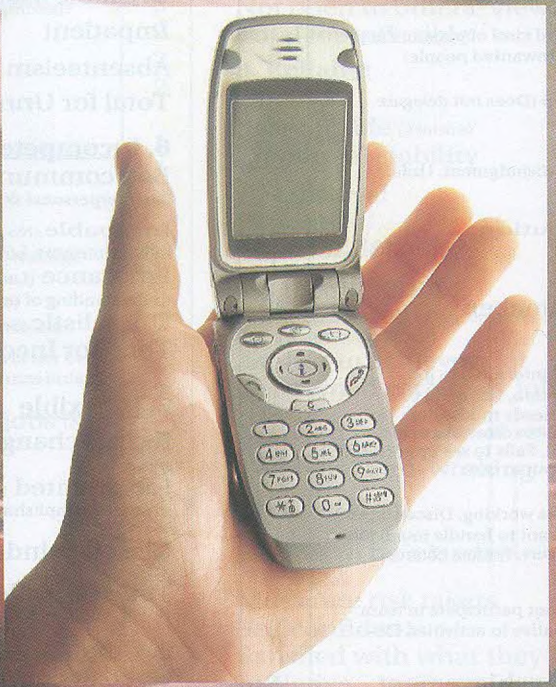
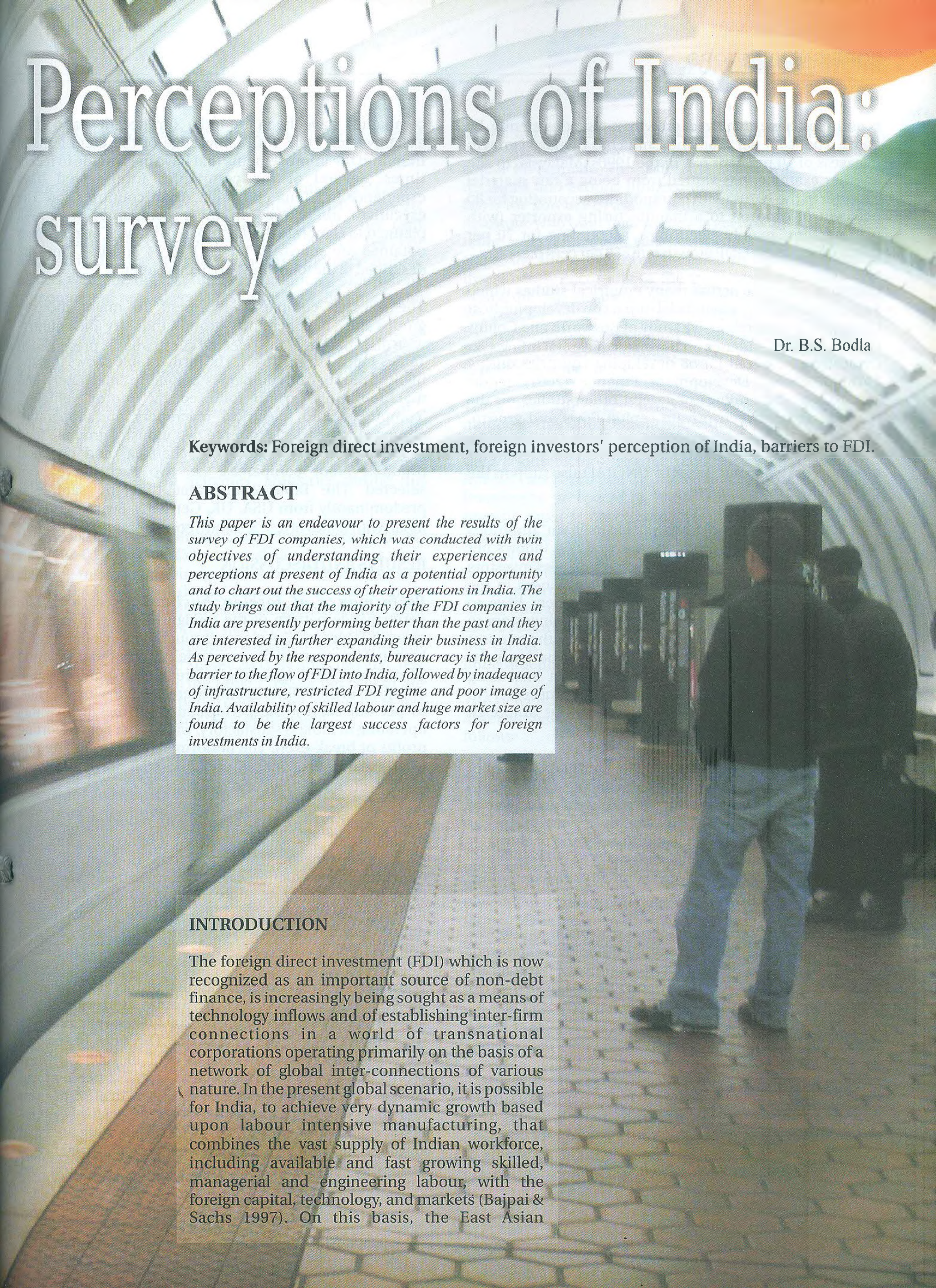
Foreign investors
An empirical



