INGRESS GLOBAL CONSULTING

Inspiring Innovation

INDIA

INWARD FDI REPORT

FOREIGN DIRECT INVESTMENT

PERFORMANCE & POTENTIAL OF INDIA

2021

SEPTEMBER

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PREFACE

Foreign Direct Investment (FDI) plays an essential role in emerging markets across the globe. In FY21, trade conflicts, followed by the influence of COVID-19, altered global trade dynamics and reduced the inflow of foreign investments. The Coronavirus pandemic has entirely changed the way the world works. One wave after another has mandated businesses across the globe to explore and adapt to more agile working environments and also raised major concerns that businesses will have to rethink their expansion plans for now.

But India was exceptional and emerged as a land of unlimited opportunities for foreign companies, attracting its highest FDI inflow of USD 81.72 billion despite the consequences of the COVID-19 ravaged year. The Central and State Government's lucrative Investment Promotion Policies & Reforms, Ease of Doing Business (EoDB) Frameworks & Production Linked Incentives helped India in attracting record high inward investments across sectors of its economic importance in FY21 with the IT (Software & Hardware) sector fetching the maximum inflow.

India has successfully managed to boost its gross domestic product (GDP) growth by 20.1 % during the April-June quarter of 2021, with construction and manufacturing sectors bouncing back post the slow down due to pandemic. Now, India's priority is to preserve its appeal in an environment where competition for FDI will intensify as the major economies are gearing up for unlocking their economic development measures for the future. Multinational corporations recognize the fact that Indian states are adapting “the single window clearance mechanism” to enable easy access efficiently and effectively for foreign investors. However, they firmly believe India should also redeploy its efforts on infrastructure development, custom clearances, labor reforms, R&D, and innovation in order to offer an enriching experience to the foreign investors in the country.

The report focuses on the newest elements that would influence global FDI inflows following the COVID-19 disruption. These variables will have an impact on global economies, which would turn into an opportunity for India. As the globe still grapples with technological transition and ecological issues, we believe India is becoming the leading destination for foreign investments.

This report is intended to support the foreign investors in analyzing the performance of the Foreign Direct Investment equity inflows into India and help them build an India entry strategy with a 360-degree view of the overall investment climate in India.

Mahesh Natarajan
Co-founder & Partner
Ingress Global Consulting LLP

FOREWORD

India is one of the top five destinations in receiving Foreign Direct Investments in Asia despite the challenges of the COVID-19 outbreak across the world. The launch of Production Linked Incentive scheme, Progressive policy liberalization measures, initiatives towards reforming investment approvals and implementation procedures, have ushered India to boost up the Investments in various sectors and further improving the investment climate in India.

FDI is playing a vital role in helping India leapfrog to the next stage of development in the economy. The projected change of worldwide production opens up some development prospects such as encouraging resilience-seeking investment, establishing regional value chains and entering new markets via digital platforms. The infrastructure sector has become the biggest focus area for the Government of India. Renewable energy, water and sanitation, food and agriculture, and health care are among the sectors where substantial quantities of institutional money are seeking investment possibilities in global markets.

Also, the recent economic reforms in India magnifies its potential to attract foreign companies in many ways. The opportunity to participate in its major flagship programmes such as "Atmanirbhar Bharat," "Make in India," "Digital India," "Clean India," "Smart Cities,", etc. holds relevant. Further, helping it to explore the opportunities ahead through the Indo-pacific and Quad Alliance to attract the FDI from these countries and diversifying the supply chain from China.

In a vibrant start-up ecosystem, India stacks up against other countries in terms of the quantity & quality of unicorns produced and is among the top three countries in the world. As on September 2021, there are more than 50 Indian Startups which have joined the unicorn club.

The report primarily accentuates the investment priorities during the economic recovery process. It demonstrates how India performed in attracting Foreign Direct Investment in FY21 as well as the key drivers for developing and setting investment priorities, and showing where international investment can most contribute in India. It also carefully identifies significant issues that may surface while the ongoing economic recovery process as well as addresses the necessary frameworks for policy action to overcome them.

Rajesh Mehta
International Columnist &
India Market Entry Expert

FDI OVERVIEW

LAND OF UNLIMITED OPPORTUNITIES

Foreign Direct Investment (FDI) has been a significant non-debt financial resource for India's economic growth. Foreign firms invest in greenfield* as well as brownfield* projects to take advantage of the thriving economic climate, tax incentives, adequate availability of human resources, easy international trade access, refined Ease of doing business (EODB) policies, and more importantly, a plethora of growth opportunities in India. For a country that attracts international investment, it also implies readiness in terms of technological know-how and availability of skilled and semi-skilled resources. India is one of the emerging economies globally and has an enormous growth in the Foreign Direct Investment inflow year on year.

As per the United Nations, In FY20, when the global COVID-19 pandemic emerged, many countries like the UK, US, Ireland, Italy, Russia, Germany, Brazil had shown a severe decline in their FDI inflows. Despite COVID- 19, the Asian developing economies like India, China, Japan & Saudi Arabia performed better than developed economies in terms of FDI inflows in FY21. India's FDI inflows showed an impressive growth of 10% in FY21, as compared to the previous fiscal year, while China remained the world's largest FDI recipient, with its flows rising by 4% to USD 163 billion. India had its highest-ever FDI inflow in FY21 despite a severe downturn in global inbound investments. As per the Ministry of Finance, India's real GDP will record a growth of 11% in FY22 and nominal GDP by 15.4%, the highest since independence. Now, India inc is accelerating at its maximum potential towards achieving its goals of industrial self-sufficiency, involvement in global value chains, and trade reliance. In recent years, the Government of India has adopted varied and enriching efforts by relaxing possible FDI tweaks across sectors.

**Greenfield - Firms creating a subsidiary or presence in another country*

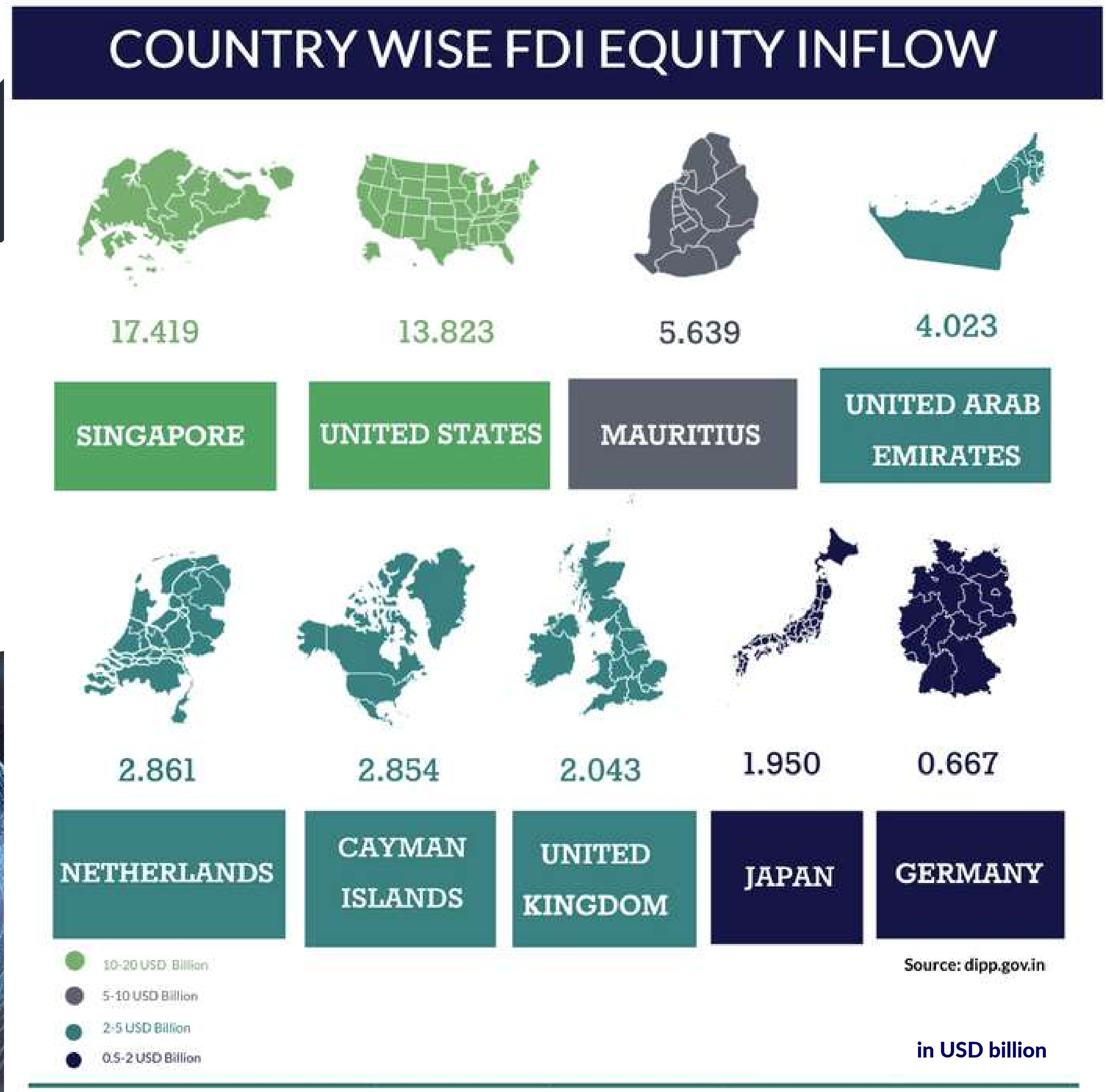
**Brownfield Firms expanding through cross-border mergers, acquisitions, and joint ventures.*

COUNTRY WISE FDI EQUITY INFLOWS

India received USD 81.72 billion (includes FDI Equity, Re-invested earnings & Other Capital) in foreign direct investment in FY21. The total FDI equity inflows accounted for USD 59.636 billion. Total FDI inflows into India rose at a compound annual growth rate (CAGR) of 6% between FY16 and FY20. Singapore was India's top foreign investor in FY21, contributing to USD 17.41 billion in FDI equity and accounted for 29% of India's FDI equity inflows. The United States was India's second-largest foreign investor, accounting for 23% of total FDI equity, which equates to USD 13.82 billion. With a 9% stake, Mauritius became India's third-largest investor, investing USD 5.639 billion in India in FY21.

