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Corso di Laurea Magistrale in Engineering and Management

FOREIGN DIRECT INVESTMENTS AND ENVIRONMENT IN INDIA

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ABSTRACT

One key source of non-debt financial resources for economic development is foreign direct investment (FDI). Since liberalization, FDI flows into India have increased steadily. They are a significant portion of foreign capital because FDI injects long-term sustainable capital into the economy and helps with benefits like technology transfer, the growth of strategic sectors, increased innovation, competition, and job creation. As a result, the Government of India seeks to accelerate economic growth and development by attracting and promoting FDI to supplement native capital, technology, and skills. FDI, as opposed to Foreign Portfolio Investment, implies creating a "lasting interest" in a company that is located in a different economy than the investor.

The government has established a framework for FDI policy that is clear, predictable, and simple to understand. The policy during the period 1950–80 was largely shaped by the struggle between the state and monopoly foreign interests, where the major TNCs were oil companies. The setting up of Free Trade Zones (FTZs) with a host of tax and other concessions failed to attract FDI. In 1969, the government defined three groups of industries for the purpose of foreign investment – FDI without technical collaboration, FDI with technical collaboration, and FDI with no foreign participation. After the announcement of the Industrial Policy Statement of 1973, the Foreign 182 RESERVE BANK OF INDIA OCCASIONAL PAPERS Exchange Regulation Act (FERA) came into force in 1974, which specified the detailed list of industries in which foreign firms could participate with or without FDI, with exemptions in tea plantations, and drugs and pharmaceuticals sectors. Thus, 1970–80 was considered a ‘FDI restrictive period’, as FERA acted as an instrument of control rather than provider of incentives. (RBI)

The government began liberalising FDI during 1980-91 with the Industrial Policy Statements of 1980 and 1982 followed by the Technology Policy Statement in 1983. This period also witnessed a considerable degree of trade liberalisation in terms of reductions in tariffs and the shifting of many import items from licensing to open general license (OGL) category. During the first half of the 1990s, FDI emerged, for

the first time, as a preferred route for mobilising financial resources over loans and other forms of financial channels. Foreign equity up to 51 per cent was permitted under the automatic approval route by the RBI in specified industries producing intermediate and capital goods. FDI was considered as an instrument to bring in foreign technology not available domestically and which subsequently replaced the phrase ‘indigenous’ by ‘sophisticated and high technology’. (RBI)

The Circular on Consolidated FDI Policy, which may be modified annually to reflect and stay up with the regulatory changes made throughout the interregnum, contains the framework described above. The Department of Economic Affairs (DEA), Ministry of Finance, Government of India, notifies Consolidated FDI Policy Circular/Press.

Notes/Press Releases as amendments to the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 under the Foreign Exchange Management Act, 1999 (42 of 1999) as the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce & Industry, Government of India makes policy pronouncements on FDI (FEMA).

Unless otherwise stated, these notices go into effect on the day when the press release or press note was released. The appropriate Notification under the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 will take precedence in the event of a dispute. The Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 published by the Reserve Bank of India set forth the inbound remittance payment and reporting requirements (RBI). The Consolidated FDI Policy Circular, Press Notes, Press Releases, Clarifications, etc., as well as FEMA and the Rules/Regulations thereunder make up the regulatory framework over time.

The FDI Policy as of October 15, 2020 is reflected in the current consolidation, which incorporates and supersedes all Press Notes, Press Releases, Clarifications, and Circulars issued by the DPIIT that were in effect as of that date. Accordingly, this Circular will go into effect on October 15, 2020, and it will stay in effect until it is completely or partially replaced by Consolidated FDI Policy 2020 Department for

Promotion of Industry and Internal Trade. Any mention of a law or piece of legislation in this circular includes any revisions, amendments, or re-enactments of that law or legislation.

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CHAPTER ONE: INTRODUCTION TO FDI

INTRODUCTION.

A foreign direct investment (FDI) is the purchase of a stake in a firm by a corporation or investor based outside of the country's boundaries.

In general, the word refers to a commercial decision to buy a significant stake in or buy a foreign company completely in order to expand its activities to a new territory. It's not commonly used to refer to a stock purchase in a foreign company. Companies considering a foreign direct investment usually look for firms in open economies that can provide a qualified workforce and above-average development prospects. Government regulation that isn't overbearing is also favoured. Foreign direct investment typically involves more than just capital. It could also entail providing management, technology, and equipment. (Adam Hayes, 'no dates')

One of the most important characteristics of foreign direct investment is that it gives the investor effective control over the foreign company, or at the very least significant influence over its decision-making. The COVID-19 epidemic caused a global drop in foreign direct investment in 2020, according to the United Nations Conference on Trade and Development. Global investment totalled $859 billion, down from $1.5 trillion the previous year. (UNCTAD) In addition, China surpassed the United States as the main source of total investment in 2020, attracting $163 billion vs $134 billion in the United States.

Foreign direct investment typically involves more than just capital. It could also entail providing management, technology, and equipment. One of the most important characteristics of foreign direct investment is that it gives the investor effective control over the foreign company, or at the very least significant influence over its decision-making. (Adam Hayes) Opening a subsidiary or associate firm in a foreign country, purchasing a controlling interest in an existing foreign company, or merging or forming a joint venture with a foreign company are all examples of foreign direct investments.

A minimum 10% ownership holding in a foreign-based company is required for a foreign direct investment to create a controlling interest, according to the Organization for Economic Co-operation and Development (OECD) criteria. (www.oecd.org).

Foreign direct investments in retail, services, logistics, and manufacturing may involve mergers, acquisitions, or partnerships. They denote an international expansion strategy for the company.

They may also face regulatory issues. Nvidia, a business based in the United States, has announced the acquisition of ARM, a chip designer based in the United Kingdom. The UK's competition watchdog stated in August 2020 that it will investigate whether the $40 billion acquisition would reduce competition in semiconductor-based industries. (Adam Hayes, 'no dates')

China's economy has been boosted by an injection of foreign direct investment (FDI) aimed at the country's high-tech manufacturing and service industries. Meanwhile, India's FDI restrictions have been liberalized, allowing 100% foreign direct investment in single-brand retail without government approval. The regulatory decision is said to make it easier for Apple to operate a physical store in India. Apple's iPhones were previously solely available through third-party physical and online retailers.

FDI can help to promote and maintain economic growth in both the receiving and investing countries. Developing countries have embraced FDI as a source of funding for new infrastructure and the creation of jobs for their own citizens. (Adam Hayes) Multinational corporations, on the other hand, gain from FDI as a means of expanding their reach into worldwide markets. However, one downside of FDI is that it entails many governments' regulation and control, resulting in a higher level of political risk.

FDI GLOBALLY

Global FDI flows increased by 3% in Q3 2021 compared to Q2 of the previous year. Global FDI flows have continued to exceed pre-pandemic levels, with levels 43 percent higher in the first nine months of 2021 than in the first nine months of 2019. The United States (USD 253 billion), China (USD 249 billion), and the United Kingdom (USD 52 billion). were the top receivers of FDI inflows in the first nine months of 2021. The United States (USD 332 billion), Japan (USD 124 billion), and the Netherlands were the top sources of FDI outflows globally (USD 90 billion). (OECD). Inflows of OECD FDI declined by 8% in Q3 2021 compared to Q2, owing to negative inflows in various European nations and a reduction in the United Kingdom from high levels in Q2. Nonetheless, OECD FDI inflows were 15% higher in the first nine months of 2021 than in the same period of 2019. In comparison to the previous quarter, OECD FDI outflows increased by 11% in Q3 2021. Overall, OECD countries continued to invest abroad: OECD FDI outflows were 81 percent greater in the first nine months of 2021 than in the same period of 2019. (OECD).

In Q3 2021, FDI inflow into non-OECD G20 economies increased by 18% compared to Q2. Non-OECD G20 economies had a 62 percent increase in FDI inflows in the first nine months of 2021 compared to the same period in 2019. In Q3 2021, FDI outflows from non-OECD G20 economies declined by 13% compared to Q2. Nonetheless, non-OECD G20 FDI outflows were 13% greater in the first nine months of 2021 than in the first nine months of 2019. (OECD).

In the first half of 2021, global Foreign Direct Investment (FDI) rose to USD 870 billion, surpassing pre-pandemic levels by 43% and more than doubling those of the second half of 2020. As a result of considerable growth in the great majority of OECD nations, FDI inflows surged to USD 421 billion in the OECD area, more than doubling H2 2020 levels. China received the most FDI globally, followed by the United States and the United Kingdom. (OECD).

GLOBAL PATTERNS AND TRENDS

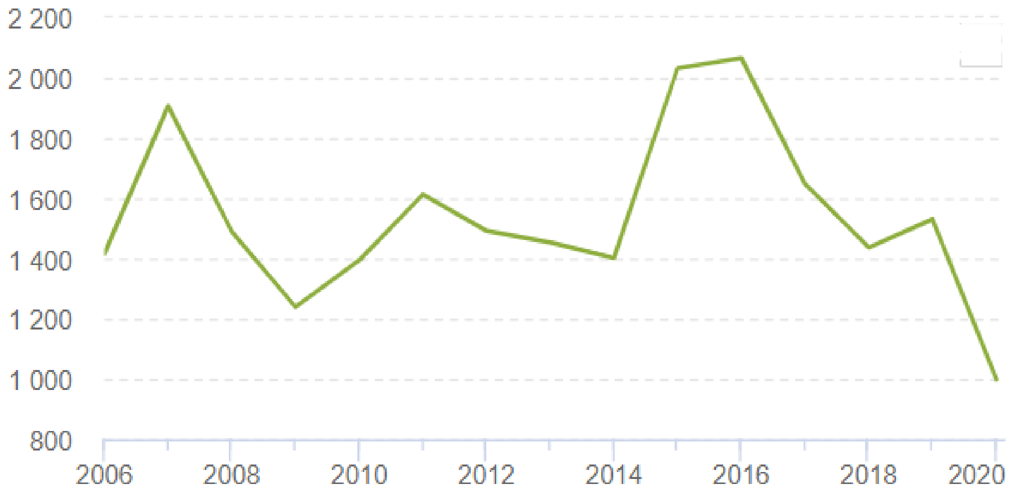

FIGURE 1 SOURCE: UNCTAD

(Billions of United States dollars)

World foreign direct investment inflows

FDI plummeted in 2020 as a result of the COVID-19 crisis as we can see in figure shown below. Global FDI flows fell by 35% in 2020, from US$1.5 trillion in 2019 to US$1.0 trillion in 2020. This is over 20% lower than the peak of the financial crisis in 2009.

Inflows and outflows by economic group

FDI from developed economies fell by 56% to US$354 billion in 2020, the lowest level since 1997 which can be figured in the below figure. Outflows from Europe (including big negative flows) decreased by 79% to $80 billion. The amount of money leaving developing countries declined by 7% to $386 billion. Developing Asia was the only region to have an increase in outflows, which increased by 6% to US$388 billion. Outflows of foreign direct investment (FDI) from Africa declined by 68 percent in 2020, to US$1.6 billion, from US$4.9 billion in 2019. Outflows from emerging America plummeted in 2020, resulting in a first-ever overall disinvestment (-US$3.5 billion). (UNCTAD).

