

Surbhi Pandit (2026). *Foreign Direct Investment in India-Policy Framework and Sectorial Trends*. *International Journal of Multidisciplinary Research & Reviews*, 5(2), 228-235.



**INTERNATIONAL JOURNAL OF
MULTIDISCIPLINARY RESEARCH & REVIEWS**

journal homepage: www.ijmrr.online/index.php/home

**FOREIGN DIRECT INVESTMENT IN INDIA-POLICY
FRAMEWORK AND SECTORIAL TRENDS**

Dr. Surbhi Pandit

Assistant Professor, MB Khalsa College, Indore (M.P.), India.

How to Cite the Article: Surbhi Pandit (2026). *Foreign Direct Investment in India-Policy Framework and Sectorial Trends*. *International Journal of Multidisciplinary Research & Reviews*, 5(2), 228-235.

 <https://doi.org/10.56815/ijmrr.v5i2.2026.228-235>

Keywords

*Indian FDI,
Sectorial Patterns,
FDI policy.*

Abstract

In India, investment has always been an issue for its development. Those countries which are already developed are now focusing on new markets where there is abundant labours, scope for production, and high profit are achieved. In India, most of the FDI is directed towards infrastructure and energy resources. Global integration, job creation, technical advancement, and economic growth are all significantly accelerated by foreign direct investment (FDI). Policy liberalization, market size, demographic advantage, and digital change have made India one of the most alluring investment locations in the world. This study looks at India's global positioning, sector-specific investment trends, and strategic FDI policies. In order to comprehend how India uses FDI as a vehicle for economic development, it examines sectorial distribution, policy reforms, and comparative worldwide perspectives. In order to improve investment inflows, the report also identifies policy proposals and difficulties.

1. INTRODUCTION

The new industrial revolution, driven by frontier technologies, robotization and digital advancements have made investments and production across the world better, economical and faster than before. Many Journal of General Management Research offered vast opportunities for economic growth and sustainable development. World Economy has seen a rapid rise in foreign direct investment (FDI) for more than three and half decades. Research papers explains that one of the significant contributions of globalisation in the past is the growing and spreading FDI amongst the countries, contributing



[The work is licensed under a Creative Commons Attribution
Non Commercial 4.0 International License](https://creativecommons.org/licenses/by-nc/4.0/)

Surbhi Pandit (2026). *Foreign Direct Investment in India-Policy Framework and Sectorial Trends. International Journal of Multidisciplinary Research & Reviews*, 5(2), 228-235.

significantly to positive effects on the labour productivity of domestic firms. The Heckscher-Ohlin-Samuelson model suggests that FDI and international trade can be substitutes under assumption that labour and capital can move freely between countries and no transportation cost apply.

Long-term investments made by foreign organizations into the commercial operations of another nation are known as foreign direct investment. Considering that it includes ownership, management involvement, and technology transfer, it is seen as a more reliable source of funding than portfolio investments. In order to draw in foreign investment and integrate with international markets, India has gradually liberalized its framework for FDI policy during the past three decades. Initiatives to facilitate business, digitization, and structural reforms have all improved India's standing as a top location for foreign investors

2. OBJECTIVES OF THE STUDY

1. To examine India's strategic FDI policy framework.
2. To analyse sector-wise investment patterns.
3. To identify challenges affecting FDI growth.
4. To propose policy recommendations for strengthening investment inflows.

3. RESEARCH METHODOLOGY

The character of the study is both descriptive and analytical. Its foundation is secondary data gathered from scholarly journals, international financial institutions, government papers, and economic surveys. Sectorial and international investment trends are interpreted through the application of trend analysis and comparative analysis techniques.

➤ FDI Policy in India

The new policy's outcome is very positive. The government authorized 3467 bids for international collaboration between August 1991 and December 1993, including 1565 cases involving foreign equity participation. The total value of equity in foreign investment proposals approved is Rs. 122.9 billion which is more than ten times of the Rs. 12.7 billion of foreign investment approved from 1981-90. Priority sectors account for almost 80% of approvals.

Foreign investment inflows increased from \$433 million (14 per cent) to \$4.1 billion (45 per cent) of total capital inflows (including IMF transactions), which more than doubled from \$4.3 billion in 1992-93 to \$9.2 billion in 1993-94. With an inflow of almost \$4.9 billion already under this account in 1994-95, the share of foreign investment to capital inflows increased even further. FDI flows in 1996-1997 were US\$3.1 billion: GDRs and other portfolio investments have reacted quickly, going from less than \$100 million in 1992-1993 to around \$35 billion in 1993-1994 and being roughly the same in 1994-1995. There have been sharp increases in approvals of direct investment proposals, the value of which rising to \$ 4.3 billion (Rs. 13590 crores) in 1994 from \$ 325 million (Rs. 739 crore) in 1991.