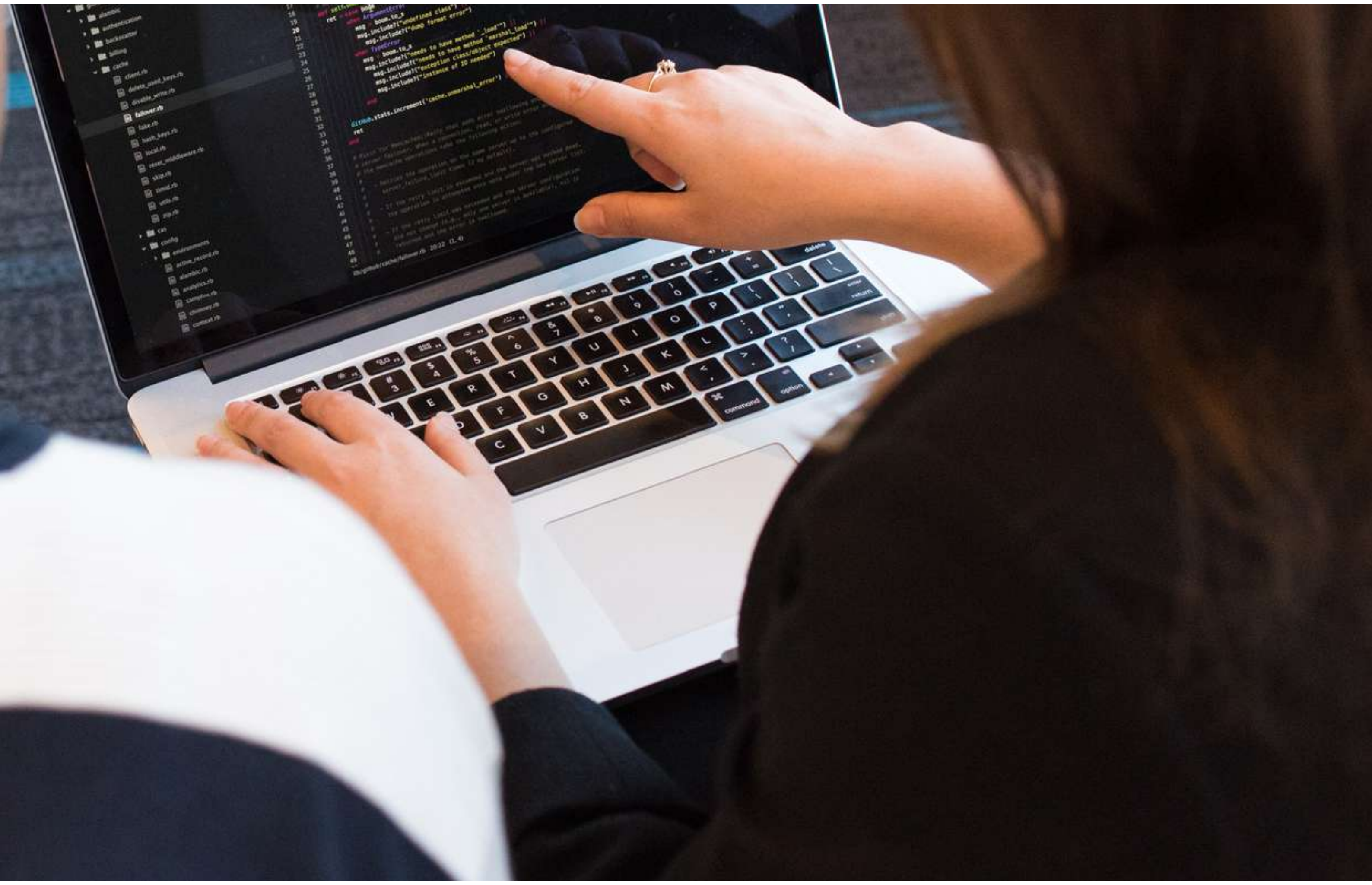
Saudi Arabia surpassed the United States as the top investor in terms of % growth in FDI received in FY21 over the previous year, with USD 2.816 billion compared to USD 0.089 billion in FY20. The United Arab Emirates (UAE) and the Netherlands ranked fourth and fifth position in FDI investments in India, which amounted to USD 4.023 billion and USD 2.861 billion respectively. Compared to the last fiscal year, the UK increased its FDI equity contribution to India by 44% to USD 2.04 billion. Cayman Islands, Japan, and Germany are also amongst the top ten major contributors towards FDI investments in India with nearly USD 2.854 billion, USD 1.950 billion, and USD 0.667 billion respectively.

The below dashboard highlights country-wise FDI equity inflow to India in FY 2021.



TOP SECTORS BY FDI EQUITY INFLOWS

Overall, India was instrumental in attracting inward investments across its 63 economic sectors. The IT sector (Computer software and hardware) drew the highest FDI equity inflows and emerged as the top sector in FY21 with about 44% share of the total FDI equity inflow followed by Construction (Infrastructure) activities (13%) and the Services sector (9%), respectively. The total inflows into the Computer Software and Hardware industry totaled USD 26.145 billion in FY21, up from USD 7.7 billion in FY20, representing an overall 240.7% increase. The introduction of the Production linked incentive (PLI) scheme in IT hardware is promoting India well in becoming a global IT hardware manufacturing base.



PLI is stimulating local production and attracting significant overseas investments in the IT Hardware value chain. In addition, the Government estimates that total output from this sector will value at USD 44.67 billion, and exports will be worth USD 33.57 billion during the next 4 years. Moreover, the PLI scheme on additional consumer Electrical devices and Specific Electronic Components (SEC) will encourage more companies to set up their units in India.

The figure indicates the Foreign Direct Investment received by each sector in the FY21. The Computer Hardware & Software industry received the largest share of Amazon's (United States) USD 2.8 billion investment in India.

The Infrastructure activities* & Pharmaceutical Sector also saw tremendous growth due to an increase in FDI inflows to USD 7.85 billion and USD 1.79 billion in FY21 from USD 2.04 billion and USD 0.518 billion in FY20, respectively. The Construction development sector* faced a downfall in FDI equity inflow from USD 0.62 billion in FY20 to USD 0.42 billion in FY21. On the other hand, the service sectors namely Financial, Banking, Insurance, Non-Financial or Business, Outsourcing, Research & Development, Courier, Tech, Testing and Analysis have seen a downside from USD 7.85 billion to USD 5.06 billion.

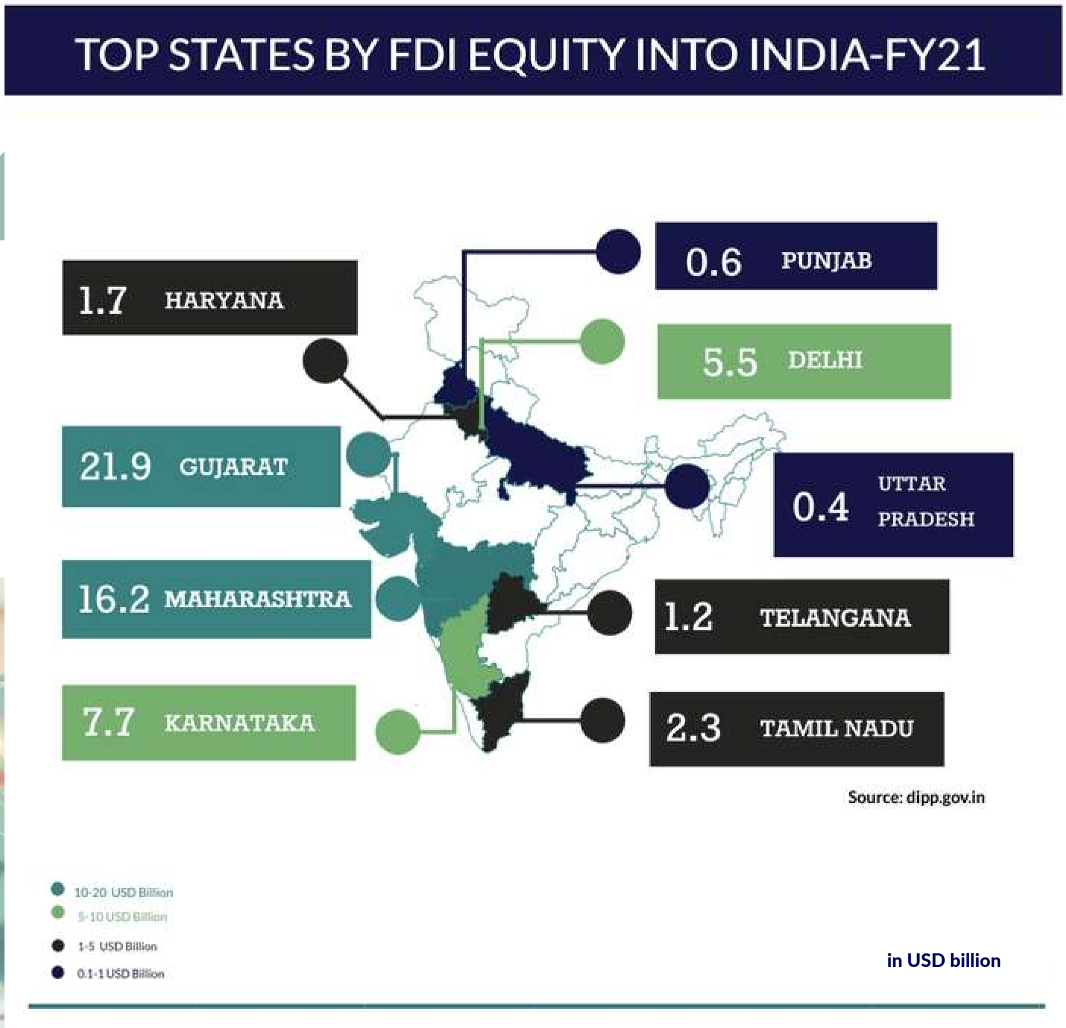
Telecommunication sector FDI inflows reduced from USD 4.45 billion to USD 0.39 billion in FY21. The Covid-19 pandemic hit the Tourism and Hospitality sector the most, due to the global lockdown and discontinued flight services. As a result, the sectoral FDI dipped from USD 2.94 billion in FY20 to USD 0.37 billion in FY21. The Trading sector received an FDI of USD 2.61 billion in FY21 compared to USD 4.57 billion in FY20. The COVID-19 also severely affected the sales of the automobile industry. As a result, the FDI of the Automobile industry in FY21 was USD 1.64 billion down from USD 2.82 billion in FY20. The top ten Indian sectors received an FDI of 82%, and other miscellaneous sectors (53) contributed to the remaining 18%.

The Infrastructure activities include building, Roads, Electricity, Internet connectivity, and all Technical facilities.

Construction development sector includes Townships, Housing & Construction Development projects.

TOP STATES BY FDI EQUITY INFLOWS

Gujarat is the leading state in India which attained the highest inflow of USD 21.9 billion in FY21. Gujarat has managed to secure the top spot for the fourth consecutive year in a row. In FY21, Almost 94% of the Investment that came in Gujarat was in the IT (computer hardware and software) sector. Overall, Gujarat contributed to 37% of the inward FDI received by India in FY21 followed by Maharashtra (27%), Karnataka (13%), Delhi (9%), and Tamil Nadu with (2%).