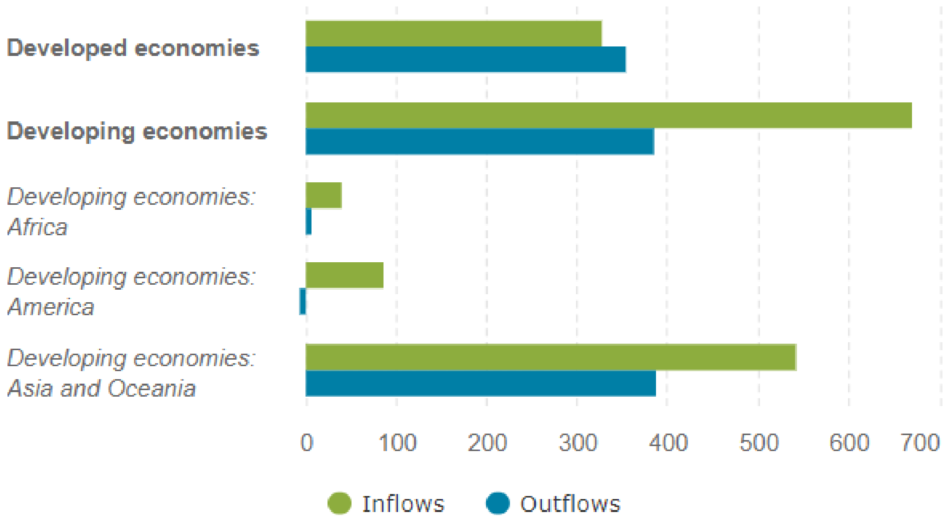

FIGURE 2 SOURCE: UNCTAD

Foreign direct investment's origins and destinations

In 2020, developed economies' proportion of global external FDI fell to a new low of 48%.

Europe contributed for 11%, North America for 19%, and developed Asia for 16% of the total which is being inferred from the figure given below.

On the receiver side, developing economies represented for 67 percent of global FDI inflows, up from 48 percent in 2019. This is due to strong flows in Asia. The only region that is growing is developing Asia, which accounts for 54% of global inward flows. Developing America makes up 9% of the total, while Africa makes up 4%. (UNCTAD).

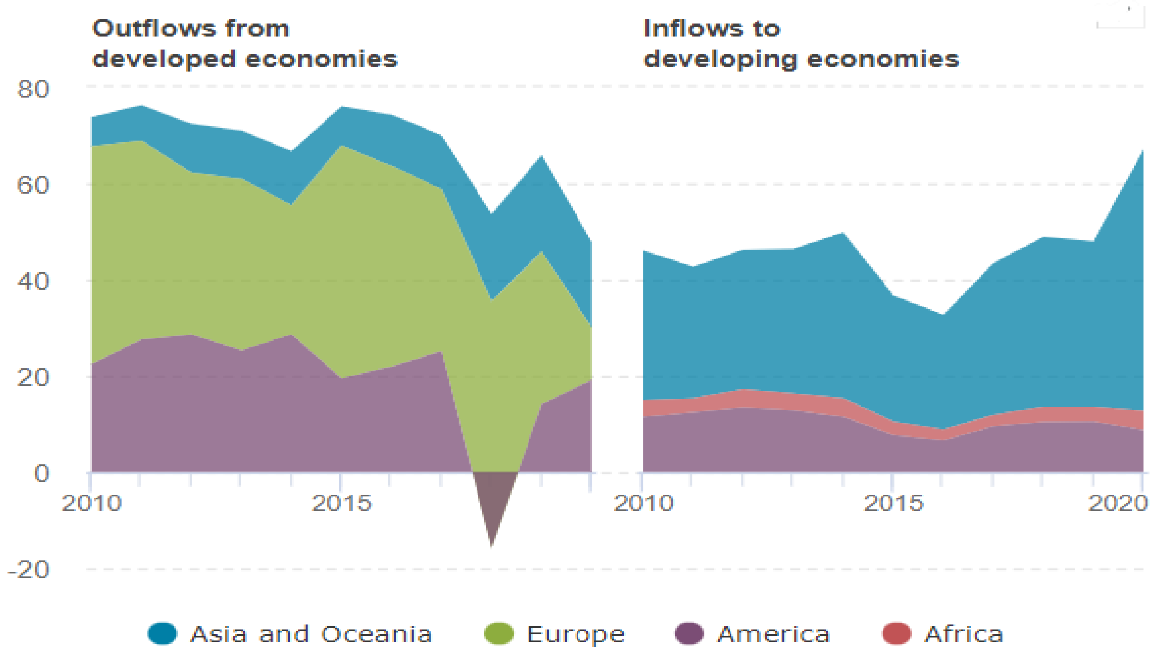

FIGURE 3 SOURCE: (UNCTAD)

During the period subsequent to dotcom burst, there has been an unprecedented rise in the cross-border flows and this exuberance was sustained until the occurrence of global financial crisis in the year 2008-09. Between 2003 and 2007, global FDI flows grew nearly four -fold and flows to EMEs during this period, grew by about three-fold. After reaching a peak of US$ 2.1 trillion in 2007, global FDI flows witnessed significant moderation over the next two years to touch US$ 1.1 trillion in 2009, following the global financial crisis. On the other hand, FDI flows to developing countries increased from US$ 565 billion in 2007 to US$ 630 billion in 2008 before moderating to US$ 478 billion in 2009. The decline in global FDI during 2009 was mainly attributed to subdued cross border merger and acquisition (M&A) activities and weaker return prospects for foreign affiliates, which adversely impacted equity investments as well as reinvested earnings. According to UNCTAD, decline in M&A activities occurred as the turmoil in stock markets obscured the price signals upon which M&As rely. There was a decline in the number of green field investment cases as well, particularly those related to business and financial services.

CHAPTER-2 FDI POLICY IN INDIA AND THE IDENTIFIED DETERMINANTS

Government FDI Policy in India and the Policy Change

FDI practices and policies in India have seen substantial changes over the past three decades, along with developmental Foreign and industrial policy. The early liberalization efforts began in 1980 with industrial policy statements in 1980, 1982 and 1983. Tariffs were significantly reduced, and many imports were moved to the open general license (OGL) category. When the economy entered a critical phase in the 1990s and required macroeconomic stability and structural reform, FDI became the most popular method of mobilizing financial resources. As a result, the Reserve Bank of India allowed FDI up to 51 percent equity in certain businesses under the automatic clearance process (RBI).

Furthermore, as noted by (Sharma and Khurana,2013), the Government of India established the FIPB (Foreign Investment Promotion Board) in accordance with the new foreign investment policy. Through the Prime Minister's Office's single window system, its primary purpose was to encourage and facilitate foreign investment. In order to secure foreign investments, India also joined MIGA (Multilateral Investment Guarantee Agency).

Evaluation of FDI inflows in India 2000-2018

Since the economy was opened in 1991, the investment climate in India has evolved and improved significantly, and more development has been made under it as of 2014. The easing of FDI regulations was crucial in increasing FDI in various economic areas. The Indian economy now ranks one internationally in the Greenfield FDI ranking and is a member of the Ease of Doing Business (EoDB) 100 club. In 2016–17, FDI into India reached a record high of $60,1 billion. (Singh,2019)

The government route and the automated route are the two entry points for multinational corporations under the present FDI regime. The administrative Ministry or department in question must give its approval before an investment can be made using the government route. The investor does not need the Government of India's consent before investing via the Automatic method. FDI is allowed up to 100 percent under both options.

India has developed into one of the most alluring rising markets worldwide. From April 2000 to June 2018, gross FDI received was about USD 563320 million. The country has benefited from this inflow of capital over the years through technological advancement, talent enhancement, job creation, improved infrastructure, and management (Teli 2014; Sharma and Khurana, 2013). Foreign businesses have contributed to the country's economic transformation by bringing in new investors and stimulating investment in creative industries. It has been noted that the Government of India (GOI), particularly starting in 2014, has been engaged in formulating policies to achieve structural transformation. (Singh,2019).

COVID 19 EFFECTS ON FDI IN INDIA

The COVID-19 pandemic has led to a world-wide unprecedented situation where demand has fallen and so has supply- a simultaneous demand slowdown and a supply shock. Governments have been forced to shut down economic activity, causing the financial sector effects to spill over to the real sectors, strengthening the backward loop. According to a report by UNCTAD, the world economy is likely to shrink by a staggering 4.3 percent in 2020. Though, the situation is expected to be worse for the developed economies, developing economies are also expected to be severely hit by the pandemic.

The fact that the pandemic originated in China may potentially have some effects on the FDI flows in this area. China had been one of the largest recipients of FDI (140 billion USD in 2019) before to the COVID pandemic, with the global inflows of capital going to China's manufacturing sector. However, many foreign investors and foreign businesses are leaving China as a result of the COVID-19 outbreak in China. In the first quarter of 2020, FDI into China decreased by 10.8% (year over year) to 31 billion USD. India is being hailed as the preferable location for investment, particularly in the manufacturing sector, as investors seek out opportunities in other Asian nations. FDI climbed by 2.8 billion USD in India during COVID-19, and by the conclusion of the following quarter in 2020, it is anticipated to reach a level of about 4 billion USD. However, the Micro, Small and Medium Enterprises (MSME's), which are the foundation of Indian industry, have been severely damaged by the lockdown in India in March 2020, with almost 25% of them closing down and more than 60% unable to pay employees due to a lack of finances. It is a dire scenario for Indian manufacturing, and significant policy changes are needed to reverse it. One such program is the "Make in India" project, which aims to improve the technology foundation of the industry and make it more appealing to foreign investment. Although COVID-19 has had an impact on the manufacturing sector, the pandemic is also projected to have a significant impact on the services industry and its subsectors, including lodging and dining, transportation, and storage. (Khanna, ’no dates’).

FDI outflows from India have been negatively impacted by COVID-19, with March to August FDI flows dropping by about 35% in 2020 from 2019. The pandemic had the greatest impact on the services sector, which has unmistakably emerged as the dominating sector. Outbound FDI flows fell by 73% in the services sector, and by 19% in the manufacturing sector. The pandemic had a significant impact on all sub-sectors of the services sector, with FDI outflows falling by 50% or more for each sub-industry. However, the primary sector saw a 35% increase in investments from ONGC Videsh Ltd. and Oil India Ltd. (Khanna, ‘no dates’)

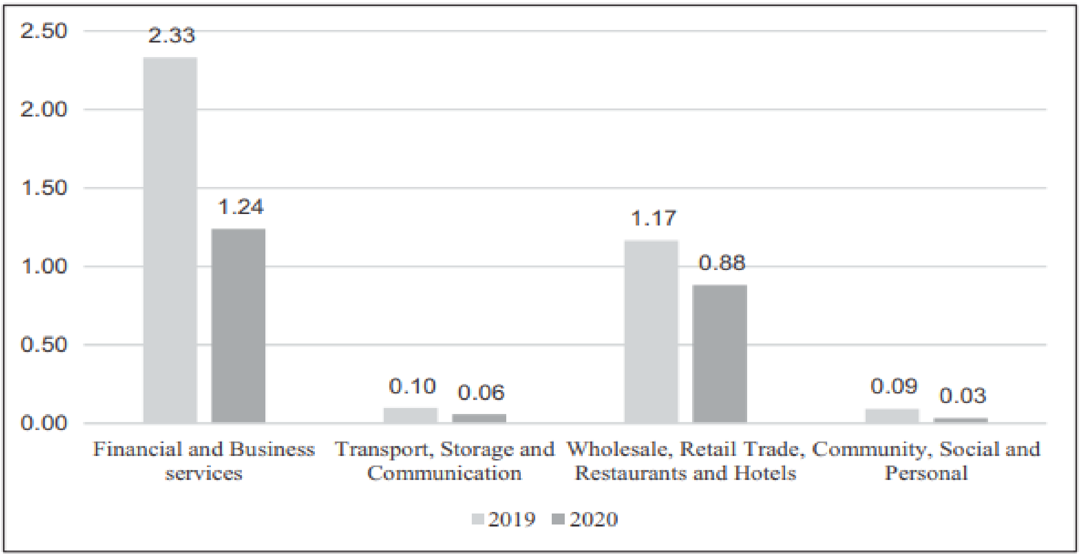

FIGURE 4 SOURCE: Pooja Khanna “Effects of COVID 19 on FDI”

Here, in the figure, we can compare the drop in USD in different industries in 2019 and 2020. The highest drop was in the Financial and the business services sector.

