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India Rises to Eleventh Position in Global Foreign Direct Investment Rankings Amid Strong Recovery in Investment Inflows

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Recent Developments:

- The United Nations Conference on Trade and Development (UNCTAD), in its **World Investment Report 2026**, reported that **India** became the **11th-largest recipient of Foreign Direct Investment (FDI)** globally in **2025**, improving by two positions compared to the previous year.
- **India's FDI inflows** increased to **US\$ 38.89 billion** in **2025**, registering a **44% year-on-year growth** over **US\$ 27.09 billion** recorded in **2024**, despite continued uncertainty in the global investment environment.
- **The report** also highlighted that **India** strengthened its position as both a major **FDI destination** and an emerging **outward investing economy**, reflecting improving investor confidence and growing international expansion of Indian enterprises.

India's Foreign Direct Investment Performance:

Overall Performance:

- **India** attracted **US\$ 38.89 billion** in **FDI inflows** during **2025**, recording one of the strongest growth rates among major investment destinations despite subdued global investment conditions.
- **India** improved its global ranking from **13th** to **11th** among the world's largest **FDI recipient economies**.
- **The increase in FDI inflows** reflected sustained investor confidence supported by **strong domestic demand**, **macroeconomic stability**, **policy reforms**, **improving infrastructure**, **digitalisation**, and **manufacturing incentives**.
- **High-growth sectors**, including **digital infrastructure**, **data centres**, **electronics**, **renewable energy**, **manufacturing**, **financial services**, and **technology-driven industries**, continued to attract substantial foreign investment.
- **Stable policy initiatives**, including **Make in India**, the **Production Linked Incentive (PLI) Scheme**, **Digital India**, **PM Gati Shakti National Master Plan**, and continuous **Ease of Doing Business** reforms, further enhanced India's attractiveness as a long-term investment destination.

Greenfield Investment Performance:

- **Announced Greenfield Investments** declined from **US\$ 111.14 billion** in **2024** to **US\$ 74.12 billion** in **2025**, reflecting moderation in new project announcements amid global economic uncertainty.
- **Despite the decline**, **India** attracted the **world's largest announced Greenfield Investment Project** during **2025**.
- **Alphabet Inc.**, headquartered in the **United States**, announced a **US\$ 14.5 billion investment** to establish a **data centre** in India, making it the largest announced Greenfield investment project globally during the year.
- **Greenfield investments** are particularly significant because they generate **new productive capacity**, **employment opportunities**, **technology transfer**, **infrastructure creation**, and **long-term industrial**

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development, unlike acquisitions of existing assets.

India's Outward Foreign Direct Investment:

Outward Investment Performance:

- **India's outward FDI** increased by **47%**, rising from **US\$ 24.26 billion** in **2024** to **US\$ 35.66 billion** in **2025**.
- **India** ranked **18th globally** among the world's leading **FDI source economies**, reflecting the growing international footprint of Indian companies.
- **Rising outward FDI** demonstrates the increasing **financial strength, global competitiveness, and international expansion** of Indian multinational enterprises.
- **Overseas investments** enable Indian companies to access **new markets, advanced technologies, critical minerals, strategic resources, global value chains, and international consumer bases**, thereby strengthening India's long-term economic competitiveness.

Greenfield Investments Abroad:

- **Announced overseas Greenfield Investment Projects** by Indian companies increased by **41%**, reaching **US\$ 25.29 billion** during **2025**.
- **Rana Group** announced a **US\$ 10 billion automotive manufacturing facility** in the **United Arab Emirates**, which ranked among the **five largest Greenfield investment announcements** globally.
- **The growth in overseas Greenfield investments** indicates that Indian enterprises are increasingly establishing manufacturing facilities and business operations abroad instead of relying solely on acquisitions, thereby expanding India's global economic presence.

Global Foreign Direct Investment Trends:

Global Investment Scenario:

- **Global FDI flows** remained uneven during **2025** because of **geopolitical tensions, trade fragmentation, supply chain disruptions, high financing costs, and weak investor sentiment**.
- **Cross-border Mergers and Acquisitions (M&A)** remained subdued as elevated interest rates and global economic uncertainty reduced large international corporate transactions.
- **Developing economies** recorded only a **2% increase** in **FDI inflows**, while **Developing Asia** registered a modest **3% growth**, indicating a gradual recovery in investment activity.
- **Investments** increasingly shifted towards **digital infrastructure, artificial intelligence, semiconductors, renewable energy, critical minerals, and advanced manufacturing**, reflecting the growing importance of technology and supply-chain resilience in global investment decisions.