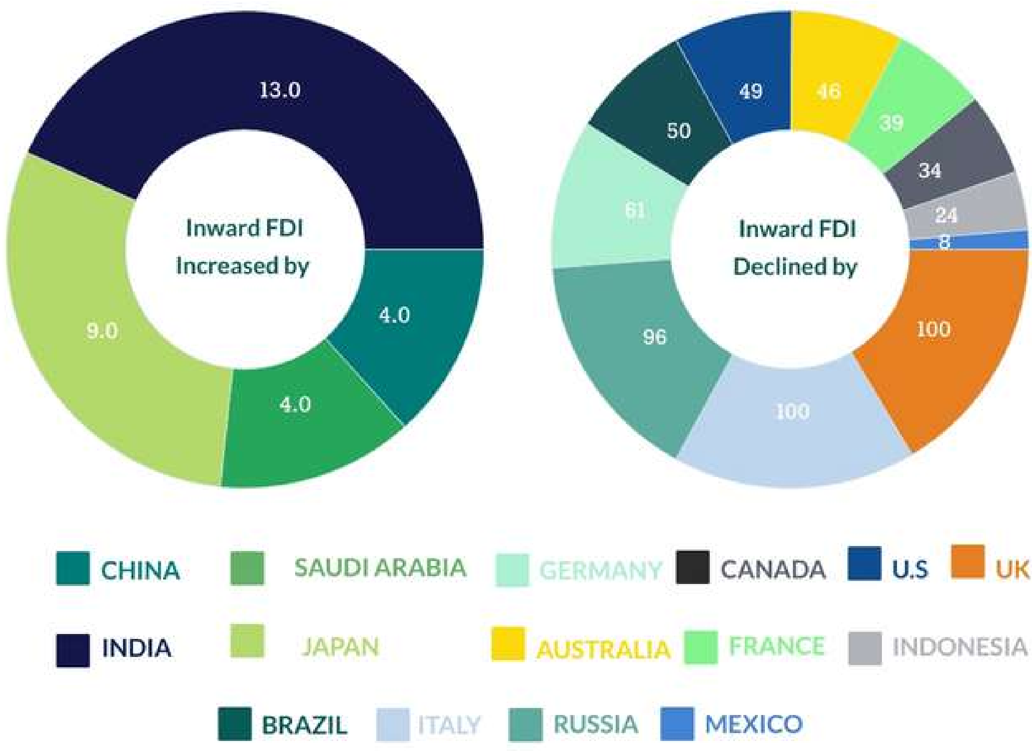
As a result, the top nine states (Gujarat, Maharashtra, Karnataka, Delhi, Tamil Nadu, Telangana, Haryana, Punjab & Uttar Pradesh) provided 88% of India's total equity inflows in FY21. Karnataka, Delhi & Maharashtra also received the highest investments in the startup ecosystem of India. Gujarat and Maharashtra are considered as champion states of New India. Karnataka accounted 8.5% share of the national Automobile output and the fourth-largest contributor to electronic industrial output. Madhya Pradesh came to light as a blooming state of floriculture production in India in 2021.

GLOBAL FDI INFLOW COMPARISON

India is one of the best emerging economies across the globe. In the COVID situation, every country across the globe has struggled to increase their Foreign Direct Investment into their countries. The growth of the Global economy has substantially come down in the year 2020. But, Some countries managed to increase their Foreign Direct Investment despite the COVID-19 Situation. India is the top country globally to increase the Foreign Direct Investment by 13% in 2020 compared to the previous year despite the tragic situation. Countries like China, Japan, and Saudi Arabia also increased their FDI inflows into their countries respectively.

Some countries like UK and Italy faced a severe downturn in generating the FDI inflows to their country. The growth percentage nearly declined by 100% for these two countries in 2020 compared to the previous year. Despite the pandemic situation, "Developing Asia" FDI inflow has been increased from USD 473.9 billion to USD 535.3 billion in 2020 nearly a 3.8% increase in the growth rate which is about 53.6% share of FDI inflows across the globe.

GLOBAL FDI INFLOW COMPARISON



NOTE: India has shown an enormous growth of 13% of FDI Inflows despite COVID-19, followed by Japan, China & Saudi Arabia. Developing economies like Asia has shown a growth in FDI inflows in 2020

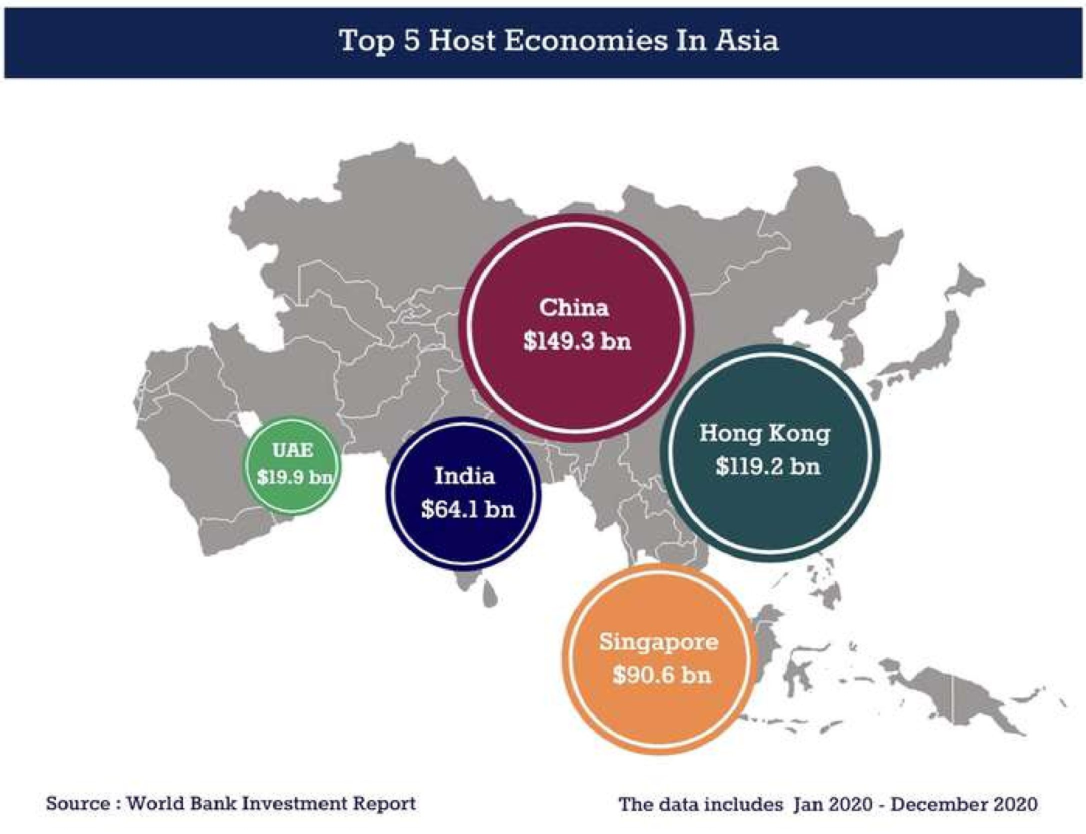
Source: United Nations Conference on Trade and Development

In FY21, Mergers & Acquisitions activity was strong resulting in signing multiple contracts. M&A activity was strong across the area, increasing 39% which accounts for USD 73 billion, led by technology, financial services, and consumer goods.

In contrast, the value of greenfield investments fell 36% to USD 170 billion, while the number of foreign project financing transactions remained stable. "Developing Asia's" FDI growth has been primarily driven by consistent inflows. There was a strong comeback in FDI inflows to Hong Kong, comparatively to the previous year as a result of business reorganizations and transactions by MNEs based there. Overall development was boosted by the resumption of FDI in Hong Kong, China, in 2020. In Hong Kong, FDI increased by 62% to USD 119 billion, owing mostly to an increase in intra-company loans and reinvested earnings being the two most important components of FDI for the economy. In 2020 (January to December), FDI grew by 6% (to USD 149 billion) and 27% (to USD 64 billion) in China and India, respectively. Because of durable intra-regional value chains and greater economic development prospects, "Developing Asia's" FDI prospects are more optimistic than those of other emerging areas. Manufacturing, a key FDI industry for India, has already begun to rebound in FY21. India raised the growth percentage of the FDI Inflows tremendously in spite of COVID-19 impacts. The United Arab Emirates surpassed Indonesia in receiving FDI and became one of the top host economics in Asia in 2020 with an increase of 11.2% which nearly accounts for USD 19.9 billion. China and India are the largest markets in "developing Asia". India is tremendously increasing its FDI inflow growth rate year on year. Due to the relaxation of FDI policy and measures along with its lower costs of business operations, India will be the potential region for Global businesses investors to expand their business in the forthcoming years.

The largest five recipients of Asia in receiving the FDI were China, Hong Kong, Singapore, India, and Indonesia. The inward FDI growth in South Asia was driven largely by a rise in investment in India, which further relaxed investment barriers (including retail, insurance, and downstream coal processing). FDI to India has been on a long-term growth trend and India's large market will continue to attract market-seeking investments to the country.





