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## **INVESTMENT CLIMATE IN INDIA**

During the last decade, major developing countries including India have begun to integrate much more with the global economy. India's economy and investment climate have faced significant global and domestic headwinds in the last few quarters.

The Government of India has taken significant initiatives to strengthen the economic credentials of the country and make it one of the strongest economies in the world. India is fast becoming home to start-ups focused on high growth areas such as mobility, e-commerce and other vertical specific solutions - creating new markets and driving innovation.

One measure of the attractiveness of a business environment is to look at the extent to which foreign businesses choose to locate there. With additional fixed costs associated with operating abroad and with a multitude of potential locations to choose among, entrepreneurs should be responsive to the relative incentives offered by different locations. Factors that will be important are many of the same ones that are associated with higher growth, such as stable macro economic conditions, openness to trade (particularly imported inputs) and a good rule of law. Local market size and labor costs are additional important determinants. On these last two dimensions, India is well positioned. It has one of the largest domestic markets in the world and it has a large labor force available at relatively low cost. It also has well educated workers, particularly in areas of engineering and science. If these were the only determinants, India should be very successful at attracting investment.

According to The World Bank, the Indian economy will likely grow at 7 % in 2016-17 and further accelerate to 7.6 % in 2017-18 and 7.8 % in 2018-19. This is on account of India's attempt to implement reforms to unlock the country's investment potential to improve the business environment, liberalised FDI policies, quick solution to the corporate disputes, simplified tax structure, and a boost in both public and private expenditure.

The Central Electricity Authority (CEA) expects investment in India's power transmission sector to reach Rs 2.6 trillion (US\$ 39.95 billion) during the 13th plan (2017-22). Early-stage start-ups in India are expected to raise US\$ 800 million in 2017, due to greater focus on profitability and sustainable growth, as per a report by InnoVen Capital.

## References

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