



ATTRACTING GLOBAL INVESTMENTS IN INDIA – INSIGHTS & DEVELOPMENTS

Dr S Brindha, Associate Professor & HOD, Department of Management, Dr G R Damodaran College of Science,
Coimbatore-641014.

INTRODUCTION:

Corporate giants like Vodafone, Amazon, Unilever, Samsung, Adidas, Lotte, DHL, Mercedes-Benz, Toyota, Garnier, Panasonic, LG, Microsoft, IBM, Nestlé, Coca-Cola etc. have witnessed tremendous leap and growth in India, as ours is an investment-friendly nation and has attracted the attention of leading multinational organizations across the globe.

India's GDP growth, low inflation, regulatory changes, structural reforms and flexibility of doing business have changed the global investments to a great extent. Sustainability and emerging technologies are poised to reshape the Indian industries in channelling investments effectively, driving towards wealth creation and fostering sustainable economic development.

India's GDP growth has been projected to grow at 6.6% in FY26 by the World Bank, proving it to be the fastest-growing major economy in the world. With a GDP of \$3.7 trillion, India currently ranks as the 5th largest economy in the world and it is expected to be the 3rd largest economy by 2028 as per the International Monetary Fund (IMF) estimate. With an expected growth rate of 6-7%, India is estimated to lead the global growth in the next 5-10 years.

Why companies choose to invest in India?

- India is a strategic location for foreign multinationals, well-connected to central, west, southeast, and East Asian countries.
- To diversify its economy.
- Several industrial zones, network of SEZs, workforce and labor availability, lower labor costs, educated, hard-working and skilled workforce
- India's large consumer base, low operating costs
- Connectivity to International markets, Strong FDI environment
- Massive development in trade infrastructure and logistics
- Legal frameworks, network of Free Trade Agreements and Domestic Tariff Areas
- Ease in dealing with permits
- Improvement in insolvency resolution procedure
- Digitalization in companies

High Potential Sectors?

Airport services, computers and devices, educational services, electrical power, transmission equipment, food processing, machine tools, healthcare - medical equipment, retailing, semiconductors, equipment for mining and mineral processing, machinery for oil and gas fields, pollution control equipment, security, semiconductors, telecommunications equipment, textile machinery, water, renewable energy, urban infrastructure and services, electricity, cosmetics, and luxury goods.

Among these high potential sectors, we shall discuss on the prominent Industries that have realised a huge impact on the economy in the recent days.

SEMI-CONDUCTOR INDUSTRY

Semiconductors are used in a variety of electronic devices from cars to drones as well as smartphones and computers and across various sectors, including the aerospace and defence, telecom and automotive sectors. Most of the semiconductor manufacturing market is dominated by countries such as Taiwan, China, the United States, South Korea and Japan. India relies on semiconductor imports from these countries. With the changing global economy, the outlook for the semiconductor industry seems to be flourishing with mild supply and demand volatility. To emerge successfully in the long run, the industry has to focus strategically on R&D, factories, and sourcing, and to apply the lessons of the modelling to unlock areas of opportunity. The global semiconductor industry is growing significantly at a rapid pace and it is expected to become a trillion-dollar industry by 2030. India aspires to be one of major drivers of this growth – with the semiconductor market size in India expected to reach USD 271.9 billion by 2032– and has been playing an active role in fuelling these aspirations by providing generous fiscal support, creating a conducive manufacturing environment, and forging more international collaborations.

The Government is offering up to 50% of the Project Cost for setting up silicon-based semiconductor wafer fabrication facilities across various technology nodes in India on an equal footing basis. Minimum Capital Investment by Applicant is fixed at INR 200 billion. 100% foreign direct investment under the automatic route is permitted for electronics manufacturing (including semiconductors), subject to applicable laws/ regulations, security and other conditions. Semiconductor chips have acquired unprecedented geopolitical importance, with their use in smartphones, cars, ballistic missiles, and much more, making them the lifeblood of the global economy and indispensable to rapidly growing new technologies such as artificial intelligence and quantum computing.

The Government scheme for Promotion of Manufacturing of Electronic Components and Semiconductors is designed especially to foster the growth of a national supply chain, while the Product Design Linked Incentive will cover up to 50 per cent of eligible expenses with a maximum limit of C\$2.4 million (150 million Indian rupees) This scheme would facilitate to train 85,000 people from start-ups, R&D facilities, micro, small, and medium enterprises, and academic institutions over five years in different chip technologies like VLSI and Embedded System Design. The government has approved to modernize and transform a Mohali-based semiconductor lab into a brownfield chip manufacturing unit.