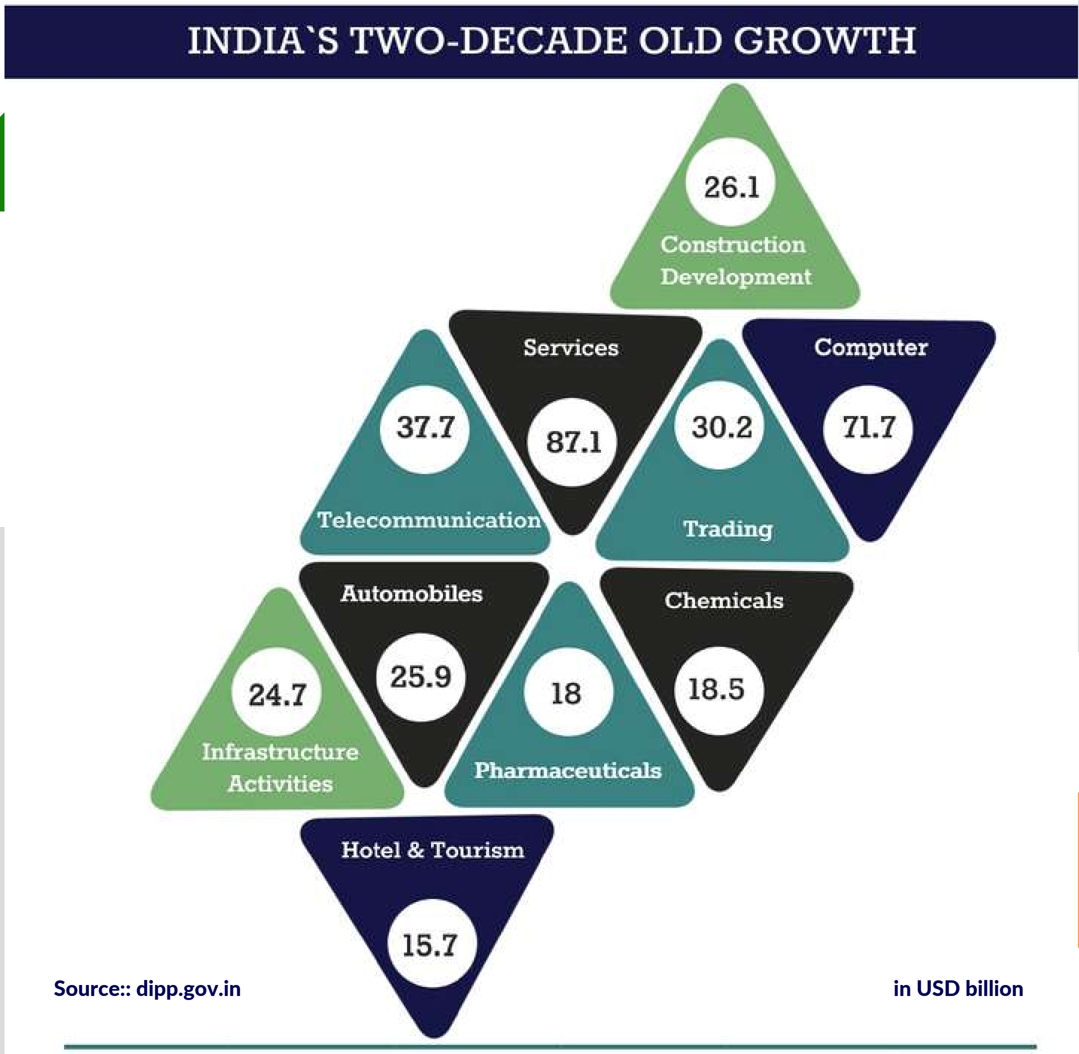


RESILIENT INDIA`S TWO-DECADE OLD GROWTH STORY

Since 1991, India's economic reforms have sparked the interest of international investors, making India one of the most popular locations for global FDI flows. Positive investor perceptions as a result of strong economic fundamentals have helped India's FDI inflows rise considerably. When we compare the last two decades cumulative FDI equity inflow (i.e April 2000 - March 2021), India touched a total of USD 529.76 billion till FY21. The service sector averaged at USD 87.06 billion, nearly 16% of the total FDI equity inflows to the service sector in India. The computer (software and hardware) sector has a cumulative inflow of USD 71.06 billion, which is 13% of the cumulative FDI equity inflow.

The Telecommunication sector stands out to be the third-largest sector, receiving the FDI equity of USD 37.66 billion, 7% of total FDI Equity inflow into India in the last 2 decades. The trading sector received a cumulative inflow of USD 30.20 billion, which accounted for 6% of the total FDI equity inflow. The sectors like Construction-Development, Infrastructure activities, and Automobile cumulative FDI equity inflows averaged USD 26.08 billion, USD 24.72 billion and USD 25.85 billion respectively. The Chemicals, Pharmaceuticals, Hotel & Tourism sectors received a cumulative inflow of USD 18.49 billion, USD 17.99 billion, and USD 15.66 billion respectively. Each of these sectors accounted for 3% of the cumulative FDI equity inflow in the last two decades. Thus, 66% of cumulative FDI equity was pushed into these top ten sectors, and 34% of cumulative FDI equity was infused into the other miscellaneous sectors (53 sectors).

India has cumulatively performed well across the top ten sectors, especially the service sector. With an increasing number of IT companies and startups, as well as the varied relaxations on FDI restrictions, India is expected to attract more Foreign Direct Investments flowing into these sectors.



FDI GROWTH DRIVERS IN INDIA

While the world witnessed an exponential decline in inbound and outbound investments across various sectors, thanks to several key factors, India on the other hand received its highest ever FDI inflow in FY21. India's vision of truly realizing the "Atmanirbhar Bharat " imperative by securing manufacturing self-reliance, maximizing global value chains, and reducing trade dependencies is well backed by the Government's investment attraction policies enabling varied incentives and inducements for the foreign companies. The Self-reliance Mission is finely complementing the 'Make in India Initiative' which also intends to encourage manufacturing in India. As of August 2021, India's gross domestic product (GDP) grew at a record pace of 20.1% in the first quarter of FY22. The massive growth seen in the first quarter has made India the fastest-growing major economy across the globe. The 49.6% growth in manufacturing was especially encouraging and indicates the structural strengthening of the Indian economy. The revival of the Indian economy is expected to continue at a faster pace in FY22.

1. POLICY & REFORMS BOOST

Chasing its dream of entering into the top 50 rankers in the World Bank`s bi-annual Ease of Doing Business (EoDB) index, India has significantly performed well in rolling out its Investor friendly policies and reforms implemented by both the Central Government as well as Investment Promotion Boards of the State Governments, improving overall economic development climate in the country. As a result, India outperformed in global EoDB rankings attaining 63rd rank in World Bank's Doing Business ranking for 2020 from its earlier ranking of 77th in 2019.

The Government of India is already set to introduce a single-window clearance program for foreign investors. The first leg of the rollout of the envisaged National portal is expected to encompass Central Government departments and 14 State Governments. In 2021, the number of states which have successfully implemented the "Ease of Doing Business" (EoDB) reforms has increased to 20 with the new addition of Arunachal Pradesh, Chhattisgarh, Goa, Meghalaya, and Tripura.

Previously, Uttar Pradesh, Uttarakhand, Andhra Pradesh, Gujarat, Assam, Haryana, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Odisha, Punjab, Rajasthan, Tamil Nadu, and Telangana had also reported implementation of the EoDB reforms. The other major reforms rolled out by the Government of India in the past include Goods and Services Tax (GST) (2017), Insolvency and Bankruptcy Code (2016), Code on Wages (2019), National level Labour laws (2020), New Disinvestment Policy and Scrapping of retrospective Tax (2021), enabling investment attraction from global companies.

2. SECTORAL PRODUCTION LINKED INCENTIVES

In the Union Budget 2021-22, presented on 1st February 2021, the Finance Minister of India had promulgated an outlay of USD 26.85 billion for the Production-Linked Incentive (PLI) Schemes for 13 key sectors of importance, to create and promote national manufacturing champions and generate maximum employment opportunities for the country's youth. It is estimated that the minimum production in India as a result of the introduction of varied PLI Schemes is expected to be over USD 500 billion in the next 5 years.

PLI scheme also includes solar PV modules, Electronics (laptop, server, IoT devices, specified computer hardware), Automobile and auto components, Telecom and networking products, Textiles, Food Processing, Specialty steel, and White goods (air conditioners and LED). Apart from these, large-scale Electronic manufacturing (mobile phones), Pharmaceutical drugs, and Medical Devices (which already have an approved PLI scheme) would be provided with full budgetary allocation for the next five years for enhancing India's Manufacturing Capabilities and enhancing Exports. Recently, the Central Government has also approved the PLI scheme for promoting battery storage at an estimated outlay of USD 2.47 billion and attracting huge investments in the Electric vehicle (EV sector) in the next 5 years. PLI Schemes have been truly orchestrated as the cornerstone of the Government of India's push for achieving the true Atmanirbhar Bharat imperative. In August 2021, India has surpassed the United States to become the world's second-most sought-after manufacturing destination, owing mostly to cost competitiveness.

3. LARGEST YOUTH POPULATION

As per the National Commission on Population, Ministry of Health & Family Welfare, Government of India, the population of India is expected to rise from 1.21 billion to 1.52 billion during 2011-36, an increase of nearly 25% in twenty-five years. As a result, around 2031, India is expected to overtake China as the world's most populous country. India is the world's youngest country, with 600 million young people, accounting for at least half of the country's 1.2 billion inhabitants. According to the India Skills Report, nearly 12 million youngsters between the ages of 15 and 29 will enter the Indian labor force each year over the next two decades. India's youngsters are critical to the country's overall progress and are expected to have the world's largest workforce by 2027. According to the Human Development Report (HDR) 2020, one in every five Indians in the workforce is “skilled.” The proportion of the working population, including the young, is growing, and as a result, more individuals have the capacity to be productive and contribute to national income, savings, per-capita income, and economic growth.

India is racing against the clock to become wealthy before it becomes old, and it is paradoxically both a youthful and an ancient nation. As India is a youthful nation in an aging globe, it has the potential to be a worldwide supplier of trained labor for nations with skill shortages. Rising per capita earnings in India are hastening the country's transition to a technology-led, knowledge-based, and innovative economy. The Ministry of Skill Development and Entrepreneurship (MSDE) is largely responsible for the Skill India Mission, which was created to assist India's youth in reaching their full potential, honing their skills, and contributing to the nation's economic growth. With less reliance on neighboring nations, India will have more opportunities to boost and improve the country's manufacturing and industrial production, reducing external dependency. The youth, aged 15-29 years, currently contribute around 34% of India's Gross National Income (GNI). However, there is a significant opportunity to expand the contribution of this segment of the nation's populace by boosting their involvement and production.

4. TECHNOLOGY GARAGE OF THE WORLD

The IT industry in India is the most significant contributor to the Indian economy accounting for 8% of India's GDP in FY21 and expected to contribute around 10% by 2025. The IT exports are estimated to reach USD 150 billion in FY22 at a growth rate of 1.9%. The domestic market is estimated to reach USD 45 billion in FY22 at a growth rate of 3.4% in the Indian IT Industry. India Brand Equity Foundation (IBEF) also reported that the Indian software product sector is estimated to reach USD 100 billion by 2025. Due to the demand for AI, the data automation market is expected to reach approximately USD 7 billion by 2030. Industries such as Automotive, Health care, BFSI, Retail, Media, and Entertainment drive Data Automation. In the Union Budget 2021, the Government has allocated USD 7.31 billion to the IT and Telecom sectors.

