor confidence has risen with a strong vaccination rate, recovery stimulus packages, and foreign investment programs. Moreover, the nation is committed to an extreme sustainability agenda, in sync with global money managers' green and transition assets.
India is anticipated to receive $100 billion in FDI inflows between 2022 and 2023, according to the PHD Chamber of Commerce and Industry (PHDCCI).
For India's economy to grow in the future, FDI will be crucial.
It serves as a crucial non-debt financial resource and a conduit for the technology transfer of leading investors. The nation's competitive advantage in international markets will increase as a result.

10.3.1. Latest Changes in the Indian FDI Market:

With Google's announcement of a $1 billion investment in Indian telecom company Bharti Airtel, 2022 got off to a good start.
This comprised a $300 million additional investment for access, network, and cloud-related possible future initiatives and a $700 million equity commitment.

The India Digitization Fund was established in 2020 to advance India's digital economy.

The Pension Fund Investment Board of Canada (CPPIB) expanded its portfolio of investments in India in 2022, moving from e-commerce to edtech and infrastructure.

Zomato, PB Fintech, FSN E-Commerce Ventures (Nykaa), and One97 Communication were among the businesses in which CPPIB invested more than $160.49 million (Paytm). Additionally, the industry has invested in companies including Biju's, Emeritus, Kotak Mahindra Bank, and ChargePoint. At its joint venture companies for Indian life and real estate, Generali became the first foreign insurer to acquire majority ownership in May 2022.

Once India approved the Insurance (Amendment) Act of 2021, the FDI cap in the insurance sector was raised from 49% to 74% for the first time. Generali has already paid Future Enterprises $161.92 million for a 25% stake in Future Generali India Insurance.

With its funding arm, Grand Vista, Wipro GE, and Evolvence, GenWorks Health concluded a second round of funding for the company totaling $17.44 million. Several investors, including Morgan Stanley and Somerset Indus Capital Partners, contributed to the financing.

10.3.2. The Union Budget for 2022 and Other Government Programs to Boost FDI

Sweeping industry changes, like the PM Gati Shakti plan, will advance FDI inflows.

Sixteen ministries will work together under this national master plan for multi-modal connectivity to acquire funding for vital infrastructure connection projects.
Under this program, opportunities tied to production have been presented worth over $26 billion, allowing for extensive cooperation with international and private investors.
Other reforms have also been made, such as single window clearance and a land bank with a GIS. The "Enhanced Trade Partnership" between India and the UK was announced in May 2021. This all-encompassing free trade agreement will strengthen bilateral ties between the two nations and promote increased UK investment.

The government authorized 100% FDI in the telecom sector in October 2021. All telecom service and infrastructure companies are included in this. Also, their bank guarantees for licensing contracts were decreased to 20%. The government was supposed to unveil regulations as part of the Space Activities Law in 2022. This will bring a lot of FDI into the Indian space industry.

10.3.3. Influence on the Development of India

The government has loosened FDI regulations in a number of industries recently, including stock exchanges, PSUs, energy, and defense. The technical know-how and lower wages available to foreign businesses investing in India help India create jobs.

It facilitates rapid infrastructure growth, raises agricultural output, and improves export performance for the nation. FDI is also essential for utilizing India's foreign exchange reserves.

As a result, the Reserve Bank of India (RBI) has more flexibility. The central bank can maintain stable exchange rates and promote favorable economic conditions for the nation’s expansion with enhanced foreign exchange reserves. India's efforts to reduce its carbon footprint have also benefited from FDI. In the first nine months of FY 2021–2022, the renewable energy sector attracted Investment worth approximately $1.18 billion.

Overall, FDI encourages competition and makes it possible for more goods and services to reach the consumer market. This, in turn, enables the nation's development.

Due to initiatives like implementing production-linked incentive (PLI) schemes and the expectation of robust economic growth, India may continue to draw the attention of foreign investors in 2023. However, the ongoing Russia-Ukraine conflict and the tightening of US monetary policy may continue to raise concerns about the state of the world economy.

Several factors give grounds for confidence regarding foreign inflows for India in 2023, including measures to improve ease of doing business, skilled labor, the presence of natural resources, open FDI rules, a sizable domestic market, and predictions for robust GDP development.

Yet, problems like lengthy procedures, excessive interest rates, and delays in contract enforcement still need to be improved.

The recovery of greenfield investment in the industry still needs to be stronger, particularly in emerging nations, according to UNCTAD's most recent World Investment Report 2022. Also, it has been noted that the COVID-19 pandemic, continued fuel shortages, ongoing financial and food crises, and the constant climate disruption and the triple crises of food, fuel, and finance all contribute to the strain, especially in poor nations.

In 2022, India has so far attracted a sizable amount of FDI. According to the most recent government statistics, India received foreign investments worth USD 42.5 billion between January and September 2022. In 2021, it totaled USD 51.3 billion. Inflows of FDI into the nation reached their most excellent level ever in 2021–22, totaling USD 84.84 billion.

However, from April to September of this fiscal year, FDI equity inflows into India decreased by 14% to USD 26.9 billion.

Total FDI inflows—which include stock inflows, reinvested earnings, and other capital—were estimated to have fallen to USD 39 billion during the first half of this fiscal year from USD 42.86 billion in the corresponding period of last year.