India's motivation to grow semiconductor capabilities

- With a digital-first approach, India has put a strong emphasis on making its semiconductor industry domestically self-reliant. With the “Make in India” initiative by the Indian government to foster the development, production, and assembly of products within the country, the ambitious India Semiconductor Mission (ISM) also hopes to create a similar thriving semiconductor and display industry to support its ascent into a worldwide centre for electronics production and innovation, surpassing other global markets in this sector.
- India focusses to increase its semiconductor workforce to 1.2 million by 2032. To achieve this, an additional 275,000 skilled professionals are required. To address this need, the Electronics Sector Skills Council of India and the Electronic Industries Association of India have started recognising to introduce and orient students an online platform offering 360 courses covering manufacturing, chip design, artificial intelligence, and workplace safety, virtual nanofabrication, circuit and system design and advanced packaging and manufacturing.
- There is a need to ensure that there is strong and reliable internal infrastructure to meet this demand. The government needs to focus on back-end manufacturing, a central component of the supply chain. Prioritizing investing in power, hydro, and transportation could establish India as a semiconductor hub, while incentives for a local vendor base and supply chain, along with tariffs, regulations, and subsidies, can attract investors and support domestic stakeholders.

Though this industry is aimed at strategic collaborators and technology providers, it is witnessing few key issues like

- Regulatory approval being a hectic process
- Available incentives: towards: (a) land, building, plant, machinery, clean rooms, equipment, and associated utilities; (b) research and development; and (c) transfer of technology.
- Production grade technology being adopted across the sector
- Offtake commitments with binding documentation signed by potential customers.
- Project location and state level support

HEALTHCARE SECTOR

Healthcare has become one of India's largest sectors, both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare sector is growing at a fast pace due to its strengthening coverage, services, and increasing expenditure by public as well as private players.

India's competitive advantage lies in its large pool of well-trained medical professionals. India has emerged as a hub for R&D activities for international players due to its relatively low cost of clinical research. India has a population of over 1.4 billion people, with a rising middle class demanding better healthcare. This drives the need for hospitals, clinics, diagnostics, and specialized care.

The Indian healthcare sector is one of India's largest employers as it employs a total of 7.5 million people. Progress in telemedicine, virtual assistants, and data analytics is expected to create 2.7-3.5 million new tech jobs. Nearly 6.87% of the total international tourists who visited India for medical treatments. India is a popular destination for medical tourism due to its affordability and high-quality healthcare services. Medical tourists come for procedures such as cardiac surgery, orthopedic treatments, and cosmetic surgery. This sector offers opportunities for investments in specialized hospitals, wellness centers, and tourism infrastructure. With US\$ 5-6 billion size of medical value travel (MVT) and 500000 International patients annually, India is among the global leader destinations for international patients seeking advanced treatment.

Notable Developments in Healthcare

Some of the recent developments in the Indian healthcare industry are as follows:

- DocPlix, a health-tech startup, raises Rs 1.2 crore (US\$ 0.14 million) in a bridge round led by Inflection Point Ventures (IPV), aiming to digitize health records for India's 1.4 billion population and enhance healthcare accessibility.
- IIT Bombay partners with Blockchain for Impact (BFI) to receive a US\$ 900,000 investment aimed at developing affordable healthcare technologies, as part of a broader US\$ 15 million BFI-Biome initiative to address urgent health challenges and advance biomedical innovation.
- Temasek, a Singaporean investment company has invested US\$ 2 billion in Manipal Health Enterprises, a leading healthcare provider in India, highlighting the growing interest in the Asian healthcare market.
- Nirma a diversified Indian conglomerate, acquired a 75% stake in Glenmark Life Sciences, a pharmaceutical company, for US\$ 689 million, marking as one of the biggest Indian healthcare M&A deals.
- A total of 26 crore Ayushman cards have been created. To prevent, detect, and deter healthcare fraud and to ensure that eligible beneficiaries receive adequate treatment, the Government of India is using Artificial Intelligence (AI) and Machine Learning (ML).
- Multinational healthcare company Abbott has committed to converting 75 Primary Health Centers (PHCs) to Health and Wellness Centers (HWCs) in nine Indian States, in collaboration with Americas' India Foundation, a non-profit organisation dedicated to relief and development in the field of health, benefiting over 2.5 million people from under-resourced communities every year.
- The Indian Council of Medical Research (ICMR) released standard treatment guidelines for 51 common illnesses across 11 specialities to assist doctors, particularly in rural regions, in diagnosing, treating, or referring patients in time for improved treatment outcomes.
- Hyderabad-based pharmaceutical company Biological E applied for emergency use authorisation (EUA) for its Covid-19 vaccine Corbevax for the 5-12 years age group.
- Biocon Biologics Limited, a subsidiary of Biocon, announced a strategic alliance with Serum Institute of Life Sciences, a subsidiary of Serum Institute of India (SII). The alliance is expected to strengthen India's position as a global vaccine and biologics manufacturing powerhouse.

