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A STUDY ON THE IMPACT OF CRIPPLING CHINESE ECONOMY ON MULTINATIONAL CORPORATIONS: INDIA'S FDI APPROACH

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ABSTRACT
This project explores the multifaceted impact of a crippling Chinese economy on Multinational Corporations (MNCs) and examines their strategic responses. As disruptions in China ripple through supply chains, reshaping market dynamics, and introducing regulatory ambiguities, MNCs must skillfully navigate these challenges to uphold resilience and pursue sustained growth. Concurrently, India also emerges as a potential alternative for MNCs seeking stability and growth opportunities beyond China. This research paper delves into understanding the factors of China's economic growth over years, the cause for the downfall, and strategic measures that India can adopt to harness the potential inflow of FDI amidst the evolving global economic landscape, such as policy reforms, infrastructure development, and sector-specific incentives. The analysis section examines the major factors that determine the economy such as GDP growth rate, Population, FDI, Youth unemployment rate, GDP Per capita income and forecast of India's momentum in FY25 based on secondary data. The conclusion emphasizes the central theme of harnessing India's vast growth potential while confronting the key challenges that impede its expansion. By implementing strategic policies and precise reforms, India can sustain its robust growth trajectory, surpassing the $5 trillion threshold.

KEYWORDS: *Economic Landscape, Crippling Chinese economy, India's measures, Multinational Corporations (MNC's), FDI, Sustained growth, Strategic policies, Challenges.*

INTRODUCTION

Recent years have seen significant shifts in the global economic landscape, notably with challenges emerging in the Chinese economy, posing implications for multinational corporations (MNCs) reliant on its supply chain. This project aims to explore the consequences of a weakened Chinese economy on MNCs, examining disruptions in supply chains and altered market dynamics. Additionally, it assesses India's potential as an alternative destination for Foreign Direct Investment (FDI), emphasizing its large market, strategic positioning, and ongoing economic reforms as attractive factors for investors.

In summary, the project seeks to understand the impacts of a struggling Chinese economy on MNCs while offering insights into India's potential as an FDI destination. It examines market dynamics, proposing measures such as policy reforms and infrastructure development to position India favourably amidst evolving global economic dynamics, aiding businesses and policymakers in navigating international trade and investment.

OBJECTIVES OF THE STUDY

- To study about the **resilience** of India's economy
- To understand the influence of **geopolitical changes** that may impact the decision-making of MNCs considering investments in India economy.
- To examine **FDI friendly ecosystem** in the ASEAN countries.

RESEARCH METHODOLOGY

TYPE OF RESEARCH

The present research study is referred to as a "desk-based study" or "desk research." Here the existing data is analyzed and interpreted to answer research questions and to generate new insights without conducting primary data collection.

SOURCES OF DATA

This research relies on secondary data which uses existing data sources, such as books, articles, reports, databases, and other materials that have already been collected and analyzed by others.

SECONDARY DATA

These data already exist in the journals and articles. I collected the secondary data from:

- Various Newspaper Articles,
- Magazines and publishes journals,

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- Internet and Books.

AREA OF THE STUDY

The area of study was detained to a period of 4 years from 2019 to 2022 involving historical data of India and China - GDP Growth rate, Population, Foreign Direct Investment, Youth Unemployment Rate, GDP Per Capita Income and data of growth and inflation rate of India momentum forecasted during the year 2024 by RBI are the key areas concentrated.