A maximum number of people are expected to be employed in the Indian IT Industry in the forthcoming years. 81% of the revenues are generated from IT exports, which approximately account for USD 78.57 billion & 19% of the receivables are domestic, which amounts to USD 18.43 billion. The IT service sector is estimated to grow by 2.7% to reach USD 99 billion by FY21. Some of the emerging technologies that will further boost India's annual sectoral growth are Cloud computing, Artificial Intelligence, Big data Analytics, and the Internet of Things. The Global Business Process Management (BPM) spending is expected to raise USD 233 billion by end of 2021 and will open up a large opportunity pool for the Indian IT and ITeS companies in 2021 and beyond. BPM accounts for 19.9% of the Indian IT industry. Thus, making the BPM sector a better opportunity for the Indian IT market to grow. By 2022, The cloud computing market in the Indian IT industry is forecasted to grow by USD 7.1 billion. Currently, India is the leading services sourcing destination globally, accounting for approximately 55% market share of the USD 185-190 billion global services sourcing business. Indian IT & ITeS companies have set up over 1,000 global delivery centers in about 80 countries worldwide. In India, the overall opportunities of investible projects in the software solution sector, IT & BPM sector, and Data Centers have a share of 78.7%, 14.7%, and 6.6% respectively. The Government of India itself has been a front runner in implementing e-governance projects for improvising public service delivery. Its Direct Benefit Transfer (DBT) program aimed to transfer subsidies and cash benefits directly to people's Aadhaar-enabled bank accounts has significantly reduced breaches & delays caused by the flow of funds through a multi-hierarchy of administrative offices. DBT emerged as a key delivery development scheme enabling hassle-free disbursements of more than 450 schemes to over 900 million people in the past 7 years.

5. URBANIZATION

The structural changes in the Indian economy have accelerated the process of urbanization and also a change in employment patterns from the primary to secondary and tertiary sectors by generating forces shift of the "pull" or "push" variety. Because of structural changes in the rural economy, such as increased demand on agricultural land and a falling man-land ratio, push forces have become increasingly prevalent. Indian cities will serve as economic development drivers accelerating inward Foreign Direct Investment growth. The urban population is expected to grow rapidly, with metropolitan regions accounting for up to 70% of the growth.

The urban population of India would expand by 57% from 377 million in 2011 to 594 million in 2036. As per the National Institution of Transforming India report, Maharashtra, Gujarat, Tamil Nadu, Karnataka, and Telangana would be the most urbanized states in the country. Maharashtra will be more than 50% urban, while Gujarat and the rest of the southern states would be more than 40% urban. As per the National Commission on Population, Ministry of Health & Family Welfare data, the share of the rural population is expected to fall from 69% to 61%, as the urban population is expected to grow more than twice as fast as the rural population. Delhi, which was 98% urban in 2011, will be completely urban by 2036. Kerala is expected to experience the most significant population shift from rural to urban regions, with 92% of the people residing in urban regions by 2036. Thus, the rising urbanization growth index in India is a key ingredient in FDI promotion & attraction.

INFRASTRUCTURE DEVELOPMENT

Infrastructure is essential for the development of liveable cities and has to be developed along with planned urban centers. To increase public and private investment in infrastructure, India spends 7-8% of its GDP on infrastructure each year. As of Q1 FY22, the Indian Construction sector GVA grew by 68.3 % accelerating the sectorial growth after a lump in the period during FY21. A few of the recent and major infrastructure development project highlights include:

- The Mumbai Metropolitan Region Development Authority (MMRDA) has set aside USD 1747.08 million of its FY21 budget for the development of 12 metro lines in 2021–2025.
- With additional 20 metro rail projects planned and under development in Delhi, Noida, and Haryana, metro rail connectivity would be expanded even more in 2023-2030 in the northern belt of the country.
- The greenfield airport Project's *(Navi Mumbai International Airport)* initial phase-1 will be able to accommodate 10 million passengers per year. When fully operational, it will be capable of handling more than 60 million passengers each year. The timeline of the project is slated to be completed within 2021-2025.
- An international airport *(Jewar International Airport)* with a capacity of 30-50 million people per year would be built in the year 2023-2025, near Jewar, Greater Noida, and is intended to relieve pressure on Delhi's IGI airport. In addition, an aviation hub will be built in the area, primarily to serve business and leisure travelers
- The *Delhi-Mumbai Industrial Corridor* is one of the world's largest infrastructure projects planned to be developed by 2030. The Government intends to build it as a “Global Manufacturing and Trading Hub,” with multiple links to smart cities, mega power projects, airports, and logistics hubs.

CBRE Report

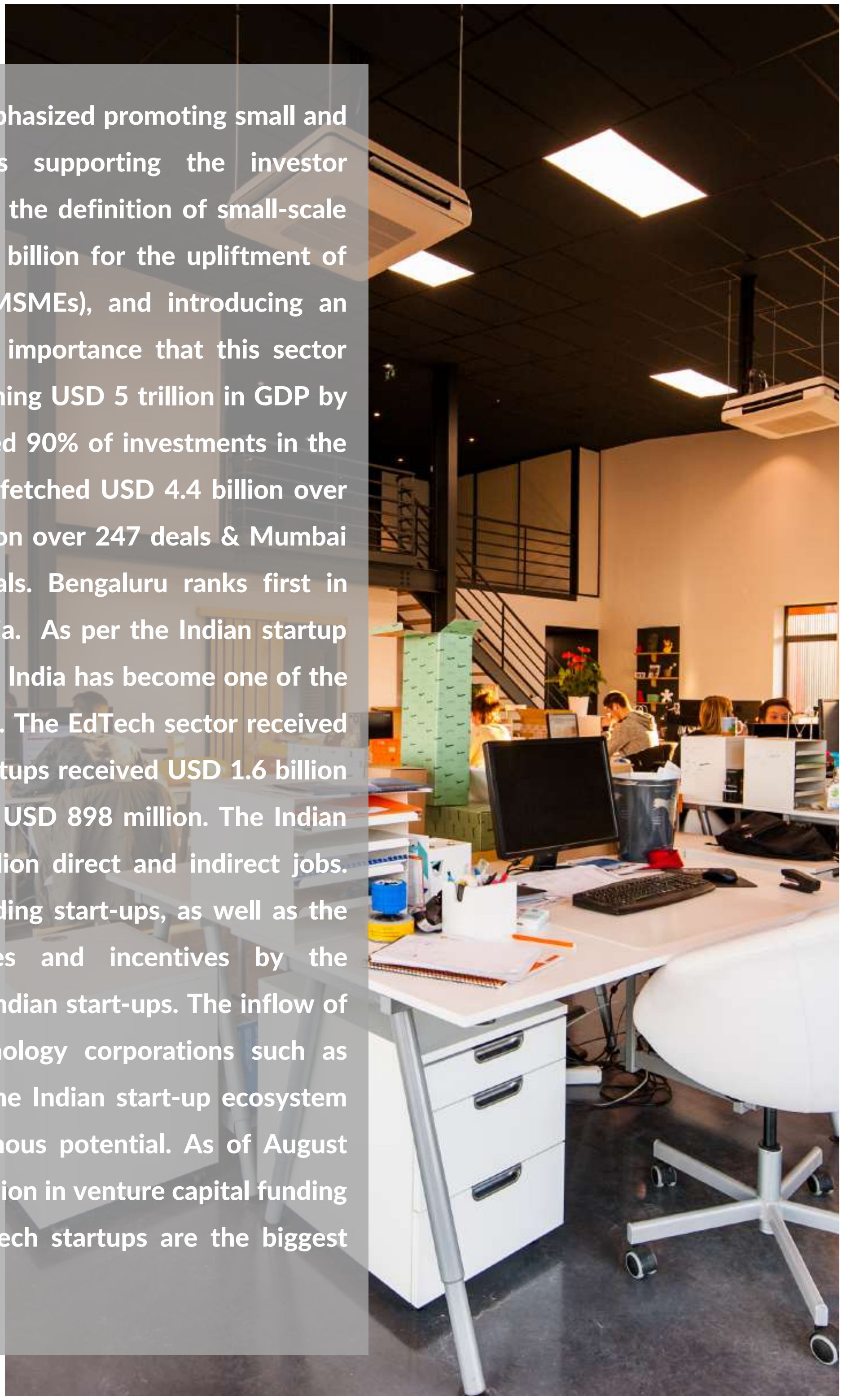
- *Bharatmala Pariyojana*, programme has been designed to bridge the gap between the existing highway infrastructure across the country and is expected to have a positive impact on India's Logistics Performance Index (LPI). Under this programme, 50 national corridors (currently there are 6) have been planned along with national highway (NH) linkages to 550 districts (currently 300 districts) by 2050.
- Sagarmala project intends to enhance port operations in India by increasing their capacity and modernizing them through efficient practices. It also aims to optimize the use of existing and future transport assets and develop new lines or linkages in the form of roads, rail, inland waterways, and coastal routes by 2040.
- Dedicated freight corridors, Planned by the Ministry of Railways, would be freight-only corridors along the *Golden Quadrilateral* – Delhi, Mumbai, Chennai, Howrah and its two diagonals (Delhi-Chennai and Mumbai – Howrah). The project is expected to make goods transportation cheaper and faster.
- The pandemic has mandated a drastic push towards achieving digitalization of varied G2C, B2B, and B2C In order to eradicate the digital divide as well as to set up robust IT infrastructure across the country, The Government of India has already floated global tenders under Public-Private Partnership (PPP) model for works worth USD 4 billion for the remaining unconnected 0.35 million villages in 16 states under the ambitious *BharatNet* project which aims at connecting every village by broadband connectivity by laying optical fibre. Earlier, the progress of the BharatNet project was considerably affected due to the lockdown and labor movement restrictions during the pandemic.

- The introduction of *Jal Jeevan Mission - Urban* by the Indian Government's Ministry of Housing and Urban Affairs (MoHUA) gives optimism for enhanced water infrastructure by providing a total of USD 40 billion for 4,378 statutory towns. The objective heralds a paradigm change away from traditional linear water supply distribution and toward a strategy that incorporates a sustainable future of water conservation.
- The Maharashtra Government has launched a comprehensive *slum rehabilitation scheme* by incorporating an innovative method of using land as a resource and allowing incentive floor space index (FSI) in the form of tenements for sale in the open market for cross-subsidization of the slum rehabilitation tenements that will be delivered as a service to slum dwellers.

CBRE Report

6. EVOLVING START-UP ECOSYSTEM

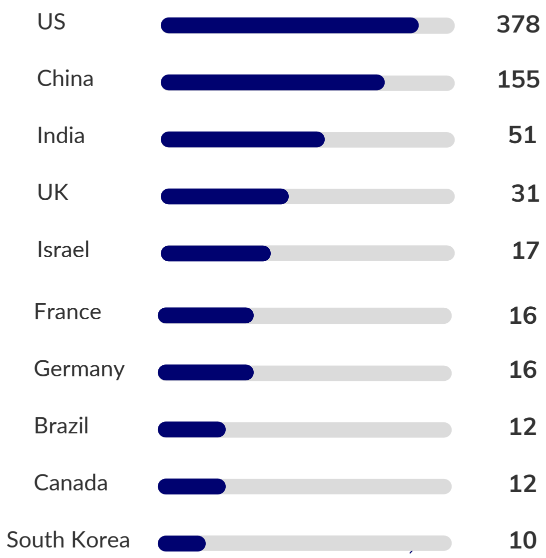
According to the Department for Promotion of Industry and Internal Trade, more than 55,000 startups have been recognized in India as of September 2021. India's development narrative and potential remain strong bets, with a robust innovation-led entrepreneurial ecosystem positioned to play a big role in the country's transition to a self-sufficient India. This was also evident in the realm of startups, which saw investments continue to flood in despite COVID-19.



