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FDI: A Robust and Easily Accessible Approach in Fostering the Achievement of Sustainable Development Goals 2030 in India – A Perspective Study

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Abstract: *Foreign Direct Investment (FDI) is a crucial component of any country's economic expansion, and the potential of this sector depends on a number of variables, including the level of human development, perceptions of corruption, market conditions, and world peace, all of which are quantified by the Human Development Index (HDI), Corruption Perception Index (CPI), Market Size (MS), and Global Peace Index (GPI), respectively. Most countries are currently experiencing economic crisis as a result of COVID-19. It would be preferable in this regard to identify the relevant factor(s) for improving the economic situation through FDI inflow. The study's goal is to determine how the aforementioned elements affect India's FDI inflow and to pinpoint the component or factors that have the greatest influence overall. This article examines the potential for investments in environmental innovations in India with a critical eye on the effects of the framework for foreign direct investment on sustainable growth in the recipient country. The notion of sustainability used in this research includes economic growth and investment that support innovative production that is both environmentally and socially responsible. The need for sustainable development is there because despite recent significant GDP growth in India, households and businesses are still unable to access the necessities of clean water, clean air, and proper waste management. From a methodological perspective, this research uses macroeconomic data to assess the needs and potentials of Indian states quantitatively.*

Keywords: Foreign Direct Investment, Human Development Index, Sustainable Development, Environmental Indicators, Sustainable Investing Foreign Institutional Investment (FII)

Literature Type: A Perspective Study

I. INTRODUCTION

In recent years, India, which began implementing significant economic reforms in the early 1990s, has experienced GDP growth rates of between 8% and 9% (Nathalie Homlong and Elisabeth Springler 2009, p. 10), which are significantly higher than those of industrialized western countries like the USA or European Union members. According to the United Nations Development 2009 report, which places India 134 out of 182 nations, social development indices are falling behind despite this strong growth (United Nations Development Program (UNDP) 2009). Major environmental issues like the absence of organized garbage collection, the fact that about 90% of residential waste water is left untreated (Wirtschaftskammersterreich (WKO) 2006a, p. 64), and an inadequate energy supply combined with poor air quality also place pressure on India's development. Future economic growth and foreign direct investment must aim to provide socially and environmentally sustainable development in light of these socioeconomic and environmental issues. This necessitates an accurate assessment of economic development, which is provided by the notion of sustainable development. Alternative approaches for measuring sustainable economic growth

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are provided by a number of organizations, including the Sustainable Livelihoods Framework, the Global Footprint Analysis, and the United Nations Development Program. These approaches place the individual at the centre of the analysis and focus on the immediate effects, which manifest as multi-factorial relationships, between economic development and livelihood assets - such as human capital, natural capital, financial capital, so-cial capital, or poverty and human capital. The definition of sustainable development in this paper is heavily based on these concepts but focuses on the assessment of the attractiveness of regions for investment and innovation, which offer the potential for improvement in sustainable-able development. In contrast to narrow development concepts which place a strong emphasis on the economic context for evaluating the attractiveness of investment in a region, the purpose of this paper is to provide a justification for investments that take into account a region's socio-economic and environment strengths and weaknesses. Environmental technology projects can provide sustainable development in regions that are lagging behind in terms of environmental and socio-economic performance. Foreign direct investment is a key factor in the introduction and application of environmental technology in India and can help to promote sustainable development. The approach taken in this paper is based on the premise that there is an appropriate business environment, which places the companies' investment in Envi-ronmental Technology projects at the centre of the analysis. The right choice of location can lead to the creation of positive effects on livelihood assets, i.e. positive socio-economical and environmental effects. The relationship between eco-nominal development and social, economic and environmental effects is supported by a multi-dimensional framework of administrative engagement and economic reform. By using 13 indicators, this paper provides a multi-level framework that allows a ranking of regions based on their potential to support sustainable development. The paper progresses as follows:

In Section 1, stylized facts are presented about the environmental situation in the areas of water, air and energy and waste management.

In Section 2, a quantitative analysis of the potential for investment lead-ing to improve the environment in selected Indian states is presented.

In section 3, a conclusion is presented and an overview of the next steps to improve sustainable development in India.