FINDINGS AND RESULT

1.1 TABLE SHOWING HISTORICAL GDP GROWTH RATE

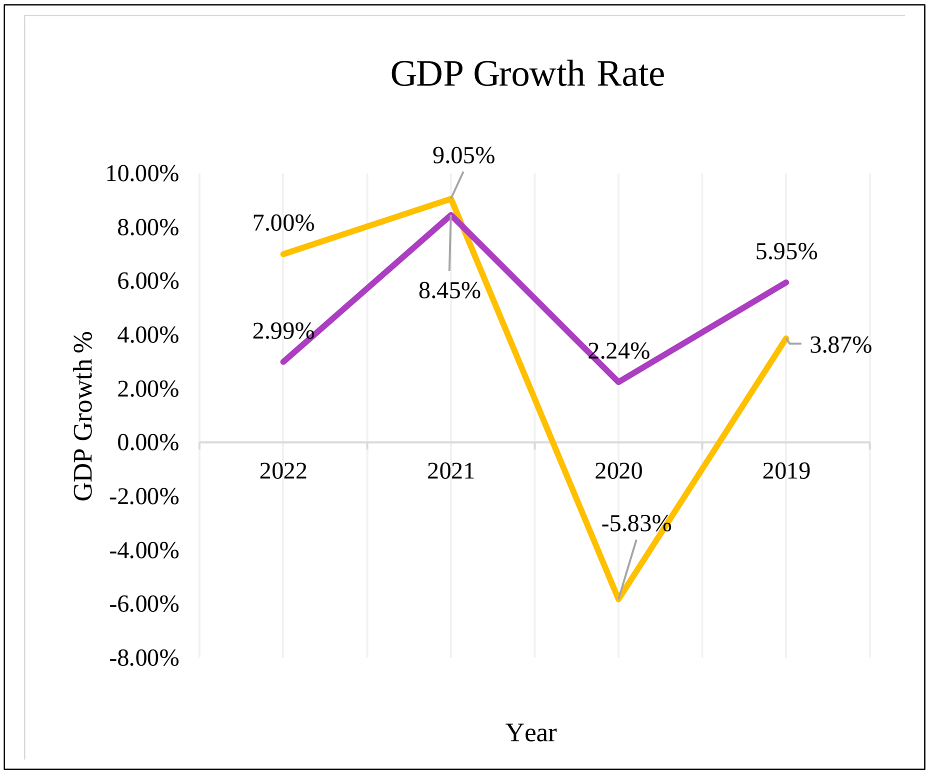
HISTORICAL GDP GROWTH RATE OF CHINA AND INDIA				
YEAR	CHINA		INDIA	
	GDP GROWTH (%)	ANNUAL CHANGE	GDP GROWTH (%)	ANNUAL CHANGE
2022	2.99	-5.46%	7.00	-2.05%
2021	8.45	6.21%	9.05	14.88%
2020	2.24	-3.71%	-5.83	-9.70%
2019	5.95	-0.80%	3.87	-2.58%
Average GDP Growth	**4.91%**	-	**3.52%**	-

Source: World Bank

INTERPRETATION

TABLE 1.1 shows the historical GDP growth rate data of China and India for the period 2019 to 2022. During 2019 China's growth was higher compared to India with 5.95%. India and China have seen declining growth during the period 2020 due to the COVID-19. After COVID-19 both the countries India and China boosted its GDP growth to 9.05% and 8.45% respectively. India's GDP growth rate has reached its peak during 2021 with 9.05%. During 2022 India showed higher growth than China with 7%. The average annual GDP growth of India is 3.52% and China is 4.91%. The annual change of GDP growth was positive only during the year 2021. Thus, there is a slight decline in the GDP growth during 2022 due to crippling effects in China as the Real Estate industry had seen a downfall.