Between 1991 and 1996, a total of 29.60 billion (Rs. 97777 crore) in Direct Foreign Investment (DFI) projects were authorized, compared to just under 1.0 billion (Rs. 1274 crore) for the entire



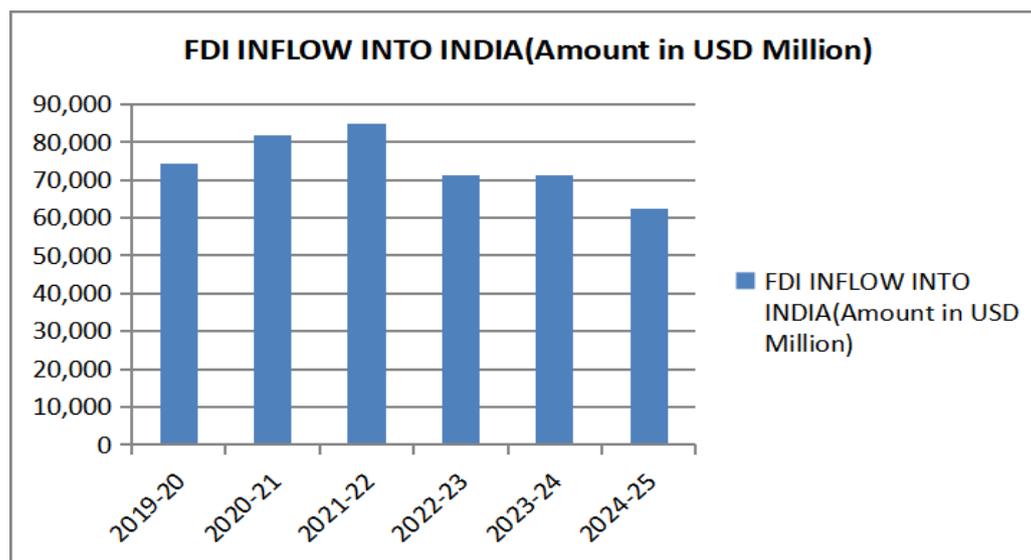
Surbhi Pandit (2026). *Foreign Direct Investment in India-Policy Framework and Sectorial Trends. International Journal of Multidisciplinary Research & Reviews*, 5(2), 228-235.

1981–1990 period. However, the actual foreign direct investment inflows from 1991 to 1997 totalled \$9.5 billion (Rs. 32137 crore), or 20.0% of all approvals. In 1997–1998 there were less new FII inflows, while in 1998–1999 there were net withdrawals of 458390 million. Actual inflows as a percentage of approvals, which were 48.0% in 1991, progressively decreased to 13.0% in 1992 before rising to 22.0, 19.0%, and 21% in 1994, 1995, and 1997, respectively.

In 1998, it was 21 per cent. Once again, from 1991 to 1997 (till November), the entire amount of FDI that was really inflows was \$11.9 billion, while the total amount of approvals was US\$47.24 billion, or just 20.6% of the total approvals. As a result, foreign direct investment has grown astronomically in India. China received 8.1 billion dollars in 1990, 7.5 billion in 1991, 21.3 billion in 1992, 38.0 billion in 1993, 46.6 billion in 1994, and 44.7 billion in 1995. The World Bank research noted that India's FDI flows are in no way comparable to China's.

Table 1

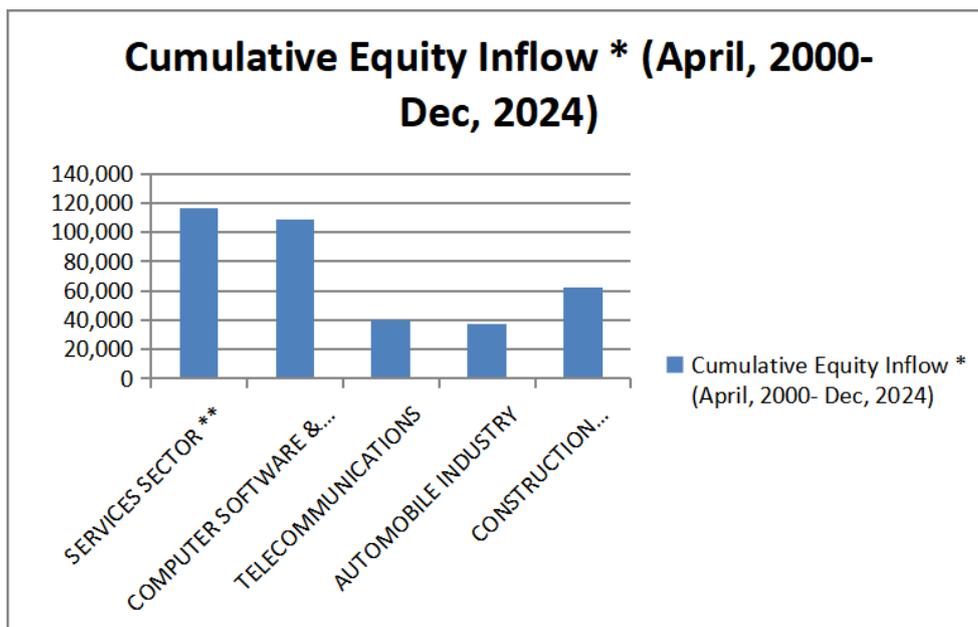
Year	FDI INFLOW INTO INDIA(Amount in USD Million)
2019-20	74,391
2020-21	81,973
2021-22	84,835
2022-23	71,355
2023-24	71,279
2024-25	62,483



