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# How Asian countries are buying India's investment story

BY SAIKAT DAS, ET BUREAU | UPDATED: AUG 10, 2017, 08.23 PM IST

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Record foreign direct investment (FDI) flows into India now have a distinctly regional flavor. Seemingly drawn by Prime Minister Narendra Modi's initiatives toward boosting local manufacturing, Asia's richer neighborhoods have begun rivaling Anglo-American investors in building factories in the continent's third-largest economy.

The share of Asia in the total FDI has more than doubled in the past four financial years. It has averaged about 28% a year between FY14 and FY17, show data from [Care Ratings](#). The 10 [Asian countries](#) included in the analysis are Singapore, South Korea, Hong Kong, China, Malaysia, Indonesia, Thailand, Philippines, Taiwan and Sri Lanka.

"This FDI is coming in to support India's consumer demand for electronics," said Rahul Shukla, Head of Corporate Bank, Citi South Asia. "Make in India is a big theme in electronics manufacturing today. We have a young, aspiring population that consumes electronics, and also jobs in this space are more aligned with the aspirations and capabilities of our vast talent pool."

"Our time has come to occupy the centre-stage globally in electronics manufacturing," Shukla said.

The US, the UK, and the rest of Europe were traditional investors in Indian manufacturing, and Asia's share in Indian FDI was always about about 5-10 percent. It is now 25-30 percent, and the biggest contributions are pouring in from South Korea, Taiwan, China, and Japan, according to Citi.

In the calendar 2016, the 10 Asian countries cited above have collectively invested \$11 billion while during the Jan-March quarter this year, they invested at \$1.7 billion. Singapore has emerged as a key origin market.

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"Singapore is the main origin for FDI as it holds special tax advantages for companies," said Madan Sabnavis, chief economist, Care Ratings. "Non-Singapore Asia has also shown some increase, although not very significantly. This can be due to enhancing of limits in certain sectors by the government as well as opportunities seen in investing in the world's fastest growing economy."

Singapore is among India's largest trade and investment partners in ASEAN countries. Nine Indian banks - Bank of India, Indian Overseas Bank, UCO Bank, Indian Bank, Axis Bank, State Bank of India, ICICI, EXIM Bank and Bank of Baroda - operate in the city-state.

SBI and ICICI have been granted qualifying full bank (QFB) status with retail operations.

"In the midst of protectionist rhetoric from the Western economies, Asian investors have increasingly found India as an attractive alternative," said Radhika Rao, a Singapore-based economist at DBS Bank. "This should not come as a surprise given India's draw



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cards - a pro-reform government, a growing middle-class, and a higher growth potential. It is an ideal match between India's investment needs (housing, infra, urban planning) and regional economies with sizeable current account surpluses.”

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