Anurag Jain, secretary of the Department for the Promotion of Industry and Internal Trade (DPIIT), claimed that a number of initiatives—including the liberalization of the FDI policy, steps to ease further business operations, a reduction in the burden of compliance on the industry, the implementation of PLI programs, and the PM Gati Shakti National Master Plan for integrated infrastructure development—have made India the preferred investment destination.

"New records have been set for FDI inflows into the nation for the last eight years.

However, given the difficulties of slow economic growth and geopolitical reality, there will undoubtedly be difficulties in the future. The PLI programs' benefits are eagerly sought, and some multinational corporations are considering moving their manufacturing operations to India.

The National Single Window System (NSWS) site is fundamentally transforming how businesses seek clearances and will make investing in India simpler for foreign investors.

India will be able to attract a substantial amount of Investment in 2022–2023 thanks to the addition of free trade agreements with the UAE and Australia.

To increase India's manufacturing capacity and exports, the PLI scheme was introduced with an outlay of Rs 1.97 lakh crore for 14 sectors, including white goods, telecom, and auto components.

Thirteen different sectors have currently approved 650 applications.

During 2022–2023, the RBI forecasts a 6.8 percent growth rate.

Analysts have also expressed confidence that the government's reform initiatives will aid India in attracting significant FDI inflows in 2023.

Rumki Majumdar, an economist with Deloitte India, said the nation's future investment appeal would be enhanced by its superior performance and promising growth prospects.

She claimed that while US FDI has ceased, stock inflows from Japan, Singapore, the UK, and the UAE have increased significantly in the first half of 2022–2023.

"This suggests that there is a greater trust among global investors to invest in India, and India's inflows are getting more diversified," she observed.

Induslaw Senior and Founder Partner Kartik Ganapathy agreed, stating that India's growth appears to be fueled by a rise in domestic consumption, the expansion of services and the digital economy, and higher infrastructure investment. In light of this, Ganapathy continued, "India continues to be a desirable investment location. The US central bank has repeatedly raised its benchmark lending rate and threatened additional increases to control inflation.

Worldwide supply lines are being disrupted by the ongoing Russia-Ukraine conflict, which puts additional strain on the world economy. From April 2000 and September 2022, FDI into India totaled USD 887.76 billion. The Mauritius route received about 26% of the FDI. Following it were Singapore (23%) and the US (9%), the Netherlands (7%), Japan (6%), and the UK (5 percent). UAE, Germany, Cyprus, and the Cayman Islands contributed 2%. The primary industries that received the most foreign direct investment (FDI) are the services sector, computer software and hardware, telecommunications, trading, construction development, automotive, chemicals, and pharmaceuticals.

Foreign investors in specific areas, including telecom, media, pharmaceuticals, and insurance, require a government-issued license, even though other sectors allow FDI via the automatic route.

A foreign investor must obtain prior approval from the relevant ministry or department to proceed with government approval. The Reserve Bank of India (RBI) must only be notified after the investment is made if an investor from outside India chooses the automatic approach.

Currently, FDI is not allowed in nine different industries, including those that make cigars, cheroots, cigarillos, and cigarettes using tobacco, chit funds, lottery, gaming, and betting.

Since India will need to make significant investments in the upcoming years to remodel its infrastructure sector and spur growth, FDI is crucial. The balance of payments and the rupee's value are maintained with a healthy increase in foreign inflows.

10.4. Recent developments and the steps taken by the Chinese government to boost the FDI into China in 2023

Although growth slowed in 2022 compared to the year before, foreign direct investment in China continued to increase. Despite the global economic recession, the manufacturing and high-tech sectors continued to draw considerable foreign investment, and certain regions, including the EU, dramatically boosted their investment in China. On analysis of China's most recent FDI data and talk about what to expect in 2023 as the nation aims for expansion.

According to data on foreign direct investment (FDI) in China that the Ministry of Commerce (MOFCOM) issued on January 18, 2023, FDI inflows into the nation decreased but were "stable" in 2022. The intermittent COVID-19 outbreaks and strict control measures implemented over the year, which have undermined company trust in the China market, are most likely to blame for the slowdown. However, investment into specific industries and from particular locations expanded quickly in 2022, demonstrating that China continues to be a popular investment location. The administration is now intensely focused on economic growth as the nation moves into a new post-COVID era, and it is eager to draw in more foreign investment in 2023.

10.4.1. Inflows of FDI in 2022

China used RMB 1.2 trillion of foreign capital in 2022, an increase of 6.3 percent from the previous year. It increased by 8% yearly to reach US$189.13 billion in US dollars. This is significantly slower than in 2021, when FDI increased in RMB and US$ terms by 14.9% and 20.2 percent, year over year. Looking at the breakdown for 2022, one can see that the increase of FDI inflows fell over the year, peaking at 37.9 percent year over year between January and February and dropping to 6.3 percent year over year between January and December, in RMB terms.

The most significant FDI inflows in value occurred in June, totaling RMB 159.1 billion (about US$23.5 billion).