2.1 EXHIBIT SHOWING HISTORICAL GDP GROWTH RATE



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1.2 TABLE SHOWING HISTORICAL POPULATION DATA

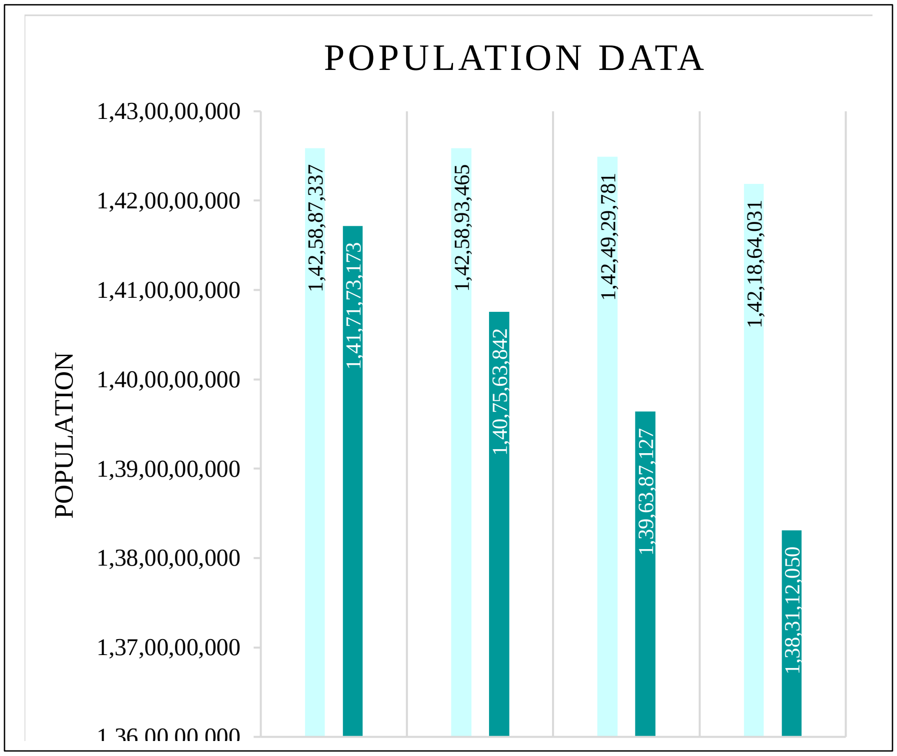
HISTORICAL POPULATION DATA OF CHINA AND INDIA				
YEAR	CHINA		INDIA	
	POPULATION	GROWTH RATE	POPULATION	GROWTH RATE
2022	1,425,887,337	0.00%	1,417,173,173	0.68%
2021	1,425,893,465	0.07%	1,407,563,842	0.80%
2020	1,424,929,781	0.22%	1,396,387,127	0.96%
2019	1,421,864,031	0.34%	1,383,112,050	1.03%
Average Population Growth		**0.16%**		**0.87%**

Source: United Nations - World Population Prospects

INTERPRETATION

TABLE 1.2 shows the historical population data of China and India for the period 2019 to 2022. Indian population has been increased from 1.38 billion to 1.41 billion whereas Chinese population has been increased from 1.42 billion to 1.43 billion. Both India and China's population growth rate have continuously reduced from 1.03% to 0.68% and 0.34% to 0.00% respectively. The average annual population growth rate in China during 2019 – 2022 is 0.16%. The average annual population growth rate of India is higher than China with 0.87%. During 2022 China reached 0.00% growth in population as the policies imposed by the government inorder to reduce the population.

2.2 EXHIBIT SHOWING HISTORICAL POPULATION DATA



1.3 TABLE SHOWING DATA OF FOREIGN DIRECT INVESTMENT

FOREIGN DIRECT INVESTMENT OF CHINA AND INDIA				
YEAR	CHINA		INDIA	
	INFLOWS (US $)	% OF GDP	INFLOWS (US $)	% OF GDP
2022	$180.17B	1.00%	$49.92B	1.47%
2021	$344.07B	1.93%	$44.73B	1.42%
2020	$253.10B	1.72%	$64.36B	2.41%
2019	$187.17B	1.31%	$50.61B	1.78%
Average Foreign direct investment		**1.77%**		**1.49%**

