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BOOK REVIEW

K. S. Chalapati Rao and Biswajit Dhar. *India's Recent Inward Foreign Direct Investment: An Assessment.* New Delhi: Institute for Studies in Industrial Development, 2018.

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Based on Google search, I found that this book has been intensively reviewed by Beena (2019), Dilip (2020) and Reddy (2020). They recognise that this book is relevant and important for potential readers to have a further understanding of the recent concerns and issues on foreign direct investment (FDI) inflows in India. India has potentially been considered as the next economic giant after China, with the slogan "the Chinese dragon and Indian elephant." Their reviews engage different perspectives about this book. The present review complements theirs.

This book has offered an impressionistic view of the nature and sectoral involvement of India's FDI inflow. This book is reasonably short—only 146 pages—which readers can finish in a few days. More conveniently, the important information (statistics) and the respective illustrative cases are systematically organised with a total of 33 tables, five graphs, five diagrams, two exhibits and one box. This book is particularly useful for academics, researchers, practitioners and policymakers who would like to gain a better understanding of the updated issues of India's FDI inflow. In general, FDI inflows refer to the funds received from foreign sources. It is one of the transactors recorded in the credit column of a financial account (formally known as capital account) of a country's balance of payments (BoP). FDI has been recognised and strategised as a policy by many emerging and developing countries as an engine of growth. In India, FDI plays a crucial role in spurring the country's economic development via technology transfer, strategic linkages and innovation. This FDI policy complements the well-

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known "export-led growth" strategy that had been implemented by India since the mid-1980s. The government of India opened its doors to the world in 1991 by liberalising the country's foreign policy to attract FDI inflow. This effort helped to promote the so-called "Made in India" policy, with more priorities given to the manufacturing sector. Teli's (2014) study has estimated an upward trend of FDI inflows in India. According to the United Nations Conference on Trade and Development (UNCTAD), India was among the top ten recipients of FDI in 2019, attracting USD49 billion in inflows, or a 16 percent increase from the previous year, in which they went into services industries (Suneja 2020).

The core issue delivered in this book is the reliability of datasets on India's FDI inflow, especially from the Reserve Bank of India (RBI). Srivastava (2003) examines the same issue and acknowledges that there are major differences on how FDI is defined and the interpretation of FDI data. Srivastava has compared the methods used to measure FDI inflow in India and the International Monetary Fund (IMF). Srivastava outlines several suggestions to improve the reporting of India's FDI data. This book has added riveting insights by looking at domestic data sources from the RBI. It is essential to say that the success of economic policies, especially FDI-related policies, is solely determined by the reliability of FDI data employed for economic modelling and policy formulation. Based on RBI data, Teli (2014) examines the behaviour of FDI inflows in India for the period 1991–2012. This book partially complements the studies by Srivastava (2003) and Teli (2014). The methodology employed in this book is merely qualitative by using descriptive analysis and illustrative cases. This book offers a fresh perspective of FDI inflows in India compared to other empirical studies (Singhania and Gupta 2011; Teli 2014), which are completely quantitative with econometric methods. That is to say, this book examines the issues related to India's FDI inflow data more constructively. This book is also very comprehensible and easy to read for non-expert readers because of its use of layman's terms and writing style.

This book contains seven sections. I further integrated the sections into two parts based on their nature of interactive contents. The first part includes Sections I, II and III. These sections contain some stylised facts about FDI inflows in India. Section I introduces the background of India's FDI, including its identification and classification. According to this section, India's FDI is defined in respect to the extent of shares held by the investors, which are about 26–100 percent ownership allowed. The section also discusses the limitations of international data on FDI flows that have impacted cross-country comparisons. International data on FDI inflows are strictly incomparable because the FDI data were compiled by different private agencies and were affected by some conceptual issues. The section has also discussed India's manufacturing sector, i.e., how FDI inflows contributed to this sector via efficiency improvement and the international competitiveness of India's industrial sector in the so-called post-Made-in-India initiative. The section delivers the imperative message that illustrates "India's continued lack of preparedness to assess not just the impact of FDI, but also to understand even its basic characteristics" (p.15). The section was concluded by outlining the other sections of this book.

Section II depicts the changes in FDI policy introduced in 2016 after financial liberalisation of FDI policy in August 2014. The section has been comprehensively written by the authors to cover high priority industries, those that require large investments and advanced technology. These industries are defence, pharmaceuticals and medical devices, civil aviation, single-brand retail trade, agriculture and animal husbandry, security agencies and broadcasting carriage services. This section finds that the impact of changes in FDI policies (i.e., encouraging FDI inflow) on the manufacturing sector is rather limited. More attention is required to enhance the presence of foreign investors in defence industries and services sectors. Section III further discusses the trend and characteristics of the currently reported India's FDI inflows, especially between 2011/2012 and 2017/2018. It is crucial to highlight that a substantial number of repatriations/disinvestments (as measured by a ratio of disinvestments to inflow) requires serious monitoring by the respective authorities. The section also discusses the reported sectoral classification of FDI inflows. The services sector is the most significant, with about 44.1–68.7 percent of its sectoral distribution of FDI inflows in recent years. Section III further analyses the individual tranches of FDI inflows between October 2014 and March 2016, which foreign investors classified into realistic FDI, portfolio and India-related for those investing in their respective lines of business. Lastly, the section reviews the top investee companies, including 1,188 FDI recipients, thus showing that numerous illustrative cases could be mistakenly reported as new operations.

