

## Investment in Deserts: Patterns and Potential of Foreign Direct Investment in Rajasthan

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### ABSTRACT

*Rajasthan, India's largest state by area, has emerged as a promising destination for Foreign Direct Investment (FDI) due to its rich natural resources, strategic location, and proactive policy environment. This paper explores the evolving patterns of FDI inflows into Rajasthan and evaluates the potential for future investment across key sectors such as renewable energy, tourism, mining, and infrastructure. Using secondary data from government reports and academic studies, the paper identifies trends, challenges, and policy recommendations to enhance Rajasthan's investment climate. With its rich heritage and flourishing industrial market Rajasthan has great scope of opportunities in every sector. The state is well versed with the national highways and national as well as international boundaries.*

**Keywords:** FDI, Investment Climate, Proactive Policy.

### Introduction

Rajasthan, the largest (area-wise) state in India. It has the location advantages and is located in the north-western part of the subcontinent. Looking at the political map of the Rajasthan It is shouldered on the north and north-east by Punjab, Haryana and Uttar Pradesh, on the east and south-east by Uttar Pradesh and Madhya Pradesh and on the south-west by Gujarat. These interstate touching of its boundaries have given it leverage of resources mobility and infrastructure facilities besides its own diversities of areas. Its giant area makes it a central point of attraction to FDI investors owing to the diversity of the land. Being diversified in culture, environment and armed with cheap and talented labour makes it hub of overseas investors with different vision and mission. Further the liberal and innovative approach of the Rajasthan Government has made it more lucrative. If we talk about the states of India Rajasthan is perhaps the most popular and well known among the all .Its giant area makes it a central point of attraction to FDI investors owing to the diversity of the land.

Being diversified in culture, environment and armed with cheap and talented labour makes it hub of overseas investors with different vision and mission. Further the liberal and innovative approach of the Rajasthan Government has made it more lucrative. If we talk about the states of India Rajasthan is perhaps the most popular and well known among the all.

Rajasthan FDI inflow reached at US\$ 2.15 billion from 2000 to 2020. The state got 100 investment proposal with total investment of (US\$ 1.45 billion) in 2019. From 2019 to September 2022, Rajasthan attracted FDI inflows of US\$ 1.88 billion. This deserted state has registered 60 per cent success rate in converting investment proposals into reality More than half a dozen multinational companies have enrolled their corporate presence in Rajasthan in the past few years.

### Objectives of the Study

No study is worthful unless it is backed by its end goals. Objectives of a study, however, actually depict the vision of the researcher, which he attempts to accomplish by following a systematic procedure. In other words, objectives are the expected consequences of any activities, which the researcher sets up in advance. Followings are some of the crucial objectives of the study given below:

- To analyse trends and patterns of FDI in Rajasthan.
- It determines the key drivers of FDI inflow in Rajasthan.
- To analyse the policy initiatives taken by Government in Rajasthan

### Research Methodology

The study has been conducted with the help of secondary data from various sources like journals, papers and websites especially from the DIPP, IBEF, PHD chamber of Commerce, JETRO publications etc. Since the data are not available on the FDI in Rajasthan we have taken a secondary approach to study it through analysis of GDP, Fiscal Deficit, Summits, and Industrial Policies etc of the State. We have used visual graphics like Graphs and tables to present the data with clarity for analysis.

### Status of Rajasthan in Indian Economy

- Rajasthan is fuelled by diversified economy having agriculture, mining and tourism as the supporting engines but suffers harsh climate and a significant illiteracy which made it suffer in the FDI arena. Economy of **Rajasthan** secured 7th rank by receiving US\$ 235 billion value's Net State Domestic Product for 2025-2026 among all the states of India. Agriculture, industry, tourism, and mining sectors are major income generating source for the state. The below points presents the picture of Rajasthan's standing in the Indian economy as follows:
- GSDP as a percentage all states; of Rajasthan is mere 5.18% of India as a whole.
- Though GSDP as a percentage of all state is low in Rajasthan but its GSDP growth rate is more by 1.8 % than that of India as a whole giving the region a relative advantage over the other areas in the country.
- Literacy rate in India is also up to the marked level of the Country being 66% in the state as against 73% for India.
- State has a good connectivity of both national and International airports which makes it feasible for the foreign investors to visit and monitor their investments avenues.
- A good road connectivity of the state with 8972 km of lengths of National Highway makes availability of raw material , transport and distribution quite handy.
- The state has registered 60 % success rate in converting investment proposals into practical reality.
- Under the 'Resurgent Rajasthan' initiative, the state stands at the top position in attracting investments.
- Installed power capacity of 21024.50MW shows the underutilisation of the most important and amply available natural asset to the state i.e. "Sun Energy" but in turn marks the innovative opportunity to the Infrastructure and energy seeking FDI investors.
- 25 new Industrial zones were developed in Rajasthan in recent 4 years.