Determinants of FDI in India

- Gross Domestic Product

The total market value of all finished products and services produced inside a nation over a specific time period is known as the gross domestic product (GDP) or gross domestic income (GDI). It frequently has a positive relationship with the standard of living. The World Development Indicators (WDI) World Bank data source has been used to collect GDP. Have a positive relationship with FDI, but constant in the Indian case. As a result of structural transformation, the Government of India (GOI) has developed aggressive policies, particularly from 2014 on. (Pattayat,2016).

- Exchange Rate

The exchange rates also known as the foreign-exchange rate, forex rate or FX rate between two currencies specify how much one currency is worth in terms of the other. It is the value of a foreign nation's currency in terms of the home nation's currency. Expected to have a positive relationship with the exchange rate but is actually appearing to be constant over the period of time in India. (Pattayat,2016).

- Trade Openness

Trade is nothing more than the link between various nations fostered by the transformation of products and services provided from one nation to another. International trade, external trade, and inter-regional trade are other names for it. It is made up of imports, exports, and commerce. This is also expected to have a positive relationship with FDI and is constantly having a positive trend to the Indian FDI (Pattayat,2016).

IMPACT OF FDI POLICY DURING 2000-2018

Since the economy was opened to foreign investment in 1991, the investment climate in India has evolved and improved significantly. From 2014 onward, additional advancements were made under this system.

The increase in FDI across the economy was largely attributed to the easing of FDI regulations. The Indian economy now ranks one internationally in the Greenfield FDI rating and is a member of the top 100 countries for ease of doing business

(EoDB). The record amount of FDI into India in 2016–17 was $60,1 billion. Following the reforms of 1991, the country had a spectacular growth in FDI inflows, with a 52% increase in 2001–2002. The rise of FDI inflows from 2001-02 to 2000-04 was modest and erratic, falling to 18% and 14% in 2002-03 and 2003-04, respectively. (Singh,2009). The Gujarat earthquake in January 2001, the terrorist attack on the Indian Parliament in December 2001, and the terrorist attack on the World Trade Center (WTO) in September 2001 are only a few of the factors that contributed to the drop in FDI influx after 2001 (Singh, 2009). But from 2004–05 to 2006–07, 48 Journal of General Management Research, FDI inflows increased significantly, growing by a huge percentage.

According to (Singh2009), an extensive assessment of the FDI policies was conducted in 2006 using a more logical methodology. Restrictive criteria were lifted, the procedures were made simpler, and equity caps were increased to 100%. This had a favorable effect on the civil aviation industry. Economic Survey (2007–2008) noted that the government collaborated with the Federation of Indian Chambers of Commerce and Industry (FICCI) and Confederation of Indian Industry (CII) to host events like Destination India. In order to do this, the Foreign Investment Implementation Authority (FIIA) was put into effect for issues relating to foreign investment, and the National Manufacturing Competitiveness Council (NMCC) was established to provide a regular venue for policy deliberations. With the addition of an online chat feature, the Department of Industrial Policy & Promotion (DIPP) made an effort to make the website user-friendly. Regarding this, 4,500 questions about investments were responded to between 2007 and 2008. However, the financial instability brought on by the US subprime crisis in 2008 and the subsequent Euro crisis in 2012–2013 prevented the FDI investments from growing significantly during 2009–2013. Globally negative effects resulted from a drop in investors' confidence and the prospects for global growth. FDI inflows also decreased in India. Its only in 2014 that the revival signs started emerging for FDI with a positive growth in inflows. "The Modifications to the FDI Policy" 2017 demonstrates the toil and efforts of the removal of several bureaucratic layers by the Indian Government, and to process proposals for FDI with government authorization route in a more efficient, upbeat, and in a prompt manner. The Federal Government 87 FDI regulations were loosened in 21 sectors in the last 3 years of eroding conventional wisdom industries like defense and rail infrastructure. (Singh,2019).

CHAPTER THREE: DETERMINANTS OF FDI IN INDIA

INTRODUCTION

The amount of FDI from a source into a host nation is influenced and determined by a number of variables. According to (Lokesha and Leelavathy, 2012), the macro and micro environmental characteristics effect both the outcome and the financial flow. Determinants of FDI can also be categorized into policy framework, economics, and business facilitation, 1998 (UNCTAD). Types of factors identified in relation to various countries differ from one another (Wijeweera and Mounter, 2008). Additionally, according to (Asiedu, 2002), FDI factors vary even amongst different world regions. Understanding the factors that affect FDI is therefore crucial to gain a broad perspective and a snapshot of the variables influencing a flow in the host countries.

The theoretical construct of the FDI predictors evaluated in this empirical investigation is discussed below.

DETERMINANTS OF FDI

Real GDP growth rate: GDP and its growth rate are strong indicators of a country's economic situation. The pace of GDP growth is a fair indication of economic development. GDP is the single most important figure for measuring the impact of all economic activities in any economy. Other positive macroeconomic indicators, such as higher levels of employment, consumption, saving, and investment, are boosted by a higher growth rate. Business confidence will be high in such an environment, which will eventually lead to net investment, both local and foreign. Empirical studies on FDI (Shamsuddin, 1994; Resmini, 2001; Zhao, 2003; Janicki and Wunnava, 2004; Mateev, 2008; Vijayakumar et al., 2010) have found that GDP growth rate has a beneficial impact on FDI influx. (Nunnenkamp, 2002), on the other hand, finds no link between GDP growth and FDI.

The exchange rate: Rate of a currency in relation to other currencies is a major factor of capital flows across borders. It is also an important sign for Monetary policy, Price Stability and Growth.

A country's ability to command fewer products and services is limited. Contrary to popular belief, the purchasing power of each unit of foreign currency is decreasing due to a lowering exchange rate (depreciation). The value of the currency entering the country is higher. (Vijayakumar et al., 2010) define exchange rate as a proxy for an investing firm's purchasing power. As a result, foreign investors' ability to accumulate assets in the domestic economy appears to be promising. Indirectly, a low exchange rate can encourage more FDI. Domestic goods become cheaper in the international market when the exchange rate is low, and exports can thus be stimulated. As a result, more foreign investment will flow into the export-oriented units. For each unit of foreign currency brought in, foreign investors expect to receive more local currency in the host country. As a result, a depreciated domestic currency might attract more FDI to a country, and FDI is thus inversely related to the exchange rate. (Zhao, 2003; Resmini, 2001). According to (Goldberg, 2006), the increase in FDI inflow owing to currency depreciation can be attributed to a decrease in the host country's cost of production in comparison to its overseas peers. Nonetheless, a drop in the currency rate is unfavourable in the long run and will harm international economic links.

Foreign Exchange reserve: The amount of foreign exchange reserves held by a country is a good indicator of its claim on foreign economies. It improves a country's bargaining power, strengthens good economic partnerships, and promotes international trade. Investors who are frightened by war or internal upheaval may try to relocate their money elsewhere. Having foreign exchange reserves can reassure investors and give off a sense of assurance. (World Economic Forum). Because the potential country is an international creditor, the FOREX reserves boost foreign investor trust. As a result, FOREX reserves have a beneficial impact on FDI.

Exports and Imports: The value composition and direction of exports reveal not only a country's foreign trade pattern, but also its standing and place in international economic transactions. Export growth that is consistent is a boost to corporate confidence. MNEs' desire to invest in export-oriented units has been widely recognized. In India, foreign direct investment (FDI) in fundamental engineering, autos, pharmaceuticals, and information technology (IT) is constantly increasing. India's change from a primary sector exporter to an industrial and service exporter is remarkable, but it appears to be sustainable. The country's contribution to global IT and IT-enabled services export is significant and inspiring. As a result, increased exports may result in FDI inflows. The impact of FDI on international trade growth has also been thoroughly documented (Zhao, 2003; Vijayakumar, et al., 2010). Import volume also has a significant impact on FDI influx (Bevan and Estrin, 2000). Though a liberal import policy is helpful in ensuring the smooth import of capital equipment, raw materials, and other imports, a strong reliance on imports will choke domestic business confidence. Growing imports, on the other hand, are a sign of more permissive import rules, which could lead to greater FDI in supply chain industries. MNEs' emphasis on export-oriented manufacturing involves the acquisition of complementary, intermediate, and capital products (Vijayakumar, et al., 2010). There will be no problem if the domestic market grows sufficiently to acquire both domestically produced and imported goods. The country's demographic size, along with a steady increase in disposable personal income, support the country's increasing consumer demand. Though increased imports are bad for the local economy, they are a good sign for FDI inflows, which can take advantage of rising purchasing power and MNE competitive advantages. In the long run, however, it is not a good indicator.

Trade balance: The trade balance, or the difference between exports and imports, is what matters. Positive net exports, as a measure of a favorable international trade position, confirm the current state of international liquidity. The superiority of products and services generated in an economy is demonstrated by a constant rise in exports in value terms in comparison to imports. Foreign investors are clamouring to get a piece of the ever-growing export sector. According to (Banga and Goldar,2007), locations that are more involved in international trade are able to attract more FDI.

India has had a chronically unfavorable trade balance, with imports consistently surpassing exports.

Stock market Index: The stock market index is a gauge for a country's business optimism pattern. Because of considerable corporate confidence, the rise in the stock market index is a barometer of MEC. The stock market index has been steadily rising, indicating that prospective investors, both within and outside the country, are becoming more confident in investing in the stock market. This index is extremely volatile and susceptible to a wide range of macroeconomic factors. According to (Henry, 2000), stock market liberalization boosts stock prices, which leads to an increase in investment, particularly by cash seeking foreign capital. Because stocks indicate ownership of a firm's capital, stock market movements reflect worldwide investment integration (Thompson, 2006), which allows rising asset-stake in Ghana's evidence is highlighted.

Emerging nations.-According to (Adam and Tweneboah, 2009), stock market indexes are important in luring FDI inflows.

Industrial Production index: The Central Statistical Organization (CSO) compiles the Industrial Production Index (IPI) on a monthly basis and includes data on 209 8 items divided into five categories: capital goods, basic goods, intermediate goods, consumer durables, and consumer non-durables. The nature and scale of general industrial production are depicted by the industrial index. A satisfactory degree of industrial performance is required to establish the necessary backward and forward economic linkages to propel economic activity. Vijayakumar et al. found that IPI had a positive impact on FDI influx (2010). (Mehta, 2009) verifies the long- run link between FDI and IPI by finding that a 1% increase in IPI is accompanied by a 3.06 percent increase in FDI inflows.

Openness of the Economy: This is a metric for determining how intense international economic relations are. In terms of value, a thriving foreign commerce is a solid indicator of an economy's expanding international position. It is calculated as the sum of exports and imports as a percentage of GDP and has a positive impact on foreign direct investment.