FDI is one of the main sources of non-debt financing for India's economic growth. Foreign companies invest in India to take advantage of the country's special investment privileges, such as tax exemptions and relatively lower salaries. This contributes to India's development of technological know-how, job creation and other benefits. Foreign direct investment (FDI) has been steadily increasing in India due to the supportive policy framework, dynamic business environment, growing global competitiveness and economic impact. The government has made numerous efforts in recent times, including relaxing FDI regulations in a number of sectors, public sector undertaking (PSU), oil refinery, telecom and defence sectors. India's FDI inflows hit record levels in 2021-22, with the total FDI inflow amounting to USD 46.03 billion. Information and technology (IT), telecommunication and automobile remained the main beneficiaries of FDI inflows in FY22. With the help of significant transactions in the technology and health sectors, Multinational companies (MNCs) have pursued strategic collaborations with top domestic business groups, fuelling an increase in cross-border M&A of 83% to US$ 27 billion. India emerges as the FDI powerhouse and secures the third-highest foreign investment in 2022.

II. OBJECTIVE OF THE STUDY

The aim of the study was to look at the economic effect of FDI reform in India and its impact on SDGs. The study reviewed FDI policy reform in India since 2009 and looked at the on-ground effects of the reforms. The study focused on 11 sectors as per DPIIT's definition. The study provided a framework of policy actions that can have a positive impact on the economy and would help India to move ahead with its sustainable development goals with a particular focus on how to attract R&D investment in India. The study covered the follows dimensions:

a. Analysis of Foreign Direct Investment policy and secondary data provided by DPIIT
b. Examination of Foreign Direct Investment literature econometric modelling of Foreign Direct Investment (FDI) and its impact.
c. Cross-country analysis and Indian position in terms of FDI inflows.

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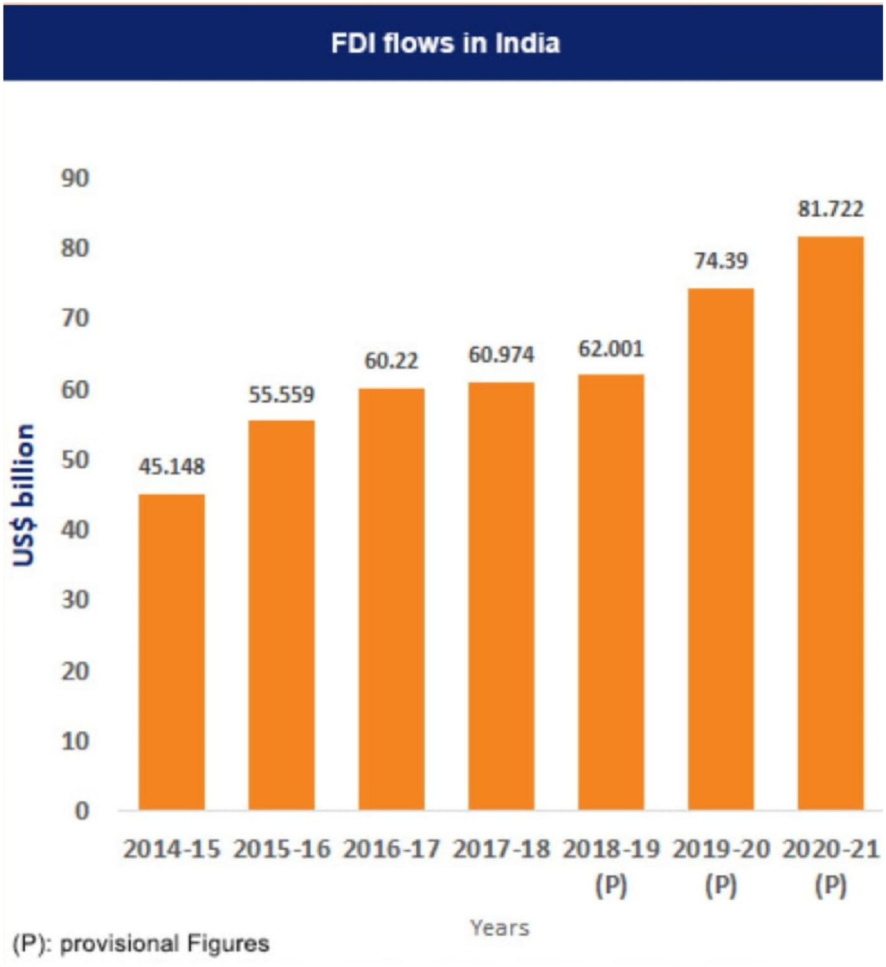
d. 25 key informant interviews for understanding the investment made by firms in Sustainable Development Goals (SDGs), the challenges/problems faced by them in increasing positive economic impact and achieving SDG objectives, and their expectations of the government