The primary investment targets are manufacturing and high-tech businesses. In 2022, investment growth rates in some sectors were higher than usual. A year-over-year growth of 46.1 percent brought the actual usage of foreign capital in manufacturing to RMB 323.7 billion (about US$47.8 billion). This represented 26.3 percent of all foreign money in the nation in 2022, a 7.8 percentage point rise over 2021.

On the other hand, high-tech industries saw year-over-year growth of 28.3% and accounted for 36.1% of all foreign capital used. Electronic and communication equipment manufacturing had a 56.8% year-over-year increase, transformative services based on scientific and technological advancements saw a 35% year-over-year increase, and information services saw a 21.3% year-over-year growth.

The term "transformation services" refers to operations including testing, development, application, and promotion to create new technologies, processes, materials, products, and industries to boost productivity.

10.4.2. Increase in FDI from EU and BRI nations

The principal FDI inflow sources into China kept expanding steadily.

South Korea, Germany, and the UK had comparatively substantial investments in China, with increases of 64.2 percent, 52.9 percent, and 40.7 percent, year over year.

A substantial reversal from the 10.4 percent year-over-year decline recorded in 2021 was also seen in the EU's investment, which increased by 92.2 percent yearly. Buy from the nine ASEAN countries increased by 8.2 percent. In contrast, the Belt and Road countries—a large group of nations comprising 16 countries in Western Asia, 9 in South Asia, and 5 in Central Asia—grew by 17.2 percent.

10.4.3. Investment in the center and western areas has increased.

In 2022, investment increased faster than usual in China's central and western regions. In contrast to the west of areas (Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia, and Xinjiang), the actual use of foreign capital increased by 14.1 percent year over year in the central provinces (Shanxi, Anhui, Jiangxi, Henan, Hubei, and Hunan). These growth rates are, respectively, 15.6 and 7.8 percentage points greater than the average for the country. Shanxi (229.6%), Henan (119.8%), Guangxi (49.1%), and Shaanxi (33.6%) saw notably substantial growth among these regions.

In 2022, significant projects with contractual foreign investment of over US$100 million accounted for almost 53% of the actual usage of foreign capital. In 2022, these projects received a combined RMB 653.5 billion (about $96.4 billion), a 15.3 percent increase from the previous year.

Important conclusions

FDI inflows decreased dramatically in 2022 compared to 2021 and fell over the year after a solid first quarter, as was already reported. This is probably because of the effects of ongoing COVID-19 outbreaks and the subsequent year-long adoption of control measures. Although there were a few COVID-19 outbreaks at the start of the year, they started to pick up steam in the second quarter after Shanghai was placed under lockdown in April. They continued irregularly until the restrictions were lifted in November and December. However, the relatively high growth rates in 2021 are partially attributable to the pandemic's low base effect in 2020, which had a considerable negative influence on economic activity.

FDI to China in 2023

China has changed course to concentrate heavily on economic growth in 2023 with the release of COVID-19 restrictions in late 2022. The significance of foreign investment in helping China meet its financial goals this year has been emphasized by a number of Chinese authorities and in official policy documents.

For instance, the need to boost overseas trade and investment cooperation to spur growth was stressed at the 2022 Central Economic Work Conference (CEWC), an annual gathering of China's senior officials that defines the economic agenda for the following year. One method to boost foreign investment in China has been suggested by the CEWC: increasing market access.

Many foreign businesses and investors have lost faith in China due to its stringent COVID-19 regulations, and China will take some time to win them back. An essential first step in regaining company trust in the Chinese market is the relaxation of COVID-19 limitations. The government may also create new incentives and reasonable regulations for foreign investors, while something has yet to be officially stated. They might focus on significant rising and high-tech industries and critical development zones, and they could encourage foreign investment in 2023.

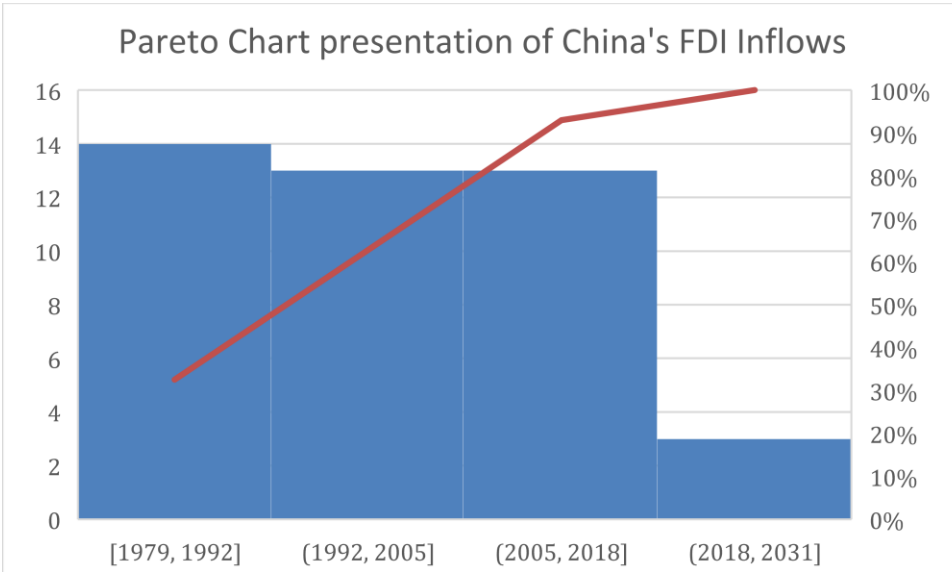


Figure 30: **Pareto Chart for China's FDI inflows. Source:** China's Investment Report.