Perceptions of India: survey



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ABSTRACT

This paper is an endeavour to present the results of the survey of FDI companies, which was conducted with twin objectives of understanding their experiences and perceptions at present of India as a potential opportunity and to chart out the success of their operations in India. The study brings out that the majority of the FDI companies in India are presently performing better than the past and they are interested in further expanding their business in India. As perceived by the respondents, bureaucracy is the largest barrier to the flow of FDI into India, followed by inadequacy of infrastructure, restricted FDI regime and poor image of India. Availability of skilled labour and huge market size are found to be the largest success factors for foreign investments in India.

INTRODUCTION

The foreign direct investment (FDI) which is now recognized as an important source of non-debt finance, is increasingly being sought as a means of technology inflows and of establishing inter-firm connections in a world of transnational corporations operating primarily on the basis of a network of global inter-connections of various nature. In the present global scenario, it is possible for India, to achieve very dynamic growth based upon labour intensive manufacturing, that combines the vast supply of Indian workforce, including available and fast growing skilled, managerial and engineering labour, with the foreign capital, technology, and markets (Bajpai & Sachs 1997). On this basis, the East Asian economies have achieved growth rates consistently by above 6 per cent per year, and China has managed growth in excess of 10 per cent p.a. in the 1990s. Malaysia, to site another example, has shifted from being a raw material exporter in the 1970s (with commodities accounting for 80 per cent of exports) to a manufacturing exporter (with manufactures mainly electronics, accounting for 70 per cent exports), with GDP growth rate of 8 per cent p.a.

Currently we come across many empirical studies which suggest that FDI has a beneficial impact on developing host countries. A comprehensive study of Bosworth and Collins (1999) provides evidence on the effect of capital inflows on domestic investment for 58 developing countries during 1978-95. Global Development Finance (2001) report summarizes the findings of several other studies on the relationships between private capital flows and growth, and also provides new evidence on these relationships. Annual surveys by UNCTAD's World Investment report for various years being published by UNCTAD also support the role of FDI for development.

The government of India has set for itself an ambitious target of achieving $ 10 billion of actual FDI inflows per year. This target will be achieved when business investors are attracted to make investments in it. Changes in the policies and actions of the Indian government have to influence the behaviour of foreign business investors to increase the flow of FDI. An understanding of the mindset of foreign business investors will provide the basis for making changes that can have real effect in increasing inflow of investments to India. In addition, it is necessary to measure and report the success of operations of foreign companies doing business in India.

In view of the above, we conducted a primary survey of executives of selected FDI companies having operations in India. This survey was conducted with twin objectives of understanding their experiences and perceptions at present of India as a potential opportunity and to chart out the success of their operations in India. The present paper reflects the results of this survey of foreign companies doing business in India.

Besides introduction, this paper is organised as follows: Section-II explains the research methodology employed. Section-III reports the results of empirical examination, while section-IV gives the conclusion and recommendations.