Surbhi Pandit (2026). *Foreign Direct Investment in India-Policy Framework and Sectorial Trends. International Journal of Multidisciplinary Research & Reviews, 5(2), 228-235.*

Table-2

Sectors	Cumulative Equity Inflow * (April, 2000-Dec, 2024)
SERVICES SECTOR **	116,723
COMPUTER SOFTWARE & HARDWARE	108,403
TELECOMMUNICATIONS	40,036
AUTOMOBILE INDUSTRY	37,518
CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES 7 CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and construction-development projects	62,609



As per Table 1 and 2 with graph representing that India's foreign direct investment policy has changed throughout time. This Research constructed on Last ten years data for study of sectorial liberalization, production incentives, and digitization.

The Government has put in place an investor-friendly Foreign Direct Investment (FDI) policy, under which most sectors are open for 100% FDI through the automatic route. This policy is reviewed on an on-going basis to ensure that India remains an attractive and competitive investment destination. As a result, FDI inflows have seen a steady rise—from USD 36.05 billion in FY 2013–14 to USD 81.04 billion (provisional) in FY 2024–25, marking a 14% increase from USD 71.28 billion in FY 2023–24.



Surbhi Pandit (2026). *Foreign Direct Investment in India-Policy Framework and Sectorial Trends. International Journal of Multidisciplinary Research & Reviews*, 5(2), 228-235.

The services sector emerged as the top recipient of FDI equity in FY 2024–25, attracting 19% of total inflows, followed by computer software and hardware (16%) and trading (8%). FDI into the services sector rose by 40.77% to USD 9.35 billion from USD 6.64 billion in the previous year.

India is also becoming a hub for manufacturing FDI, which grew by 18% in FY 2024–25, reaching USD 19.04 billion compared to USD 16.12 billion in FY 2023–24.

Maharashtra accounted for the highest share (39%) of total FDI equity inflows in FY 2024–25, followed by Karnataka (13%) and Delhi (12%). Among source countries, Singapore led with 30% share, followed by Mauritius (17%) and the United States (11%).

From 2019 to 2024, notable measures included allowing 100% FDI under the automatic route in coal mining, contract manufacturing, and insurance intermediaries. In 2025, the Union Budget proposed increasing the FDI limit from 74% to 100% for companies investing their entire premium within India.

These trends reaffirm India’s position as a preferred global investment hub, enabled by a proactive policy framework, an evolving business ecosystem, and rising international confidence in India’s economic resilience.

Sectorial Investment Patterns

FDI inflows are unevenly distributed across sectors. Major attracting sectors include:

A. Services Sector

The services sector consistently receives the highest FDI share due to growth in finance, IT, e-commerce, and consulting services. Digital infrastructure expansion has further strengthened this trend.

B. Computer Software and Hardware

Technology-driven industries attract high foreign investment because of India’s skilled workforce and competitive costs.

C. Telecommunications

Policy liberalization and expansion of digital connectivity have increased foreign participation in telecom infrastructure and services.

D. Automobile Sector

Foreign Direct Investment (FDI) in India’s automobile industry has grown steadily due to strong domestic demand, skilled labour, and government initiatives like “Make in India.” Global manufacturers invest to set up production plants, technology centers, and supply chains. FDI helps improve technology, increase exports, create jobs, and strengthen India’s position as a global auto manufacturing hub.

E. Construction Sector

FDI in construction (including infrastructure, real estate, housing, and smart cities) supports large-scale development projects. Foreign investors are attracted by urbanization, rising housing demand, and infrastructure expansion. Investment in this sector helps improve roads, metros, housing, and commercial buildings, boosting economic growth and employment.



Surbhi Pandit (2026). *Foreign Direct Investment in India-Policy Framework and Sectorial Trends. International Journal of Multidisciplinary Research & Reviews*, 5(2), 228-235.