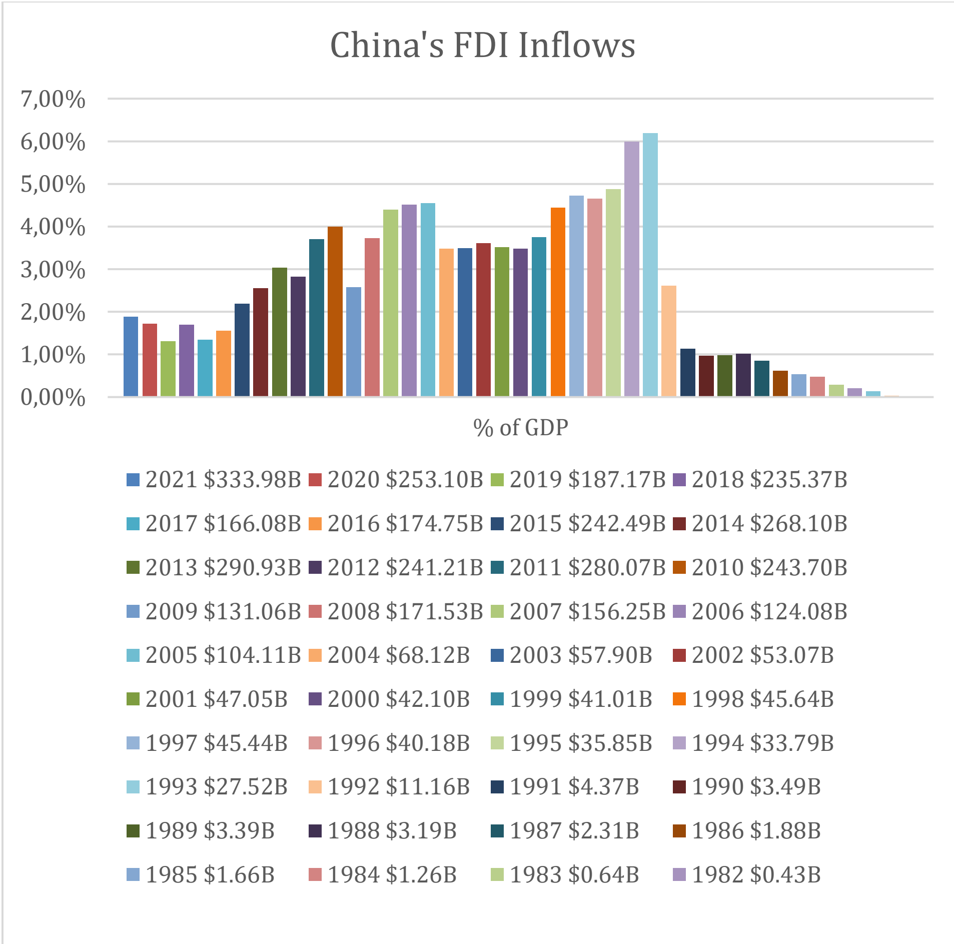


Figure 31: China's FDI Inflows; **Source:** Made by Author.

CHAPTER ELEVEN

CONCLUSION

11.CONCLUSION

11.1. Results

India gave great chances for native players to expand and work hard before 1991, when foreign investment was sub-minimal.

It is intriguing to comprehend how an economy functions when the factor of production fluctuates dramatically. The nation gifted with inexpensive labor resources will probably have an advantage concerning labor-intensive products.

Before 1990, India's domestic market was booming, but a financial crisis forced India to seek assistance from the International Monetary Fund. The World Bank and the IMF agreed to help with one stipulation: only if India accepts international capital inflow as a host nation.

India has an advantage over many other nations, which attracts many foreign players as a desirable location. India has the most significant demographic dividend, making it an attractive location for many entrepreneurs looking to launch new ventures.

The government decided to go worldwide in 1991. The opening of the economy brought substantial financial and technological advancements to the host nation (India). The host nation's residents saw an improvement in their per capita income due to the rising standard of living among the general population.

Living sustainably in a country like India is challenging, where many people find necessities inaccessible. When patterns are examined, it becomes clear that foreign investments, in some way or another give the workforce of the host nation job opportunities. The economic inequality that is currently existing is subsequently reduced as a result.

One can see that FDI has a beneficial impact on the host country's GDP by looking at the data on the percentage contribution of FDI to the GDP of the host country (in this case, India and China). Employment and a nation's GDP will increase directly to FDI levels.

India is a prime illustration of how beneficial foreign investment can be for the receiving nation.

However, the domestic industries in China are growing slower than in India, according to patterns seen there. China needed to give its local industries more autonomy because they had become less attractive over time. A democratic system operates far too differently from a communist one.