RESEARCH METHODOLOGY

With the objectives of gathering experiences and perceptions of foreign investors in India, a primary survey has been conducted through a well designed questionnaire. In this survey we interviewed executives of 25 foreign companies doing business in India (Appendix I) from June 2003 to September 2003. Many of these companies have been in India for decades and their executives can talk with knowledge of the conditions in India and the improvements that have been made in recent times. Several of the companies interviewed have experience in China and other Asian countries too. The executives interviewed in these companies were well planned to elaborate their company's views. The responses obtained are shown in Tables 1 to 14 and the same are described in the following part of this paper.

The selected companies represent 10 major industry groups and 8 major country-groups. Industry and country-wise distribution of the selected companies is presented in Tables 1 and 2 respectively. The former table shows that the highest number of companies belong to 'machinery and machine tools' group followed by 'motor vehicles', 'computers' and 'electrical machinery and apparatus' groups of industries. From the two industry groups- 'food products and beverages' and 'chemical and chemical products', four companies, i.e. two each, have been selected. The Table 2 indicates that the sample is predominantly from USA, UK, Germany, Switzerland and Japan with tallies of 8, 5, 3, 3 and 3 companies respectively.

RESULTS AND DISCUSSION

Performance of foreign business investors: The performance pattern of the foreign business investors is given in Tables 3 to 7. A glance through Table 3, offers that as high as 44 per cent of the respondents reported profits and 24 per cent were operating at break-even point. Around one-third of the FDI companies were incurring losses. Thus as per our survey, the performance of foreign investors operating in India is satisfactory, with 68 per cent reporting profits or break-even. The performance is also heartening given the overall economic and industrial slowdown in the country during 2001-02 and 2002-03.

Over 70 per cent of the respondents reported a capacity utilization of above 50 per cent (Table 4). Only two companies were faced with the acute problem of under utilization of production capacity. Interestingly, the above capacity utilization is more or less similar to that in manufacturing sector in India for the corresponding duration (Economic Survey, Government of India, 2002-03 and 2003-04).

The overall financial and operational results as reported by the selected FDI companies are displayed in Table 5. The growth in sales and profits during 2002-03 as well as 2003-04 were higher than those in 2001-02. The sales of selected companies increased by 8.8 per cent in 2003-04. Gross profits and profits after tax increased by 7.2 per cent and 20.5 per cent in 2003-04 as against the growth of 3.5 per cent and 16.2 per cent in the year 2001-02, respectively. An in-depth examination of the survey schedules indicated that amongst the industry groups, the sales performance of 'computer and related activities', 'food products and beverages' and wholesale and retail trade' was wonderful during 2003-04.

Effective tax rate by these companies works out 34.0 per cent (approx.) in 2003-04 (32.0 per cent in 2001-02). Exports by the selected companies increased by 18.3 per cent during 2003-04 as compared to the rise of 14.6 per cent recorded in the year 2001-02. Among the industry-groups, exports were the highest for 'tea plantations' followed by 'computer and related activities'. Similarly, the imports by the respondent companies rose by 5.3 per cent in the same duration. Imports were higher than exports in 'chemical and chemical products', machinery and machine tools' and 'electrical machinery and apparatus'. Table further indicates that 'Debt to equity ratio' for the selected companies declined from 30.2 per cent in 2001-02 to 28.1 per cent in 2002-03 and further declined to 27.5 per cent in 2003-04. It was noticed that the debt-equity ratio was substantially low for 'wholesale and retail trade' and 'computer and related activities' industries during the period under review.

Despite the overall conditions of slowdown during 2001-02 and 2002-03, majority (52 per cent) of respondents were planning to expand their operations in India. 40 per cent would maintain the existing activity level (Table 6). It reflects expectations that the sluggish growth trend would be reversed soon. The above has become true as per the statistics of the latest economic surveys of government of India (i.e. The Economic Survey 2003-04 and 2004-05). It is satisfactory to note from the Table 7 that 64 per cent of the sample companies are performing either better or at par with the operations in other parts of the world.