Restriction on FDI and trade barriers are examples of economic openness (Mateev

2008). Since the early 1990s, when economic restructuring measures were introduced, India has been gradually opening up its economy in order to establish an endless foreign investment climate in the country. However, when it comes to using proxies to measure openness, the researchers are split. One group (Sahoo, 2006; Mateev, 2008) uses the ratio of export plus import to

GDP as a proxy for openness, whereas the other group (Bevan and Estrin, 2000; Janicki and Wunnava, 2004) prefers the ratio of imports to GDP. The current research looked at both exports and imports as a percentage of GDP. (Thompson, 2006) discovery of a link between openness and FDI influx confirms the former's role as a predictor of capital inflow, as all capital earnings are repatriated to the originating country. Through consistent FDI inflows, the economy's openness leads to export-led growth (Carbaugh, 2008). (Dawson, 2006) investigates how trade openness contributes to FDI inflows by increasing productivity, export capability, and performance as a result of the liberalized trade environment. Foreign capital will be attracted by liberal regulations on foreign ownership, profit repatriation, and hassle-free business closure, as well as political and economic stability (Janicki and Wunnava, 2004).

Rate of Inflation: The rate of inflation is yet another major macroeconomic element that has a significant impact on FDI. It refers to the rate at which the general price level rises over time. Mild inflation is regarded as a necessary tonic for industry and the economy, according to economic literature. A higher degree of inflation is not a good sign of long-term development. A manageable level of inflation, on the other hand, is a helpful indicator for investors in two respects. To begin with, the profit share rises in tandem with inflation. Second, because they are borrowers, businessmen must repay less in terms of value during inflation. The fluctuation of the wholesale pricing index is a signal of a potential business opportunity. A rise in the price index is a sign of a promising business climate. The business community has historically benefited from inflationary spirals. When inflation strikes, on the other hand, the cost of manufacturing rises, lowering the profit margin and making investment unattractive. As a result, the relationship between inflation and FDI influx is not always consistent. Although studies may not provide conclusive links, high inflation and low FDI inflows have been reported, as have low inflation and large FDI inflows (Shamsuddin, 1994; Vijayakumar, et al., 2010). Inflation erodes the purchasing power of earnings before they are converted into consumption, according to an empirical study (Sayak, 2009). As a result, the net effect of inflation diminishes as inflation rises, resulting in a direct negative effect of inflation on FDI inflows.

Market Size: Many studies have shown that the size of the host country's market is a key determinant of attracting FDI (Agarwal, 1980; Shamsuddin 1994; Bevan and Estrin, 2000; Chopra, 2003; Pillai and Rao, 2013, Sahoo, 2006; Vijayakumar, et al., 2010). Market size, according to a logical theoretical construct, has a favorable impact on FDI influx. Studies (Agarwal, 1980; Bevan and Estrin, 2000; Sahoo, 2006; UNCTAD, 2006) have revealed that host country market size is the most common explanation for a country's proclivity to attract FDI, particularly when FDI flows to developing countries are taken into account. Empirical research (Wei & Liu, 2001; Zhang, 2002) show that FDI inflows are higher when the country's market size is larger.

Business Confidence Index: It assesses how optimistic businesspeople are about the economy's performance and how they feel about their own companies 'prospects. It gives a helpful indicator of the economy's current state. Inward FDI has a substantial positive impact with higher Business Confidence Index.

The macroeconomic outlook of the Indian economy, based on various business expectations surveys are calculated by Reserve Bank of India. Survey is done considering the parameters like overall business situation, financial situation, working capital finance requirement, availability of finance, order books, production etc. (RBI)

The FDI growth trajectory in India confirms the possibility for promising development in the future. The study found that the 'transnational' attribute, which includes import, export, trade balance, and FOREX reserve, is the most important factor influencing FDI influx to India. 'Stability, confidence, and institutional' are the other elements that were extracted. The variables assigned to all four factors have excellent correlations within the group, indicating perfect consistency of business confidence index and Inward FDI.

The exponential growth of FDI in India was clearly aided by qualitative shifts in policy orientations. The country must gradually liberalize its policy measures, incorporating a mix of user-friendly principles without jeopardizing the country's basic regulatory framework.

According to Business Expectation surveys and the attributes considered during the survey, liberalization policy positively impacts the attributes and a hence higher business confidence index and inward FDI.

According to (Cappelli et al., 2010), widespread business concerns about the potential takeover of the country by invading multinational corporations during the pre- and early eras have now been proven to be unjustified fears. Not only did the Indian economy welcome the new regime, but it was also able to profit from the demanding and resourceful competitive environment infused by resource-rich and knowledge-based MNEs.

Ahead of the traditional numbers of macroeconomic factors, international investors spend a significant amount of time investigating the fundamentals that underpin them, allowing them to predict future development with pinpoint accuracy.

The assessment on India's business friendliness emphasizes the need for tangible measures to improve the country's investment and business climate. The way traditional number of Macro economic factors are different from Economic Fundamentals is that the foreseen political situation in the country, the political stability, corruption have to be addressed which might not be explained alone with the Macroeconomic Indicators. Foreign investors are more interested in the facts of the host country than in the numbers of macroeconomic indicators.

In this sense, the country must place a laser-like focus on governance quality. The spread of contagious defects caused by corruption should be minimized. If a country wants to benefit from FDI, it must constantly alter its economic and political agenda to meet the needs of the market.

By removing barriers, prudent policy frameworks have been implemented to foster an investment climate in the country. The Government of India is working to expand the scope of FDI. Widespread worries have already been expressed regarding the detrimental consequences for small and medium-sized businesses in the country, as such a policy is said to go against the so-called "inclusive growth" tagline. Instead of struggling with short-term solutions, India should develop a futuristic and ethical policy regime to remain a sustainable FDI destination.

According to the World Investment Report (UNCTAD, 2008), the country's approach is single- minded, focused on income maximization rather than technological and performance parameters when selecting business partners. As UNCTAD (2005) points out, consistent policies and institutions make a difference.

The investment climate in India has altered dramatically since the country's economy opened in 1991, with the country experiencing significant changes from 2014 forward. FDI regulations have been relaxed, which has helped to increase cash inflows into the country's diverse sectors. India received a record $60.1 billion in foreign direct investment in 2016-17. Multinational firms can join India through two routes: the government route and the automated way, according to the present FDI system.

For an investment through the government channel, permission from the relevant authority is required, however foreign businesses could readily invest through the latter route without any laws. In terms of economics, the reformation has had a significant impact on the country, with foreign direct investment (FDI) becoming the largest source of capital.

Simplified procedures, a 100% increase in equity capital, and limits were removed. The country's civil aviation sector has seen an increase in investment, and India has seen a substantial inflow of international cash. However, the subprime mortgage crisis in the United States in 2008 and the Euro crisis in 2012-13 had an impact on FDI in India from 2009 to 2013. The government's efforts to reduce bureaucracy and improve foreign alliances have helped to increase FDI inflows since 2014.

CHAPTER FOUR: TRENDS OF FDI INFLOWS

Since the economy was opened to foreign investment in 1991, the investment climate in India has significantly improved. This is primarily attributable to India's lax FDI regulations. India now ranks among the top 100 nations for ease of doing business (EoDB).

India was $45.15 billion in 2014–1 which is shown in the below figure and have been rising steadily ever since. Additionally, total FDI inflow climbed by 65.3%, from $266.21 billion in 2007–14 to $440.01 billion in 2014–21, and FDI equity inflow rose by 68.6%, from $185.03 billion in 2007–14 to $312.05 billion in 2014–21. (2014-21). The first four months of FY have seen a total FDI influx of $27.37 billion to India. 2021–22, which is 62% more expensive than the same time in FY. 2020-21 ($ 16.92 bn). With an increase of $84,835 mn over the previous year's FDI inflows, India received the highest annual FDI inflows in FY 21-22. Additionally, FDI equity inflow totalled $ 59,825 mn in FY2021–22. When compared to the prior FY 2020-21 ($12.09 bn), FDI equity inflow in manufacturing sectors surged by 76% in FY 2021-22 ($21.34 bn). The country has received $847 billion in FDI over the course of the last 22 years (April 2000 to March 2022), however the amount received in the last 8 years (April 2014 to March 2022) represents over 40% of that amount.

FDI inflow to India was only $ 45.15 billion in FY 2014–15 which we can see in the table just below; this figure rose to $ 60.22 billion in FY 2016–17; and finally, to the largest annual FDI inflow ever reported during the FY 2021– 22, which was $ 83.57 billion. In terms of FDI equity inflows into India during the fiscal years 2021–22, Singapore (27.01%), the USA (17.94%), Mauritius (15.98%), the Netherlands (7.86%), and Switzerland (7.31%) emerge as the top 5 nations.

Computer Software & Hardware (24.60%), Services Sector (Fin., Banking, Insurance, Non- Fin/Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other) (12.13%), Automobile Industry (11.89%), Trading 7.72%, and Construction (Infrastructure) Activities (5.52%) are the top 5 sectors receiving the highest FDI Equity Inflow during FY 2021–22.

Karnataka (37.55%), Maharashtra (26.26%), Delhi (13.93%), Tamil Nadu (5.10%), and Haryana (4.76%) are the top 5 States receiving the most FDI equity inflow during FY 2021– 2022. (Invest India gov of India)

(Amount in USD Million)

S. NO.	Financial Year (April - March)	FOREIGN DIRECT INVESTMENT (FDI)						Investment by FII's Foreign Institutional investoINR Fund (net)
		Equity		Re-invested earnings +	Other capital +	FDI INFLOW INTO INDIA		
		FIPB Route/ RBI's Automatic Route/ Acquisition Route	Equity capital of unincorporated bodies #			Total FDI inlow	%age growth over previous year (in USD terms)	
FINANCIAL YEAR 2000-01 TO 2021-22								
1	2000-01	2,339	61	1,350	279	**4,029**	-	1,847
2	2001-02	3,904	191	1,645	390	**6,130**	**(+) 52 %**	1,505
3	2002-03	2,574	190	1,833	438	**5,035**	**(-) 18 %**	377
4	2003-04	2,197	32	1,460	633	**4,322**	**(-) 14 %**	10,918
5	2004-05	3,250	528	1,904	369	**6,051**	**(+) 40 %**	8,686
6	2005-06	5,540	435	2,760	226	**8,961**	**(+) 48 %**	9,926
7	2006-07	15,585	896	5,828	517	**22,826**	**(+) 155 %**	3,225
8	2007-08	24,573	2,291	7,679	300	**34,843**	**(+) 53 %**	20,328
9	2008-09	31,364	702	9,030	777	**41,873**	**(+) 20 %**	-15,017
10	2009-10	25,606	1,540	8,668	1,931	**37,745**	**(-) 10 %**	29,048
11	2010-11	21,376	874	11,939	658	**34,847**	**(-) 08 %**	29,422
12	2011-12	34,833	1,022	8,206	2,495	**46,556**	**(+) 34 %**	16,812
13	2012-13	21,825	1,059	9,880	1,534	**34,298**	**(-) 26%**	27,582
14	2013-14	24,299	975	8,978	1,794	**36,046**	**(+) 5%**	5,009
15	2014-15	30,933	978	9,988	3,249	**45,148**	**(+) 25%**	40,923
16	2015-16	40,001	1,111	10,413	4,034	**55,559**	**(+) 23%**	-4,016
17	2016-17	43,478	1,223	12,343	3,176	**60,220**	**(+) 8%**	7,735
18	2017-18	44,857	664	12,542	2,911	**60,974**	**(+) 1%**	22,165
19	2018-19	44,366	689	13,672	3,274	**62,001**	**(+) 2%**	-2,225
20	2019-20	49,977	1,757	14,175	8,482	**74,391**	**(+) 20%**	552
21	2020-21 (P)	59,636	1,452	16,935	3,950	**81,973**	**(+) 10%**	38,725
22	2021-22 (P)	**58,773**	**1,052**	**18,647**	**5,100**	83,572	(+) 2%	**-14,541**
CUMULATIVE TOTAL (from April, 2000 to March, 2022)		**591,286**	**19,722**	**189,875**	**46,517**	**847,400**	-	**238,986**

TABLE 1 SOURCE: Invest India gov of India

INTRODUCTION

India receives USD 83.57 billion in FDI annually, (FY 2021-2022) (PIB-GOV-INDIAN MINISTRY OF COMMERCE AND INDUSTRY) which is the biggest amount ever which is visible in the Table shown above. India is quickly becoming a top investment destination; FDI inflows have multiplied 20-fold during the past 20 years. Manufacturing FDI equity inflows increase by 76% in FY 2021–2022. Post- Covid, FDI inflows increased by 23%. The top state in India for FDI equity inflows is Karnataka. Leading FDI equity inflows were from Singapore (27%) and the United States (18%). With a stake of over 25%, the computer software and hardware industry top the list of industries receiving FDI equity inflow.

