



Vision—Developed India: Opportunities and Expectations of MNCs

For Prelims: FDI, FPI, Government Initiatives, Make in India, Digitization.

For Mains: Vision—Developed India: Opportunities and Expectations of MNCs, Government's Initiatives.

Why in News?

According to the **EY (Ernst & Young)- [Confederation of Indian Industries \(CII\)](#) report titled 'Vision—Developed India: Opportunities and Expectations of MNCs'**, India will attract **[FDI \(Foreign Direct Investment\)](#)** worth USD 475 billion in 5 years.

What are the Findings of the Report?

▪ Overview:

- 71% of **MNCs (Multinational Corporation)** working in India consider the **country an important destination for their global expansion**.
- India has seen a consistent rise in FDI in the last decade, with FY22 receiving USD 84.8 billion, despite the impact of the pandemic and geopolitical developments.
- India is seen as an **emerging manufacturing hub in global value chains**, as a growing consumer market and as a hub for ongoing digital transformation.
- Over 60% of MNCs stated improvement in the business environment in **the last three years**.
- Against the backdrop of growth challenges MNCs consider India **an attractive investment destination and are planning expansion**.

▪ Cause of Optimism:

- The commitments for investments in the infrastructure sector offer assurance about **India's serious aspirations for providing best-in-class infrastructure and new opportunities for investments**.
- Optimism on India's growth is led by **strong momentum in domestic consumption, a growing [services sector](#), [digitalization](#), and the government's focus on [manufacturing and infrastructure](#)**.
 - The estimated real growth in consumption is the **third highest behind only the US and China**, while the fast-expanding digital economy is expected to reach USD 1 trillion by 2025.

▪ Suggestions:

- It is high time India took the leap to the next level of economic development, including early closure of free trade agreements, continued reforms to enhance ease of doing business, faster implementation of infra projects and goods and services tax reforms.

What is Foreign Direct Investment?

▪ About:

- A FDI is an **investment made by a firm or individual in one country into business interests** located in another country.
 - FDI lets an **investor purchase a direct business interest** in a foreign country.
- Investors can make **FDI in a number of ways.**
 - Some common ones include establishing a subsidiary in another country, acquiring or merging with an existing foreign company, or starting a joint venture partnership with a foreign company.
- Apart from being a **critical driver of economic growth, FDI has been a major non-debt financial resource** for the economic development of India.
- It is different from **Foreign Portfolio Investment** where the foreign entity merely buys stocks and bonds of a company.
 - FPI does **not provide the investor with control over the business.**
- **Routes of FDI:**
 - Automatic Route:
 - In this, the foreign entity does not require the prior approval of the government or the **RBI (Reserve Bank of India)**.
 - In India FDI up to 100% is allowed in non-critical sectors through the automatic route, not requiring security clearance from the Ministry of Home Affairs (MHA).
 - Prior government approval or security clearance from MHA is required for investments in sensitive sectors such as defence, media, telecommunication, satellites, private security agencies, civil aviation and mining, besides any investment from Pakistan and Bangladesh.
 - **Government Route:**
 - In this, the foreign entity has to take the approval of the government.
 - **The Foreign Investment Facilitation Portal (FIFP)** facilitates the single window clearance of applications which are through approval route. It is administered by the **Department for Promotion of Industry and Internal Trade (DPIIT)**, Ministry of Commerce and Industry.

What is the Status of FDI Inflows in India?

- In 2021, FDI inflows **increased from USD 74,391 million in FY 19-20 to USD 81,973 million in FY 20-21.**
- **Top 5 FDI Sourcing Nation:**
 - **Singapore:** 27.01%
 - **USA:** 17.94%
 - **Mauritius:** 15.98%
 - **Netherland:** 7.86%
 - **Switzerland:** 7.31%
- **Top Sectors:**
 - **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%
 - **Construction (Infrastructure) Activities:** 5.52%
- **Top Destinations:**
 - **Karnataka:** 37.55%
 - **Maharashtra:** 26.26%
 - **Delhi:** 13.93%
 - **Tamil Nadu:** 5.10%
 - **Haryana:** 4.76%
- FDI Equity inflow in **Manufacturing Sectors** have increased by **76% in FY 2021-22** (USD 21.34 billion) compared to previous FY 2020-21 (USD 12.09 billion).

What has the Government done to boost FDI?

- **New FDI norms**
- **Make in India**

- [Atmanirbhar Bharat](#)
- [India's footing in global supply chains](#)
- [National technical Textile Mission](#)
- [Production Linked Incentive Scheme](#)
- [Pradhan Mantri Kisan SAMPADA Yojana](#)

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims

Q1. Consider the following: (2021)

1. Foreign currency convertible bonds
2. Foreign institutional investment with certain conditions
3. Global depository receipts
4. Non-resident external deposits

Which of the above can be included in Foreign Direct Investments?

- (a) 1, 2 and 3
- (b) 3 only
- (c) 2 and 4
- (d) 1 and 4

Ans: (a)

Q2. Which of the following has/have occurred in India after its liberalization of economic policies in 1991? (2017)

1. Share of agriculture in GDP increased enormously.
2. Share of India's exports in world trade increased.
3. FDI inflows increased.
4. India's foreign exchange reserves increased enormously.

Select the correct answer using the codes given below:

- (a) 1 and 4 only
- (b) 2, 3 and 4 only
- (c) 2 and 3 only
- (d) 1, 2, 3 and 4

Ans: (b)

Q3. With reference to Foreign Direct Investment in India, which one of the following is considered its major characteristic? (2020)

- (a) It is the investment through capital instruments essentially in a listed company.
- (b) It is a largely non-debt creating capital flow.
- (c) It is the investment which involves debt-servicing.
- (d) It is the investment made by foreign institutional investors in the Government securities.

Ans: (b)

Mains

Q1. Though 100 percent FDI is already allowed in non-news media like a trade publication and general entertainment channel, the Government is mulling over the proposal for increased FDI in news media for quite some time. What difference would an increase in FDI make? Critically evaluate the pros and cons. **(2014)**

Q2. Justify the need for FDI for the development of the Indian economy. Why there is gap between MoUs signed and actual FDIs? Suggest remedial steps to be taken for increasing actual FDIs in India. **(2016)**

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