Investors' perceptions of India: Mark and Maira (2000) have suggested four stages of the life cycle of decisions and actions for foreign investment projects. These stages are screening, planning, implementing and operating. *Screening* is the first stage of investment decision life-cycle, where the investor explores and screens the investment potential in different countries to select the best possible avenues. In *Planning* stage, the company starts evaluating the existing opportunities in that country. The company analyses the joint venture avenues, approval process, financing schemes, regulations, market potential, taxation, etc. In third stage *(Implementing)*, the company implements the work of the project. FDI starts flowing, actions relating to production, marketing, etc. are initiated at this stage. In the last stage *(Operating)*, the projects start running fast. Returns or investment and growth become the most important consideration for the company. The company evaluates the local operations for the best returns.

The above mentioned four-stage process is a funnel, through which FDI flows from foreign investors into India. The greater the number of potential investors who perceive India favourably at the screening stage, the greater would be the number of proposals for investment in India. The lower the mortality at the second stage, the greater the actual investment. The faster the speed with which the decisions and actions proceed through all the stages, the faster the flow of FDI as well as the greater the benefit to the investors, who want their money to get to work fast. And the more successful the business investors are at operating stage, the more they are interested in bringing in more investments. According to the investigation of Mark and Maira, the majority of investor's proposals to invest in India are rejected at screening stage itself due to inadequate feedback and poor perception about India. The conducive environment and favourable policy may woo the investors in planning stage.

Thus, the four-stage process mentioned above has immense marketing implications for attracting FDI. The detailed study of the perception of FDI companies about the various factors (barriers and success) affecting FDI inflows may provide a better insight for enhancing investment prospects in India. This sub-section of the present paper is devoted to the minute analysis of such perceptions. The main factors considered for the purpose of measuring perceptions include FDI regime, tariff and taxation, infrastructure, decision-making authority with State governments, bureaucracy, corruption, image of India, liberalization in exit barriers and labour laws. The above factors have been selected after making a review of the earlier studies, which focused predominantly on the impediments to FDI flows in India.

The perceptions of the executives regarding these factors are exhibited in Tables 8 and 9. These tables are described as follows:

1. *Nature of FDI regime:* The foreign investors opined that the FDI regime in India is still quite restrictive. As a consequence, with regard to cross-border ventures, India ranks 55th in the Growth Competitiveness Index Rankings (GCR), 2004. Foreign ownership of between 51 and 100 per cent of equity still requires a long procedure of governmental approval. According to our current survey, 48 per cent of the respondents consider the FDI cap in various industries as a very big barrier in the way of attracting FDI. Amongst the various factors, it ranks at third place. During general discussion, the respondents opined that there does not seem to be any justification for continuing with this rule. This rule need to be scrapped in favour of automatic approval for 100 per cent foreign ownership except on a small list of sectors that may continue to require government authorization. The banking sector, for example, would be an area where India would like to negotiate reciprocal investment rights.

2. *Tariff rates:* As many as 36 per cent of the respondents expressed that tariff and taxation rates in India are still among the highest in the world and hence are a big barrier for attracting FDI. In their opinion, higher tariff rates

continue to block India's attractiveness as an export platform for labour-intensive manufacturing production. On tariffs and quotas, India was ranked 49th in the 2004 GCR. Hence, much greater openness is required which among other things would include further reductions of tariff rates to averages in Asia (between 0 and 20 per cent).

3. *Decision-making authority with the state governments:* The reform process so far has mainly concentrated at the center level. India has yet to give its state governments adequate freedom so that they can add much greater dynamism to the reform process. In most key infrastructure areas, the central government remains in control. Around one-third of the respondents consider it very important barrier to the flow of FDI into India. Foreign business investors assume that the greater freedom to the states will help foster greater competition among themselves. Brazil, China and Russia are examples where regional governments have decision-making authority for reforms, which are further promoted by the central government.

4. *Bureaucracy:* It is obvious from the table under reference that 'bureaucracy' is the most critical factor that acts as a barrier to the flow of FDI into India. As high as 72 per cent of the respondents cited bureaucracy as a very big obstacle. The bureaucratic mind-set of the many officials who have to be approached for permission along with delays in decision-making, due to the multiplicity of agencies, at Central and State levels was also termed as the most critical factor which acts as an obstacle in attracting FDI into India. The same type of perceptions were obtained by Mark and Maira, 2000. In fact, the attitude towards foreign companies of many of the people (officials) whose clearance is required makes the approval process even more aggravating. While comparing FDI clearing process of China with that of India, one of the respondents told that navigation is much earlier in China where when the government takes a decision it can see it through all the way quickly.