Source: World Bank

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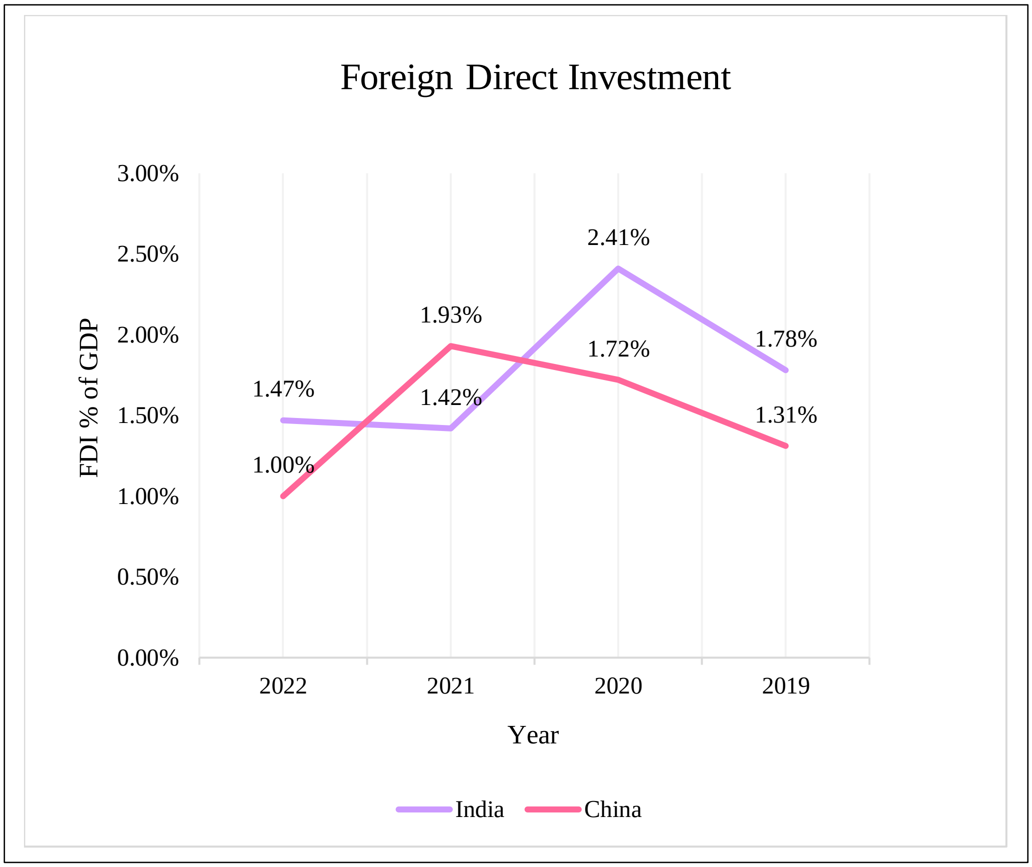
INTERPRETATION

TABLE 1.3 shows the data of foreign direct investment made in India and China for the period 2019 to 2022. There is rise and fall in the inflows of FDI in both the economies. The inflow of FDI in India has reached its highest during the year 2020 with $64.36 whereas China has touched its highest with $344.07 during the year 2021. After 2020 there is a downfall the % of GDP of India resulting in falling from 2.41% to 1.42%. Due to the crippling effect in China the inflows of FDI have slowly reduced to 1% resulting in moving the investments from China to other countries like Vietnam, India, etc. The average foreign direct investment made in India is 1.49% where China is 1.77%. The inflow of China is approximately four times higher than India as it is the second largest economy contributing towards the exports and imports and also, it's the major port where most of the MNC's delve in investing for their production or business.

2.3 EXHIBIT SHOWING DATA OF FOREIGN DIRECT INVESTMENT



1.4 TABLE SHOWING DATA OF YOUTH UNEMPLOYMENT RATE

YOUTH UNEMPLOYMENT RATE OF CHINA AND INDIA				
YEAR	**CHINA**		**INDIA**	
	% of Total Labour Force Ages 15-24	**Annual Change**	**% of Total Labour Force Ages 15-24**	**Annual Change**
2022	13.17%	0.73%	23.22%	-0.67%
2021	12.44%	-0.25%	23.89%	-7.00%
2020	12.69%	1.96%	30.90%	8.01%
2019	10.73%	1.02%	22.89%	-3.47%
Average youth unemployment rate	**12.26%**	-	**25.23%**	-