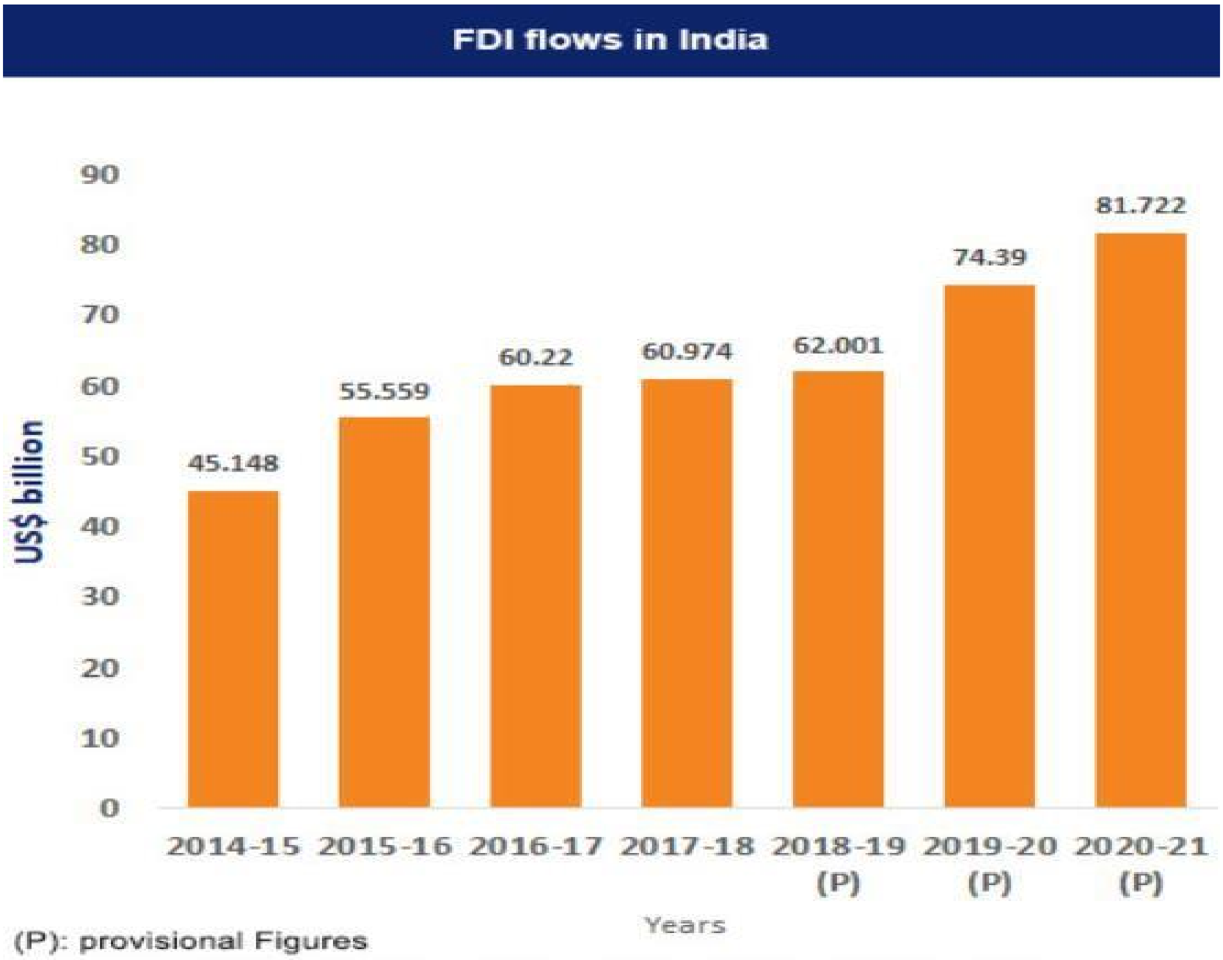

FIGURE 5 SOURCE: IBEF-INDIA BRAND EQUITY FOUNDATION

COMPARISONS

The Financial Year 2021–2022 had the biggest yearly FDI inflow of USD 83.57 billion to India. In comparison to the greatest annual FDI inflow ever reported during the financial year 2021–22, which exceeded last year's FDI by USD 1.60 billion.

It should be noted that FDI inflow reported prior to Covid (February 2018 to February 2020: USD 141.10 billion) has increased by 23% post-Covid (March 2020 to March 2022: USD 171.84 billion).

From the figure below, we can infer the FY 2021–22, "Singapore" is at the top of the list of top investor countries for FDI Equity inflow, followed by the United States (24%) and Mauritius (16%). With over a 25% stake, "Computer Software & Hardware" has emerged as the leading recipient sector of FDI Equity inflow for FY 2021–2022, followed by the services sector (12%) and the automobile industry (12%). (INVESTINDIA)

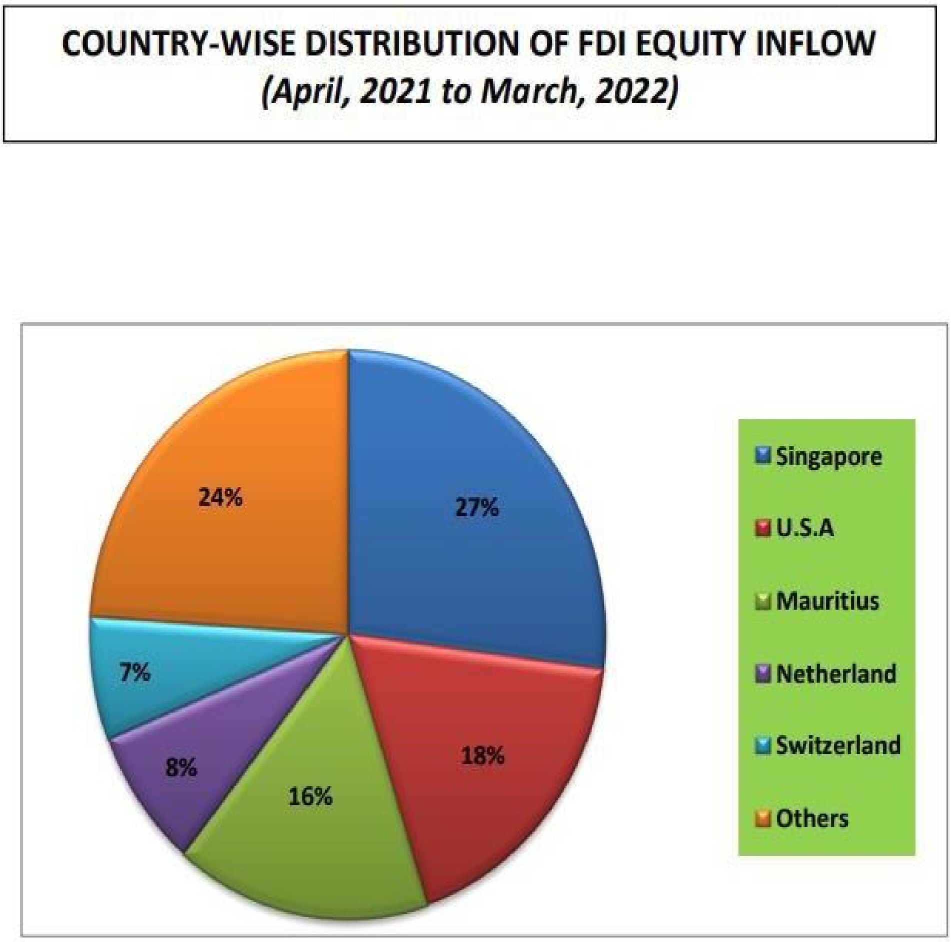

FIGURE 6 SOURCE: RBI_DOCS

In the figure below, we can see Karnataka (53%), Delhi (17%), and Maharashtra (17%) are the biggest recipient states of FDI Equity inflow under the sector "Computer Software & Hardware" for FY 2021–2022. With a 38% share of the overall FDI equity inflow reported during the FY 2021–22.

STATE-WISE DISTRIBUTION OF FDI EQUITY INFLOW
(April, 2021 to March, 2022)

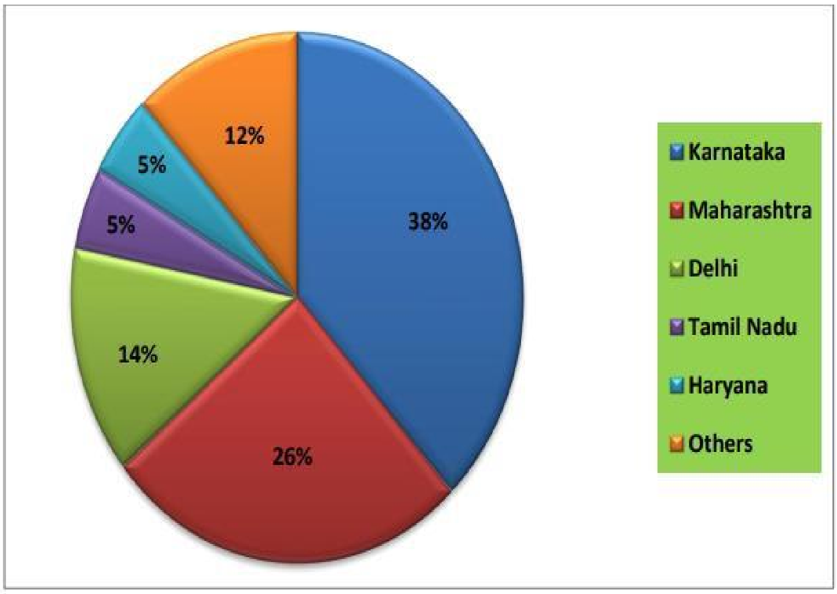

FIGURE 7 SOURCE: RBI_DOCS

SECTOR-WISE DISTRIBUTION OF FDI EQUITY INFLOW
(April, 2021 to March, 2022)

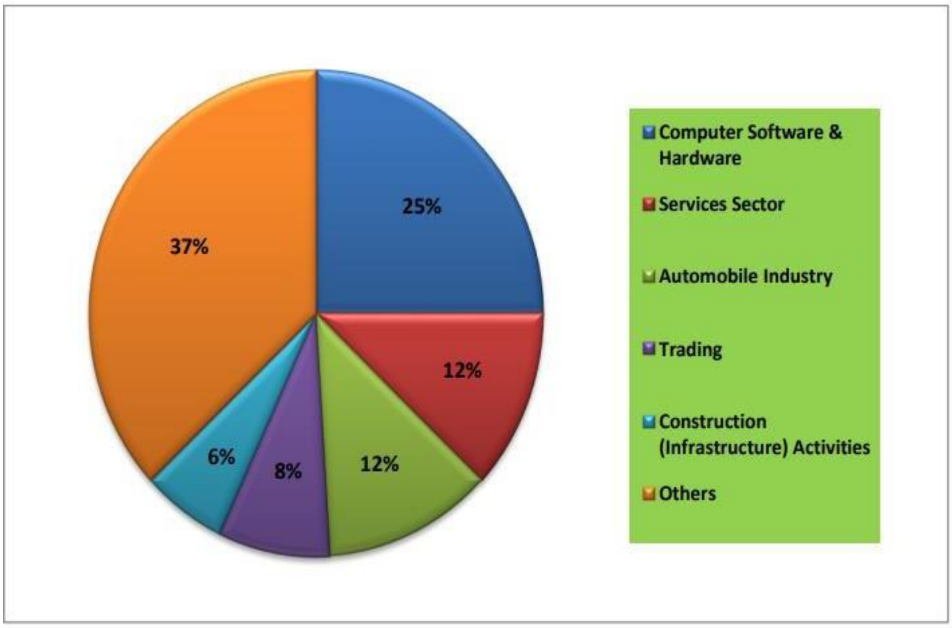

FIGURE 8 SOURCE: RBI_DOCS

In the figure above, we can see that the Computer Software and Hardware the leading industry regarding FDI which shares 25% the total FDI, followed by the Services Sector (12%), Automobile Industry (12%), Trading (8%), Construction Activities (6%).