### Network of Authorities for Industrial Development in Rajasthan

Rajasthan has a system of nodal investment promotion offices in order to formally canalize the liquidity and has a proper line form of organizations specially dedicate towards the easement from the point of view of the investors. These agencies are as follows –

- **Bureau of Investment Promotion (BIP)**  
It is a nodal agency of the Rajasthan Government that provides all facilities to the investors in different sectors throughout the political map of the state.
- **Rajasthan Industrial Development and Investment Corporation (RIICO)**  
These are the authorities shouldered with the vision of accelerating the growth of investments by preparing a industrial base in the state.
- **Rajasthan Financial Corporation (RFC)** The main focus of this authority is to uplift the Rajasthan Industrial development without leaving any downside areas and to achieve the average growth rate on the geography as a whole of the state.
- **PDCOR Limited**

It is a company based on public- private partnership which is capable in promoting infrastructure projects by providing necessary support to the Government.

### FDI Trends in Rajasthan

Economic development in Rajasthan owing to FDI are though not too much but still are significant and has showed enormous progress in attracting the real time FDI projects . Which signifies that though the number of FDI projects in Rajasthan are not much but the projects that it owns are in themselves big enough to be counted upon? The FDI flows towards the state is not available with ease though but based on recommendations of 12<sup>th</sup> Finance Commission GOI is releasing external finance assistance since the year 2005; based on which FDI trend in Rajasthan can be divided into 2 categories:

- FDI in SEZ
- FDI projects in Rajasthan
- **FDI in SEZ**

The Rajasthan Government has actively accepted the SEZ policy in the state for the development of Special Economic Zones in the state. SEZs, refers to an area earmarked as duty-free enclaves, which is assumed as a foreign land for the purposes of tax collection and other specified regulatory requirements. These areas adopted the carefree and business- minded policy which is focused to promote vigorous development of industries and creating employment throughout the state.

The sanctioned policy regime in Rajasthan involves:

- The units which are located in area of SEZ will be Exempted of all the taxes and levies imposed by the state and local bodies. These units are also exempted from supplies from the domestic tariff areas to that of units.
- Exemption of Stamp Duties and registration fees.
- Grant of various permits on priority basis and at concessional rates.
- Single window clearing facility for permits like labour and environment related matters.
- Easy permission for generation of electricity for capital consumption.

Rajasthan got covered by the SEZ Act in the year 2003. At the cradle it established SEZ mainly for Gems, jewellery and handicrafts only with two major spots i.e. Jaipur (for Jewellery and Gems) and Jodhpur (for Handicrafts). In the year 2015 Rajasthan passed its own Rajasthan Special Zones Act, 2015 for establishment and regulation of SEZ areas in the state. At present there are 6 SEZ areas across the state for various sectors like gems, jewellery, IT, electronics, handicrafts, automotive and textiles namely.

**Table 1: FDI in SEZ**

S.No	Name	Area
1	Mahindra World City (Jaipur)Ltd.	Jaipur
2	Somani Worsted Ltd	Khushkeda, Bhiwandi, Alwar
3	RNB Infrastructure Pvt Ltd	Bikaner
4	Genpact Infrastructure Pvt Ltd	Jaipur
5	Mansarovar Industrial Development Corporation	Jodhpur
6	Vatika Jaipur SEZ Developers Ltd	Jaipur

Source: Compiled by author from various sources

Of above Genpact Infrastructure Pvt. Ltd. is a subsidiary of a foreign company drawing a good share of FDI in the state besides this there are many other projects in these areas which have attracted FDI since inception.