The laws and rules are stringent and unbending. A lack of autonomy constrains the efficient operation of China's domestic markets. Despite these stringent regulations, foreign investors still favor China as a location for their ventures. The explanation is that China gives foreign investors higher autonomy.

When one examines the structure of the Indian economy, it is evident that, before 1991, the GDP of India was $266 billion due to the country's restrictive policies and closed economy. It is reasonably clear from the study's findings that FDI has a beneficial effect on the GDP of the host nation. FDI increased by 316.9% after liberalization between 1992 and 2005. The nominal GDP is $3.535 trillion, and the PPP GDP is $11.745 trillion currently.

Similar trends may be observed when examining the Chinese economy, where domestic sectors are less developed than those with foreign investment. The Chinese government is very tolerant of migration from abroad. This is one of the leading causes of Chinese domestic firms' enormous disadvantage. However, regardless of the policies, China still is a desired destination for different trade partners.

In 1990, China had a GDP of 36,085.79 billion USD. And it is currently $17.7 trillion.

Foreign direct investment and net inflows as a percentage of GDP are the key metrics used in the study to demonstrate a positive association between FDI and GDP. One can observe that the value is increasing and the slope for the parameter is growing after carefully examining the data for India with each ten-year prediction.

A more pronounced disparity between the numbers of the two countries may be seen when someone examines the trend in China. China had 1.14 in the inaugural year, 1991. In 2001, the number for China was 2.51%; when that number was projected out for an additional ten years, it was 3.71. The situation in China, however, did not turn out as expected because of the pandemic, which forced China to impose severe limitations on even the basic operations of the economy. China's economy was damaged as a result. The forecast for 2020 was 1.44 as a result of this.

The strict laws caused many foreign investor businesses to leave China. When carefully weighed against the data, the arguments serve as a testament to demonstrating the existence of a positive correlation between the two factors taken into account, or to support the hypothesis.

Here, it is evident that the leading foreign investor businesses left the country and that the GDP contribution decreased, demonstrating the positive impact of FDI on the GDP of the host nation.

After careful analysis, the leading hypothesis stands true, falsifying the alternative hypothesis.

- **H0** - Higher FDI inflows bring positive growth in the GDP of the host country.

- **H0 -** Higher inflows have a positive impact on economic growth.

After the research, the evidence proves that the abovementioned hypothesis is true.

Today when the world is interconnected, multiple factors play a role when understanding the numbers associated with foreign inflows. Today, an essential phenomenon in a foreign country can influence the flow of capital in the host country.

11.2. Understanding the dynamics of FDI and geopolitics

The relationship between international geopolitics and foreign direct investment (FDI) has emerged as a crucial predictor of a country's economic growth and development in an increasingly integrated global economy. Political, economic, and strategic geopolitical considerations significantly impact FDI flows, influencing investment choices and the dynamics of international trade and commerce. A move made by one nation can impact the business of many other nations, affecting the host nation's supply chain. As a result, countries work hard to preserve good relations with their various trading partners.

The Complex Interplay of Geopolitics examines how geography, power, and international relations combine to influence how risk is perceived, how markets are accessible, and how regulations are formulated. Governments, investors, and multinational firms must handle the opportunities and problems brought about by this complex interaction between geopolitics and FDI. It provides a clear picture of the extremes connected to various options and their opportunity cost.

Understanding the core of the interaction between FDI and global geopolitics is essential in the interdependent world one live in today. When choosing a suitable location, many considerations are taken into account. Additionally, global geopolitics significantly impacts the inflow of foreign capital.

Geopolitical stability gives international investors a reason to feel secure. Conflict-ridden, politically unstable, or entangled in diplomatic difficulties, nations are frequently considered higher-risk locations for FDI. Stability is a priority for investors because they want to secure their assets and guarantee sustained profits. China and India both have solid political stability and impressive economic growth. Long-term stability is assured by the developed infrastructure and sizable consumer market in China and by the expanding middle class and democratic governance in India.

Trade pacts, geopolitical conflicts, and alliances affect a country's access to international markets. Positive geopolitical trends can result in more favorable trade conditions, lower trade barriers, and encourage FDI. On the other hand, geopolitical unrest can sour long-standing business ties and restrict foreign investors' access to global markets. Both nations participate in strategic alliances that increase their power on the world stage. While India's partnerships with the BRICS nations and the Indian Ocean Rim Association (IORA) promote regional economic integration and FDI potential, China's Belt and Road Initiative (BRI) and membership in the Shanghai Cooperation Organisation (SCO) improve trade connectivity.

Changes in geopolitics can affect how laws, taxation, and economic environments are implemented. Geopolitically motivated policies that benefit investors might draw FDI, whereas changes in geopolitical dynamics may bring about concerns that deter potential investors.

Geopolitical considerations highly impact regional economic integration. Increased FDI is frequently observed in countries that are members of economic unions or trade blocs due to greater market access and simplified regional rules. The development of infrastructure as a result of geopolitical cooperation can improve the climate for conducting business.

Cross-border technology and knowledge transfer are facilitated through geopolitical ties and collaborations. Positive geopolitical associations encourage collaborative research initiatives, international R&D investments, and innovation that might draw FDI looking for access to cutting-edge developments. China and India work with technologically advanced countries to promote innovation and technology transfer. China's expertise in artificial intelligence and India's emphasis on renewable energy are two examples of countries that have successfully used geopolitics to promote FDI in cutting-edge industries.