III. EFFECTIVENESS OF FDI IN FOSTERING THE SUSTAINABLE DEVELOPMENT IN INDIA

India's foreign direct investment (FDI) inflows increased 20 times between 2000-01 and 2021-22, according to data from the Department for the promotion of industry and internal trade (DPIIT). India's cumulative FDI inflows from April 2000-March 2023 totalled US$ 919,633 billion, mainly driven by the government's efforts to improve the facilitation of doing business and ease FDI norms. Total FDI inflows into India between January and March 2023 reached US$ 15,49 billion.From April 2000–March 2023, India's service sector attracted 16% of FDI equity inflows at US$ 102,85 billion. Computer software and hardware industry attracted 15% at US$ 94,91 billion; trading at 6% at US$ 39,53 billion; telecommunications at 6% (US$ 39,04 billion); and the automobile industry at 5% (US$ 34,74 billion).Mauritius attracted 26% of FDI inflows in April 2000-Mar 2023, followed by the USA at 9% (US$ 60,19 billion), the Netherlands at 7% (US$ 43,75 billion), and Japan at 6% (US$ 38.74 billion). Maharashtra received the largest amount of foreign direct investment (FDI) in the reporting period (up to August 2022) at US$53.97 billion. Karnataka received the highest amount of FDI at US$44.46 billion, followed by Gujarat at US$31.90 billion, Delhi at US$25.19 billion, and Tamil Nadu at US$8.50 billion.India received 811 proposals worth US$42.78 billion in the reporting period up to August 2022. On a cumulatively-adjusted basis, the total value of industrial investment proposals in India for 2022 stood at US$23.6 billion, compared with US$1.



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IV. METHODOLOGY

13 indicators have been selected for the quantitative analysis of sustainable development, which reflect the economic potential of investment and the state of the environment and socio-economic situation of selected Indian States. The dataset used for the quantitative analysis in this paper has been constructed using the most recent data available. The selected indicators are 6 basic economic development indicators (EEDI) and 7 environmental & socio-economic indicators (ESEI). This paper focuses mainly on the development of the following eleven Indian states: Andhra Pradesh, Delhi, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh, West Bengal. As Indian states vary widely in terms of their economic development (especially in terms of FDI), comparative regional studies (e.g., Johannes Wamser & Peter Sürken, 2005; Deutsches Wohnungsgesellschweis), Institute für Mecklenburg-Schwerin-Stadt (IMG, 2007a), and FICCI (FICCI (2006a) have focused on these states. The reason for using these six ecological indicators is to assess the state's investment climate. Most foreign direct investment (FDI) analyses and studies that focus on ranking potential investment areas use cost or market-oriented approaches (see, to name but a few) (see, for example, John H. dunning 1993, Wilfried altzinger 1998). Such a distinction doesn't seem to be relevant to the analysis of regions within the context of sustainable development. Studies, such as the ones in our paper that focus on regional rankings based on cost or market-orientated approaches, imply a clear causal relationship between, say, wage levels and a region's attractiveness. In a cost-oriented approach, lower wage levels would result in a higher region's ranking. However, this can't be argued for within the framework of sustainable development, which is focused on promoting both economic and social growth at the same time. That's why the indicators used in this economic analysis have been carefully chosen. This would be, for example, the reality for the cost approach when labor productivity is considered. The decision-making process could also be biased by the impact of government support in both monetary and non-financial terms. For example, any monetary support could change the cost structure, while any promotion of environmental awareness could increase the market of these companies. Since this paper assumes that firms typically don't include these long-term, indirect effects in the location decision process, we re-classify these variables as neutral.