4. DETERMINANTS INFLUENCING FDI INFLOWS

1. Market Size and Growth Potential just like large population and rising income levels attract investors. High GDP growth signals strong demand and profitability to attract FDI.
2. Political and Economic Stability Stable governments, predictable policies, and low political risk increase investor confidence. Macroeconomic stability (inflation, interest rates, exchange rate) is crucial for FDI.
3. Infrastructure Availability, Quality of transport, power supply, logistics, ports, and digital infrastructure strongly affects FDI decisions.
4. Regulatory Environment Ease of doing business transparent policies fewer bureaucratic hurdles Clear taxation system.
5. Labour Cost and Skill Availability, Low labour cost attracts manufacturing FDI. Skilled workforce attracts technology and service-sector FDI.
6. Trade Openness, Liberal trade policies and export incentives attract export-oriented investments.
7. Taxation Policies Competitive corporate tax rates Investment incentives Double taxation avoidance treaties
8. Natural Resources, Availability of minerals, oil, gas, or agricultural resources attracts resource-seeking investors.
9. Technological Environment Innovation ecosystem R&D infrastructure Digital readiness are the most demanding filed for FDI.
10. Financial Market Development Developed banking systems, Access to credit Stable capital markets are the need of FDI.
11. Institutional Quality Rule of law Property rights protection Contract enforcement Low corruption levels such as Legal Frameworks encourage the FDI.
12. Government Incentives, Subsidies Special Economic Zones (SEZs) Production-linked incentives Industrial corridors is the Governmental role for FDI increament.

➤ Challenges in Attracting FDI

Despite strong performance, several challenges remain:

- Regulatory complexity across states in India.
- Infrastructure gaps due to Reason imbalance.
- Land acquisition issues at Global Level.
- Legal delays due to political interference.
- Skill mismatch in workforce due to unlike in Education System.
- Global economic uncertainty market and Issues.

Policy Recommendations

To strengthen FDI inflows, the following strategies are recommended:

1. Simplify approval procedures and ensure policy transparency.
2. Improve logistics and infrastructure facilities.



Surbhi Pandit (2026). *Foreign Direct Investment in India-Policy Framework and Sectorial Trends. International Journal of Multidisciplinary Research & Reviews*, 5(2), 228-235.

3. Strengthen skill development aligned with industry needs.
4. Provide sector-specific incentives for high-value industries.
5. Promote regional investment hubs beyond major cities.
6. Strengthen dispute resolution mechanisms.
7. Encourage sustainable and green investments.

5. Conclusion

Foreign Direct Investment remains a vital engine of India's economic growth and global integration. Strategic policy reforms, sectorial diversification, and improved investment climate have positioned India as a key destination for international capital. However, maintaining this momentum requires continuous regulatory improvements, infrastructure development, and investor-friendly governance. With sustained reforms and strategic planning, India has strong potential to become one of the world's leading FDI hubs in the coming decades. Policy recommendations for developing countries shared focused on improving the investment climate for all kinds of capital domestic as well as foreign. At the end it is concluded that FDI is a beneficial to nation to grow and prosper.

6. AUTHOR(S) CONTRIBUTION

The writers affirm that they have no connections to, or engagement with, any group or body that provides financial or non-financial assistance for the topics or resources covered in this manuscript.

7. CONFLICTS OF INTEREST

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

8. PLAGIARISM POLICY

All authors declare that any kind of violation of plagiarism, copyright and ethical matters will take care by all authors. Journal and editors are not liable for aforesaid matters.

9. SOURCES OF FUNDING

The authors received no financial aid to support for the research.

REFERENCES

- [1] [Government Economic Survey Reports](#)
- [2] [RBI Annual Reports](#)
- [3] [UNCTAD World Investment Reports](#)
- [4] [Ministry of Commerce & Industry publications](#)
- [5] [Peer-reviewed journals on international finance and development economics](#)
- [6] [Zafar, D. S., Hmedat, W., & Ahmed, S. A. \(2017\). An analytical study on foreign direct investment \(FDI\) and its relative impact on Indian economy. International Journal of Core Engineering & Management, 3, 1-18.](#)



Surbhi Pandit (2026). *Foreign Direct Investment in India-Policy Framework and Sectorial Trends*. *International Journal of Multidisciplinary Research & Reviews*, 5(2), 228-235.

- [7] Anwar, S. A. (2017). Emerging trends in FDI in Banking sector and its impact on Private sector Banks in India. *International Journal of Research Culture Society*, 1(2), 20- 25.



[The work is licensed under a Creative Commons Attribution
Non Commercial 4.0 International License](https://creativecommons.org/licenses/by-nc/4.0/)