Geopolitical factors influence the creation of vital infrastructure and the availability of strategic resources. Resources-rich nations can draw FDI from businesses looking for safe and dependable access to commodities and raw materials.

Geopolitical developments may cause currency swings that affect exchange rates and impact how profitable FDI is. Investors carefully watch these variations to judge how they might affect investment returns.

Foreign direct investment is inextricably entwined with India and China's geopolitical dynamics, influencing their futures as global economic powerhouses. Both nations are appealing FDI destinations thanks to economic potential, geopolitical ties, regulatory improvements, and resource availability. While there are many potentials, the difficulties brought on by geopolitical unrest, complex administrative procedures, and worries about intellectual property highlight the need for proactive measures to promote a favorable investment climate. India and China's capacities to seize opportunities and overcome obstacles will determine their contributions to reshaping the global economic landscape as they navigate the complex interplay between geopolitics and FDI.

11.3. Few tactics that India and China can adopt to increase their FDI

For both China and India, increasing FDI is a key objective as they work to accelerate their respective economies' development and growth. Here are some ideas for how China and India can draw in more FDI.

a) India:

1. Simplify and accelerate bureaucratic procedures for establishing and running enterprises. A favorable climate for FDI can be created through straightforward and transparent regulations.
2. Invest in Infrastructure: To enhance connection and promote effective corporate operations, keep investing in the infrastructure of transportation, energy, and communication.
3. Skill Development: Emphasize education and skill development to guarantee a highly skilled workforce appealing to knowledge-based companies.
4. Simplify property Acquisition: Make investors' access to property more accessible and transparent, especially in industries requiring it.
5. Tax Reforms: To draw FDI, enact investor-friendly tax laws, and provide a stable, predictable tax system.
6. Promote specific industries aggressively to international investors, such as technology, medicines, and renewable energy, where India has a comparative advantage.
7. Protection of Intellectual Property: To protect the innovations of foreign businesses, strengthen intellectual property laws and enforcement.
8. Enhance the legal frameworks, including dispute resolution procedures, that protect the interests of international investors.

b) China:

1. Market Access: Remove prohibitions on foreign ownership and further open up economic sectors to international investment.
2. Transparency and the Rule of Law: Promote more openness in rules and decision-making procedures. To inspire investor confidence, strengthen the rule of law.
3. Intellectual Property Rights: To promote technology transfer and innovation, and strengthen intellectual property protection and enforcement.

4. Environmental Regulations: Put in place and enforce strict environmental laws to guarantee ethical and sustainable company practices.
5. Maintaining currency stability is essential to lowering financial risks for overseas investors.
6. Modernize labor laws and regulations to encourage a flexible labor market and ensure workers are treated fairly.
7. Continue investing in high-quality infrastructure projects to support effective supply chain and logistics management.
8. Establish specialized investor service facilities to help international businesses with administrative processes and address their issues.
9. Research and development incentives: Provide financial rewards to businesses that finance R&D projects in China.

China and India should concentrate on diplomatic and successful marketing strategies to position themselves as desirable investment locations. They can improve their reputation and boost investor confidence by fortifying geopolitical ties and participating in global trade accords. Ultimately, attracting more FDI will depend on fostering a secure, open, and welcoming environment for investors while addressing particular problems in each nation.

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APPENDIX

STATEMENT ON SECTOR-WISE FDI EQUITY INFLOWS
FROM October 2019 TO September 2021

Sr. No.	Sector	Amount of Green Field Inflows (In US$ Million)	Amount of Brown Field Inflows (In US$ Million)	Received in the Company (In US$ Million)	Amount of FDI Equity Inflows (In US$ Million)	%age with Inflows
1	COMPUTER SOFTWARE & HARDWARE	163.92	119.48	36,633.82	36,917.22	32.19
2	SERVICES SECTOR (Fin., Banking, Insurance, Non Fin/Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other)	40.32	119.89	11,450.26	11,610.47	10.13
3	CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	446.88	268.12	9,456.52	10,171.51	8.87
4	AUTOMOBILE INDUSTRY	109.51	249.43	6,907.02	7,265.97	6.34
5	TRADING	47.49	202.47	6,840.33	7,090.29	6.18
6	METALLURGICAL INDUSTRIES	41.53	78.96	4,521.14	4,641.62	4.05
7	EDUCATION	3.47	9.97	4,034.35	4,047.79	3.53
8	HOTEL & TOURISM	5.03	29.42	2,783.30	2,817.75	2.46
9	NON-CONVENTIONAL ENERGY	150.88	209.41	1,996.81	2,357.11	2.06
10	DRUGS & PHARMACEUTICALS	44.79	62.38	2,163.47	2,270.64	1.98
11	ELECTRICAL EQUIPMENTS	224.68	24.51	1,818.71	2,067.90	1.80
12	RETAIL TRADING	0.84	2.16	1,795.17	1,798.17	1.57
13	CHEMICALS (OTHER THAN FERTILIZERS)	72.34	103.90	1,499.87	1,676.10	1.46
14	CONSULTANCY SERVICES	36.64	5.57	1,622.28	1,664.50	1.45
15	MISCELLANEOUS INDUSTRIES	6.58	9.56	1,248.46	1,264.60	1.10
16	POWER	5.15	5.34	1,235.98	1,246.47	1.09
17	FOOD PROCESSING INDUSTRIES	15.73	6.97	1,222.59	1,245.29	1.09
18	AIR TRANSPORT (INCLUDING AIR FREIGHT)	34.97	0.00	1,162.86	1,197.82	1.04
19	HOSPITAL & DIAGNOSTIC CENTRES	43.28	60.07	985.52	1,088.87	0.95
20	FERMENTATION INDUSTRIES	0.00	0.00	1,070.03	1,070.03	0.93
21	INFORMATION & BROADCASTING (INCLUDING PRINT MEDIA)	7.13	0.00	1,024.97	1,032.09	0.90
22	PETROLEUM & NATURAL GAS	50.09	1.30	888.79	940.18	0.82
23	TELECOMMUNICATIONS	0.01	127.70	805.07	932.79	0.81
24	CONSTRUCTION DEVELOPMENT: Townships, housing, built-up	104.89	58.55	681.55	844.99	0.74

