

Centre to nudge states to up the game on FDIs

Investment-friendly charter in the works

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TO FOSTER COMPETITION among states to attract foreign investments, the Centre will ask them to ease access, minimise compliance, reform land and building norms, and improve power supply and law & order, as better governance is seen vital for attracting investors, sources said.

These parameters are likely to feature in an “investment-friendly charter” being prepared by the Niti Aayog. States may be monitored on the achievement of these parameters and ranked accordingly.

“Keeping the advantages each state has in various parameters, they should prepare a target group of companies to be encouraged to invest in their respective states. They should also see that existing investors continue to expand their capacity in the host states rather than shift to other states,” an official said.

For example, if Tesla decides to foray into manufacturing in India, it might choose to go to one of the few states where the ecosystem in electric vehicles is developing.

Recently, Prime Minister Narendra Modi said if policies need to be changed, states should adapt them according to global requirements. The more proactive the



INVESTMENT FOR FUTURE

Net FDI inflows into India (₹ billion)



states are in working towards good governance with a single-point focus and make efforts in this regard, the more likely it is that these investors will stay for the long term, he said. If land is required, states should create a land bank and implement reforms, he added.

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THE CENTRE IS currently in discussions with a host of countries to attract FDI, which has seen a decline in recent times. Net FDI inflows to India declined to \$26.5 billion in FY24 from \$42 billion in FY23.

Land and building regulations in India have locked up substantial factory land and restricted the ability of enterprises to allocate capital to the most productive use. Changes in land and building regulations can lead to a significant reduction in cost of doing business and an increase in job opportunities.

Modernisation of land records and land parcel-based property cards would also reduce litigation.

It is estimated that a stand-alone factory loses approximately 50% of its land to building standards like setbacks, ground coverage and parking requirements. Generally, a factory building in different states cannot cover more than 40 to



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60% of the plot. Liberalising building standards for factory plots can help states unlock productive land and enhance job opportunities.

Similarly, states need to notify changes to building regulations to increase the base floor area ratio (FAR) for all commercial buildings in

municipal and development areas to at least 5 and increase the base FAR for all commercial buildings in central business districts and transit-oriented development corridors to 5+2. States would also be incentivised to carry out some of these reforms under relevant schemes.