5. *Corruption:* Another major factor affecting FDI flows to India is corruption at various stages. Around one-third of the respondents pointed out that they were more affected by corruption at implementation and operational level. They also disclosed that the corruption at local levels is marginally more than that at higher levels. Some of the respondents even criticized the Indian business partners by saying that at the initial stage they are very enthusiastic, but when ever there is some expansion proposal it won't be agreed to unless you compensate your business partner not only business-wise but personally. As per the Transparency International Corruption perceptions Index 2002, India ranks at 71 at par to Russia, Tanzania and Zimbabwe. China could manage 59th rank in this respect.

6. *Infrastructure:* Infrastructure, which includes the quality of railways, roads, ports, telecommunications, cost of air transportation, power, banking and insurance, is viewed a precondition for the all round growth and development of any economy. According to 52 per cent of the executives interviewed in this survey, the abysmal condition of the infrastructure is one of the major impediments for the FDI inflows into India. In order to capture component-wise position of infrastructure, the respondents were asked a separate question in this regard. The responses of the same are shown in Table 10. It is clear from this table that the majority of the respondents expressed their satisfaction insofar as telecommunication, water, banking and insurance services are concerned. In contrast, more than 60 per cent of them are dissatisfied from the existing position of transportation, ware-housing and power supply in India. It was pointed out that the condition of the infrastructure not only affects the operations of the business, but tarnishes the image of the country for potential investors. The condition of international airports, the roads from airports into cities, the difficulty in getting storage facilities, and the frequent interruptions of power supply, do not create an attraction to India.

Improvement of the infrastructure is of course a priority for the Indian government from the last one decade or so. However, it may take a fairly long time. It would be more appropriate to concentrate initially on improving the infrastructure for continuous power-supply and easy access to transport and warehousing in new special economic zones (SEZs) and export processing zones (EPZs).

7. *India's image:* Another issue relating to poor performance of India at export front and FDI attraction is poor image of India brand. Forty per cent of the respondents reported India's image as a major barrier for attracting FDI. Most of these respondents said that the Government should focus on improving India's image. Fortunately, many of those executives who are in India from the last several years have reported an improvement in India's image in the past few years. Many foreign business people are pleasantly surprised with the on-going improvements in professional and technical qualities of people working in successful companies in India.

A.T. Kearney constructs and publishes FDI Confidence Index periodically. According to FDI confidence index for September 2003, India ranks 6th as against 11th in January 2000. In this survey, opinions of executives were also sought regarding its (FDI Index) influence on FDI flows into India. The responses are shown in Table 11 which indicates that according to 60 per cent respondents such indices affect the foreign investment to a considerable extent. While 24 per cent considers the impact upto some extent, it has no effect according to 16 per cent executives.

8. *Liberalization in exit barriers:* While the financial and trade related reforms implemented so far have helped remove the entry barriers, the liberalization of exit barriers has yet to take place. In the view of twenty per cent of the

executives interviewed, this is a major deterrent to large volumes of FDI flowing to India. A proper exit policy needs to be introduced such that firms can enter and exit freely from the market.

9. *Labour laws:* The survey unearthed that more complex and pro-worker laws also act as obstacle to FDI flowing into India according to 32 per cent of the respondents. Infact, large firms in India are not allowed to retrench or layoff any worker(s) without the permission of the State government. The law has been enacted with the objective of restricting unfair retrenchments and layoffs. However, it has in reality turned out to be a provision for job security in privately owned large firms. Labour-intensive manufacturing exports require flexible and competitive enterprises that can vary their employment according to changes in market demand and technology. Resultantly, India remains an unattractive destination for such production in part because of the continuing obstacles to flexible management of the manpower.

