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# FOREIGN DIRECT INVESTMENT: SINGAPORE TOP SOURCE OF FDI IN FY20 WITH INVESTMENTS WORTH USD 14.67 BN

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Foreign Capital, Foreign Trade & BOP

NEW DELHI: Singapore was the top source of foreign direct investment into India for the second consecutive financial year, accounting for about 30 per cent of FDI inflows in 2019-20.

In the past two financial years, FDI from Singapore has surpassed that from Mauritius.

In the last financial year, India attracted USD 14.67 billion in FDI from Singapore, whereas it was USD 8.24 billion from Mauritius, according to the data of the Department for Promotion of Industry and Internal Trade (DPIIT).

In 2018-19, Singapore's FDI aggregated at USD 16.22 billion, while that from Mauritius it was USD 8.08 billion.

According to experts, Singapore has been able to outpace Mauritius with its ease of doing business policies, simplified tax regime and a large number of private investors.

"Mauritius was once seen as a tax haven making it the most favoured nation for routing investments in India. April 2017 brought key amendments to the bilateral treaties with Mauritius and Singapore which neutralized the tax benefits available in Mauritius.

"Singapore with its ease of business policies, simplified tax regime and large number of private investors has been able to outrun Mauritius," Sandeep Jhunjhunwala, Partner, Nangia Andersen LLP said.

He said attractive corporate tax rates, swift response in combating the COVID-19 pandemic, impressive mobile and internet penetration, and technology uptake are making India a primary destination to invest.

"While countries are battling the COVID-19 pandemic and the world economy is headed into recession, India received a mammoth investment from stake sale of Jio Platforms. Economists and investors are now closely watching India as it is headed towards becoming a digital giant," Jhunjhunwala added.

Biswajit Dhar, a professor of economics at Jawaharlal Nehru University, said significant FDI is coming from Singapore because of "round tripping" .

"Inflows from Mauritius have been affected after the agreement on double taxation avoidance," Dhar said adding future FDI inflows into India would also depend on the state of global FDI flows.

In 2017-18, FDI inflows from Mauritius stood at USD 15.94 billion and from Singapore, it was USD 12.18 billion.

FDI in India rose by 13 per cent - the sharpest pace in the last four fiscals - to a record USD 49.97 billion in 2019-20, according to the data.

Total FDI into India including re-invested earnings and other capital in the last fiscal grew by 18 per cent to USD 73.45 billion as against USD 62 billion in 2018-19.

When asked whether high FDI growth trend will continue in India, Rajat Wahi, Partner, Deloitte India, said: "Yes, but probably not as much as in the last three years due to three months getting wiped out (due to COVID-19 pandemic) . But given the funds available globally and our strength in tech-enabled businesses, FDI will flow again post lockdown".

This growth in FDI in 2019-20, he said, was in line with the growth of e-commerce, fintech and startups, that was continuing for the last five years, especially last year.

"Given the amount of money that is being pumped in by various governments to revive their respective economies, the expectation is that we will again see a major increase in investments into startups and new tech-enabled businesses post the lockdown," Wahi added.

Foreign investments are considered crucial for India as it needs huge investments for overhauling the infrastructure sector such as ports, airports and highways to boost growth.

FDI helps in improving the country's balance of payments and strengthen the rupee value against other global currencies, especially the US dollar.

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