Healthcare Infrastructure Development:

- There's immense potential to expand healthcare infrastructure, especially in Tier 2 and Tier 3 cities. Investments in building hospitals, diagnostic centers, and medical colleges are key growth areas.
- The government has been promoting PPPs to improve healthcare infrastructure, offering lucrative investment opportunities in medical facilities, especially in underserved regions.
- The rise of telemedicine, fuelled by advancements in digital technology, offers investment potential. Telehealth platforms are growing in popularity due to convenience, especially in rural and semi-urban areas with limited access to healthcare.
- India has a thriving health-tech start-up ecosystem, offering services like online doctor consultations, digital health records, AI-driven diagnostics, and e-pharmacies. This sector is ripe for venture capital and private equity investments.
- India is a global leader in generic pharmaceuticals, producing about 20% of the world's generics by volume. Investment opportunities exist in drug manufacturing, R&D for new drugs, and biosimilars.
- India's medical device industry is growing, driven by the demand for diagnostics, treatment, and monitoring devices. Investing in the production and distribution of medical devices has significant growth potential.
- With healthcare costs rising, the health insurance market is expanding, particularly after the implementation of schemes like Ayushman Bharat. Investing in insurance companies, insurtech start-ups, or health insurance products presents a significant opportunity.

Problems

- Regulatory Hurdles- Complex regulations and price controls
- Inadequate Infrastructure
- Skilled Workforce Shortage
- Affordability and Out-of-Pocket Expenditure and limited Insurance coverage
- Public Health and Sanitation Issues
- Political and Policy Instability

RETAIL INDUSTRY

Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10% of the country's Gross Domestic Product (GDP) and around 8% of the employment. India is the world's fifth-largest global destination in the retail space. India is one of the most promising and developing marketplaces in the world. There is a great deal of desire among multinational corporations to take advantage of the consumer base in India and to enter the market first. Nearly 60 shopping malls encompassing a total retail space of 23.25 million sq. ft are expected to become operational during 2023-25.

The sizeable middle class and unexplored retail segment in India are the major factors for international retail giants to move into newer markets, which will help the Indian retail business grow more quickly. The urban

Indian consumer's purchasing power is increasing, and branded goods in categories like apparel, cosmetics, footwear, watches, beverages, food, and even jewellery are gradually evolving into business and leisure that are seemed the most by the urban Indian consumer.

Online shoppers in India are expected to reach approximately 500 million in 2030. India's retail sector is experiencing exponential growth with retail development taking place not just in major cities and metros, but also in small cities. Healthy economic growth, changing demographic profile, increasing disposable income, urbanisation, and changing consumer tastes and preferences have been some of the factors driving growth in the organised retail market in India.