STATEMENT ON SECTOR-WISE FDI EQUITY INFLOWS FROM October 2019 TO September 2021						
	infrastructure and construction-development projects					
25	INDUSTRIAL MACHINERY	34.18	55.13	643.08	732.39	0.64
26	SEA TRANSPORT	0.37	2.41	688.79	691.57	0.60
27	ELECTRONICS	175.64	7.58	479.48	662.69	0.58
28	SOAPS, COSMETICS & TOILET PREPARATIONS	0.03	0.40	644.70	645.12	0.56
29	GLASS	0.69	3.82	605.06	609.56	0.53
30	PRINTING OF BOOKS (INCLUDING LITHO PRINTING INDUSTRY)	0.00	0.20	541.66	541.86	0.47
31	TEXTILES (INCLUDING DYED, PRINTED)	1.43	20.62	504.13	526.19	0.46
32	MEDICAL AND SURGICAL APPLIANCES	3.36	6.05	451.73	461.13	0.40
33	RUBBER GOODS	0.72	12.44	342.77	355.92	0.31
34	MINING	0.67	0.10	348.64	349.41	0.30
35	PRIME MOVER (OTHER THAN ELECTRICAL GENERATORS)	27.48	15.22	285.67	328.37	0.29
36	MISCELLANEOUS MECHANICAL & ENGINEERING INDUSTRIES	23.70	6.24	202.93	232.87	0.20
37	AGRICULTURE SERVICES	1.56	18.92	167.37	187.85	0.16
38	AGRICULTURAL MACHINERY	12.60	0.00	174.48	187.07	0.16
39	PAPER AND PULP (INCLUDING PAPER PRODUCTS)	0.25	1.13	158.07	159.45	0.14
40	RAILWAY RELATED COMPONENTS	93.56	35.48	27.67	156.72	0.14
41	CEMENT AND GYPSUM PRODUCTS	1.83	0.00	139.37	141.20	0.12
42	COMMERCIAL, OFFICE & HOUSEHOLD EQUIPMENTS	0.04	0.00	64.73	64.77	0.06
43	MACHINE TOOLS	3.27	0.00	61.40	64.68	0.06
44	VEGETABLE OILS AND VANASPATI	0.01	1.07	60.33	61.41	0.05
45	EARTH-MOVING MACHINERY	0.00	2.31	51.53	53.84	0.05
46	DIAMOND, GOLD ORNAMENTS	0.07	0.13	32.48	32.68	0.03
47	FERTILIZERS	11.02	13.77	1.26	26.05	0.02
48	SUGAR	0.00	0.00	25.06	25.06	0.02
49	CERAMICS	8.55	6.59	6.90	22.04	0.02
50	TIMBER PRODUCTS	0.33	0.39	20.72	21.44	0.02
51	LEATHER, LEATHER GOODS AND PICKERS	0.00	9.22	10.31	19.53	0.02
52	SCIENTIFIC INSTRUMENTS	0.00	0.99	16.28	17.27	0.02
53	TEA AND COFFEE (PROCESSING & WAREHOUSING COFFEE & RUBBER)	0.00	4.02	8.33	12.35	0.01

STATEMENT ON SECTOR-WISE FDI EQUITY INFLOWS FROM October 2019 TO September 2021						
54	DYE-STUFFS	0.00	0.00	8.11	8.11	0.01
55	GLUE AND GELATIN	0.96	0.00	4.91	5.87	0.01
56	DEFENCE INDUSTRIES	2.31	0.00	1.21	3.52	0.00
57	INDUSTRIAL INSTRUMENTS	0.00	0.98	0.21	1.19	0.00
58	BOILERS AND STEAM GENERATING PLANTS	0.00	0.90	0.00	0.90	0.00
	Total	**2,060.76**	**1,981.28**	**110,628.22**	**114,670.26**	