Perception about success factors for FDI: Some past studies (Mark and Maira 2000, FICCI, 2002) have revealed that 'availability of skilled labour, market size and business partner act as success factors for FDI flows into India. In this survey, we also made an attempt to measure the perception of foreign investors about the factors claimed responsible for inflow of FDI into India. The responses in this regard are highlighted in Table 12. We can see from the table that the availability of educated and skilled workforce is the most important success factor for attracting FDI into India followed by market size and Indian partner. India's skilled manpower has been recognized as its great strength and is presently being used by a large number of MNCs to service their global operations. Microsoft and IBM for example, have set up major R & D centers in India. Several international organizations such as GE, have their back office operations, service centers and call centers based in India. However, a firm level survey of Japanese firms and their investment in Asia revealed relatively poor perception of Indian labour quality (Mody, Dasgupta and Sinha, 1999).

Perception about overall business environment in India: Besides measuring perception relating to the factors working as barriers and success for FDI inflows into India, the study brings out the perception of FDI companies about the recent improvements in general business environment. These responses are presented in Table 13. As revealed by the table more than half of the FDI companies believe that the business climate has improved to a large extent in India. Almost similar is the perception about the improvement in labour laws, economic reforms and attitude towards FDI. Data given in the table also supports the view that India's image in the eyes of foreign companies has shown sign of improvement to a large extent. However, still as high as 48 per cent respondents don't consider that India's image has improved in the world. Interestingly despite alliances of many political parties, the political stability has improved to a large extent according to 40 per cent and to some extent according to 20 per cent of the respondents. Responses regarding improvement in 'stability of economic policies' give a discouraging picture as merely 20 per cent of the respondents says that there is improvement in 'stability in economic policies' to a large extent. Similarly, on the infrastructure and labour laws front, India needs to do a lot more.

FDI climate in States: The last question raised to the respondents was aimed at obtaining the rankings of selected states of India. Purposively, we got the rating of top 10 states of India (in terms of attracting FDI into them). This may bring out the difference, if any, in the perception about investment climate of a state and its potential to attract FDI. The data obtained in this regard are shown in Table 14. It needs mention that the ranks shown in the table are based on total score obtained by weighing and scoring process.

A glance through Table 14 provides that Delhi has been ranked the best investment climate followed by Maharashtra and Tamil Nadu. The last three ranks (i.e. 8, 9 and 10th) were bestowed over to Uttar Pradesh, Madhya Pradesh and Orissa respectively. The middle four ranks (i.e. 4 to 7) were assigned to Andhra Pradesh, Karnataka, Gujarat and West Bengal in that order. The point which deserves to be noted is that Delhi which has been given first rank received FDI lower than Maharashtra from August 1991 to September 2002 (SIA Newsletter, December 2002).

CONCLUSION AND RECOMMENDATIONS

After examining the perception of FDI companies regarding the factors responsible for the success and creating barriers, it has been found that bureaucracy is the largest barrier to the flow of FDI into India, followed by infrastructure, restricted FDI regime, image of India, tariff and taxation and stringent labour laws. As far as the success factors are concerned, India's skilled and educated workforce has been found to be the largest factor, followed by market size, Indian partner and political structure in India (i.e. democratic set-up). India requires removing the barriers to FDI on the priority basis and exploiting the success factors extensively to enhance investment opportunities in the country.

World Bank's latest 'Doing Business Report' put India at the bottom among a set of a developing countries in terms of its investment climate. In India, it takes 89 days to start a business with 11 separate procedures, 425 days to enforce contracts with 40 procedures, 67 days to register property with 6 procedures. Compare this with the respective figures of 41 days, 241 days and 32 days for China. If India wants to attract FDI in preference to its developing country competitors, it still has a long way to go in improving its investment climate (The E.T., Oct. 8, 2004).