The government's initiatives over the past eight years have paid off, as seen by the country's record-breaking levels of FDI inflow that have been rising steadily. To keep India a desirable and welcoming place for investors, the government regularly analyses the FDI policy and occasionally makes significant adjustments. Most industries are now available to FDI via the automatic route thanks to the government's liberal and open FDI policy. Reforms have recently been implemented in a variety of industries, including coal mining, contract manufacturing, digital media, single-brand retail trading, civil aviation, defence, insurance, and telecom, to further liberalize and streamline FDI policy in order to facilitate doing business and draw investments.

GOVERNMENT POLICIES TOWARDS FDI

INTRODUCTION

In addition to being a large non-debt financial resource for India's economic development, Foreign Direct Investment (FDI) is potentially a key factor in economic growth. Foreign businesses invest in India to take advantage of the nation's unique investment advantages, such as tax reductions and relatively lower wages. Along with other advantages, this helps India advance its technological know-how and create jobs. Due to the government's benevolent policy environment, thriving business climate, increasing global competitiveness, and economic influence, these investments have been flowing into India. (IBEF-)

FDI laws have lately been loosened in a number of industries, PSUs, oil refineries, communications, and defense, among other initiatives undertaken by the government. During 2020–21, India received record amounts of FDI. The overall amount of FDI inflows was US$ 81,973 million, an increase of 10% over the prior fiscal year. India moved up one spot to eighth place among the world's top FDI receivers in 2020, according to the World Investment Report 2022, from ninth place in 2019. Multinational corporations (MNCs) have explored strategic partnerships with leading local business groups with the aid of substantial deals in the technology and health sectors, driving an increase in cross-border M&A of 83% to US$ 27 billion. (IBEF)

MARKET SIZE

From 2000-01 to 2021-22, India's FDI inflows have surged 20 times. The Department for Promotion of Industry and Internal Trade (DPIIT) estimates that between April 2000 and March 2022, India received US$ 847.40 billion in cumulative FDI, mostly as a result of the government's initiatives to make doing business easier and relax FDI regulations. Between January and March 2022, FDI into India totaled US$ 22.03 billion, while FDI equity inflow for the same time period was US$ 15.59 billion. (IBEF).

The greatest FDI equity inflow of US$14.46 billion from April 2021 to March 2022 went to India's computer software and hardware sector, which was followed by the

automotive sector ($6.99 billion), trading ($4.53 billion), and construction activities ($3.37 billion). With US$
15.87 billion, Singapore was the second-largest source of FDI behind the US (US$ 10.54 billion), Mauritius (US$ 9.39 billion), and the Netherlands (US$ 4.62 billion). Karnataka, with US$ 22.07 billion in FDI, received the most during this time period, followed by Maharashtra, US$ 15.43 billion, Delhi, US$ 8.18 billion, Gujarat, US$ 2.70 billion, and Haryana, US$ 2.79 billion. (IBEF)

INVESTMENTS AND DEVELOPMENTS

Due to a number of variables that have increased FDI, India has recently been a popular location. The economy of India, which came in at number 68 on the Global Competitive Index, fared quite well during the pandemic. Additionally, among the top 50 nations, India was ranked as the 48th most innovative nation (IBEF). These elements have increased FDI inflows to India. The following are a few of the most recent investments:

India got FDI investments totaling Rs. 494 crore (US$ 61.91 million) in May 2022 for the manufacturing of defence. For a total of Rs. 1,252.96 crore (US$ 161.92 million), Italian financial services giant Generali completed the purchase of a 25% share in Future Generali India Insurance from Future Enterprises in May 2022.

A group of investors, including Somerset Indus Capital Partners, Morgan Stanley through its funding arm Grand Vista, Evolvence, and Wipro GE, invested Rs. 135 crore (US$ 17.44 million) in GenWorks Health in May 2022. During a funding round led by Tiger Global and Sequoia Capital India in May 2022, Toplyne, a Software-as-a-Service (SaaS) start-up, raised US$ 15 million. Zepto, a platform for 10-minute grocery delivery owned by Kiranakart Technologies Pvt. Ltd., raised US$ 200 million in a Series D fundraising round spearheaded by Y Combinator's Continuity Fund in May 2022, valuing the company at US$ 900 million. A thematic cryptocurrency investment start-up named KoinBasket raised $2 million in a pre-seed funding round in May 2022. Amansa Capital, Jungle Ventures, and Nexus Venture Partners led a Series E fundraising round in which US$ 120 million was raised by Invictus Insurance Broking Services Pvt. Ltd., the company that operates the insurtech platform

Turtlemint Insurance Services Pvt. Ltd. Woodenstreet.com, an online retailer of furniture and home goods based in Jaipur, raised over $30 million in a Series B fundraising round that was spearheaded by WestBridge Capital in May 2022.

A Series B fundraising round headed by Tiger Global and Info Edge Ventures in May 2022 saw US$ 28 million invested in the B2B international technology platform Geniemode.

Google announced a $1 billion investment in Indian telecom Bharti Airtel in January 2022. This investment consists of an equity investment of US$ 700 million for a 1.28% stake in the company and an unspecified future investment of US$ 300 million in areas like smartphone access, networks, and the cloud.

India got R&D investments worth Rs. 343.64 million (US$ 4.35 million) in 2021, a 516% increase from the year before.

As an anchor investor, the Pension Fund Investment Board of Canada contributed Rs. 1,200 crore ($160.49 million) to the initial public offerings of One97 Communications (Paytm), Zomato, FSN E-Commerce Ventures (Nykaa), and PB Fintech. For the first half of FY2021-22, FDI in India's renewable energy sector was US$1.03 billion.

GOVERNMENT INITIATIVES

Due to favorable government policies, India has recently become a desirable location for FDI. India has created a number of programs and policies that have aided in increasing FDI. These programs have stimulated FDI investment in India, particularly in emerging industries like defence manufacture, real estate, and research and development. Major government programs include:

The Indian government expanded FDI by expanding it to 74% via the automatic route and 100% via the government route in the defence sector.

The Foreign Exchange Management Act (FEMA) has been revised by the government to permit up to 20% FDI in insurance business LIC via the automatic route.

The administration is thinking about relaxing regulations on some FDIs from nations that border India.

FDI inflows are anticipated to increase in 2022 as a result of the implementation of policies such PM Gati Shakti, single window clearance, and GIS-mapped land banks. The Space Activity Bill is expected to be introduced by the government in 2022 in at least three different forms. The purpose of this law is to define FDI in the Indian space industry in precise terms.

India and the UK decided to expand investment in September 2021 in order to fortify their bilateral connections and create an "enhanced trade cooperation."

The Union Cabinet declared in September 2021 that it will now permit 100% FDI via the automated method, up from the previous 49%, in order to promote the telecom sector.

To permit the 74% increase in FDI quota in the insurance sector, the government modified the Foreign Exchange Management (non-debt instruments) Rules, 2019, in August 2021.

ROAD AHEAD

India has recently emerged as a significant FDI worldwide hub. India was one of the top three international destinations for FDI, and nearly 80% of the global respondents planned to make investments there. Additionally, India has recently lowered company taxes dramatically and streamlined its labour rules. The nation has also loosened its FDI limitations, which have gone from 0.42 to 0.21 over the past 16 years. In terms of both short- and long-term possibilities, India has continued to be a desirable market for foreign investment. One of the FDI sectors with the most promise is low-skill manufacturing in India. (IBEF)

India has also improved its government's effectiveness. Its improvements in public sector efficiency are mostly attributable to reasonably stable state finances (despite difficulties brought on by COVID) and a positive attitude among Indian business stakeholders toward the funding and subsidies provided by the government to private companies. By 2025, India might be able to draw in FDI worth US$120–160 billion annually thanks to all of these factors. (IBEF)

CHAPTER FIVE: FDI ENTRY ROUTES TO INDIA

FDI POLICY FRAMEWORK

One of the main elements influencing investment flows into a country is the policy regime. Apart from the underlying macroeconomic fundamentals, a country's capacity to draw in foreign investment mostly rests on its policy framework, namely whether it encourages or restricts the flows of foreign capital. This section examines the basis for India's FDI policy and contrasts it with the policies of a few selected EMEs.

Since the beginning of the 1990s, when it started structural economic reforms affecting practically all the sectors of the economy, India's stance to foreign investment has undergone a sea change. (RBI)

PRE-LIBERALISATION PERIOD

Given the predominance of the "import-substitution model" of industrialization, India historically had adopted a very careful and selective approach while establishing FDI policy. In order to achieve the goal of becoming "self-reliant," there was a dual nature to the policy intention: FDI through foreign collaboration was welcomed in areas of high technology and high priorities to develop national capability and discouraged in low technology areas to safeguard and support domestic industries. The Foreign Exchange Regulation Act (FERA), which was passed in 1973 and only permitted a maximum of 40% foreign equity ownership in joint ventures, helped to consolidate the legal environment. The government created special economic zones (SEZs) and developed liberal policies, building on the experiences of other Asian nations. (RBI), and offered incentives for FDI promotion in these zones with a view to encouraging exports, relying on the successes of other Asian countries' experiences. These steps did not significantly increase export competitiveness since India remained to be very protectionist. In the 1980s, the trade and investment policy was somewhat liberalized in response to these constraints with the aim of boosting export competitiveness, modernization, and marketing of exports through transnational corporations (TNCs). In terms of shifts in policy directions, the Industrial Policy (1980 and 1982) and Technology Policy

(1983) announcements allowed for a tolerant stance toward foreign investments. (RBI)

The program focused on modernizing industries through liberalized imports of capital goods and technology, while also de-licensing some industrial regulations and promoting Indian manufacturing exports. Trade liberalization initiatives, such as lower tariffs and the transition of many products from import licensing to open general licensing, aided this (OGL).