Source: World Bank

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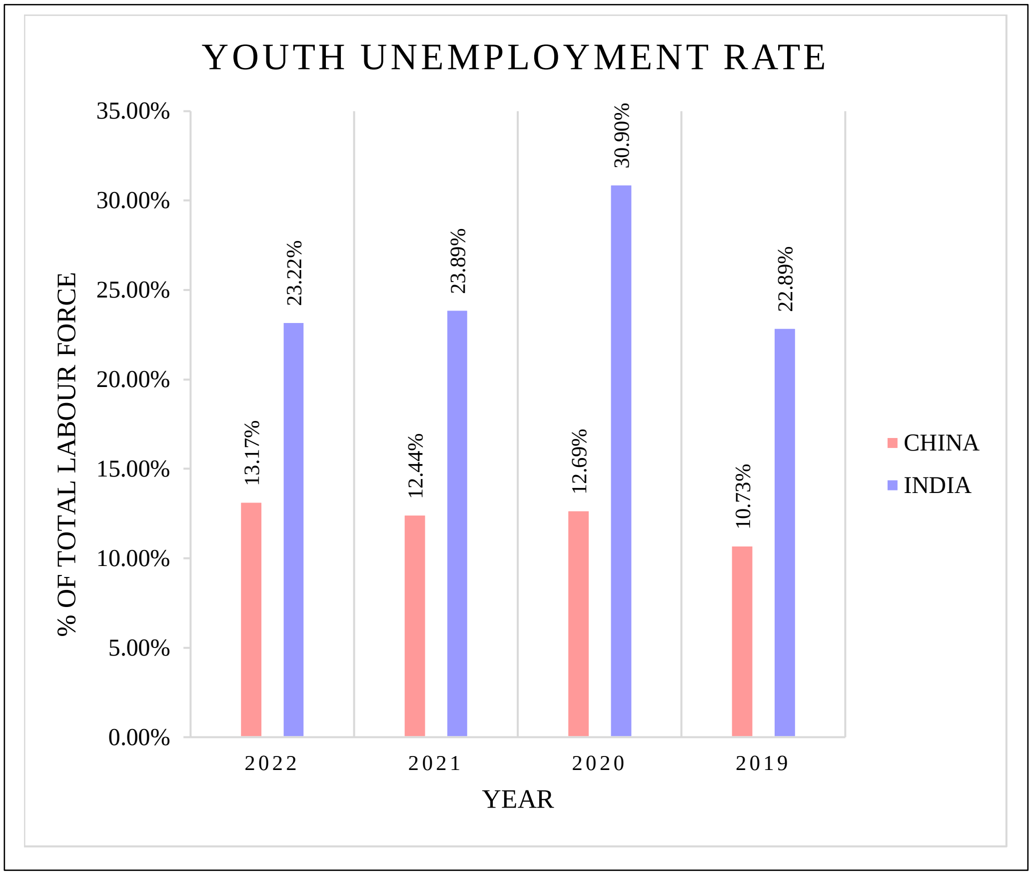
INTERPRETATION

TABLE 1.4 shows the youth unemployment rate of China and India during the period 2019 to 2022. During COVID-19 there was a huge percentage force of labours unemployed with 30.90% between age limit 15-24 in India. China labour force was highest at the year 2022 having 13.17% as there was downfall in the economy resulting in unemployment. As the factor labour is very important for a sector, India has approximately two times larger labour force between 15-24 age limit than China which is a potential reason to attract the investments moving out of China. The average youth unemployment rate of India is 25.23% which is higher than China having 12.26%. Due to COVID-19 the unemployment rate increased leading to deployment of employees in companies and industries.

2.4 EXHIBIT SHOWING DATA OF YOUTH UNEMPLOYMENT RATE



1.5 TABLE SHOWING DATA OF GDP PER CAPITA INCOME

GDP PER CAPITA INCOME OF CHINA AND INDIA				
YEAR	**CHINA**		**INDIA**	
	GDP Per Capita (US $)	**Annual Growth Rate (%)**	**GDP Per Capita (US $)**	**Annual Growth Rate (%)**
2022	$12,720	0.81%	$2,389	6.72%
2021	$12,618	21.22%	$2,238	16.98%
2020	$10,409	2.61%	$1,913	-6.68%
2019	$10,144	2.41%	$2,050	3.84%
Average GDP per capita income		**6.76%**		**5.22%**

Source: World Bank

INTERPRETATION

TABLE 1.5 shows data of GDP per capita of China and India showing the per person value by dividing the total GDP by total population. India is approximately five times smaller than China in earning GDP per capita as China has comparatively large market and economy than India. Both India and China earned the highest level of GDP per capita during the period 2021 having 16.98% and 21.22% of annual growth rate respectively. India has