The Government of India has always emphasized promoting small and medium-sized businesses, as well as supporting the investor ecosystem. Initiatives such as redefining the definition of small-scale startups, spending more than USD 2.14 billion for the upliftment of Micro, Small & Medium Enterprises (MSMEs), and introducing an investment charter to demonstrate the importance that this sector may play in realizing India's goal of reaching USD 5 trillion in GDP by 2025. The top three cities which received 90% of investments in the startup ecosystem are Bengaluru which fetched USD 4.4 billion over 307 deals, Delhi-NCR with USD 3.5 billion over 247 deals & Mumbai received USD 1.2 billion over 170 deals. Bengaluru ranks first in position for startup growth index in India. As per the Indian startup Ecosystem report, over the last 10 years, India has become one of the top five startup ecosystems in the world. The EdTech sector received USD 2 billion over 99 deals, Fintech Startups received USD 1.6 billion over 136 deals and Food Tech received USD 898 million. The Indian start-up ecosystem has created 1.4 million direct and indirect jobs. India's shifting laws and attitudes regarding start-ups, as well as the implementation of different initiatives and incentives by the Government, have aided the growth of Indian start-ups. The inflow of currency, particularly from large technology corporations such as Facebook, Google, and Microsoft into the Indian start-up ecosystem demonstrates the home market's enormous potential. As of August 2021, Indian startups raised USD 16.9 billion in venture capital funding accounted for 828 deals. As a result, tech startups are the biggest beneficiaries of this trend.

India is now third in the global list of countries with the highest number of unicorns. Unicorns refer to the startups whose valuation has crossed USD 1 billion. Thus, a soonicorn means a startup that will soon turn into a unicorn. India is one of the fastest-growing startup ecosystems. India has seen a rise in tech-based startups due to consumer demand and the increased use of digital goods and services by individuals and firms in 2021. India witnessed over 9 unicorns in 2020 and in just six months of 2021, India Inc has witnessed the rise of 15 Unicorns. Start-ups that demonstrated their endurance throughout the pandemic and maintained significant growth without losing unit economics found it simpler to secure larger equity rounds. The pandemic has boosted digital usage by all types of customers across all industries. India and the businesses that profit from it are using their track record to attract significant equity rounds, with some even attaining unicorn status.

Top Unicorn Producers 2021



NEW UNICORNS OF 2021

- Cred — Sector: Fintech — Valuation: USD 2.2 Bn
- GupShup — Sector: Conversational Messaging — Valuation: USD 1.4 Bn
- Firstcry — Sector: Ecommerce — Valuation: USD 2.1 Bn
- Five Star Business Finance — Sector: NBFC — Valuation: USD 1.4 Bn
- Meesho — Sector: Social Commerce — Valuation: USD 2.1 Bn
- Zeta — Sector: Financial Services — Valuation: USD 1.4 Bn
- ShareChat — Sector: Social Media — Valuation: USD 2.1 Bn
- Innovaccer — Sector: Data Analytics — Valuation: USD 1.3 Bn
- Urban Company — Sector: MarketPlace — Valuation: USD 2.1 Bn
- MindTickle — Sector: SaaS — Valuation: USD > 1 Bn
- Digit — Sector: Insurance — Valuation: USD 1.9 Bn
- Infra.Market — Sector: Construction Markerplace — Valuation: USD 1 Bn
- Pharmeasy — Sector: Online Pharmacy — Valuation: USD 1.5 Bn
- Groww — Sector: PF — Valuation: USD 1 Bn
- Chargebee — Sector: SaaS — Valuation: USD 1.4 Bn
- Moglix — Sector: Industrial Equipment — Valuation: USD 1 Bn

Source: Venture Intelligence

7. INNOVATION INDEX

India ranked in the top 50 nations in the Global Innovation Index(GII) in 2020. According to the World Intellectual Property Organization (WIPO), India has been on a faster and continuous mode of driving innovations in the last 5 years, which has resulted in India being one of the leading innovators in Asia. This was primarily led by evolving startup ecosystem and public-private research organizations. The Government of India has implemented several initiatives to drive the innovation imperative through the startup India Mission, Accelerating Growth of New India's Innovations (AGNIi), Atal Tinkering Labs, new intellectual property rights (IPR) policy, Smart City Mission, Uchchatar Avishkaar Yojana, etc. India is currently moving towards the journey of creating an environment by prioritizing the ecosystem that breeds innovation. Apart from these, the Government of India is also encouraging research organizations, PSUs, emerging industries, societies, and instructions to inspire innovation and change. Thus making India a Global Innovation Hub. The Government of India's push to build robust industria- academia relations to get India featured in the top 25 countries driving innovation.

TOP STATES IN INNOVATION INDEX 2020

Karnataka	Rank : 1	Score: 42.5
Maharashtra	Rank : 2	Score: 38.03
Tamil Nadu	Rank: 3	Score: 37.91
Telangana	Rank: 4	Score: 33.23
Kerala	Ran: 5	Score: 30.58
Haryana	Rank: 6	Score: 25.81
Andhra Pradesh	Rank: 7	Score: 24.19
Gujarat	Rank: 8	Score: 23.63
Uttar Pradesh	Rank: 9	Score: 22.85
Punjab	Rank: 10	Score: 22.54

Source: Niti Aayog

8. PRAVASI BHARATIYA MAKING INDIA "SELF RESILIENT"

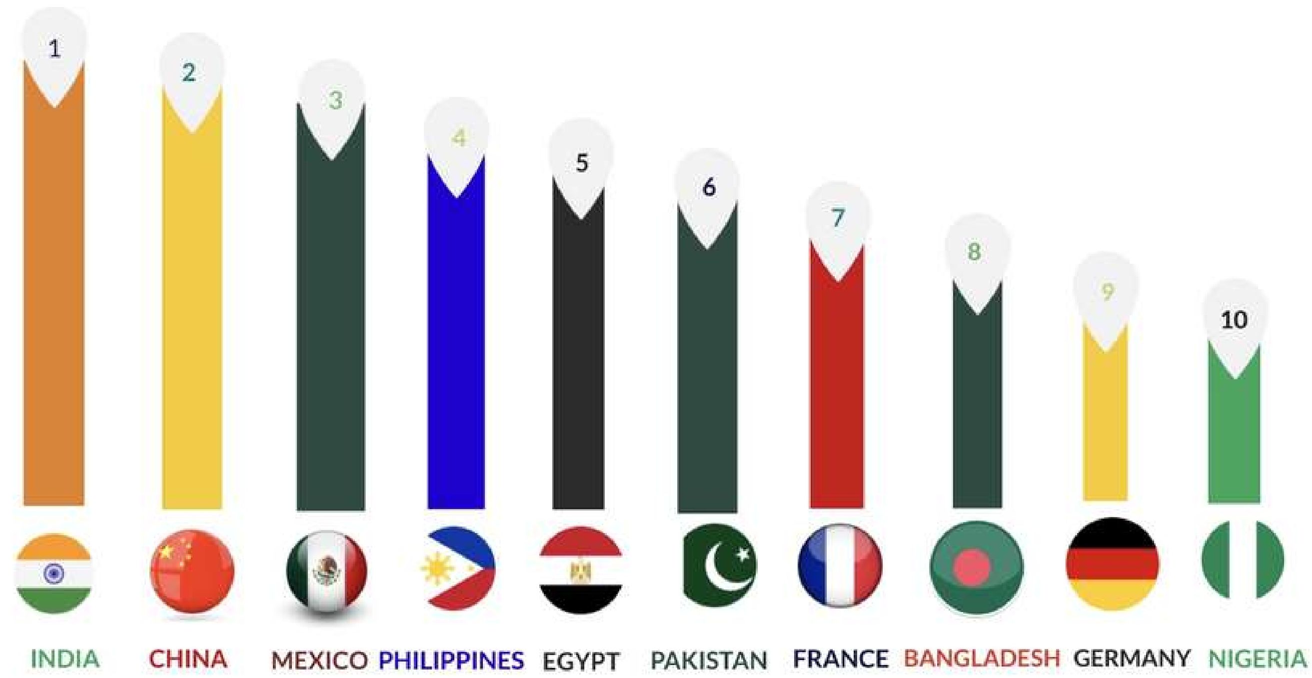
According to the United Nations estimate, India has its most significant diaspora population, with 18 million Indians residing outside their motherland in 2020. Indian diaspora is spread across the United Arab Emirates (3.5 million), the United States (2.7 million), and Saudi Arabia (2.5 million) as of 2020. Australia, Canada, Kuwait, Oman, Qatar, and the United Kingdom are among the nations with a higher number of Indian migrants. Indian Diaspora's are one of the growth drivers for India to achieve its target of achieving USD 5 Trillion.

NRIs hugely contributed by playing a significant role as catalysts for the bilateral ties between India and other countries. The Indian Diaspora collaborated with the larger communities and groups in their country's presence to drive the imperative of promoting India as an investment destination. Increased Indian American emergence contributes to the realization of the Indian economy's potential and, as a result, enhances US-India ties. The "Indian Diaspora Investment Initiative," a collaboration between the Calvert Foundation and USAID, is one such initiative that aims to make it easier for the Indian American diaspora to invest in social enterprises. Indiaspora, a US non-profit organization focused on amplifying the voice of the global Indian diaspora, highlighting the diaspora’s response to the COVID-19 outbreak, identified 58 non-profit organizations who have increased their efforts in response to the pandemic. ChaloGive, Indiaspora’s annual online giving campaign, raised close to USD 1.2 million and enabled over 8 million meals in the US and India. Pravasi Bharatiya Divas is celebrated on January 9 every year in honor of the contributions made by India’s overseas community to renew the spotlight on the importance of India’s Pravasi and their integral role in India’s economy. India’s Pravasi holds great potential that can accelerate the nation's pursuit of an Atmanirbhar Bharat.

