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

**LOK SABHA**

**UNSTARRED QUESTION NO. 408.**
**TO BE ANSWERED ON TUESDAY, THE 02ND DECEMBER, 2025.**

# DECLINE IN NET FDI

**408. SHRI ASADUDDIN OWAISI:**

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

(a) whether the Government is aware of the decline in net Foreign Direct Investment (FDI) inflow relative to GDP, which declined from 1.6% in financial year 2020-21 to 0.2% in financial year 2024-25;

(b) the reasons identified for the declining trend, including the role of outward FDI, taxation and changes in the composition of FDI;

(c) whether the Government has assessed the impact of this decline on gross fixed capital formation and economic growth;

(d) the steps taken or proposed to be taken by the Government to attract higher net FDI, particularly in sectors that enhance productive capacity and generate employment; and

(e) whether the Government is considering reforms in investment climate, taxation policies or sectoral regulations to reverse this trend and if so, the details thereof?

## 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):** Foreign Direct Investment (FDI) is considered as a major source of non-debt financial resource for economic growth. Gross FDI flows into India have grown consistently over the last more than a decade. FDI infuses long term sustainable capital in the economy and contributes towards technology transfer, development of strategic sectors, greater innovation, competition and employment creation amongst other benefits.

Gross FDI inflows have increased from over USD 34 billion in 2012-13 to over USD 80 billion in 2024-25. Total FDI inflow reported during the first half of FY 2025-26 (USD 50.36 billion) has increased by 16% compared to year ago period (USD 43.37 billion). It is the highest ever for 1st half of a Financial Year.

The recent trend in net FDI inflows is associated with increased repatriation/disinvestment and rising Overseas Direct Investment (ODI) outflows. The ODI outflow on account of liberalized ODI rules notified in 2022 is helping Indian entities to enhance their business footprints abroad enabling them to compete in the global market, adding to the strength of Indian economy in long run. The increasing trend of repatriation indicates that India is not only attracting foreign capital but also delivering strong returns, which enhances its reputation as a reliable investment destination.

To attract more FDI, Government has put in place an investor friendly FDI policy, wherein most sectors, except certain strategically important sectors, are open for 100% FDI under the automatic route. More than 90% of the FDI inflow is received under the automatic route. 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.

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.

The Government always strives to attract 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 and healthy competition among States/UTs, 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 decriminalized 183 provisions across 42 Central Acts from 19 Ministries/Departments.

The Government also provides an enabling environment for industrial development through policy interventions and initiatives such as Make in India, Start-up India, PM GatiShakti, National Industrial Corridor Programme, PLI schemes, Indian Footwear and Leather Development Programme, National Single Window System (NSWS), India Industrial Land Bank and Project Monitoring Group (PMG). Project Development Cells (PDCs) have been established across Ministries/Departments to fast-track investments. the Cabinet Committee on Economic Affairs approved 12 new projects under the National Industrial Corridor Development Programme last year with an investment of ₹28,602 crore across 10 states along 6 major corridors.

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.

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