V. INITIATIVES AND MEASURES TAKEN BY THE GOVT. OF INDIA

India's favourable government policies have made it an attractive destination for foreign direct investment (FDI) in recent years. Various government schemes and policies have contributed to the growth of India's FDI inflows. These schemes have stimulated Indian FDI inflows, particularly in emerging industries such as defence, real estate and R&D. Few important measures are as follows:

1. The Government of India liberalised foreign direct investment (FDI) in the defence sector to 74% automatically and 100% via the government route.
2. The FIFP is the government's new online single point of contact for investors to review and approve FDI proposals under the government approval process.
3. In the pharmaceutical sector, the sectoral cap has been reduced, 74% of foreign direct investment (FDI) is allowed under the automatic method in the brownfield pharma sector and 100% is allowed under the approved route.
4. Automatic routes allow 100% Foreign Direct Investment (FDI) in civil aviation projects in brownfield airports.
5. The government has changed FEMA rules to allow up to 20 % FDI in LIC through automatic route.
6. FDI inflows are expected to increase in 2022 as a result of the implementation of projects such as PMGIT Shakti, Single Window Clearance and GIS mapped land bank.
7. At least three policies are expected to be introduced by the government in the upcoming Space Activity Bill 2022. The scope of the FDI in Indian space sector is expected to be clearly defined in the bill.
8. There are a number of reforms in the textile sector, such as National Technical Textiles (NTT), Silk Samagra-2 scheme, Seven PRDMC Mega integrated textile region and apparel parks, PM MITRA, PLI Scheme for Textiles, etc. These reforms are aimed at increasing the production of man-made fibres (MMF) apparel, MMF fabrics and products of technical textiles. There are a number of other reforms being implemented by the government to improve export and to encourage foreign direct investment (FDI) in the textile sector.

VI. INITIATIVES TAKEN BY THE RESERVE BANK OF INDIA

1. Exemption of additional foreign currency non-resident (FCNR)(B) and non-resident (External) rupee (NR) deposits from CRR and SLR.
2. Banks are allowed to take new FCNR (B) deposits and NRE deposits regardless of the current interest rate rules until October 2022.
3. All new 7-yr and 14-yr G-Secs are included under the FAR for FPIs.
4. Short-term exemption for FPIs' G-Sec investments and corporate debt up to October 31, 2022.
5. Fee-Per-Payment (FPP) in commercial paper and unsecured debentures with original maturities of up to 12 months.
6. External commercial borrowings under the automated route are temporarily increased to US$1.5 billion from US$750 million or equivalent per fiscal year.
7. An increase of 100 basis points in the overall cost ceiling within the framework of the European Central Bank (ECB), provided the borrower has an investment grade
8. AD Cat-I banks are authorised to use foreign currency loans made abroad to finance foreign currency loans to entities for a wide range of purposes other than exports.

India has recently emerged as a major global destination for foreign direct investment (FDIs). A survey conducted in 2020 showed that India was one of the top three FDI destinations worldwide, with around 80% of global respondents planning to invest in the country. In recent years, the country has offered massive corporate tax cuts, simplified labour laws, and reduced restrictions on foreign direct investment (FDI). The country's overall FDI restriction has fallen from a peak of 0.42 per cent to a low of 0.21 per cent over the past 16 years.India continues to be one of the world's most attractive markets for international investors, both in the short and long term. India's low-skilled manufacturing is among the most promising FDI sectors. India has developed an excellent track record of government efficiency. This is largely due to the government's relatively sound public finances (even though the country has faced challenges due to COVID-19) and the positive sentiment of Indian business stakeholders regarding funding and subsidies provided by the government for private firms. India's improved government efficiency could help attract FDI worth US$120-160 billion annually by 2025.

VII. RECOMMENDATIONS FOR ENSURING THE ACHIEVEMENT OF SUSTAINABLE DEVELOPMENT GOALS IN INDIA

Once these measures are in place, India can implement rigorous screening of FDI on the basis of SI principles and may even consider setting up a special purpose vehicle (SPV) fund. As an initial step, India can set up rules to screen FDI that passes through Mauritius and evaluate the impact of this mechanism. It is expected that this step will not impact FDI inflow as the advantages of investing and tax-free returns outweigh the perceived disadvantages of SI and will be beneficial to both India and investors.

VIII. CONCLUSION

It is clear that Sustainable Development is a necessity for the world today. This is especially true for developing countries like India that need to grow both economically and sustainably. The concept of Sustainable Development (SD) and Sustainable Infrastructure (SI) is evolving around the world, but there is still a disconnect between economic development and sustainable development. In most of the developing countries, the environment and social aspects are often a factor in the quest for economic growth. Investors, companies and governments tend to be less concerned about sustainable development (SD) in India. In such circumstances, India can leverage FDI for SD by implementing a strategy and strict set of regulations that encourage sustainable investment. By
following these policy recommendations, India can ensure long-term and sustainable growth and ultimately, inclusive growth in the country.

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