The present study enables the author to make the following recommendations for attracting $10 billion of annual FDI inflows into India:

Remove unnecessary restrictions on equity participation by foreign companies;

* Increase trade openness and areas of automatic approval;
* Increase political commitment, regulatory transparency and dispute resolution mechanisms to attract foreign participation in infrastructure;
* Focus immediately on the infrastructure of airports, telecommunications, ports and roads in selected areas to make the country more attractive to foreign investors;
* In order to depend the insights into issues that impede FDI and to develop high impact actions create a council of senior union and state government officials and representatives of companies, having large foreign investment;
* Urge States to enact a special investment law relating to infrastructure to expedite all investment in infrastructure sectors and remove hurdles to the promotion of this critical sector;
* Empower the Foreign Investment Promotion Board (FIPB) to give initial central level registrations and approvals, where possible, with a view to speeding up the process of project implementation;
* The aggregate target for the 10th plan should be disaggregated in terms of sectors and relevant administrative ministries/departments to increase accountability;
* Sectoral FDI caps should be reduced to the minimum and entry barriers eliminated;
* The Special Economic Zones should be developed as the most competitive destination for export related FDI in the world;
* Domestic policy reforms in the power sector, urban infrastructure, real estate and decontrol/de-licensing should be expedited to promote private domestic and foreign investment;
* Initiate the perception-changing and image-building exercises as well as concrete and tangible steps towards further reform;
* All wings of government have to be made responsible and accountable for increasing private investment in general and FDI in particular;
* Aggressive marketing strategy and change to investor's attitude is the need of the hour;
* Stringent action against corruption needs to be appreciated and initiated by one and the all concerned;
* Simplification of tariff and taxation structure;
* Focussing the potential markets and sectors;
* Decentralisation of authority to states and their active involvement, and monitor regularly the activities of foreign affiliates to avoid excessive reliance on outside advice and to formulate policies on one's own experience. Such experience will be helpful in putting one's case better when dealing with developed countries' demands and pressure from multilateral bodies; and
* Amend Press Note 18 as the foreign companies see it as an irritant as well as a road block (E.T. Oct. 7, 2004). Press Note 18 issued in 1998 stipulates that the foreign companies that have or had collaboration with domestic companies in the country would have to obtain a NOC from the partners and also justify the need to create a new entity. Such companies would not be eligible for automatic approval under the foreign investment guidelines and therefore would necessarily have to seek clearance from the Foreign Investment Promotion Board (FIPB) to start new business in India.

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Table 1. Industry - wise distribution of the selected FDI companies			
Sr. No.	*Industry Group*	*Number of Companies*	*% age*
1	Tea plantations	1	4.0
2	Food products and beverages	2	8.0
3	Chemical and chemical products	2	8.0
4	Rubber and plastic products	1	4.0
5	Machinery and machinery tools	4	16.0
6	Electrical machinery and apparatus	3	12.0
7	Motor vehicles and other transport equipments	3	12.0
8	Wholesale and retail trade	1	4.0
9	Computer and related activities	3	12.0
10	Other industries	5	20.0
	Total	25	100.0

Table 2. Country wise distribution of the selected FDI companies			
Sr. No.	*Country*	*Number of Companies*	*% age*
1	USA	8	32.0
2	UK	5	20.0
3	Germany	3	12.0
4	Switzerland	3	12.0
5	Japan	3	12.0
6	France	1	4.0
7	Netherlands	1	4.0
8	Mauritius	1	4.0
	Total	25	100.0

Table 3. Performance Status of selected FDI companies		
Particular	*Number of companies*	*%age*
(a) Making Loss	8	32.0
(b) Break-even	6	24.0
(c) Making Profit	11	44.0
Total	25	100.0

Table 4. Average capacity utilisation of selected FDI companies (2003 - 04)		
Capacity utilisation (%)	*No. of companies*	*% age*
(a) Below 25	2	8.0
(b) 25-50	5	20.0
(c) 50-75	16	64.0
(d) 75 and above	2	8.0
Total	25	100.0

Table 5. Performance of selected FDI companies in recent years *(Per cent)*			
Indicator	*2003-04*	*2002-03*	*2001-02*
(a) Growth rate of sales (annual)	8.8	8.5	4.6
(b) Growth rate of gross profits	7.2	6.4	3.5
(c) Growth rate of profit after tax	20.5	18.5	16.2
(d) Effective tax rate	34.0	33.5	32.0
(e) Return on equity	26.5	16.2	14.2
(f) Growth in exports	18.3	15.2	14.6
(g) Growth in imports	12.7	5.1	5.0
(h) Debt to equity ratio	27.5	28.1	30.2