### Trend of FDI Projects in Rajasthan

Rajasthan is attracting FDI inflows since long with only one kink that not much number of investors are attracted in the state and those who have clusters have maintained circuit of entry restrictions quite well to not to allow others to step in . It is the fact that Rajasthan does not have too much players in the field but still Investors from all over the World have shown their interest in here from time to time. Rajasthan has always been an attraction in the eyes of FDI investors for noble cause projects.

Major Externally Aided projects operating in Rajasthan are:

**Table 2: Major External Agencies Operating in Rajasthan**

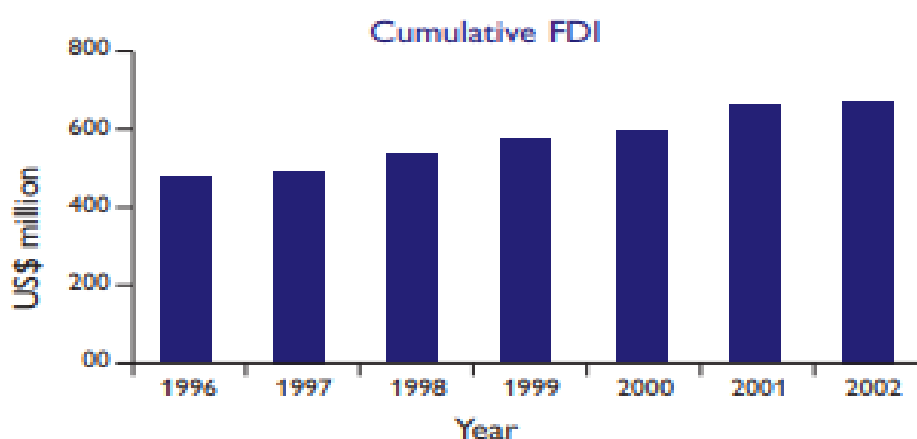
S.No.	Name Of Agency	Externally Aided project
1	The World Bank Group	1. Rajasthan Agriculture Competitiveness Project. 2. Rajasthan Rural Livelihood Project. 3. Rajasthan Road Sector Modernization Project
2	Asian Development Bank	1. Rajasthan Urban Sector Development investment Programme 2. Jaipur Metro Rails Line 1 phase – B 3. Rajasthan renewable Energy Transmission Investment Programme 4. Rajasthan State Highway Investment Programme 5. Rajasthan Urban Sector Development Programme , Phrase – III
3	KFW (German Agency)	Intra State Transmission System in Rajasthan under Green energy Corridors Project
4	Japan International Corporation Agency	1. Rajasthan Water Sector Improvement Livelihood Project. 2. Rajasthan Forestry and Biodiversity Project , Phrase III 3. Rajasthan Rural Water Supply and Fluorosis Mitigation Project – Nagaur
5	Agency Franchise De Development	Re – Organization , Jodhpur Water Supply Project
6	International Fund For Agriculture Development	Mitigation Poverty in Western Rajasthan

Source: RAJRAS data publications

**Trends of FDI Inflow in Rajasthan State**

Diversity, large land area and availability of resources in the economic rate has made the Rajasthan a no. 1 choice for those looking to spin off their investment internationally and also for those looking for such kind of diversification in India. Being the privileged state with different style of environment and tourist attractions make it have an emotional attachment for investment opportunities. Rajasthan has assured the unstinted cooperation and support of the Rajasthan government for liberalizing and opening up of its various sectors. Foreign Direct Investment (FDI) in multi-brand retail has marked new heights of opened of the economy and will usher better technologies and enhance efficiencies.