Despite COVID-19, remittance flows in India were stable in 2020, declining at a slower rate than predicted. According to the latest Migration and Development Brief, remittance flows to middle-income countries accounted for USD 540 billion in 2020, which is 1.6% less than that of USD 548 billion in the previous year. Due to the COVID-19 outbreak, Remittances to India decreased by just 0.2% in 2020. The decline is due to a 17% reduction in remittances from the United Arab Emirates, which was compensated by strong flows from the United States and other host countries. The Gulf Council of Cooperation (GCC) has a long history of cooperation, with India and six members. Remittances to low and middle-income states are expected to increase by 2.6% to 553 billion USD in 2021 and 2.2% in 2022. In terms of Global remittances, The Indian Diaspora is the most significant contributor to the domestic economy. In reality, the amount of money returned to India by Indians, accounts for about 3.2% of the country's GDP. These are global remittances, from worldwide, mainly from the United States and the United Arab Emirates. The Indian diaspora has made a significant contribution to altering the world's view of Indian employees. In addition, The leadership positions of many Indians in Silicon Valley tech businesses have bolstered India's reputation as a technology powerhouse and a source of high-quality human resources. By Focusing on "Make In India," Indians are among the wealthiest people on the planet and encouraging the Indian Diaspora to invest in India to tap on this stream of capital. NRI contributes to India's development narrative by investing in various enriching projects and portfolio investments in India by leveraging their corporate leadership positions in Silicon Valley and other technical areas. The Indian diaspora is expected to steer policymakers in the right direction to get the most out of the changing global landscape and help India gain access to the international markets in this competitive world.

The figure represents the top ten countries receiving higher remittances, India being the largest recipient with a share of 11.8% in global remittances in FY21.

TOP 10 REMITTANCE-RECEIVING COUNTRIES-2020



Source: World Bank Report

KEY CHALLENGES FACING LARGER FDI

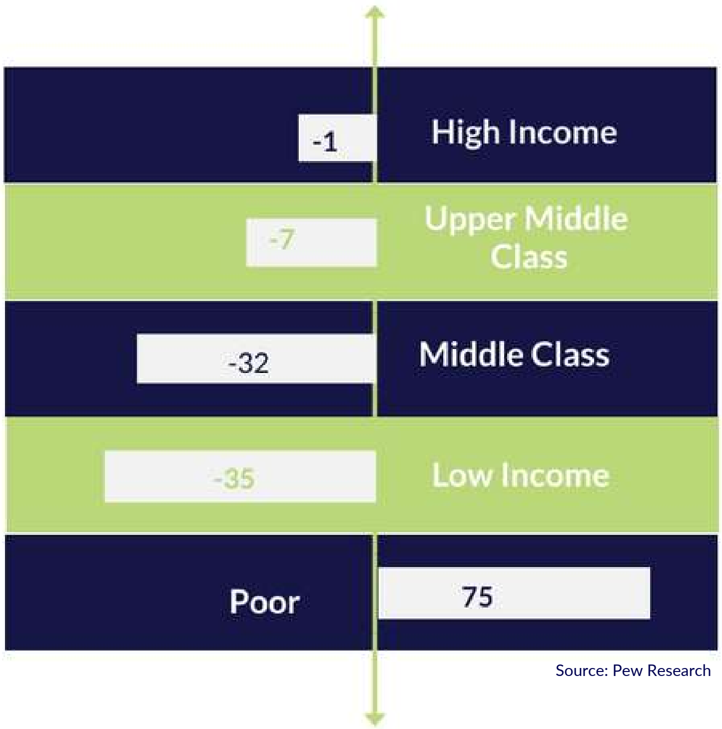
While India has performed well in attracting the Inward Foreign Direct Investments during FY21, India is at a crossroads to face the challenges of producing 90 million jobs over the next decade. The Government is expected to make substantial economic changes to ensure that high-growth conditions exist to increase employment. It is required to cultivate a long-term value creation attitude and a high-performing culture by focussing more on recovering the middle-class shrinkage, improving the Ease of Doing Business further in Registering property, Paying Taxes, Starting a Business, and enforcing contracts, and improving the Sustainable Development Goals.

SHRINKING OF MIDDLE CLASS

COVID-19 outbreak has left an everlasting impact on India's self-image, public trust, and middle-class families affected by job loss, increase in the price of commodities, medical emergencies, and Insurance. According to the Pew Research report, India's middle-class population has dropped by at least 32 million people, with 75 million people expected to fall below the poverty threshold as of 2020. India is responsible for 60% of the global decline in the middle-class population. This will undoubtedly have an impact on India's economy.

The middle class accounts for 28% of the overall population and 79% of the total taxation base. It contributes 70% of overall consumer expenditure by actively involving in real estate and equity markets, as well as promoting innovation. The COVID-19 outbreak, on the other hand, has created a seismic upheaval in the economy's functioning. Consumer spending during the pandemic benefited the IT and pharmaceutical businesses. Still, it affects the labor-intensive and consumer discretionary goods industries, which employ 30% of the entire population particularly the bulk of the lower middle class in India. In addition to that, the COVID-19 outbreak has widened the digital gap, affecting Children's & youngster's education from lower socio-economic backgrounds.

GROWING INEQUALITY



India is facing a greater downturn in the middle class

The COVID-19 Outbreak also resulted in risk at the Job Security level. In India, 81% of the labor is unorganized and has minimal job security. At least 10 million migrant laborers were compelled to return to farming. The bulk of them is from the lower middle class. A key source of income for Indians, dropped by 9% in 2020 mainly due to the loss of foreign jobs, remittances. With an increase in the poverty level, India's ranking in the Global Hunger Index 2020 dropped to 102 from 94 in 2020. The middle class has been forced to delve deeper into their reserves due to rising gasoline prices and 9% plus food inflation. The number of Indians in debt has risen, and 81% rely on informal lenders. India is at risk of sliding into the middle-income trap, in which the poor would be unable to advance up the economic ladder over time. The income gap is only going to widen in India with the wealth of the top 1% is equal to that of the poorest 50%. Female employment loss is 1.8 times greater than male job loss. With additional liquidity pumped in by the central bank, the ultra-rich and upper class, who had access to cheap borrowing, took advantage of the stock market's bull run, boosting their wealth by 35% in a year. On the other hand, low-income people who are risk cautious, preferring to keep their money in bank accounts leading to the fact that deposits grew by 11.4% in FY21 despite a 100 basis point drop in interest rates. In every crisis, the middle class has been the financial backbone of bringing the country back from the edge. To help the decreasing segment, an adequate income distribution mechanism must be established. Greater focus on production, advanced agricultural activities, and the ease of doing business, which directly employs 33% of the population, would all aid in the economy's recovery. The Government of India is leaving no stones unturned into creating a progressive future in this catastrophic world by enabling skill matching, quality education, internet, and health care to be made easily accessible for everyone in the country.

DOING BUSINESS IN INDIA

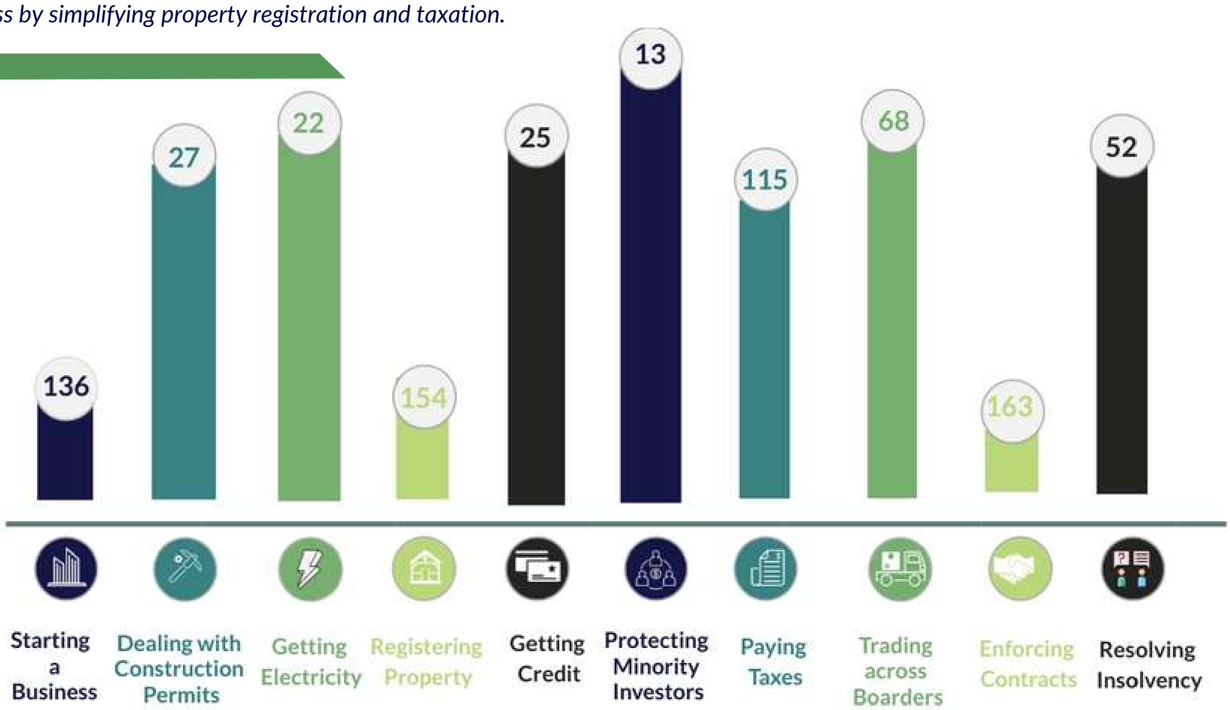
The attractiveness of India to foreign direct investment is influenced by a variety of political, social, and economic variables. FDI is critical for economic development, modernization, job creation, and supports technology transfer, human capital development, entrepreneurship, and resource management efficiency.

The Indian States have competed for FDI attractiveness among themselves, espousing the concept of "competitive federalism." which has resulted in selective states taking an advantage of attracting higher FDI from these positive spillovers. Greater ease of doing business is linked to increasing entrepreneurship, which leads to more job possibilities, higher Government tax revenues, and higher personal earnings. According to the Ease of Doing Business 2020 statistics, there is still a notable gap in the ease of launching a business between low- and high-income nations.

An entrepreneur in a low-income country generally spends approximately 50% of income per capita, whereas an entrepreneur in a high-income economy spends 4.25% of income per capita. In low-income nations, the average credit registry coverage of the adult population is less than 3%, compared to more than 22% in high-income ones. Comparing low-income countries to high-income economies, the average time to satisfy tax filing responsibilities is longer in low-income economies (275 hours), whereas in high-income economies (149 hours). To attract more FDI into the areas, the Ease of Doing Business (EoDB) conditions needs to be enhanced further. According to Observer Research Foundation (ORF), there is a 1% improvement in the Ease of Doing Business (EoDB) score corresponding to a 6.32% increase in FDI inflow in India. Several factors, including contract enforcement, launching a business, registering property, and paying taxes, continue to challenge India. Better performance on the Sustainable Development Goals (SDG) metrics enhances Ease of Doing Business (EoDB) and allows for a more favorable investment climate. Similarly, a 1% improvement in SDG scores corresponds to a 0.80% increase in EoDB parameters. Some Goals like encouraging the formalization and expansion of micro, small, and medium-sized companies, development-oriented policy promotion, etc. shall pave the way to multiple positive impacts. These shall include support in productive activities, job creation, entrepreneurship opportunities, inspirations for creativity and innovation. Thus, leading a positive outlook towards starting a business in India.

