GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE

LOK SABHA

UNSTARRED QUESTION NO. 1160.
TO BE ANSWERED ON TUESDAY, THE 11TH FEBRUARY, 2025.

DECLINE IN FDI INFLOWS

1160. SHRI ANTO ANTONY:
SHRI SAPTAGIRI SANKAR ULAKA:
ADV GOWAAL KAGADA PADAVI:

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:
वाणिज्य एवं उद्योग मंत्री

(a) whether the Government is considering any reforms to Foreign Direct Investment (FDI) policies to achieve the annual $100 billion FDI target and if so, the details thereof and if not, the reasons therefor;

(b) the reasons for the decline in FDI inflows to a five year low in 2024, and the steps taken/being taken by the Government to reverse this trend;

(c) the progress made in liberalising FDI in sensitive sectors such as defence, insurance, and telecom, and their contribution to FDI inflows in 2024;

(d) the details of initiatives taken to address sector-specific barriers and improve India's attractiveness as an investment destination, particularly in services, software, and manufacturing, Sector-wise; and

(e) the expected timeline for achieving the FDI target and the mechanisms in place to monitor progress towards this goal?

ANSWER

वाणिज्य एवं उद्योग मंत्रालय में राज्य मंत्री (श्री जितिन प्रसाद)
THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY
(SHRI JITIN PRASADA)

(a) to (e): The Government reviews the FDI policy on an ongoing basis and makes significant changes from time to time, to ensure that India remains an attractive & investor-friendly destination. However, the Government does not fix targets for FDI inflows as FDI is largely a matter of private business decisions. FDI inflows depend on a host of factors such as availability of natural resources, market size, infrastructure, political and general investment climate as well as macroeconomic stability and investment decisions of foreign investors.

The Government of India always strives to attract larger FDI by removing regulatory barriers, streamlining processes, developing infrastructure, bettering logistics and improving the business environment by enhancing the Ease of Doing Business (EoDB).

To further strengthen a seamless business regulatory framework across the country and nudge states to promote healthy competition to attract investment including FDI, various initiatives are being undertaken. The Government of India released Business Reforms Action Plan (BRAP) 2024 rankings and Logistics Ease Across Different States (LEADS) 2024 report to inter-alia communicate to potential investors examples of positive business ecosystem as well as logistics performance undertaken by various States and UTs.

Various initiatives have also been taken to address sector-specific barriers and improve India's attractiveness as an investment destination in services, software, and manufacturing, sector-wise and is enclosed as **Annexure**.

Apart from the above, the Government reviews FDI policy on a regular basis to make it more investor-friendly and remove the policy bottlenecks that are hindering investment inflows into the country. The extant FDI policy framework follows a negative list approach wherein barring a select few sectors, FDI is permitted up to 100% in the automatic route, subject to applicable laws/regulations, security and other conditionalities. Factors like improved global competitiveness, a dynamic innovation ecosystem, and a business-friendly environment have been key drivers.

FDI in the Defence sector is allowed up to 74% through Automatic Route (from earlier 49%) for companies seeking new industrial licenses. Further, 100% FDI in the Telecom Sector is allowed under Automatic Route. FDI sectoral cap in the insurance sector has been revised from 49% to 74% under the automatic route. The Union Budget 2025 also announced for the further increase of FDI sectoral cap for the insurance sector from 74% to 100%. This enhanced limit will be available for those companies, which invest the entire premium in India.

FDI inflow in India stood at USD 36.05 billion in 2013-14 and has increased since then. India registered its highest annual FDI inflow of USD 84.84 billion in the financial year 2021-22. It has slightly declined post due to the threat of global recession and economic crisis due to geopolitical conflicts and global protectionist measures. However, during the 1st half of current FY 2024-25, FDI inflow has increased by 26% in comparison to 1st half of previous FY 2023-24 (i.e. from USD 33.51 billion to USD 42.10 billion). The share of Insurance, Telecommunications and Defence Industries, in FDI Equity Inflows were 4.13%, 0.63% and 0.009% respectively during FY 2023-24.

This reflects India's growing appeal as a global investment destination, driven by a proactive policy framework, a dynamic business environment, and increasing international competitiveness. FDI has played a transformative role in India's development by providing substantial non-debt financial resources, fostering technology transfers, and creating employment opportunities.

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ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PARTS (a) & (e) OF THE LOK SABHA UNSTARRED QUESTION 1160 FOR ANSWER ON 11.02.2025.

The details of initiatives taken to address sector-specific barriers and improve India's attractiveness as an investment destination, particularly in Software, Service, and Manufacturing Sector are placed below:

1. Software Sector:

To attract FDI in software sector, Special Economic Zones (SEZs) and Software Technology Parks of India (STPIs) have been setup to promote the growth of the software sector by providing tax benefits, infrastructure support, and regulatory ease. SEZs offer tax incentives, simplified regulations, and world-class infrastructure to attract foreign and domestic investments in IT and software development. Further, STPIs help to promote software development and exports in addition to Government-backed incentives like Make in India and Digital India.

2. Service Sector:

To address barriers in service sectors, concerted efforts have been put to promote the Startup and Innovation Ecosystem in India. For instance, to stimulate innovation and attract investments in Startups, the government has abolished the 'angel tax' for all classes of investors, effective from 2025 - 26. This move eliminates a significant hurdle for early-stage companies and their investors.

Further, in the Union Budget 2025 it was announced that a new Fund of Funds with ₹10,000 crore will be established to expand support for Startups.

3. Manufacturing Sector:

The Government has undertaken several initiatives to accelerate growth and establish India as a global manufacturing powerhouse. In order to attract investments, 100% FDI is allowed the automatic route in the Manufacturing sector. Launched in 2020, the PLI Scheme is a strategic leap toward self-reliance. Keeping in view India's vision of becoming 'Atmanirbhar', Production Linked Incentive (PLI) Schemes for 14 key sectors were announced with an outlay of Rs. 1.97 lakh crore (over US$26 billion) to enhance India's Manufacturing capabilities and exports. Further, the Make in India initiative stands as a testament to India's determination to reshape its manufacturing landscape and enhance its global standing. In addition to ongoing schemes of various Ministries and Departments, the Government has taken various steps to boost shares of manufacturing in Gross Value Added (GVA). These measures include Public Procurement (Preference to Make in India) Orders, Phased Manufacturing Programme (PMP) and QCOs (Quality Control Orders) etc. The initiatives taken by the Government have contributed to 69% increase in FDI equity inflow in the manufacturing sector, rising from USD 98 billion in 2004-2014 to USD 165 billion in 2014-2024.

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