POST-LIBERALISATION PERIOD

When India started an economic liberalization and reform program in 1991 with the goal of increasing its growth potential and integrating with the global economy, a significant change happened. Industrial policy changes allowed for increased access to foreign technology and capital while gradually removing barriers to investment projects and business expansion on the one hand. Several actions taken to encourage the liberalization of foreign investment included:

- The establishment of a dual route for FDI approval involving the RBI's automatic route and the government's approval (SIA/FIPB) route;
- The automatic approval of technology agreements in high priority industries;
- The removal of FDI restrictions in low technology areas; and the liberalization of technology imports;
- The permission of non-resident Indians (NRIs) and overseas corporate bodies (OCBs) to invest up to 100%.

Raising the foreign equity participation cap for existing businesses to 51% and liberalizing the use of foreign "brand names" as well as ratifying the Multilateral Investment Guarantee Agency (MIGA) Convention to safeguard foreign investments.

The passage of the less restrictive Foreign Exchange Regulation Act (FERA), 1973, which was replaced by the Foreign Exchange Management Act (FEMA), 1999, gave these initiatives a boost. This opened the door for wider capital account liberalization in India, along with the subsequent banking sector reforms. (RBI)

While the Government handles investment through the approval route and issues that relate to FDI policy per se through its three institutions, namely the Foreign Investment Promotion Board (FIPB), the Secretariat for Industrial Assistance (SIA), and the Foreign Investment Implementation Authority, RBI deals with investment proposals falling under the automatic route and matters related to FEMA (FIIA).

The government or the reserve bank do not need to give any prior authorization for FDI under the automatic method. The only requirements for investors are to notify the relevant regional office of the RBI within 30 days of receiving inward remittances and to submit the necessary paperwork to that office within 30 days of issuing shares to international investors. The FIPB evaluates the proposals via the approval procedure in a transparent and time-bound manner. On the FIPB's advice, approvals of composite projects combining foreign technical assistance and foreign investment are also given. In terms of sector-specific limits, the current FDI policy is summarized in the table below:

Table 3: Sector Specific Limits of Foreign Investment in India			
Sector	**FDI Cap/Equity**	**Entry Route**	**Other Conditions**
A. Agriculture 1. Floriculture, Horticulture, Development of Seeds, Animal Husbandry, Pisciculture, Aquaculture, Cultivation of vegetables & mushrooms and services related to agro and allied sectors.	100%	Automatic	
2. Tea sector, including plantation	100%	FIPB	
(FDI is not allowed in any other agricultural sector /activity)			
B. Industry 1. Mining covering exploration and mining of diamonds & precious stones; gold, silver and minerals.	100%	Automatic	
2. Coal and lignite mining for captive consumption by power projects, and iron & steel, cement production.	100%	Automatic	
3. Mining and mineral separation of titanium bearing minerals	100%	FIPB	
C. Manufacturing 1. Alcohol- Distillation & Brewing	100%	Automatic	
2. Coffee & Rubber processing & Warehousing.	100%	Automatic	
3. Defence production	26%	FIPB	

4. Hazardous chemicals and isocyanates	100%	Automatic	
5. Industrial explosives -Manufacture	100%	Automatic	
6. Drugs and Pharmaceuticals	100%	Automatic	
7. Power including generation **(except Atomic energy)**; transmission, distribution and power trading.	100%	Automatic	
(FDI is not permitted for generation, transmission & distribution of electricity produced in atomic power plant/atomic energy since private investment in this activity is prohibited and reserved for public sector.)			
D. Services 1. Civilaviation (Greenfield projects and Existing projects)	100%	Automatic	
2. Asset Reconstruction companies	49%	FIPB	
3. Banking (private) sector	74% (FDI+FII). FII not to exceed 49%	Automatic	
4. NBFCs : underwriting, portfolio management services, investment advisory services, financial consultancy, stock broking, asset management, venture capital, custodian, factoring, leasing and finance, housing finance, forex broking, etc.	100%	Automatic	s.t.minimum capitalisation norms

5. Broadcasting a. FM Radio b. Cable network; c. Direct to home; d. Hardware facilities such as up-linking, HUB. e. Up-linking a news and current affairs TV Channel	20% 49% (FDI+FII) 100%	FIPB	
6. Commodity Exchanges	49% (FDI+FII) (FDI 26 % FII 23%)	FIPB	
7. Insurance	26%	Automatic	Clearance from IRDA
8. Petroleum and natural gas : a. Refining	49% (PSUs). 100% (Pvt. Companies)	FIPB (for PSUs). Automatic (Pvt.)	
9. Print Media a. Publishing of newspaper and periodicals dealing with news and current affairs b. Publishing of scientific magazines / speciality journals/periodicals	26% 100%	FIPB FIPB	S.t.guidelines by Ministry of Information & broadcasting
10. Telecommunications a. Basic and cellular, unified access services, national / international long-distance, V-SAT, public mobile radio trunked services (PMRTS), global mobile personal communication services (GMPCS) and others.	74% (including FDI, FII, NRI, FCCBs, ADRs/GDRs, convertible preference shares, etc.	Automatic up to 49% and FIPB beyond 49%.	

TABLE 2 Source: RBI DOCS

Here in the table, we can see the different sectors and how is the entry route for the foreign direct investment, ie, whether it is automatic or through Government Route or whether it is partly between the two routes. Here it's also discussed about if any other particular condition is present for the industry. For example, in the Agricultural Industry, we can see it is 100% automatic and also there is information that in the Agricultural Industry, it is restricted to the activities only discussed in the table, i.e., Animal Husbandry, Horticulture, Pisciculture, Tea Plantations, etc.

CATEGORY 1

100%

FDI Permitted through Automatic Route

CATEGORY 2

UPTO100%

FDI Permitted through Government Route

CATEGORY 3

UPTO100%

FDI Permitted through Government + Automatic Route

AUTOMATIC ROUTE

Under the Automatic Route, the non-resident investor or the Indian company does not require any approval from Government of India for the investment.

GOVERNMENT ROUTE

Under the Government Route, prior to investment, approval from the Government of India is required. Proposals for foreign direct investment under Government route, are considered by respective Administrative Ministry/ Department.

PROHIBITED SECTORS

FDI is prohibited in:

a) Lottery Business including Government/private lottery, online lotteries, etc.

b) Gambling and Betting including casinos etc.

c) Chit funds

d) Nidhi company

e) Trading in Transferable Development Rights (TDRs)

f) Real Estate Business or Construction of Farm Houses ‘Real estate businesses shall not include development of townships, construction of residential /commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations 2014.

g) Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitute

h) Activities/sectors not open to private sector investment e.g.(I) Atomic Energy and (II) Railway

Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for Lottery Business, Gambling and Betting activities.

GENERAL CONDITIONS ON FDI

Eligible Investors

Subject to the FDI Policy, a non-resident company may invest in India, with the exception of those industries or pursuits that are forbidden. However, a country's entity that has a land border with India, where the beneficial owner of an investment in India is located, or whose citizenry falls under one of those categories can only invest through the government method. Additionally, a Pakistani national or an organization registered there may invest in any industry or activity other than defence, space, atomic energy, and those that are off-limits to foreign investment, but only through the government channel.

Any subsequent change in beneficial ownership will likewise need government approval in the case that any past, present, or future FDI in an entity in India is transferred, directly or indirectly, and this results in the beneficial ownership falling inside the restriction or scope of paragraph (a).

According to the appropriate Schedule of the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, as amended from time to time, registered FPIs and NRIs may invest in or trade through a registered broker in the capital of Indian companies on recognized Indian Stock Exchanges.

The Foreign Exchange Management (Non-Debt Instruments) Rules, 2019's Schedule VII specifies the manner and terms and conditions under which a Foreign Venture Capital Investor (FVCI) may make investments.

If the subscription is conducted through regular banking channels and the investor is qualified to do so in accordance with the PFRDA Act, either an NRI or an OCI may subscribe to the National Pension System, which is overseen and managed by

PFRDA. The accrued savings/annuity will be returnable. (RBI)

Eligible Investee Entities

The investee entities which can issue capital against FDI are listed in the FDI Consolidated Policy published by Ministry of Commerce and Industry.

They are:

- Indian Companies
- Partnership Firms/Proprietary Concerns
- Trusts
- Limited Liability Partnerships
- Investment Vehicles
- Start Up Companies

The other entities other than this are not subjected to issue capital against FDI. There are also additional provisions in each of the above listed Investee Entities which are clearly mentioned in the FDI consolidated Policy. (RBI)

PROCEDURE FOR GOVERNMENT APPROVAL

Competent Authority

Following is the Competent Authorities for grant of approval for foreign investment for sectors/activities requiring Government approval:

S. No.	Activity/ sector	Administrative Ministry/ Department
(i)	Mining	Ministry of Mines
(ii)	Defence	
	a) Items requiring Industrial Licence under the Industries (Development & Regulation) Act, 1951, and/or Arms Act, 1959 for which the powers have been delegated by Ministry of Home Affairs to DPIIT	Department of Defence Production, Ministry of Defence
	b) Manufacturing of Small Arms and Ammunitions covered under Arms Act 1959	Ministry of Home Affairs
(iii)	Broadcasting	Ministry of Information & Broadcasting
(iv)	Print Media/Digital Media	
(v)	Civil Aviation	Ministry of Civil Aviation
(vi)	Satellites	Department of Space
(vii)	Telecommunication	Department of Telecommunications
(viii)	Private Security Agencies	Ministry of Home Affairs
(ix) (a)	Applications involving investments from an entity of a country, which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country {as required in terms of Press Note 3 of 2020 read with Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2020 dated 22.04.2020}	Concerned Administrative Ministry/Department as identified by the DPIIT

TABLE 3 SOURCE: RBI

The activities and the corresponding competent authority for evaluating the related FDI proposals are being depicted in the above table. This is a list published as per the consolidated FDI policy by the RBI.

In respect of sectors/activities which are presently under automatic route but required Government approval earlier as per the extant policy during the relevant period, concerned Proposals for foreign investment would be examined by Competent Authorities as per the Standard Operating Procedure laid down by DPIIT. In case of proposals involving total foreign equity inflow of more than Rs 5000 crore, Competent Authority shall place the same for consideration of Cabinet Committee on Economic Affairs (CCEA).

The monitoring of the compliance of conditions under the FDI approvals, including the past cases approved by the Government, shall be done by the concerned Administrative Ministries/Departments which is being explained in the table above. DPIIT would choose the Administrative Ministry/Department where the application will be processed. The competent authority would examine the proposals as per the standard Operating Procedure laid down by DPIIT. For equity flow for more than 5000 crore INR, Competent Authority shall place the same for consideration of Cabinet Committee on Economic Affairs (CCEA).

Cases Which Do Not Require Fresh Approval

There are cases which do not require fresh approval regarding the FDI. They are:

1) Entities, the activities of which had earlier required the prior approval of the Government and which had, accordingly, earlier obtained the prior approval of the Government for their initial foreign investment but subsequently such activities/sectors have been placed under automatic route;

2)Entities, the activities of which had sectoral caps earlier and which had, accordingly, earlier obtained the prior approval of the Government for their initial foreign investment but subsequently such caps were removed/increased and the activities placed under the automatic route

3) Additional foreign investment into the same entity where the prior approval of the Government had been obtained earlier.

STEPS:

Filing of Application

Internal Procedures for Approval

DPIIT will identify the concerned Ministry/ Department and thereafter, circulate the proposal within 2 days. In addition, once the proposal is received, the same would also be circulated online to the RBI within 2 days for comments from FEMA perspective.

Final Approval

Once the proposal is complete in all respects, the same gets approved within 8-10 weeks.

