



FDI Policy Under Continuous Review to Maintain India's Attractiveness as an Investment Destination

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The Government reviews the FDI policies 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. The Regulatory Compliance Burden (RCB) initiative has resulted in over 42,000 compliance reductions, under 670 acts nationwide. Through the Jan Vishwas (Amendment of Provisions) Act, 2023, the Government has decriminalised 183 provisions across 42 Central Acts from 19 Ministries/Departments.

The Government has undertaken transformative reforms across multiple sectors to liberalise FDI norms. Between 2014 and 2019, significant reforms included increased FDI caps in the Defence, Insurance, and Pension sectors, and liberalised policies for Construction, Civil Aviation, and Single Brand Retail Trading. From 2019 to 2024, notable measures included allowing 100% FDI under the automatic route in coal mining, contract manufacturing, and insurance intermediaries.

FDI policy provisions have been progressively liberalized and simplified across various sectors such as Pension, Other Financial Services, Asset reconstruction Companies, Broadcasting, Pharmaceuticals, Single Brand Retail Trading, Construction & Development, Power Exchanges, e-commerce activities, Coal Mining, Contract Manufacturing, Digital Media, Civil Aviation etc. In the recent past, reforms in the FDI Policy have been undertaken in sectors such as Defence, Insurance, Petroleum & Natural Gas, Telecom and Space.

The Government engaged Invest India, the National Investment Promotion and Facilitation Agency, to bring together governmental oversight and private-sector agility, ensuring that investment promotion becomes more efficient, professional, and responsive to investor needs.

To simplify tax compliance for Startups and foreign investors, the Income Tax Act, 1961 has been amended in 2024 to abolish angel tax and to reduce income tax rate chargeable on income of a foreign company. The GST reforms introduced in September 2025 represent a landmark step in reshaping India's taxation system to better serve the aspirations of its youth. These reforms streamline tax structures, reduce rates, and correct existing anomalies to promote entrepreneurship, job creation, and affordable living. Priority has been given to sectors with high youth participation, including education, automobiles, technology, handicrafts, footwear, healthcare, food processing, and textiles, to strengthen innovation and competitiveness.

Further, a simplified GST structure with reduced rates across key sectors such as leather, footwear, paper, textiles, handicrafts, toys, packaging, and logistics is expected to support existing businesses, encourage startups, and ease compliance for traders. By lowering GST slabs to 5% on several goods and rationalising rates in transport and allied sectors, the reforms aim to reduce costs for consumers, ease compliance for traders and enhance competitiveness for Indian businesses.

Government has leveraged the Free Trade Agreements for promotion of Export Diversification and attract investment. India has signed 15 Free Trade Agreements (FTAs) and 6 Preferential Trade Agreements (PTAs) with its trading partners. Trade and Economic Partnership Agreement between India and the European Free Trade Association (EFTA) signed on 10th March 2024, is a modern and forward-looking agreement. For the first time in history of Free Trade Agreements, unilateral binding commitment of \$100 billion investment and 1 million direct jobs over the next 15 years has been secured from Switzerland, Norway, Liechtenstein and Iceland.

Government is working with all stakeholders to enable our exporters to better utilize the benefits of India's FTAs with major market such as Japan, Korea, UAE and effectively utilize the opportunities that have been created with the recent concluded FTAs such as with the EFTA countries and the UK. The Government is in negotiations for early conclusion of mutually beneficial FTAs with the EU, Peru, Chile, New Zealand, Oman etc. The Government is engaged with all stakeholders-including exporters, Export Promotion Councils (EPCs), industry associations, and state governments to assess the evolving impact of the U.S. tariff measures.

Various efforts (as placed in **Annexure**) have been taken to attract investments and improve India's attractiveness as an investment destination in services, software, and the manufacturing sector.

Apart from the above, the extant FDI policy framework follows a negative list approach wherein barring a select few sectors, FDI is permitted up to 100% under the Automatic Route, subject to applicable laws/regulations, security and other conditionalities. FDI has played a transformative role in India's development by providing substantial non-debt financial resources, fostering technology transfers, and creating employment opportunities.

FDI inflow reported in the Financial Year 2024-25 (USD 80.62 billion) is the highest amongst the last three financial years. Further, total FDI inflow reported during the first half of FY 2025-26: USD 50.36 billion (Provisional) has increased by 16% compared to the first half of FY 2024-25: USD 43.37 billion. It is the highest ever for first half of a Financial Year.

FDI in the Defence sector is allowed up to 74% through the Automatic Route (from earlier 49%) for companies seeking new industrial licenses. Further, 100% FDI in the Telecom Sector is allowed under the Automatic Route. FDI sectoral cap in the insurance sector has been revised from 49% to 74% under the automatic route. This enhanced limit will be available for those companies, which invest the entire premium in India. Since their respective years of liberalization—FY 2020–21 for Defence Industries and FY 2021–22 for Insurance and Telecommunications—the Defence Industries, Insurance, and Telecommunications sectors have attracted FDI inflows of USD 11.59 million, USD 8,788.59 million, and USD 1,740.81 million, respectively, up to FY 2024–25. These sectors have also displayed strong post-

reform momentum, registering growth of 196.83% increase in FDI in Defence Industries, 199.20% increase in Insurance, and 11.68% increase in Telecommunications during FY 2024-25 compared with their corresponding year of liberalization.

This information was given by the Minister of State for Ministry of Commerce & Industry, Shri Jitin Prasada, in a written reply in the Lok Sabha today.

Abhishek Dayal/Shabbir Azad/Anushka Pandey

ANNEXURE

Details of initiatives taken to attract investments and improve India's attractiveness as an investment destination, particularly in the Software, Service, and Manufacturing Sector.

The details of initiatives taken to attract investments and improve India's attractiveness as an investment destination, particularly in the Software, Service, and Manufacturing Sector, are placed below:

1. Software Sector:

To attract FDI in the software sector, Special Economic Zones (SEZs) and Software Technology Parks of India (STPIs) have been set up 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 share 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 a 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.

