

India slips 3 ranks in AT Kearney's FDI Confidence Index, out of top 10

FIPB removal is a reason for India to maintain its high rank, AT Kearney says.

India in 2018 has fallen out of the top 10 destinations for FDI in terms of its attractiveness, according to an AT Kearney report, which says this could be due to teething troubles in the implementation of the goods and services tax and the government's demonetisation decision in 2016.

India ranks 11 in the 2018 AT Kearney FDI Confidence Index, down from 8 in 2017 and 9 in 2016.

"Some policies, however, may have deterred investors — at least in the short term," the report said. "The 2017 nationwide goods and services tax, for example, has faced implementation challenges, and the 2016 demonetisation initiative disrupted business activity and weighed on economic growth."

That said, the report highlighted several of the reforms — such as removing the Foreign Investment Promotion Board and liberalising FDI limits in key sectors — that have maintained India's high rankings in terms of FDI attractiveness.

Notable reforms done

"Notable reforms include the elimination of the Foreign Investment Promotion Board, a government agency responsible for reviewing all potential foreign investment, and the liberalisation of foreign investment thresholds for the retail, aviation, and biomedical industries," the report said.

Likely political risks

The report, released on Monday added that potential investors are likely to be cautious as they are monitoring political risks such as China abolishing presidential term limits and the upcoming general election in India.

"The sheer size of the Chinese and Indian markets, however, will continue to be a draw for investors, and they remain the highest-ranking emerging markets on the index," the report brought out by the management consulting company added.

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