Table 6. Future plans of FDI companies about their Indian operations		
Future plan	*Number of companies*	*%age*
(a) Expansion	13	52.0
(b) Maintain existing activity	10	40.0
(c) Cut in existing operations	2	8.0
Total	25	100.0

Table 7. Comparative performance of Indian operations with operations in other countries			
S. No.	*Comparative performance*	*Number of companies*	*%age*
1	Better	7	28.0
2	At par	9	36.0
3	Poor	9	36.0
	Total	25	100.0

Table 8. Major factors acting as barriers to FDI inflows into India			
Sr. No.	*Factors (Barriers)*	*Number of companies*	*%age*
1	Bureaucracy	18	72
2	Image of India	10	40
3	Tariff and taxation structure	9	36
4	Corruption	8	32
5	Infrastructure	13	52
6	Restricted FDI regime	12	48
7	Lack of decision-making authority with the States	8	32
8	No liberalisation in exit barriers	5	20
9	Stringent labour laws	8	32

Table 9. Ranking of major factors acting as barriers for FDI flows into India		
Factors (Barriers)	*Score*	*Rank*
Bureaucracy	98	1
Infrastructure	89	2
Restricted FDI regime	75	3
Image of India	69	4
Tariff and taxation structure	68	5
Stringent labour laws	63	6
Corruption	60	7
Lack of decision-making authority with the States	51	8
No liberalisation in exit barriers	45	9

Table 10. Distribution of selected companies according to their satisfaction from various types of infrastructural facilities available in India

S. No.	*Type of infrastructure*	*Number of satisfied companies*	*%age*
1	Transportation and ports	10	40.0
2	Warehousing	10	40.0
3	Telecommunication	20	80.0
4	Power supply	8	32.0
5	Water	15	60.0
6	Banking services	18	72.0
7	Insurance services	16	64.0

Table 11. Affect of 'FDI Confidence Index' on foreign investment flows to India

Level of Affect	*Frequency*	*Percentage*
Very large extent	15	60
Some extent	6	24
No affect	4	16

Table 12. Major success factors for attracting FDI into India

S. No.	*Success factors*	*Number of companies*	*% age*
1	Indian partner	5	20.0
2	Leveraging India's skilled and educated workforce	9	36.0
3	Market size	8	32.0
4	Political structure in India	2	8.0

Table 13. Opinion of FDI companies about improvement in business environment in India (in per cent)

S. No.	*Factors*	*Extent of Improvement*		
		Large extent	*Some extent*	*Not at all*
1	Business climate	64	12	24
2	Political stability	40	20	40
3	Stability in economic policies	20	32	48
4	Infrastructure	28	12	60
5	India image	40	12	48
6	Labour laws	20	12	68
7	Skilled labour	52	24	24
8	Attitude towards FDI	56	12	32
9	Economic reform	52	36	12

Table 14. Ranking of selected States of India on the basis of perception about their investment environment

S. No.	*States*	*Rank*
1	Orissa	10
2	Madhyapradesh	9
3	Uttarpradesh	8
4	West Bengal	7
5	Gujarat	6
6	Karnataka	5
7	Andhrapradesh	4
8	Tamilnadu	3
9	Maharashtra	2
10	Delhi	1

APPENDIX I

List of sample FDI Companies

Asia-Telecommunication Investments Ltd., Mauritius
Bayer, Germany
Britannia, UK
Cannon, USA
Caterpillar Inc., USA, Manufacturer of Earth Moving Products
Coca-Cola, USA
Credit-Switz, Switzerland
Crompton Greaves, UK
Dell Computers, USA
Essel Packaging Bericap, Germany
Fiat, Italy
Ford India, USA
Goodyear Tyres, USA
Hyundai Motors India, South Korea
ICI, UK
Intel Corporation, USA
Marks and Spencer, UK
Marubani Corporation, Japan
Nestle (I), Switzerland
Panasonic, Japan
Parke Davis, USA
Philips, USA
Procter and Gamble, USA
Siemens, Germany
Singer, Netherland
Switz Reinsurance, Switzerland
Total Finaelf, France
Unilever, UK.
Yamaha Motors, Japan