

India – Look forward 2023

This is a summary of the key themes discussed at our *India 2023 and beyond: Reflections on 2022 and horizon scanning for 2023* event on the 7th March 2023.

Thank you to our panellists: Amish Shah, Gaganpreet Puri, Rahul Munjal, Mani Shankar, Navita Yadav and Dr. Vivek Mittal for joining us to share their insights

The Reed Smith India Business Team look forward to seeing you at our future events.



What makes India unique?

- India's presidency of the G20 (1 December 2022 - 30 November 2023) will put India on the map.
- The quiet financial inclusion of 800 million of India's poorest. The introduction of digital payment systems, often described as the best in the world, is transforming the country. More and more Indians are able to collect payments and money owed to them electronically, drastically reducing the risk of non-payment. This will be a game-changer for India as a whole.
- India is the home of thousands of tech start-up enterprises. Driven by the youth of the Indian economy, take up and engagement with these start-ups has been very receptive. Once they mature, these start-ups are often the target for M&A and buy-outs. This innovation has helped drive the Indian economy in recent years.



Hot topic

What can the United Kingdom and the United States learn from India about working in a high-interest environment?

In short – fiscal prudence and targeted support. India still operates a relatively “big state” economy, and the economic conservatism of successive administrations has led to India's growing reputation as a stable, developing economy. In addition, the Indian government has strategically sought where to improve and develop with the economy (with infrastructure and specific targeted deregulation being prime examples).



Poll question

Over 90% of our attendees believe that by 2030, India will surpass Germany and Japan to become the third largest world economy – mainly because of advancements in technology and infrastructure, and the high proportion of its population that is of working age.



Ease of doing business

Traditionally, bureaucracy was seen as impeding economic growth in India. However, a variety of regulatory changes (including in the most recent Indian budget in February 2023) have made ease of doing business a key issue, and India has moved up on the World Bank's ease of doing business index.

The introduction of various friendly policies and other comparative advantages have projected India as an attractive place to do business – for example:

- Sub-competition between states
- Property registration
- Insolvency court
- Cross-border transactions
- Reduced compliance
- Reduced/altered penalties (criminal to financial penalties)
- The digital economy is leading to a citizen-centred growth and an increase in jobs.

The implementation of goods and sales tax (GST) has resulted in India being recognised as one of the most attractive destinations for foreign direct investment (FDI), with a 10% year-on-year growth during the pandemic. Changes are also being implemented to ease the movement of money into India.





Infrastructure and capital

The progress in infrastructure in the last 10 years is arguably greater than in the preceding 65 years – for example:

- Construction is now the second largest employment creator in India.
- India is constructing the highest amount of highways per day anywhere in the world.
- India has the fifth largest number of metro transit systems in the world (many constructed or improved in recent years).
- Over the last decade, India has doubled its number of airports and aims to add 50 more, resulting in India being one of the largest aviation markets globally.
- Infrastructure development has slashed transportation costs, giving India a burgeoning reputation as a manufacturing hub.
- Over the last decade, India has added 600,000 kms of fibre-optic telecom network cable. With over 800 million mobile users and the cheapest data costs globally, India is seeing widespread digitisation of payments and a formalisation of the economy.
- India has achieved universal access to basic infrastructure such as sanitation, power connections and cooking gas. These were only available to 40-60% of the population a decade ago.

Revenue, taxation and capital:

- The Indian government is benefiting from taxation resulting from the increased ease of doing business and digitisation.
- Only 4% of Indians currently pay tax, but this is expected to grow exponentially given the digitisation of payments.
- Over the last decade, India has halved subsidies to 7% of government expenditure while it has doubled the share of government expenditure in infrastructure to 21%.



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ESG

Environmental, social, and governance (ESG) is a key issue globally. At present, reporting requirements are only enforced for the top 1,000 companies in India. ESG policies are therefore dependent on the culture of the company, how the company wants to be perceived in the market, and the requirement of funds they want to attract.

ESG can be an important marketing and recruitment tool for companies in India, especially given India's young population.

The Indian government has a clear plan:

- Implementation of ESG reporting requirements for the largest companies.
- There is pressure to engage with ESG, but the outcome of this pressure is not yet clear.

The recent announcement of a sovereign green bond was oversubscribed; it incentivised people to 'think green', and it demonstrates the government's commitment to developing sustainable energy following recent conference of the parties (COP) summits.



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Gautam Bhattacharyya

Partner, London
+44 (0)20 3116 2838
gbhattacharyya@reedsmith.com



Sarah Caldwell

Partner, London
+44 (0)20 3116 2839
slcaldwell@reedsmith.com



Nathan Menon

Partner, London
+44 (0)20 3116 2924
nmenon@reedsmith.com



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