



# India's FDI Journey Hits \$1 Trillion

*First half of FY 2024-25 sees a 26% increase to \$42.1 billion*

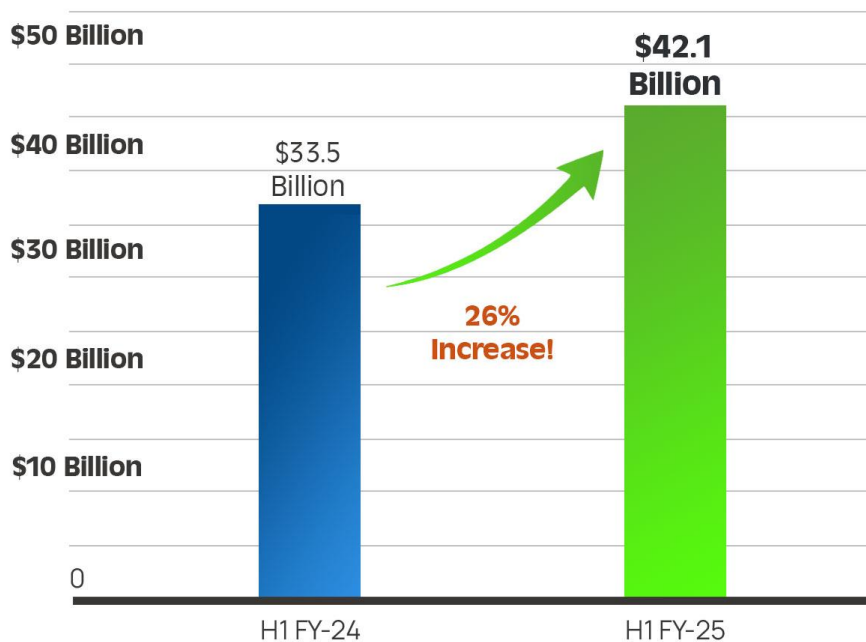
(Ministry of Commerce and Industry)

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## Introduction

India has achieved a remarkable milestone in its economic journey, with gross foreign direct investment (FDI) inflows reaching an impressive **\$1 trillion since April 2000**. This landmark achievement was bolstered by a nearly **26% rise in FDI to \$42.1 billion** during the first half of the current fiscal year. Such growth 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. Initiatives like "Make in India," liberalised sectoral policies, and the Goods and Services Tax (GST) have enhanced investor confidence, while competitive labour costs and strategic incentives continue to attract multinational corporations.

## Growth in India's FDI Inflows



Source - Department for Promotion of Industry and Internal Trade (DPIIT)

Over the last decade (April 2014 to September 2024), total FDI inflows amounted to \$709.84 billion, accounting for 68.69% of the overall FDI inflow in the past 24 years. This robust inflow of investments underscores India's pivotal role in shaping the global economic landscape.

## Factors Driving the Change

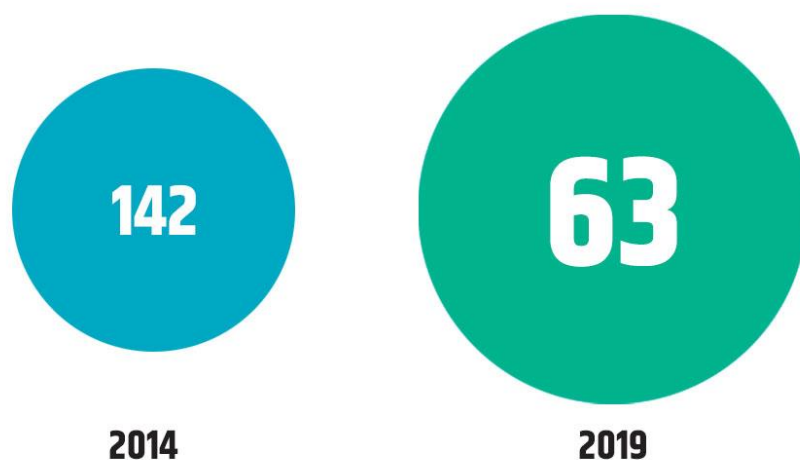
India's remarkable achievement in attracting foreign direct investment (FDI) can be attributed to a range of contributing factors:

**Competitiveness and Innovation:** India's ranking in the World Competitive Index 2024 jumped three positions to 40th, from 43rd in 2021. Additionally, India was named as the 48th most innovative country among the top 50 nations, securing the 40th position out of 132 economies in the Global Innovation Index 2023, a significant improvement from its 81st position in 2015. These rankings highlight the country's progress in enhancing its innovation ecosystem and competitive edge.

**Global Investment Standing:** India was the third largest recipient of greenfield projects with 1,008 greenfield project announcements, as per the World Investment Report 2023. The number of international project finance deals in India also increased by 64%, making it the recipient of the second largest number of international project finance deals. These statistics underscore India's growing prominence on the global investment stage.

**Improved Business Environment:** India made remarkable progress in improving its business environment, climbing from 142nd in 2014 to 63rd in the World Bank's Doing Business Report (DBR) 2020, published in October 2019 before its discontinuation. This 79-rank jump over five years reflects the government's sustained efforts to simplify regulations, reduce bureaucratic hurdles, and create a more business-friendly environment, significantly boosting investor confidence.

## India's Rank in Ease of Doing Business



Source - World Bank's Doing Business Report (DBR)

**Policy Reforms:** To promote FDI, the government has put in place an investor friendly policy, wherein most sectors, except certain strategically important sectors, are open for 100% FDI under the automatic route. Further, 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.

## Other Notable Developments

According to RBI's November 2024 bulletin, gross inward FDI grew to US\$ 42.1 billion during April-September 2024, up from US\$ 33.5 billion the previous year.

Taiwanese companies are increasingly shifting their supply chains to India due to global trade tensions, with FDI from Taiwan surpassing US\$ 665 million between 2018 and 2024.

In June 2024, India saw an increase in outward FDI commitments to US\$ 2.14 billion compared to US\$ 1.14 billion in June 2023, despite a decrease from US\$ 2.22 billion in May 2024.

April 17, 2024 marked a key policy change with the Ministry of Finance's notification on FDI in the space sector, facilitating expanded investment opportunities for Indian space startups.

## Conclusion

India's remarkable progress in attracting foreign direct investment is evident from the \$42.1 billion inflows during the first half of the current fiscal year and the cumulative \$1 trillion since April 2000. Factors like improved global competitiveness, a dynamic innovation ecosystem, and a business-friendly environment have been key drivers. Initiatives such as "Make in India," liberalisation of sectoral policies, and recent policy changes, including greater FDI in the space sector, reflect the country's proactive approach. As India continues to align with global economic trends, it is well-positioned to further strengthen its role on the global stage, fostering sustainable growth and development.

## References:

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