million in 1994.

Concerning total foreign direct investment, in 1991 India attracted C$202 million worth. In 1992, FDI in India reached C$596 million level. In 1993, the World Bank estimates that India attracted a huge sum of C$5.64 billion in direct investment.[14] In other words, FDI into India increased by almost 28 times within the two years of the reforms. However, this is still below the FDI inflows into China in recent years.

Savings, investment and productivity. The gross domestic savings in 1993 was 24% of the Indian GDP, up marginally from the savings rate of 23.5% in 1991. The share of gross domestic investment in India's GDP was 24.7% in 1993, up from 22.4% in 1991.[15] Total factor productivity in manufacturing grew at 3.4% in the first half of the 1980s as compared with a decline of 0.3% per annum in the previous 15 years.[16]

Factor markets. Historically, India has discriminated against agriculture by taxing it directly or indirectly. The land market has been virtually distortion free in India. The major factor market distortions are in the market for labour in the so-called organized sector and in the capital market through the workings of the nationalized banking sector.

To go with its population, India has the world's second largest workforce. Wages in India are but a fraction of those in developed countries. India has the third-largest stock of scientific and engineering workforce in the world. However, the productivity as measured by the value added per worker in India's manufacturing sector is low: a fourth of that in Singapore or a tenth of that in Japan. Labour laws in India are such that unions can block work force training and prohibit retrenchment by firms. India must begin to reform its antiquated labour laws to achieve a flexible labour market.

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[14]Source: The World Bank, **World Tables**, 1995.

[15]Source: The World Bank, *op. cit.*.

[16]Isher J. Ahluwalia, ***Productivity and Growth in Indian Manufacturing***, New Delhi: Oxford University Press, 1991.