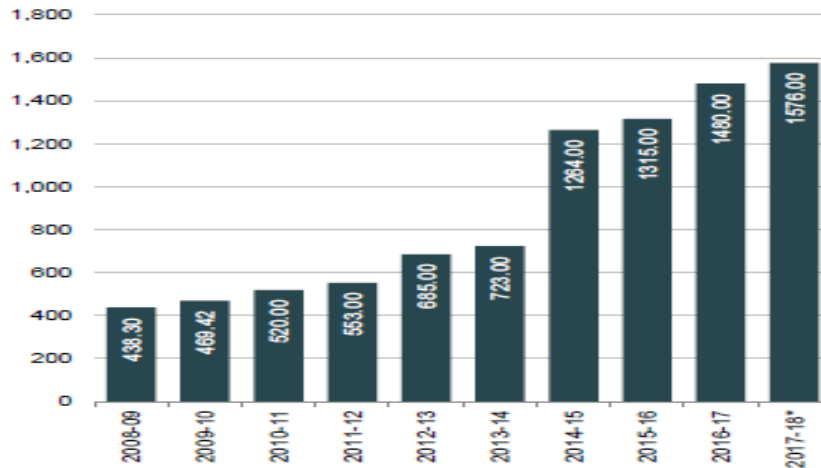
This section presents a snapshot related to trends of FDI in Rajasthan State during 1996 to 2018.

**Chart 1: Cumulative Fdi flow in Rajasthan 1996-2002 (US\$ million )**

Source : IEBF publication, 2006

### Inferences

- Not much data is available regarding the FDI of State also state remained dry of FDI most of the time since inception.
- Between 1996 to 2003, Rajasthan attracted above US\$ 670 million of FDI.
- Rajasthan's share in India's total FDI in 2002 stood at 3.2 %.



**Chart 2: Cumulative FDI flow in Rajasthan 2008-2018**

Source: IBEF data collection , Rajasthan economy

### Inferences

- Year 2014 started with the protest against FDI in multi brand in Rajasthan but still already present players managed to keep the pace of FDI up.
- FDI inflow for the period 2000-2018 stood at \$ 1.6 bn in the state.
- As per DIPP FDI inflows in Rajasthan for the period 2000-2017 cumulated to US\$ 1.576 billion.

### Recent Growth of FDI in Rajasthan

- Rajasthan received a **total of ₹20,440 crore (approx. USD 2.63 billion)** in FDI between **October 2019 and December 2024**.
- Rajasthan received ₹1,549.10 crore in 2019–20 and ₹6,259.48 crore in 2022–23, marking a **304% increase** over four years.

### Initiatives taken by Rajasthan Govt. to promote FDI

As a reward of state's untiring efforts over half a dozen of MILLIONC are operating successfully in the region.

#### • **Special Economic Zones**

To provide incentive to develop business in Rajasthan; Government of Rajasthan is looking ahead for 6 more SEZ area in the land with an expected investment of 165.15 billion. These are:

- Mahindra World City (Jaipur) Ltd., Jaipur
- Somani Worsted Ltd., Khushkeda, Bhiwadi, Alwar
- Genpact Infrastructure (Jaipur) Pvt. Ltd., Jaipur
- Vatika Jaipur SEZ Developers Ltd., Jaipur
- Mansarovar Industrial Development Corporation, Jodhpur
- RNB Infrastructure Private Limited, Bikaner (270 crore)

#### • **Industrial Parks requiring Mega Investments**

Government of Rajasthan is also planning to develop 4 mega textile parks in the state at Jaipur, Kishangarh, Gundoj (Pali) and Hateda :

- Jaipur Texweaving Park, Near Jaipur
- Kishangarh Hi-Tech Textile Park, Kishangarh
- Nextgen Textile Park, Gundoj, Pali
- Rajasthan Texmart Park, Hasteda near Jaipur

These industrial parks conjuncture to inculcate investments of almost Rs 180-400 Crore and have the possibility to create direct and indirect employment opportunities to near about 6000 to 12000 people. These parks will earn the annual turnover of varying between INR 200 Crore to 1000 Crore. These industrial projects will be well connected to National Highways like NH-79, NH-14 and NH-11.

- **Sikandara Growth Pole**

Rajasthan Government is making a tailoring project report for the development of Growth Pole at Sikandara that is helpful in creating to multi-sector clusters for the growth of stone, carpet, tourism, dairy and leather industries. For this purpose an area of 1250 square k.m. will be used for this growth pole and its centre point is at Sikandara. This growth pole will add up to about 350 villages which in turn will provide ample labour supply to the plants located there in. Also there will be a good supply and distribution channel approach with Road and Rail Connectivity.

