

# Asian tiger surges ahead

*India is now the 'most open economy' in the world for Foreign Direct Investment*

**“L**et the whole world hear it loud and clear. India is now wide awake. We shall prevail. We shall overcome.”

Those iconic words were spoken by the editorial of a prominent Indian newspaper, when the country embarked upon its most innovative economic reform yet.

Since then, India has experienced extraordinary financial growth, and is now the world's sixth-largest economy by nominal GDP.

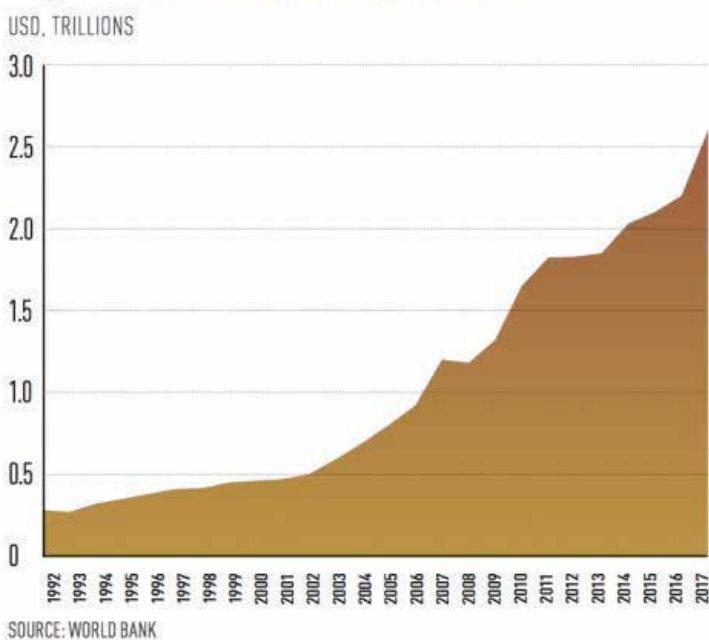
The IMF predicts that by the end of 2020, India will have moved into fourth place, knocking Germany from the position.

India's journey to economic ascendancy has been facilitated by a multitude of factors, including an influx of foreign investment and an end to the country's highly restrictive licensing regulations.

These changes have bolstered the country's international economic standing, allowing it to compete with developed nations like the UK and the US for market dominance in sectors such as technological infrastructure and e-commerce.

India's autonomous economic story began in 1947, after it was granted freedom from British

**Fig 1: Indian GDP growth**



rule. Prior to independence, the country's economy had been relatively stagnant, growing at around one percent per year.

It began to expand slowly in the late 1940s, but any significant growth was impeded by the country's centralised, socialism-inspired economic model.

GDP growth in India remained

at around 3.5 percent per year up until 1991, with per capita growth struggling at around 1.3 per cent.

This was down to the extensive nationalisation process that took place during the 1950s, which consolidated economic power in the hands of the state. The process began in 1951 with the Industries (Development and Regulation) Act, which gave

the government control over 38 key industries and 171 products, ranging from coal and precious metals to fans and sewing machines.

Economic freedom in the country was extremely constrained and regional disparity was common, given that the government had the power to determine the location and size of certain industries. It was handed even more power in 1953 with the Air Corporations Act, which effectively turned the market-driven, consumer-centric civil aviation industry into a nationalised money-making machine.

The state's power was cemented further in 1956 with the Industrial Policy Resolution, which classified industry into three categories. Innovation and development of 'category one' and 'category two' industries was entirely driven by the state, while 'category three' industries were left to the private sector, although operational licences had to be obtained by citizens.

India has embraced some emerging market characteristics more willingly than others. The country's operational framework, including elements such as political leadership,

**\$39bn**

Annual e-commerce sales in India in 2017

**\$200bn**

Expected annual e-commerce sales in India by 2026

**2nd**

Largest global start-up hub

**5,700+**

Number of start-ups across India

cities including Bangalore, Hyderabad and Ahmedabad, which had a knock-on effect on unemployment and quality of living within the surrounding areas.

The digital age has also greatly benefitted India, as it has given rise to a new generation of well-educated and highly skilled professionals across STEM industries. To further promote technological development, Prime Minister Narendra Modi has launched various campaigns, including Digital India and Startup India, to bolster digital adoption.

The country is also becoming more receptive to foreign ownership, with Modi introducing changes to regulation in 2016 and 2018 to make it easier for international firms to invest in Indian businesses.

Under these reforms, airlines, some defence industries and real estate brokerages may now be 100 percent foreign-owned, while investment rules in pharmaceuticals and food production have also been relaxed. The government claimed in a recent statement that India "is now the most open economy in the world for foreign direct investment".

**Welcome to the Kingdom of Bahrain**

**Indian Prime Minister Shri Narendra Modi**



*Best wishes from -*



**President Suresh Babu**



**General Secretary Praveen Nair**



**Hearty welcome to**

**SHRI. NARENDRA MODI**

**the Honourable Prime Minister of India**



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