The second part of this book consists of three sections (IV, V and VI). These sections discuss the reliability of the reported FDI inflow data. Section IV identifies and elaborates some serious issues regarding the official reports of India's FDI inflow data. The section highlights that the FDI inflow data provided by RBI may not always be consistent with the Ministry of Corporate Affairs (MCA). The section examines several prominent and key illustrative cases such as Serene Senior Living Pvt. Ltd., Suryadev Alloys & Power, United Biscuits and DV Travels Guru. A careful examination of these cases confirmed the possible discrepancies of India's FDI inflow data among different data sources. The section also discovers and discusses two major causes of the data discrepancy, namely duplicate reporting and non-reporting. For example, duplicate reporting was found to occur in the case of JSW Steel that JFE Steel Corp. of Japan had invested in, while non-reporting problems were detected in Rising Stars Mobile India Pvt. Ltd. Section V talks about India's FDI inflow and data infirmities and distortions at the sectoral level. The sectors included for investigation are the automotive, computer hardware and software, food processing industries, telecommunications (Vodafone and NTT Docomo), and other problem-specified sectors stemming from major misclassification in the brochures. The section reviews a considerable number of FDI recipients from various manufacturing industries in 2016/2017, especially the illustrative cases in electrical equipment, cement and gypsum products, and medical devices which are based on classification issues. Section VI describes the reporting requirements regulated by the RBI and explains 37 selected illustrative cases related to either the possible long gap in delayed reporting or non-reporting of FDI inflow data. The section reports that duplicate reporting is a continuing phenomenon of India's FDI inflow data. The last section (VII) concludes this book by listing the eight types of "errors and omissions" (as usually used in BoP) which may result in unreliable data on India's FDI inflow. They are delayed reporting, duplicate reporting, non-reporting, incorrect entries, notional inflows, inappropriate industrial classification, inadequate representation of acquisitions and limited disclosure/analysis of the information obtained from investee. The section recommends a need to put together more relevant data on FDI as well as its related transactions. Also, India should strengthen its own institutions in order to address the issues related to India's FDI data.

I found that this book can be seriously considered as a core reference for FDI study, especially concerning India's FDI inflow. This book features a comprehensive discussion with the findings from the quantitative approach of FDI data obtained from RBI, and the qualitative approach by using rich illustrative cases. The book is about the sector-wise inflows of FDI, in which the findings are important to the government of India to revise their relevant foreign policies (i.e., FDI-related) in the era of financial liberalisation.

This book has forwarded an insightful message to researchers, academics, practitioners and policymakers about the information and empirical results generated from India's available FDI data, in that it should be interpreted with caution.

This book could be more reflective if the authors consider some further relevant topics related to FDI inflows in India. Firstly, although this book emphasises on India's sector-wise FDI inflows, there is a vacuum in terms of country-wise FDI inflow in India. An annual report published by the RBI (2019) shows that country-wise FDI inflow data are available. Their top-10 FDI inflow countries are Singapore, Mauritius, United States, Japan, Netherlands, United Kingdom, South Korea, the Cayman Islands, United Arab Emirates (UAE) and Germany. However, this book only focuses on the United States and the top-25 FDI inflow receiving companies as summarised in Table 17 (p. 58). Other top-ranked countries mentioned should be considered for analysis along with the sectors in which those countries invested. This would help policymakers in intuiting profound bilateral FDI strategy. Secondly, this book is solely based on RBI data sources. Other FDI data sources are officially available for comparative purposes. For example, the World Bank offers data on India's FDI viz. FDI net inflow and net outflows are both measured at current US dollars and percentage of GDP. Also, UNCTAD supplies global data (including for India) on time series FDI, as well as bilateral FDI data. This book should integrate the RBI data with other official data sources to recommend readers the most appropriate data source(s) for India's FDI. This would help economic (FDI) analysis and policy modelling. Thirdly, this book does not contain any discourse on the relevant macroeconomic variables affecting the behaviour of India's FDI inflow. What are the major macroeconomic determinants of the recent behaviour of FDI inflow in India? This research question will eventually prove to be relevant for policymakers, especially for formulating monetary and fiscal policies. Singhania and Gupta (2011) have considered gross domestic product (GDP), inflation rate, interest rate, patents, money growth and foreign trade as the macroeconomic determinants of India's FDI inflow. They found that only GDP, inflation rate and scientific research are statistically significant. Also, FDI policy changes between 1995 and 1997 have impacted the inflows of FDI into India. Lastly, FDI theories should be discussed and included so that readers can understand how foreign investors (FDI inflows) behave in response, albeit theoretically, to its underlying economic variables. The theories would help researchers to employ the "correct" behavioural variables for predicting and estimating India's FDI inflows.

In short, this book has contributed to the existing knowledge in the field of open economy macroeconomics by comprehensively studying the recent India's FDI inflow data. This book has gravely examined the respective concerns on the reliability (quality) of India's FDI data that requires immediate consideration by the Indian authorities, especially RBI. Indeed, this book is academically written to readers who desire to update their understanding of the nature of India's FDI inflows.

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