



Balancing FDI And 'Atmanirbhar' Mission – A New Challenge For India?



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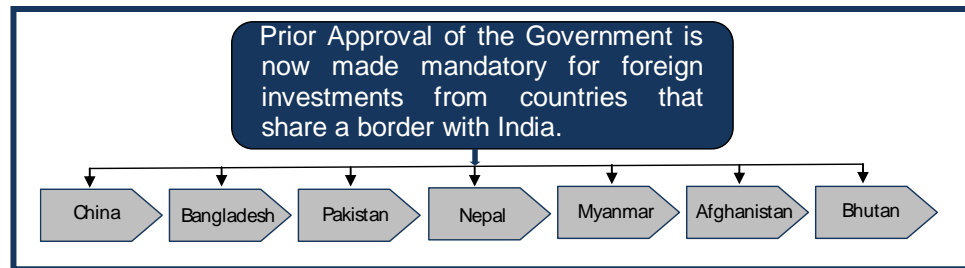
Can India revive the economy as an '*Atmanirbhar*' nation?

Foreign Direct Investment (FDI) has a massive impact on the economic development of any country. Recently, Union Minister, Hon'ble Shri Nitin Gadkari said that India is in need of INR 50-60 Lakh Crore of FDI and the money can be tapped through infrastructure projects as well as MSME sector to accelerate the wheels of the corona virus hit economy. Such funds would benefit the country as there is a need to inject liquidity in the market.

The Government announced changes in the FDI policies as a safeguard to the interest of the Indian companies and to prevent the '*opportunistic takeovers and acquisitions of Indian companies due to the current COVID-19 pandemic*'.

With the changes in the FDI policies the burden now lies on the Government to ensure that the foreign capital keeps flowing into the country and the interest of our domestic companies is also safeguarded.

What are the changes in the FDI Rules announced by the Government?



The triggering element that led the Government to take this major step of change in the FDI policy is China. As the tensions between India and China started to build, people around the country stood in the favor of banning Chinese products. These amended rules coming into the picture will prevent China from directly and indirectly investing in the country and taking advantage of the economic nosedive. Though this move could cause India more hurt, it is also the need of the hour.

IMF is of the opinion that India's GDP will grow at 1.9% in FY 20-21 which may be the country's worst performance since the economic liberalization of 1991.

The Government is steadfast on pushing the Make in India programme aggressively to invite foreign investors in the country. On one hand, India wants to invite FDI and impress the foreign companies and investors but on the other hand it also wants to restrict imports and puts up restrictions to safeguard the interest of the domestic companies. This is kind of a dilemma as finding a middle ground or a win-win situation seems like a difficult task. China being one of the major investors in India is one of the most important sources of FDI in the country. **According to Commerce and Industry Minister Piyush Goyal, the foreign direct investment from China stood at a total of \$1.8 billion between 2015 and 2019.** Major Indian start-ups like Paytm, Byju's, Oyo, Big Basket and Ola have also relied heavily on the Chinese Investment. However, due to a restriction imposed by the new FDI Rule, investments in the major sectors of the Indian Economy will see a setback.

This calls for the urgent need of different ways for making up to this loss. How is India going to equalize these inflows from China? What is the next move of the Government? How far would the Indian economy survive without the help of these investments?

Though the tensions halt investments from China, there is still good news for India. The COVID-19 pandemic can prove to be of more benefit for Indian Economy and here's how.

It is a well-known fact that China has been one of the world's most promising locations for investment. Today, China being the epicenter of the ongoing pandemic and the already failing trade relations between US and China has shifted the attention of the investors. Many foreign investors and foreign companies are stepping out of China and looking for expansion opportunities in other Asian countries. Considering India's favorable climate for investment and

also the Government initiatives, India can be the next most favorable option and grabbing this opportunity will induce the much needed foreign investment in India.

In the Post-COVID world, India has the opportunity to invite all those companies leaving China due to the trust deficiency. Can this trust deficiency result as a trade surplus for India?

Only time can give us the answer, but planning and coming forward with favorable strategies to emerge as an attraction is the need of the hour.

China being rich in labour has attracted the world's manufacturing companies to set up their industries in China. India has the advantage of abundance in labour and this will prove to be an attraction for the manufacturing companies to turn to India. With an investment in the manufacturing sector the employment opportunities will also generate and result in reviving the economy.

'Make in India' is an alluring programme. The primary objective of this scheme is to attract investments from all around the globe and strengthen India's manufacturing sector. India has the requisite skills, talent, discipline, labour, mind and numerous other benefits over the other countries that are ready for put to use. **It is time that India puts its best foot forward before the economies of the world since; this is the right time to go global.**

Yes, India can definitely become 'Atmanirbhar' by promoting the Make in India scheme and encouraging the local produce at lower prices.

"Today, a sort of fear psychosis is visible, as shipments have been denied entry into US ports. China's agriculture and consumable items like tea, horticulture and floriculture could see a big downfall. So investment in the food processing sector could be a big opportunity for India as trade could move out of China," says Ajay Sahai, director general and CEO, Federation of Indian Export Organizations.

The economic opportunities induced by the pandemic for India is only waiting for us to make the optimum use of it. A **'Pro-India'** psychology is about to play a major role in the post-covid world. Many US companies are already considering India as a favorable investment destination. Around 100 US firms may shift to India which hints at a major relieve for India in terms of FDI pressure. Uttar Pradesh is being seen as the most feasible place to start up new manufacturing units as the state is a home to more than 90 lakh MSME's and skilled labour.

Speaking at the India Global Week 2020, which is a three day virtual conference themed **'Be The Revival: India and a Better New World'**

Prime Minister Narendra Modi said, "We are making the economy more productive, investment-friendly and competitive. There are many possibilities and opportunities in various sunrise sectors in India"

In conversation with PM Modi, the following points were highlighted:

- India is laying a red carpet for all the global companies to come and establish their presence in India.
- India has the spirit to achieve what is believed to be impossible.
- In the process of global revival, India will play a leading role.

The opportunities being opened by India today for reviving the Indian economy along with the global revival is what very few countries will offer today.

India has also been taking proactive steps to attract foreign prospects to invest in India. **'The Invest India Business Immunity Platform'** is another 24*7 active resource to help business and investors get real-time updates on India's active responses to the pandemic.

The fact that Facebook announced a multi-billion-dollar investment in Reliance Jio is a proof that foreign investors have faith in India and choose India as a favored platform. If all falls in place, it is but a matter of time that the foreign investments start to rise.

"I strongly feel that once the COVID-19 crisis ends, India will have the best opportunity to attract hundreds of these (foreign) companies into the country," In an interview to PTI, US India Strategic and Partnership Forum (USISPF) president Mukesh Aghi said.

As much as it is an opportunity, it is also a challenge to benefit from the situation. *"In the middle of difficulty lies opportunity"* is quoted by Albert Einstein and there isn't a better time to prove this.

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