Mapping key EODB Parameters

- *Efficient contract enforcement is essential to economic development and sustained growth. Economic and social progress cannot be achieved without respect for the rule of law and effective protection of rights, both of which require a well-functioning judiciary that resolves cases in a reasonable time and is predictable and accessible to the public.*
- *Economies with a more efficient judiciary, in which courts can effectively enforce contractual obligations, have more developed credit markets and a higher level of development overall.*
- *A stronger judiciary is also associated with the more rapid growth of small firms. Overall, enhancing the efficiency of the judicial system can improve the business climate, foster innovation, attract foreign direct investment, and secure tax revenues.*
- *India ranks 163rd in terms of contract enforcement. Due to delayed contract enforcement, it inhibits investment. To minimize the pendency and cases building up, the Indian Government must aggressively interact with the court and improve the case clearance rate to 100%.*
- *It is essential to expand the number of judges and their efficiency through enhanced processes and technology. Increases in corporate tax rates have a significant impact on FDI inflows. The Government is required to focus on ways to increase consumption by suspending or reducing taxes.*
- *As global businesses seek alternatives to other competitor nations for investment, the Indian Government needs to streamline the business process by simplifying property registration and taxation.*



Source: World Bank Report

The Single Window Clearance Mechanism is one of the growth inducers for the realty landscape. Currently, the Government is working on setting up a single-window system for clearances that helps investors visit multiple platforms to gather information and obtain clearances from different stakeholders. In India, the creation of a centralized investment clearance cell would provide end-to-end facilitation support, including pre-investment advisory, information related to land banks, and facilitating clearances at the central and state level. Consequently, improvements in key business parameters will provide investors with a positive signal regarding India's potential in generating high returns to their investments, thereby leading to more FDI inflows. Being cognisant about this fact, the policymakers have been actively and rightly tapping on several substantial measures which could reduce the compliance burden of businesses and making it easy and favorable for foreign investors.

LABOR REFORMS

The investment-friendly labor reforms of different State Governments' in India have attempted to enhance business morale to encourage the inward flow of private investment. These measures, however, have influenced the pay disparity across states. The adoption of significant labor reforms has a positive effect on increasing the percentage share of wages. Restriction in the size of the host markets may potentially stifle the expansion of capital pouring into the states. In terms of FDI inflows, the ‘top performers' have a smaller percentage of salaries in the basket of net state value-added. Meanwhile, the so-called 'underperformers' have yet to reap the advantages of pro-market changes. State Governments are facing a difficult task in adopting free-market policies while remaining cautious. The need of the hour for the Governments is to strike a vital balance between increasing business confidence and safeguarding worker welfare as they strive to implement labor market flexibilities to promote investment flow.

India is facing new hurdles in the post-COVID economy, with the scale of India's informal labor being enormous. The informal sector employs about 80% of India's workers. While India has social security programs for education, healthcare, skilling, food, security, and pensions, most of them are limited to the organized sector. Unemployment has increased across industries due to the pandemic which resulted in increasing poverty and thus intensifying hunger-related diseases and fatalities.

In India, there are substantial geographical differences in labor demand, accessible opportunities, and labor supply. The Government had imposed a nationwide lockdown at the beginning of the COVID-19 pandemic, which adversely impacted economic activities and resulted in the exodus of migrant workers from large cities to their homes in the hinterland. The policymakers will have to meticulously think about tweaking new labor codes set to be implemented in the next few quarters by considering the new normal because of the pandemic effect on the overall economy.

Challenges in the Labor Reforms

- *The labor market disruptions in India would only obstruct the efficient operation of value chains linked to foreign investments.*
- *Salaries will fall owing to an excess of labor in certain areas, lowering labor quality, particularly for employees in rural areas. In contrast, pay increases will be seen in labor-scarce regions in the short term, which many businesses may find difficult to afford.*
- *Domestic and international companies with smaller subsidiary operating units may suffer. Small enterprises linked to international companies that rely on migrant labor from far-flung locations are likely to have a tough time in the short or medium term. This is because the processes may become inefficient due to a shortage of physical assets and human capabilities, which will be unavailable in particular locations.*
- *The regulation of land ownership, operation, lease, sale, and inheritance is referred to as land reform. Land resources in India are inversely proportional to the vast population and unequally allocated. India's migratory hardship has been one of the most severe concerns linked with the COVID-19 pandemic, from eastern to western areas.*
- *The central challenge to labor regulation is to provide sufficient rights to workers while creating an enabling environment that can facilitate firm output and growth, leading to job creation. At the same time, workers need the protection of assured minimum wages, social security, reduction in job insecurity, health, and safety standards. This would also require a labor administration that can effectively manage conflicts in order to ensure the enforcement of rights.*

The Ministry of Labor & Employment of India has already consolidated and codified 29 central labor laws into 4 codes which primarily includes the Code on Wages, Social Security, the Industrial Relations Code and the Occupational, Safety, Health, and Working Condition Code. This is aimed at creating a conducive environment for investors while providing better social security to the entire workforce of over 50 crores under the new legal framework.

HUMAN DEVELOPMENT INDEX RANKING (HDI)

The HDI is a scale that determines a country's average success in three core measures of human development: education, life expectancy, and per capita income. According to the United Nations Development Programme's 2020 Human Development Report, India has slipped two positions from 129 to 131 out of the 189 countries, as compared to 2019.

India's HDI value grew by 50.3% from 0.429 to 0.645 between 1990 and 2020. Bhutan and Namibia have surpassed India in the rankings and are now ranked 129th and 130th, respectively. On a purchasing power parity basis, India's gross national income per capita decreased to USD 6,681 from USD 6,829. India’s HDI has increased tremendously in the last two and half decades. The Government of India is focusing on fair measures on inequality and the pockets of deprivation that are dragging the HDI down. In terms of life expectancy, India stands at an average age of 69.7 years, slightly lower than the south Asian norm of 69.9 years but somewhat higher than the global average of medium human development index groups of 69.3 years.

Income disparities aggravate failures on other human development indicators. In nations with significant income disparity, intergenerational income mobility is lower. It shows up at birth and affects the one with access to good healthcare, education, and opportunities. Female per capita income in India was just 21.8% of males, but it was slightly better in other emerging nations. Female's low per capita income in India is mostly due to their absence from the labor field. Only 20.5% of working-age women were employed, pointing to the country's low Female Labour Force Participation Rate (LFPR). While the number of economic resources is an important element impacting human development, the distribution and allocation of these resources are equally important in determining development. Universal education & health care might have lifted the poorest portions of the population out of poverty. Policies developed to address key growing issues such as urbanization, the housing shortage, access to power, water, education, and health care will also be critical to maintaining and enhancing the quality of life.

By streamlining the standard approach to creating new sources of revenue, initiatives such as rationalized subsidy targeting, prudent use of funds intended for social sector development, and so on, the financial needs for increasing HDI will most likely be met. Effective quality analysis of public infrastructure programs and activities using new approaches such as outcome budgeting, social auditing, and participatory democracy have shown good effects. The Government has prioritized gender equality and women's empowerment since they are critical to human progress.

Overall, India's HDI ratings are significantly expected to be improved as the Government is paving the way to varied inclusive policies to improve public health, education, and nutrition, eliminate gender discrimination, and usher in a more equitable society.

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

India ranked 120th out of the 165 nations according to the 6th edition of the Sustainable Development Report 2021. Finland led the rankings with an 85.90 score, followed by Sweden (85.61), Denmark (84.86), Germany (82.48), and Belgium (82.19). Natural resources, markets, efficiency, and strategic assets are four primary reasons that encourage any Multinational Enterprises (MNEs) to expand internationally. India has a significant population and a developing economy which offers a lucrative market for the MNEs.DGs play a vital role in influencing investment decisions as it has an interdependency to critical factors like Market size and development potential, institutional and regulatory quality, trade openness, infrastructure quality, economic and political stability, labor quality and costs, and cultural connections.

Thus, Sustainable Development Goals (SDGs) can provide insight into the circumstances that make foreign investment possible.

The metrics established in the SDGs are more holistically structured in describing the relative Ease of Doing Business (EoDB) conditions in Indian states than the conventional criteria. A Comprehensive Index has been calculated for different states of India (Uttar Pradesh, Assam, Bihar, Jharkhand, Odisha, Chhattisgarh, Madhya Pradesh, West Bengal, Haryana, Uttarakhand, Punjab, Karnataka, Andhra Pradesh, Maharashtra, Gujarat, Himachal Pradesh, Telangana, Kerala, Tamil Nadu, Goa, and Delhi) using 51 indicators which help in analyzing the performance of India's states in terms of climate action. The Sustainable Development Goals Index has a favorable influence on per capita FDI because improved SDG indicator performance translates into business enablers. They include various developmental objectives, including poverty reduction, industrial growth and innovation, gender equality, social justice, and climate action. The SDGs encompass important aspects of the *five forms of capital (financial, natural, produced, human, and social)* that make up an economic system's foundations. The capital reflected in the SDGs creates the essential enabling circumstances for FDI inflows by reducing long-term risks and strengthening governance procedures. The SDG aids in the creation of favorable conditions for long-term FDI inflows that are more comprehensive than economic metrics. The Government of India has adopted varied policies that prioritize sustainability, thereby benefiting many factors like infrastructure, environment, and labor. This provides new investment possibilities as firms and investors may produce “shared value” with society as well as changing economic environment.

Sustainable development measures will not only assist the Government in closing the gap between Ease of Doing Business (EoDB) but also help protect the economy from future crisis. India envisages pursuing the implementation of the SDG through close collaboration between the Central and State Governments.

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[26] Images : IGC internal Image gallery ; canva images under FMLA ; Population map with group of people (pg 38-EDITED post 1st release) from www.istockphoto.com

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ABOUT IGC

IGC LLP is a management consulting firm that offers advisory services to Governments, Corporates and Startups. We are on a mission of inspiring change and innovation across the globe through our data-driven approach and passionate people. Our goal is to be a valued consulting firm driving the economic and social development realizations through our in-depth industry knowledge and zeal to innovate.

As part of our Economic Development (Trade & Investments) vertical, we help businesses in India and abroad to scale and expand their reach to newer geographies leveraging our cross-border strategy suite- FDI 360. Currently, IGC LLP caters to multiple foreign Economic Development Agencies in their inward and outward missions. We help the agencies to identify and attract strategic investments and trade opportunities from India.

To know more about how we can assist you in your new market entry journey, contact us at consult@ingressgc.com

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