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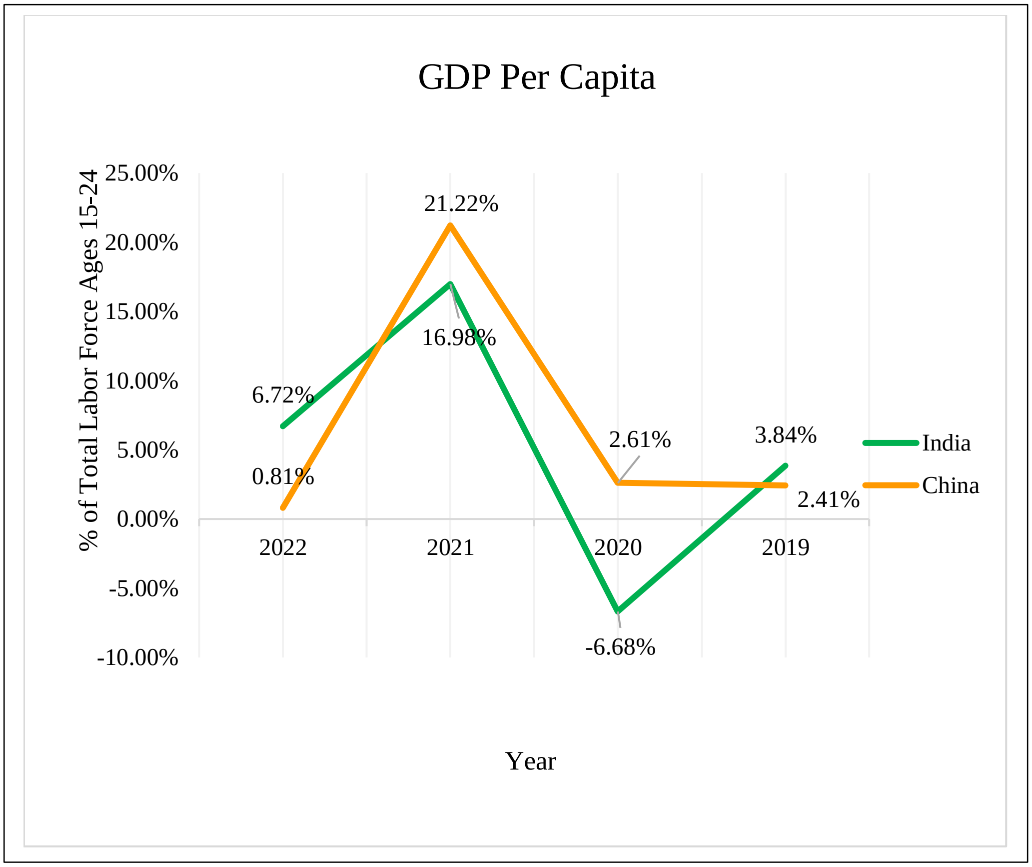
reached minus growth rate having -6.68% during 2020 and boosted to 16.98% during 2021. The average GDP per capita annual growth rate of China is 6.76% whereas India's is 5.22% with a difference of 1.54%. The GDP per capita of China rises gradually every year by shifting from $10,144 to 12,720 whereas India also gradually grows from $2050 to $2389 except 2020 due to COVID-19. After 2020 there is boost in the growth of GDP per capita in both countries but in 2022 there arises a difference of growth rate having approximately 10% and 20% difference compared to 2021 in India and China respectively.