POVERTY HEAD COUNT RATIO

INDICATOR_NAME	**SOURCE_NOTE**			
Poverty headcount ratio at national poverty lines (% of population)	National poverty headcount ratio is the percentage of the population living below the national poverty line(s). National estimates are based on population-weighted subgroup estimates from household surveys. For economies for which the data are from EU-SILC, the reported year is the income reference year, which is the year before the survey year.			
Country Code	**Region**	**IncomeGroup**	**SpecialNotes**	
CHINA	East Asia & Pacific	Upper middle income	On 1 July 1997 China resumed its exercise of sovereignty over Hong Kong, and on 20 December 1999, China resumed its exercise of sovereignty over Macao. Unless otherwise noted, data for China do not include data for Hong Kong SAR, China; Macao SAR, China; or Taiwan, China. The World Bank systematically assesses the appropriateness of official exchange rates as conversion factors. In this country, multiple or dual exchange rate activity exists and must be accounted for appropriately in underlying statistics. An alternative estimate (“alternative conversion factor” - PA.NUS.ATLS) is thus calculated as a weighted average of the different exchange rates in use in the country. Doing so better reflects economic reality and leads to more accurate cross-country comparisons and country classifications by income level. For this country, this applies to the period 1978-1993. Alternative conversion factors are used in the Atlas methodology and elsewhere in World Development Indicators as single-year conversion factors.	

INDIA	South Asia	Lower middle income	The reporting period for national accounts data is designated as either calendar year basis (CY) or fiscal year basis (FY). For this country, it is fiscal year-based (fiscal year-end: March 31). Also, an estimate (PA.NUS.ATLS) of the exchange rate covers the same period and thus differs from the official exchange rate (CY).	
Poverty headcount ratio at national poverty lines (% of population)		**Poverty headcount ratio at national poverty lines (% of population)**		
Country Name	**China**	**Country Name**	**India**	
Indicator Code	**SI.POV.NAHC**	**Indicator Code**	**SI.POV.NAHC**	
2000	49.8	1993	45.3	
2005	30.2	2004	37.2	
2010	17.2	2009	29.8	
2011	12.7	2011	21.9	
2012	10.2			
2013	8.5			
2014	7.2			
2015	5.7			
2016	4.5			
2017	3.1			
2018	1.7			
2019	0.6			
2020	0			
Poverty headcount ratio at national poverty lines (% of population)				
Country Name	**China**			
Indicator Code	**SI.POV.NAHC**			
2000	49.8			
2010	17.2			
2020	0			

FOREIGN DIRECT INVESTMENT NET INFLOWS (% of GDP)

INDICATOR_CODE	INDICATOR_NAME	SOURCE_NOTE
BX.KLT.DINV.WD.GD.ZS	Foreign direct investment, net inflows (% of GDP)	Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors, and is divided by GDP.

Country Code	**Region**	**IncomeGroup**	**SpecialNotes**
ABW	Latin America & Caribbean	High income	
CHINA	East Asia & Pacific	Upper middle income	On 1 July 1997 China resumed its exercise of sovereignty over Hong Kong, and on 20 December 1999, China resumed its exercise of sovereignty over Macao. Unless otherwise noted, data for China do not include data for Hong Kong SAR, China; Macao SAR, China; or Taiwan, China. The World Bank systematically assesses the appropriateness of official exchange rates as conversion factors. In this country, multiple or dual exchange rate activity exists and must be accounted for appropriately in underlying statistics. An alternative estimate (“alternative conversion factor” - PA.NUS.ATLS) is thus calculated as a weighted average of the different exchange rates in use in the country. Doing so better reflects economic reality and leads to more accurate cross-country comparisons and country classifications by income level. For this country, this applies to the period 1978-1993. Alternative conversion factors are

			used in the Atlas methodology and elsewhere in World Development Indicators as single-year conversion factors.
INDIA	East Asia & Pacific	Lower middle income	Fiscal year end: March 31; reporting period for national accounts data: CY. Data for Indonesia include Timor-Leste through 1999 unless otherwise noted.
Foreign direct investment, net inflows (% of GDP)			
Year	**China**	**India**	
1991	1.14	0.03	
2001	3.51	1.06	
2011	3.71	2.00	
2020	1.44	2.42	

GINI INDEX

IND	South Asia	Lower middle income	The reporting period for national accounts data is designated as either calendar year basis (CY) or fiscal year basis (FY). For this country, it is fiscal year-based (fiscal year-end: March 31). Also, an estimate (PA.NUS.ATLS) of the exchange rate covers the same period and thus differs from the official exchange rate (CY).	
CHINA - GINI Index		**INDIA - GINI Index**		

Indicator Code	**SI.POV. GINI**	**Indicator Code**	**SI.POV.GINI**	
1990	32.2	1977	33.3	
1993	33.9	1983	32.1	
1996	35.2	1987	32.6	
1999	38.7	1993	31.7	
2002	42	2004	34.4	
2005	40.9	2009	35.4	
2008	43	2011	35.7	
2010	43.7			
2011	42.4			
2012	42.2			
2013	39.7			
2014	39.2			
2015	38.6			
2016	38.5			
2017	39.1			
2018	38.5			
2019	38.2			
CHINA				
Indicator Code	**SI.POV. GINI**			
1990	32.2			
1999	38.7			
2008	43			
2018	38.5			