International Research Journal of Education and Technology
Peer Reviewed Journal
ISSN 2581-7795

Investment Opportunities and Economic Development in India

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Abstract

The Indian economy has consistently experienced rapid growth and has emerged as a desirable location for investment. India is currently only second to China in terms of preferred investment locations, according to recent trends. Due to India's economy's rapid growth, more opportunities for business startups have emerged. In addition to being a large non-debt financial resource for India's economic development, Foreign Direct Investment (FDI) is a key factor in economic growth. Due to India's economy's rapid growth, more investment opportunities for business startups have emerged. Additionally, it is a profitable choice because most industries and areas are virtually untouched and there is therefore less danger of being up against fierce competition. The purpose of this paper is to discover investment prospects in India and to examine the government's supporting policy environment, thriving business climate, increasing level of global competitiveness, and economic influence.

Keywords: Economy, Investment Opportunities, Foreign Direct Investment, Economic Growth

Introduction

The Indian economy has consistently experienced rapid growth and has emerged as a desirable location for investment. India is currently only second to China in terms of preferred investment locations, according to recent trends. Due to India's economy's rapid growth, more opportunities for business startups have emerged.

India has recently emerged as a significant FDI worldwide hub. India was one of the top three international destinations for FDI, and nearly 80% of the global respondents planned to make investments there. Additionally, India has recently lowered company taxes dramatically and streamlined its labour rules. The nation has also loosened its FDI limitations, which have gone from 0.42 to 0.21 over the past 16 years. In terms of both short- and long-term possibilities, India has continued to be a desirable market for foreign investment. One of the FDI sectors with the most promise is low-skill manufacturing in India. India has also improved its government's effectiveness.

Investment Environment in India

By easing restrictions and even creating new regulations, the Indian government is attempting to take advantage of the favourable investment environment in the nation. Increased NRI investments in India are due in large part to changes in government policy, the availability of inexpensive resources, tax holidays, the liberalisation of external commercial borrowing norms, etc.

Agriculture, mining, industrial explosives, hazardous chemicals, medications and pharmaceuticals, transport, insurance, industrial parks, non-banking financial institutions, etc. are among the industries in which non-resident Indians (NRI) can invest automatically. The Foreign Investment Promotion Board's (FIPB) consent may be necessary in specific circumstances. These include the retailing of single brand products, publishing of newspapers and magazines, courier services, and infrastructure businesses other than telecom.

Investment Opportunities

There are 12 industries that stand out: capital goods, pharma, air conditioners, toys, agrochemicals, ready-to-eat food, agro furniture. The most dynamic industry in India is the services one. 50% of GDP is made up of it. The world's fourth-largest agricultural power is

India. 41.5% of the active population is employed in agriculture, which contributes 16% to GDP. The nation produces the fourth-most coal in the world. Textiles are widely used in the manufacturing sector. With a 3% share of the worldwide chemical industry, the chemical industry is the second-largest industrial sector. The industries of new technology (software) and telecommunications are also flourishing. India is the top BPM destination in the world, accounting for 8% of its total economic output.

Airport services, ground handling, technology, educational services, electricity, transmission equipment, computers and devices, food processing, machine tools, medical equipment, equipment for mining and mineral processing, machinery for oil and gas fields, pollution control equipment, security, telecommunications equipment, textile machinery, water, renewable energy, urban infrastructure and services (access to water, waste treatment), luxury goods, and cosmetics.

Ways of investing in India

Foreign Direct Investment

Except for the restricted industries or activities, a non-resident entity is permitted to invest in India. Regulations under the Foreign Exchange Management Act (FEMA) and the FDI policy, including sectoral caps, apply to these investments. An Indian company may obtain FDI by:

Automatic route:

FDI is authorised in the industries included in the FDI policy without prior authorisation from the government or the RBI. Typically, these are long-term, strategic investments.

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Government route:

The Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, and Ministry of Finance are responsible for evaluating FDI applications for activities not covered by the automatic route.

Foreign Portfolio Investment

The Portfolio Investment Scheme (PIS) enables qualified foreign investors (QFIs), non-resident Indians (NRIs), persons of Indian origin (PIOs), and foreign institutional investors (FIIs) to invest in Indian company shares, convertible debentures, and units of domestic mutual funds on any of the Indian stock exchanges. Stocks, ADRs, GDRs, bonds, mutual funds, and exchange-traded funds are all examples of possible FPI holdings.

According to the most recent depositories statistics, foreign portfolio investors (FPIs) have invested a total of 66,541 crore since April in the main market. Nine months into the current fiscal year, the inflows have already surpassed the prior high of $64,556 crore in FY21. In FY20, FPIs invested 49,464 crore.