2.5 EXHIBIT SHOWING DATA OF GDP PER CAPITA INCOME



1.6 TABLE SHOWING GROWTH AND INFLATION RATE OF INDIA MOMENTUM - FY24

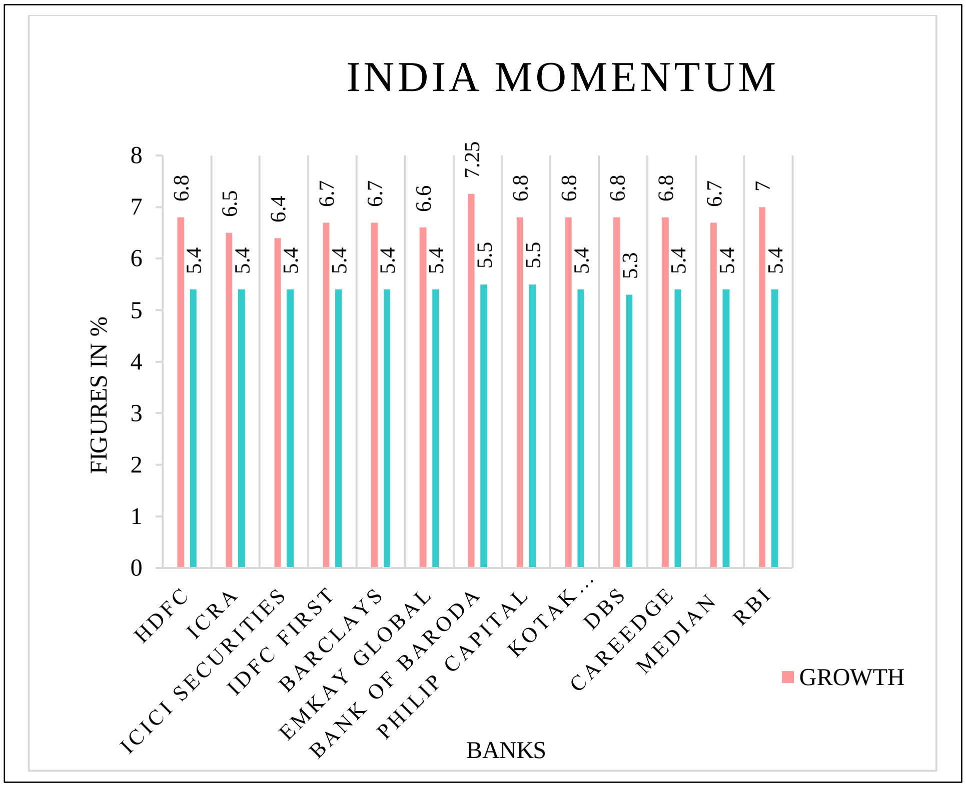
GROWTH AND INFLATION RATE OF INDIA MOMENTUM		
	GROWTH (%)	INFLATION (%)
HDFC	6.8	5.4
ICRA	6.5	5.4
ICICI SECURITIES	6.4	5.4
IDFC FIRST	6.7	5.4
BARCLAYS	6.7	5.4
EMKAY GLOBAL	6.6	5.4
BANK OF BARODA	7.25	5.5
PHILIP CAPITAL	6.8	5.5
KOTAK SECURITIES	6.8	5.4
DBS	6.8	5.3
CAREEDGE	6.8	5.4
MEDIAN	6.7	5.4
RBI	7	5.4

Source: ET Poll, RBI

INTERPRETATION

TABLE 4.1.6 shows the Indian Momentum rate of all leading Banks showing growth and Inflation percentage in relatively recent years. The highest growth rate recorded in comparison of all banks is Bank of Baroda with 7.25%. All the Institutions shows relatively same amount of Inflation rate within the range of 5% to 6%. As Growth of GDP typically results in increase in inflation which in turn suggests that Inflation is the dependent on Growth rate. The table also shows that Growth rate falls into the slab of 6% to 8% with HDFC, Philip capital, Kotak Securities, DBS and Careedge all showing same growth rate of 6.8% and inflation rate of 5.4% and 5.3%. Also, except Bank of Baroda, Philip Capital and DBS all the other banks show same percentage of 5.4% inflation rate. This shows that both growth rate and Inflation rate are neither increasing nor decreasing in a higher rate.

2.6 EXHIBIT SHOWING GROWTH AND INFLATION RATE OF INDIAN MOMENTUM



CONCLUSION

India possesses tremendous opportunities with its demographic dividend of a young population. This huge workforce of nearly 900 million can be transformed into a productive asset fueling manufacturing and exports. India's domestic consumption potential remains substantial as rising incomes lift millions to the middle class every year. The spread of digital connectivity is enabling innovations across agriculture, education, finance and many other sectors. Turning these opportunities into tangible economic gains will however require resolute reforms across multiple spheres.

Most importantly, fostering policy consistency and transparency will be pivotal to regain investor confidence. Achieving all this requires overcoming resistance from entrenched interests, summoning political will and building stakeholder consensus. But the growth rewards make it imperative. With strategic reforms and efficient execution, India can aspire to sustain 8-9% annual GDP growth over the next decade.

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