- **I-Start Initiative**

In an attempt to start a dedicated platform for start-ups this scheme was launched by Government of Rajasthan in November 2017, to promote entrepreneurship and the level of employment in the state to assist the entrepreneurial aspirants to upgrade their concepts and business to the top level. It works on “access-improve-access” model.

- **Start-up Showcase Yatra'**

State Government has launched a quarterly 'Start-up Showcase Yatra' which will be formed in metro city like Mumbai, Delhi-NCR and Bengaluru to provide start-ups exposure to leading investors and enables them to run their business on Start-up ecosystem.

- **Financial Incentives**

In August 2017, the state government announced a US\$ 77.77 million fund for promotion of start-ups of Rajasthan.

- **Non-Monetary Incentive**

Rajasthan government has also announced a new incubation centre, named “Bhamashah Techno Hub”, to be set up Jaipur. This centre will be a one stop destination for entrepreneurs and tech-enthusiasts.

- **Tax Exemption**

GOI has added that new industries in 12 backward districts of Rajasthan (five are in Category A, viz Jalore, Barmer, Jaisalmer, Churu, Banswara and seven in Category B viz Dungarpur, Dholpur, Sawaimadhopur, Tonk, Nagaur, Jhalawar, Sikar) have been exempted from income tax.

- **Single Window Clearance Committee:**

Amending the 'Rules of Business' State Government has formed following three nodal agencies:

- **Board of Infrastructure Development & Investment**
- **State Level Empowered Committee**
- **District Empowered Committee**

- **Special Purpose Industrial Complexes**

These complexes are formed by RIICO for meeting industry specific requirements at the locations which are listed below:

**Table 3: Special Purpose Industrial Complexes**

S. No.	Sector	Location
1	Gems & Jewellery	EPIP, Jaipur
2	Hosiery	Chopanki, Bhiwadi
3	Auto Ancillary	Ghatal (Bhiwadi) & Sitapura, (Jaipur)
4	Ceramics	Khara, (Bikaner)

5	Software Technology	EPIP, Jaipur
6	Electronics & Telecomm.	Kukas, Jaipur
7	Textiles	Bhilwara, Sanganer, Sitapura, Pali, Jodhpur, Balotra
8	Agro Industries	IGNP Area
9	Leather	Manpur- Macheri
10	Wool Industries	Beawer- Bikaner
11	Handicrafts	Shilpgram, (Jodhpur and Jaisalmer)
12	Dimensional Stone	Kishangarh, Udaipur, Chittorgarh

Source: DC (MSME) Incentives to invest in Rajasthan

### Challenges regarding FDI Investments in Rajasthan

The Rajasthan is still lacking to attract FDI. Although state has huge capacity and ability to attract FDI in different sectors but there are many evidences which states that government was not working to their potential. There are some of challenges which are the hindrance in the way to FDI.

- As the Rajasthan region lies near the equator, they had to face immense heat and pressure which makes the working environment almost impossible. Foreign companies don't like to work in such harsh and difficult climate.
- Rajasthan has one of the biggest desert areas in India. There are very less job opportunity in typical desert region of Rajasthan. The local labour has to migrate to other state for work which makes the unavailability of workers when foreign company came to invest in the state.
- The state also faced the scarcity of water as wide area cover under desert which hinder in the course of development. The scarcity of water increases the cost of production that's why foreign investor avoids investing in such regions.
- The lack of coordination and mutual consent between the state government and the central government also creates a ruckus in deploying foreign currency in the region.
- Weak infrastructure like poor roads, frequent power cuts, inadequate power supply, port delays, scarcity of water, sewerage problems are also challenges before Rajasthan govt. to attract FDI in state.
- Poverty, illiteracy, lack of skilled labours, political instability and corruption are also major challenges before the growth of FDI in Rajasthan.

### Conclusion

Studying the in-depth of the FDI in Rajasthan we conclude that the state is bestowed with giant facilities and has proved it. It has successfully showed that just a proper planning and implementation can make it overtake all the other states in the country. Rajasthan has to look forward to efficient policy management and initiatives to reform all barriers that would come in the path of achieving high sustainable growth in the state in future. It just needs to stress upon improving the quality of education, more investments in hydro power projects, health sector, supporting rural development to increase the social infrastructure in the state.

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