Market analysts attribute FPIs' increased interest in the main market to the record number of initial public offers (IPOs) that flooded the Indian market in the current fiscal.

FPI Primary Booster: Net Inflows (in Rs. Crore)

Source: NSDL; Data represents Financial years

The likelihood of an individual investor using an FPI to invest in possibilities located outside of their home nation is high. On a larger scale, a country's foreign portfolio investment is reflected on its balance of payments as part of its capital account (BOP). The BOP calculates the amount of money that moves from one nation to another throughout a single fiscal year.

Foreign venture capital investors

In order to engage in a domestic venture capital fund or a venture capital undertaking, a foreign venture capital investor (FVCI) must be incorporated or created outside of India (domestic unlisted company).

The Foreign Exchange Management Regulations and the regulations established by the Securities and Exchange Board of India (SEBI) control the investments made by FVCI.

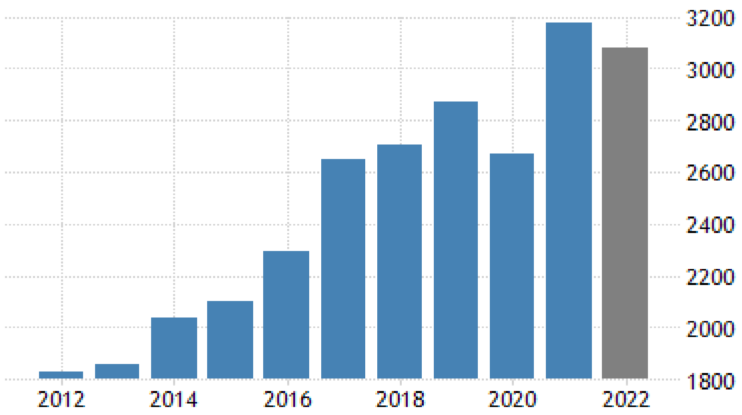
Under Regulation 2(g) of the SEBI (Foreign Venture Capital Investors) Regulations, 2000, the term "foreign venture capital investor" is defined as an investor who is incorporated and established outside of India, is registered under these regulations, and who also proposes to make investments in India in accordance with the requirements of these regulations.

Investment Vs Economic Development:

Due to a number of 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 quite well during the pandemic. Additionally, among the top 50 nations, India was ranked as the 48th most innovative nation.

The Gross Domestic Product (GDP) in India was worth 3173.40 billion US dollars in 2021, according to official data from the World Bank. The GDP value of India represents 0.21 percent of the world economy.

GDP in India (in Rs. Crore)



Source: Trading Economics.com, World Bank (Upto June 2022)

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These elements have increased FDI inflows to India. The following are a few of the most recent investments:

- India's computer software and hardware sector got FDI investments of US$3,427 million between April and June 2022.
- India got FDI investments totaling Rs. 494 crore (US$ 61.91 million) in the manufacturing of defence in May 2022.
- Generali, an Italian financial services giant, paid Future Enterprises Rs. 1,252.96 crore (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 crore (US$ 17.44 million) in May 2022.
- Software-as-a-Service (SaaS) startup Toplyne raised US$ 15 million in a fundraising round headed by Tiger Global in May 2022.
- 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., the company that operates the insurtech platform Turtlemint Insurance Services Pvt. Ltd.
- Woodenstreet.com, an online retailer of furniture and home goods based in Jaipur, raised over $30 million in a Series B fundraising round that was spearheaded by WestBridge Capital in May 2022.
- A Series B fundraising round headed by Tiger Global and Info Edge Ventures in May 2022 saw US$ 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.
- As an anchor investor, the Canada Pension Fund Investment Board contributed Rs. 1,200 crore ($160.49 million) to the initial public offerings of several Indian businesses, including One97 Communications (Paytm), Zomato, FSN E-Commerce Ventures (Nykaa) and PB Fintech.

Government Initiatives to enhance Investment Opportunities:

Due to favourable government policies, India has recently become a desirable location for FDI. India has created a number of programmes and policies that have aided in increasing FDI. These programmes have stimulated FDI investment in India, particularly in emerging industries like defence manufacture, real estate, and research and development. Major government programmes include:

- The Indian government expanded FDI by expanding it to 74% via the automatic route and 100% via the government route in the defence sector.
- The Foreign Exchange Management Act (FEMA) has been revised by the government to permit up to 20% FDI in insurance business LIC via the automatic route.
- The administration is thinking about relaxing regulations on some FDIs from nations that border India.
- FDI inflows are anticipated to increase in 2022 as a result of the implementation of policies such 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. This law is anticipated to define FDI in the Indian market in detail.
- India and the UK decided to expand investment in September 2021 in order to fortify their bilateral connections and create a "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%, in order to promote the telecom sector.

ISSN 2581-7795

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