

FICCI FDI SURVEY 2010: RESULTS SHOW

**Low awareness about policy consolidation;
Infrastructure remains a key bottleneck for smooth operations;
Developments in China could result in some additional FDI flows to India;
Proposal of minimum public float of 25% is welcome**

New Delhi, December 11, 2010. Results of FICCI FDI Survey 2010 show that **nearly 50 percent of the respondents**, which are companies who have already invested in India, **were not aware of the consolidated FDI policy document that was brought out by the government earlier this year in March 2010.** Further, nearly 70 percent of the surveyed firms have rated efforts made by government for providing standardized investment information and proactive marketing of India to attract FDI as just about 'average'. These responses from such a large proportion of investors are a clear pointer and suggest that **outreach activities of the government need to be stepped up to connect foreign investors with policy consolidation and reforms taking place in the country.**

The FICCI FDI Survey 2010 further shows that the **state of infrastructure facilities in the country stood out as a major bottleneck in way of smooth operations of foreign firms.** While **86 percent** of the respondents have **expressed dissatisfaction with regard to quality and quantity of power made available to them**, about **75 percent** have rated the **quality of roads and highways in the country as 'bad'**. **68 percent** have complained about **availability of water for their operations.**

Similarly, a **very high proportions of firms have pointed out 'procedural delays' at the ground level as a major problem area and accordingly highlighted the need for carrying out 'procedural reforms at the state level'** so that the ease of doing business can be enhanced.

On a positive note, India's large and growing domestic market has emerged as the prime motivating factor for foreign investors to come and set a base here. **87 percent of the survey respondents have rated growth rate of the Indian market as 'high'**. The primary advantage of a large and growing market is the capacity to achieve economies of scale and foreign direct investors are **using this advantage to develop India as an export base.**

On being asked whether, given the global shift taking place in manufacturing activity from high cost western destinations to low cost emerging market destinations, **India can emerge as a major manufacturing hub**, a whopping **88 percent replied in the affirmative**.

Foreign investors were also asked if the recent developments that have taken place in China - a series of strikes affecting operation of select MNCs, subsequent wage hikes, expectation about appreciation of the Yuan and efforts to recalibrate growth strategy away from exports towards domestic demand – **could lessen its attractiveness as an investment destination**. **Nearly half of the surveyed companies felt that these developments would have a bearing on China's attractiveness as an investment destination and nearly three fourths (75 percent) said that some of the additional investment flows could flow into India**. It was however added that India will have to prepare itself for such inflows. And this will happen only if the infrastructure bottlenecks are taken care of and procedural reforms are undertaken at the state level.

Finally, **foreign direct investors have also welcomed** some recent policy announcements such as **the minimum public float notification** which requires all listed companies in India to have a minimum public float of 25 percent. **The majority view is that this is a positive step and would lead to greater public participation**. **It would result in greater accountability and transparency and thus help in creating a positive business environment along with higher investment potential**.

Findings of FICCI FDI Survey 2010 are based on responses received from a total of 108 companies.

The companies that participated in the survey represent sectors like auto and auto components, electrical equipment and machinery, metal and metal products, chemicals and related products, electronic equipment, banking, finance, IT, telecom and other services. The turnover of the companies that participated in the survey varies from less than USD 1 million to over US\$ 500 million.

In terms of country of origin of FDI, the surveyed firms represent countries like France, Belgium, Japan, Netherlands, Switzerland, USA, Germany, South Korea, Singapore, Ireland, Finland, Hong Kong and Italy. In terms of years of operation in India, the surveyed firms again represent a good mix of relatively new entrants and long term players. While 35 percent of the surveyed firms have been in the India market for less than 5 years, about 20 percent of the firms have been operating in India for over 20 years.

Note: Please [click here](#) for the survey.

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