

A Study on Investment in India Prof. Farook Ahmed Shaikh

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INTRODUCTION

Over the years, India has emerged as one of the fastest growing economies in the world and an attractive investment destination driven by economic reforms and a large consumption base. India's gross domestic product (GDP) at current prices stood at Rs. 51.23 lakh crore (US\$ 694.93 billion) in the first quarter of FY22, as per the provisional estimates of gross domestic product for the first quarter of 2021-22.

In a country like India, the seven major infrastructural factors that are most significant in accelerating the pace of economic development are: energy, transport, irrigation, finance, communication, education, and health. The first five refer to economic infrastructural facilities, while the latter two relate to social infrastructure. India has the second largest road network in the world, spanning a total of 5.5 million kilometres (kms).

With a generation of 1,561 terawatt-hour (TWh), India is the third largest producer and the third largest consumer of electricity in the world. As of August 2021, India had a total installed power-generation capacity of 388,133.75 MW, of which 97,636.93 MW was contributed by central utilities, 103,920.64 MW (state utilities) and 186,576.19 MW (private utilities).

The Indian banking system consists of 20 public sector banks, 22 private sector banks, 44 foreign banks, 44 regional rural banks, 1,542 urban cooperative banks and 94,384 rural cooperative banks in addition to cooperative credit institutions. As of March 2021, the number of ATMs in India increased to 2.39 lakh compared with 2.35 lakh ATMs in March 2020. According to the Reserve Bank of India, in June 2021, the total debit cards in circulation stood at 906 million, while credit cards in circulation stood at 62 million.

A host of factors has enabled this growth, which includes a highly developed financial system, infrastructure requirement and proactive Government initiatives. Domestic and foreign

investment has made an impact on the country's growth.

Recent Developments/Investments

- India's merchandise exports between April 2021 and August 2021 were estimated at US\$ 164.10 billion (a 67.33% YoY increase). Merchandise imports between April 2021 and August 2021 were estimated at US\$ 219.63 billion (an 80.89% YoY growth).
- As of August 27, 2021, foreign exchange reserves in India increased to US\$ 633.5 billion.
- The private equity-venture capital (PE-VC) sector recorded investments worth US\$ 10.7 billion across 137 deals in August 2021, registering a 5x YoY growth.
- Foreign portfolio investors (FPIs) invested US\$ 2.5 billion in India in August 2021.
- The gross GST (Goods and Services Tax) revenue collection stood at Rs. 112,020 crore (US\$ 15.21 billion) in August 2021.
- In the first half of 2021, ~344 M&A deals worth US\$ 21.6 billion were signed/concluded.
- In September 2021, Union Minister for Commerce & Industry, Textiles, Consumer Affairs & Public Distribution, Mr. Piyush Goyal launched a 'National Single Window System' to provide a more enhanced and efficient service and experience for businesses and investors.
- In September 2021, Union Cabinet approved a FDI proposal of Anchorage Infrastructure Investment Holding Ltd., for a proposed investment worth Rs. 15,000 crore (US\$ 2.04 billion) in India.
- In June 2021, Finance Minister, Ms. Nirmala Sitharaman, announced relief funds worth Rs. 628,993 crore (US\$ 84.73 billion) to support economic recovery. Key highlights are as follows:
 - The government announced an additional Rs. 1.5 lakh crore funding for Emergency Credit Line Guarantee Scheme, taking the overall cap of permissible assurance to Rs. 4.5 lakh crore.
 - To support the National Export Insurance Account (NEIA) Trust, the government announced an additional Rs. 33,000 crore for

project exports over the next five years through the Exim Bank of India.

- The government announced to extend the production-linked incentive (PLI) scheme for mobile phones by one year until FY26, lending a boost mobile phone manufacturers including domestic players such as Micromax, Dixon and Lava and iPhone manufacturers such as Foxconn and Wistron.
- In June 2021, Finance Minister, Ms. Nirmala Sitharaman, announced an additional outlay of Rs. 19,000 crore (US\$ 2.56 billion) for the BharatNet project—to expand broadband penetration in rural areas through the PPP model and boost the ‘Digital India’ initiative.
- In June 2021, Defence Minister, Mr. Rajnath Singh, invited Swedish companies to invest in defence corridors in Tamil Nadu and Uttar Pradesh.
- In June 2021, Mr. Mukesh Ambani, Chairman, Reliance Industries Ltd., announced that the company (Reliance) plans to invest Rs. 750 billion (US\$ 10.10 billion) in a new energy business over the next three years.
- In May 2021, the Government of India signed a finance agreement with the European Investment Bank for second tranche of EUR 150 million (US\$ 178.58 million) for the Pune Metro Rail project.

Road Ahead

India is presently known as one of the most important players in the global economic landscape. The country is on a fast-paced growth and is expected to become a US\$ 5 trillion economy by 2022. Going by the estimates of Government of India, the country will need investment of US\$ 4.5 trillion to build sustainable infrastructure by 2040. The Union Budget 2021-22 highlights a 34.5% increase in capital expenditure—Rs. 142,151 crore (US\$ 19.58 billion)—compared with BE 2020-21 to boost economic growth through infrastructure development. Increased government investment is expected to attract private investments, coupled with the government's key Production-linked Incentive Scheme providing significant support.

Further, as per a Deloitte report published in September 2021, India remains an attractive market for international investors both in terms of short-term and long-term prospects.

As per the data published in a Department of Economic Affairs report, in the first quarter of FY22, India's real gross value added (GVA) also recorded an 18.8% YoY increase in the first quarter

of FY22, posting a recovery of >92% of its corresponding pre-pandemic level (in the first quarter of FY20). India's output recorded a 20.1% YoY growth, recovering >90% of the pre-pandemic output in the first quarter of FY20. Also, in FY21, India recorded a current account surplus at 0.9% of the GDP. The growth in the economic recovery is backed by the government's continued efforts to accelerate vaccination coverage among citizens. This also provided an optimistic outlook to further revive industrial activities.

References: Media Reports, Press Releases, Press Information Bureau, Press Trust of India, RBI, Department for Promotion of Industry and Internal Trade (DPIIT)