Notable developments of Retail Industry In India

- Retail sales in India grew by 5% in 2024, compared to previous years.
- IKEA, the Swedish furniture maker has drawn up plans to invest Rs. 850 crore (US\$ 102.41 million) in its Indian operation.
- Reliance Industries is likely to sell another 8-10% stake in Reliance Retail Ventures Ltd (RRVL) to fund expansion, retire debt and prepare for the initial public offering of the conglomerate's retail business. Reliance Consumer Products, the FMCG arm of Reliance Retail announced the launch of its made-for-India consumer packaged goods brand 'Independence' in Gujarat.
- Lulu Group, a UAE-based retail company, has invested Rs. 2,000 crore to develop a shopping mall near Ahmedabad in Gujarat as part of its plans to expand business in India.
- Aditya Birla Fashion and Retail Ltd. has entered a strategic partnership with the Galleries Lafayette to open luxury department stores and a dedicated e-commerce platform in India.
- Reliance Brands Limited (RBL) has partnered with Maison Valentino to bring to India the most established Italian Maison de Couture.
- Reliance Brands Limited has Joint Ventured with plastic legno spa to strengthen toy manufacturing ecosystem in India.
- Retail tech companies supporting the retail sector with services such as digital ledgers, inventory management, payments solutions, and tools for logistics have taken a huge leap in India.
- With the rising need for consumer goods in different sectors including consumer electronics and home appliances, many companies have invested in the Indian retail space in the past few months.

Industry Advantage in India

- **Growing Demand** - Nearly 60 shopping malls encompassing a total retail space of 23.25 million sq. ft are expected to become operational during 2023-25
- **Innovation In Financing** - Collective effort of financial houses and banks with retailers are enabling consumers to go for durable products with easy credit.
- **Increasing Investments** - Due to India's wealth of resources, availability of labour at relatively low costs, and special investment wages such tax breaks, etc., foreign corporations prefer. The retail sector in India accounts for over 10% of the country's GDP and around 8% of the workforce. It is expected to create 25 million new jobs by 2030.

- **Policy Support** - To improve the business climate and make it simpler for foreign companies to register fully owned subsidiaries in India, the Indian government has implemented a number of rules, regulations, and policies. 100% FDI allowed in single-brand retail under the automatic route.

Growth Drivers for Retailers In India

- **Favourable Demographics:** India's large and young population, Rising Middle Class, Urbanization, Changing Lifestyle and Consumption Patterns and favourable government initiatives prove to be a growth engine for the retail industry.
- **Rise in income and purchasing power:** As of the most recent Purchasing Power Parity (PPP) calculations by the World Bank and the International Comparison Programme (ICP), India ranks 3rd in the world in terms of GDP by PPP. Along with improvements in general purchasing power of the middle class, and a low cost of living, India has also almost completely eradicated extreme poverty at the global PPP poverty level of US\$ 1.9.
- **Change in consumer mindset:** The transition from traditional retail to online platforms in India has spurred a shift in consumer mindset. This change is characterized by a prioritization of convenience, a wider product selection, increased price sensitivity, growing trust in online transactions, reliance on reviews and recommendations, evolving loyalty dynamics, a greater embrace of technology, and heightened expectations for fast delivery.
- **Brand consciousness:** Brand consciousness in India is a multifaceted phenomenon shaped by economic, cultural, and technological factors. As consumer expectations continue to evolve, brands must remain agile and responsive to changing trends, ensuring that they deliver value, innovation, and authenticity to maintain their competitive edge in the market.
- **Easy consumer credit and increase in quality products:** Share of unsecured retail loans grew to 25.2% from 22.9% in March 2021-2023, while secured loans eased from 77.1% to 74.8%. Banks' unsecured loan portfolio amounted to close to Rs. 12 lakh crores as of July 2023.

Conclusion

- India has the third-highest number of e-retail shoppers. The new-age logistics players are expected to deliver 2.5 billion Direct-to-Consumer (D2C) shipments by 2030. India's digital economy is expected to touch US\$ 800 billion by 2030, and the E-Commerce market is expected to touch US\$ 350 billion in GMV by 2030
- India's public expenditure on healthcare touched 2.1 % of GDP in FY23 and 2.2% in FY22, against 1.6% in FY21, as per the Economic Survey 2022-23. The Health Ministry aims to reach 2.5% by FY25.

India's healthcare sector is extremely diversified and is full of opportunities in every segment, which includes providers, payers, and medical technology. With the increase in the competition, businesses are looking to explore the latest dynamics and trends which will have a positive impact on their business. The country has

also become one of the leading destinations for high-end diagnostic services with tremendous capital investment for advanced diagnostic facilities, thus catering to a greater proportion of the population. The Government aims to develop India as a global healthcare hub and is planning to increase public health spending to 2.5% of the country's GDP by next year. Several initiatives taken by the Government of India like - Make in India, Prime Ministers Schemes like Gati Shakti, Production Linked Incentive Scheme, Export promotion, Liberal FDI Norms government policies are making it possible for attracting investor's interest in India.

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