



FDI in computer software, hardware jumps threefold to \$26.14 billion in 2020-21: DPIIT data

Synopsis

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Foreign direct investment (FDI) in computer software and hardware

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significant growth in the country's technology space, according to data from the Department for Promotion of Industry and Internal Trade. The sector received \$7.67 billion FDI in 2019-20 and \$6.41 billion in 2018-19, the data

showed.

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The technology space in India is growing significantly on the back of the rapid end-to-end digitisation of businesses, Deloitte India Partner **Rajat Wahi** said.

"This has especially accelerated during the lockdowns over the last year that has forced businesses to automate processes across the value chain - and this is likely to further accelerate this year and in the next 2-3 years.

"This technology enablement is attracting overseas investors to India, where hardware, software and **SaaS** (software-as-a-service) are seeing a big push in India's FDI," he said.

Most technology practices are getting great traction today, especially in segments like e-commerce, and a lot of the FDI is likely to be used to support technology enablement across sectors and across the value chain, Wahi added.

Overseas investments in construction (infrastructure) activities increased to \$7.87 billion in 2020-21 from \$2 billion in the previous financial year. FDI into pharmaceuticals rose to \$1.49 billion from \$518 million in 2019-20.

However, FDI in the services sector and trading dipped to \$5 billion and \$2.6 billion during the last financial year, from \$7.85 billion and \$4.57 billion in 2019-20, respectively.

Telecommunications also witnessed a decline from \$4.44 billion in 2019-20 to \$392 million in 2020-21.

The other sectors where FDI has recorded decline in the last fiscal include construction development, automobile, chemicals, hotel and tourism.

Nangia Andersen LLP Partner Sandeep Jhunjhunwala said that due to COVID-19 demand for technological infrastructure, the consumer spending on these has soared multi-fold on account of requirements such as remote learning, work from home and virtual healthcare.

"The technological solutions offered by Indian IT multinationals for various business and government initiatives have also created massive demands in the pandemic period, both offshore and onshore," he said.

Jhunjhunwala added that the production-linked incentive scheme and Make in India campaign for manufacturing IT hardware in India have also pulled the attention of global investors to look at India as a destination for greenfield or brownfield projects

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