FDI STATISTICS

SHARE OF TOP INVESTING COUNTRIES FDI EQUITY INFLOW

Here in the table, we can see the share of top investing countries FDI Equity Inflow per Financial Year.

Three financial years have been depicted here and also the percentage of total Inflow in terms of US Dollars.

D. SHARE OF TOP INVESTING COUNTRIES FDI EQUITY INFLOW (Financial year):

Ranks	Country	Amt. in Rupees Crores/ Amt. in USD Million	2019-20 (April – March)	2020-21 (April – March)	2021-22 (April – March)	Cumulative inflow (April, 00 –March, 22	%age to total inflow (in terms of USD)
1	MAURITIUS	Rupees Crores	57,785	41,661	69,945	9,07,547	
		USD Million	8,241	5,639	9,392	157,742	27%
2	SINGAPORE	Rupees Crores	103,615	129,227	1,18,235	8,57,024	
		USD Million	14,671	17,419	15,878	130,967	22%
3	U.S.A.	Rupees Crores	29,850	102,499	78,527	3,57,248	
		USD Million	4,223	13,823	10,549	54,151	9%
4	NETHERLANDS	Rupees Crores	46,071	20,830	34,442	2,63,594	
		USD Million	6,500	2,789	4,620	41,261	7%
5	JAPAN	Rupees Crores	22,774	14,441	11,187	2,21,733	
		USD Million	3,226	1,950	1,494	36,942	6%
6	U.K.	Rupees Crores	10,041	15,225	12,211	1,77,848	
		USD Million	1,422	2,043	1,647	31,902	5%
7	CAYMAN ISLANDS	Rupees Crores	26,397	20,779	28,383	99,010	
		USD Million	3,702	2,799	3,818	14,153	2%
8	Germany	Rupees Crores	3,467	4,910	5,421	79,276	
		USD Million	488	667	728	13,591	2%
9	UAE	Rupees Crores	2,393	31,242	7,699	80,643	
		USD Million	339	4,203	1,032	12,225	2%
10	CYPRUS	Rupees Crores	6,449	2,839	1,735	62,567	
		USD Million	879	386	233	11,367	2%
TOTAL FDI EQUITY INFLOW FROM ALL COUNTRIES *		Rupees Crores	353,558	442,569	4,37,188	36,12,201	
		USD Million	49,977	59,636	58,773	588,528	-

* *Includes inflow under NRI Schemes of RBI.*

Note:

TABLE 4 SOURCE: RBI

Calculated for the Financial Years.

SECTORS ATTRACTING HIGHEST FDI EQUITY INFLOW:

Ranks	Sector	Amt. in Rupees Crores/ Amt. in USD Million	2019-20 (April – March)	2020-21 (April – March)	2021-22 (April – March)	Cumulative inflow (April, 00 – March, 22)	% age to total inflow (In terms of USD)
1	SERVICES SECTOR **	Rupees Crores	55,429	37,542	53,165	5,62,438	
		USD Million	7,854	5,060	7,131	94,195	16%
2	COMPUTER SOFTWARE & HARDWARE	Rupees Crores	54,250	194,291	1,07,762	5,78,060	
		USD Million	7,673	26,145	14,461	85,517	14%
3	TELECOMMUNICATIONS	Rupees Crores	30,940	2,884	4,980	2,27,053	
		USD Million	4,445	392	668	38,331	7%
4	TRADING	Rupees Crores	32,406	19,349	33,779	2,29,132	
		USD Million	4,574	2,608	4,538	34,741	6%
5	AUTOMOBILE INDUSTRY	Rupees Crores	19,753	12,115	51,624	2,07,480	
		USD Million	2,824	1,637	6,994	32,842	6%
6	CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	Rupees Crores	14,510	58,240	24,178	1,90,801	
		USD Million	2,042	7,875	3,248	27,969	5%
7	CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and construction-development projects	Rupees Crores	4,350	3,117	932	1,28,013	
		USD Million	617	422	125	26,209	5%
8	CHEMICALS (OTHER THAN FERTILIZEINR)	Rupees Crores	7,492	6,300	7,202	1,12,057	
		USD Million	1,058	847	966	19,452	3%
9	DRUGS & PHARMACEUTICALS	Rupees Crores	3,650	11,015	10,552	1,09,382	
		USD Million	518	1,490	1,414	19,405	3%
10	METALLURGICAL INDUSTRIES	Rupees Crores	14,970	10,002	16,783	1,01,381	
		USD Million	2,101	1,340	2,272	17,015	3%

*Note:(i)** Services sector includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other*

TABLE 5 SOURCE: RBI

In the table we can find the sectors which contributes to the FDI and their percentage of contribution to the total FDI. Service sector holds 16% followed by Computer Hardware and Software which goes to 14% followed by Telecommunications sector which contributes 7%. (RBI)

STATES/UTs ATTRACTING HIGHEST FDI EQUITY INFLOW

S. No.	STATE	Amt. in Rupees Crores/ Amt. in USD Million	2019-20 (October – March)	2020-21 (April – March)	2021-22 (April – March)	Cumulative inflow (October, 19 – March, 22)	%age to total inflow (in terms of USD)
1	MAHARASHTRA	Rupees Crores	52,073	119,734	1,14,964	2,88,905	
		USD Million	7,263	16,170	15,439	39,165	28%
2	KARNATAKA	Rupees Crores	30,746	56,884	1,63,795	2,51,429	
		USD Million	4,289	7,670	22,072	34,031	24%
3	GUJARAT	Rupees Crores	18,964	162,830	20,169	2,01,966	
		USD Million	2,591	21,890	2,706	27,187	19%
4	DELHI	Rupees Crores	28,487	40,464	60,839	1,29,974	
		USD Million	3,973	5,471	8,189	17,659	12%
5	TAMIL NADU	Rupees Crores	7,230	17,208	22,396	46,840	
		USD Million	1,006	2,323	3,003	6,333	4%
6	HARYANA	Rupees Crores	5,198	12,559	20,971	38,737	
		USD Million	726	1,697	2798	5,222	4%
7	TELANGANA	Rupees Crores	4,865	8,618	11,964	25,447	
		USD Million	680	1,155	1,607	3,442	2%
8	JHARKHAND	Rupees Crores	13,208	5,993	48	19,248	
		USD Million	1,852	792	6	2,651	2%
9	RAJASTHAN	Rupees Crores	1,347	2,015	5,277	8,640	
		USD Million	189	272	707	1,168	1%
10	WEST BENGAL	Rupees Crores	1,363	3,115	3,195	7,680	
		USD Million	190	415	428	1034	1%

TABLE 6 SOURCE: RBI

Here in this table, the different states of the country and their respective contribution to FDI in percentages are depicted. It is depicted both in Indian Rupees and US Dollars.

CHAPTER SIX: CONCLUSION

With fears of a slowdown, trade disagreements between the United States and China, and poor performance by developed countries, the international economy has been jeopardized and upended. In terms of foreign direct investment, India's prospects are promising.

A study of FDI inflow forecasts in India revealed a favourable but consistent trend more than 15 years (2020-2035). The government's various reforms have yielded positive results. For a better investment environment, there had been a significant adjustment in variables such as, the cost of registering a business is lower, and the number of days it takes to start a firm is less, many procedures for starting a firm have been simplified. Recent alterations in a political climate, such as a full majority government, a stable political climate, government’s ability to make difficult decisions and a government action plan to maintain control. Business had seen a strong political and investment friendly environment as a result of less corruption. Recent political and investment climate shifts may have an impact, increasing the likelihood of higher inflows of foreign direct investment. The administration can emphasize these positive improvements to international investors to entice FDI into a changing global scenario.

One of the most essential aspects in economic development is foreign direct investment. The movement of capital across countries has moved as a result of recent changes in the global economy. Many businesses are transferring or considering shifting their manufacturing operations from China to other developing countries. The trade war between China and the United States, as well as China's suspected role in the spread of COVID-19, have harmed China's credibility. Many foreign corporations are looking for new places to invest or relocate their manufacturing facilities from China to nations with better infrastructure, business opportunities, and an investor-friendly environment.

One of the main reasons why foreign investors are looking for a foreign investment hub in India is that the country's growing economy and strong middle class provide a rewarding market, while its abundant skilled and semi-skilled labour, improved business, and investment- friendly environment strengthen the country's capacity to support bulk manufacturing, assembly, and processing. Due to its adaptable and business-friendly atmosphere and government initiatives to promote a sustainable investment business environment, India is one of the most promising investment locations for foreign investors. The investment and business- friendly environment in India has altered as a result of recent policy changes and ongoing reforms. The administration recognizes the importance of foreign investment in economic development and infrastructural development. Infrastructure development is impossible without the assistance of foreign funding. Infrastructure development is only achievable with foreign investment, and India will only be able to attain its 5-trillion-dollar economy and double-digit growth rate if it is able to attract more international capital. Unemployment, a lack of funds for investment initiatives, a lack of technology, and widespread poverty can all be solved with foreign investment.

This epidemic and the resulting economic lockdown have had a negative impact on the country's economic performance, but when the lockdown was gradually lifted and recent economic results, such as the collection of GST over a period of time, the country's economic performance has improved and a significant increase in automotive sales, the sector demonstrates the early signs of recovery. The economy is recovering. This economic recovery's momentum can be attributed to a number of factors. As well as prospects for foreign investment that have arisen as a result of China's manufacturing facilities and foreign investment being relocated to other countries.

Recent developments in the political environment, as well as the commercial and investment climate, have altered foreign countries' perceptions of India. India is now seen around the world as a country with great political stability, strong leadership, and a strong commitment to economic development and good inter-regional relations. Over the course of the present regime, policy changes and reforms in the Indian economy have resulted in significant improvements in the investor and business-friendly climate.

India has developed into one of the most alluring rising markets worldwide. The country has benefited from this stream of capital over time through technological advancement, skill development, employment creation, better infrastructure, and management. Foreign businesses have contributed to the country's economic transformation by bringing in new investors and stimulating investment in creative industries. It has been noted that the Government of India (GOI), particularly starting in 2014, has been engaged in formulating policies to achieve structural transformation. High levels of foreign investment have been made possible as a result in numerous industries. Increasing productivity and fostering equitable and sustainable development are thus promoted. The service industry in India, particularly banking, financial and nonfinancial services, insurance, outsourcing, and research and development, has drawn the most foreign direct investment (FDI) inflows, followed by manufacturing. Higher FDI volumes have entered the electronics, hardware, automotive, pharmaceutical, etc. What makes India an appealing location for FDI, whether in the services or industrial sector, is a fundamental topic here. The straightforward response would be how competitive India is in a specific industry; generally speaking, Indian manufacturing is not competitive globally.

According to industry analysts, there are many causes. Due to low labour costs, only certain types of manufacturing—such as textiles, generic pharmaceuticals, etc.—are important in India. Many nations have opened their economies recently, including Bangladesh, Cambodia, Brazil, and Myanmar to name a few. These nations are receiving foreign investment, as seen by the free trade agreement between the European Union and Cambodia.

In conclusion, the government of India's modifications to the FDI policy regime have made it easier for foreign investors to move forward by removing a number of layers of obstacles. The investing procedures have been sped up and rationalized. In the past years, the government has loosened 87 FDI regulations in 21 different industries, allowing for the entry of formerly conservative industries including rail infrastructure and defence. The modifications to the FDI policy regime demonstrate that the government will continue to liberalize the FDI regime in India in the upcoming months. Overall, efforts should be focused on preserving India's trajectory toward continuing to rank among the top investment destinations worldwide.

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