Major Global FDI Destinations:

- **The United States** remained the world's largest **FDI destination**, attracting **US\$ 277 billion** despite recording a **2% decline** in inflows.
- **China** retained the **4th position**, receiving **US\$ 104.66 billion**, although inflows declined from **US\$ 116.24 billion** in **2024**.
- **India's improvement** to the **11th position** highlights its growing importance as a preferred destination for long-term global investment despite an uncertain international environment.

Foreign Direct Investment (FDI):

Meaning and Characteristics:

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- **Foreign Direct Investment (FDI)** refers to an investment made by a **foreign individual, company, or institution** in the business interests of another country through **ownership, management control, or long-term commercial interest**.
- **FDI** generally involves establishing new enterprises, acquiring existing companies, expanding production facilities, or increasing ownership in existing businesses.
- **Unlike Foreign Portfolio Investment (FPI), FDI** provides investors with a **lasting interest, significant managerial influence**, and participation in the management of the enterprise.
- **According to the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD)**, ownership of **10% or more of voting power** in an enterprise is generally treated as **Foreign Direct Investment**, while lower ownership is normally classified as **Foreign Portfolio Investment (FPI)**.

Net Foreign Direct Investment:

- **Net FDI** represents the difference between **gross FDI inflows** entering the country and capital leaving through **disinvestment, divestment, or profit repatriation**.
- **A decline in Net FDI** does not necessarily indicate weakening investor confidence because **gross FDI inflows** may continue to remain strong despite higher outward remittances by foreign investors.

Greenfield and Brownfield Investments:

Parameter

Greenfield Investment

Brownfield Investment

Meaning

Establishment of a completely new business or production facility

Acquisition, merger, or expansion of an existing enterprise

Investment Type

Creates new productive assets

Utilises existing assets

Employment Generation

Higher employment creation

Limited additional employment

Implementation Period

Longer gestation period

Faster implementation

Economic Impact

Greater technology transfer, infrastructure creation, and industrial capacity expansion

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Faster market entry with comparatively lower capital expenditure

Foreign Direct Investment Approval Routes in India:

Automatic Route:

- **The Automatic Route** permits foreign investment without obtaining prior approval from either the **Reserve Bank of India (RBI)** or the **Government of India**.
- **Most sectors**, including **manufacturing, software, construction development**, and several service industries, are covered under this route.
- **Sectoral caps**, wherever applicable, continue to regulate the maximum permissible foreign investment.

Government Approval Route:

- **The Government Approval Route** requires prior approval from the **Government of India** before foreign investment can be made.
- **Foreign investment** under this route must comply with all conditions specified in the Government's approval.
- **Sensitive sectors**, including **telecommunications, media, insurance**, and specified **pharmaceutical activities**, are covered under this route.

Institutional and Regulatory Framework:

- **The Department for Promotion of Industry and Internal Trade (DPIIT)** formulates and periodically updates **India's FDI Policy** on behalf of the **Government of India**.
- **The Reserve Bank of India (RBI)** administers foreign investment transactions under the provisions of the **Foreign Exchange Management Act (FEMA), 1999**.
- **Sector-specific regulations, security considerations**, and **sectoral investment caps** continue to govern foreign investment across strategic sectors of the Indian economy.

Sectors and Activities in Which Foreign Direct Investment is Prohibited:

Prohibited Sectors:

- **Foreign Direct Investment (FDI)** is prohibited in **Lottery Business**, including **Government lotteries, private lotteries, and online lotteries**.
- **FDI** is prohibited in **Gambling and Betting**, including **casinos** and related activities.
- **FDI** is prohibited in **Chit Funds, Nidhi Companies, and Trading in Transferable Development Rights (TDRs)**.
- **FDI** is prohibited in **Real Estate Business or Construction of Farm Houses**, although **township development, construction of residential and commercial premises, roads, bridges, and Real Estate Investment Trusts (REITs)** regulated under **SEBI (REITs) Regulations, 2014** are excluded from this prohibition.
- **FDI** is prohibited in the **manufacturing of cigars, cheroots, cigarillos, cigarettes**, and products made from **tobacco or tobacco substitutes**.

Significance of Foreign Direct Investment for India:

Economic Significance:

- **FDI** supplements domestic capital formation and provides a stable source of long-term investment for economic growth.
- **Foreign investment** generates employment opportunities, enhances industrial productivity, and promotes balanced regional industrial development.

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- **Technology transfer, managerial expertise, innovation, and skill development** improve industrial competitiveness and strengthen India's manufacturing ecosystem.
- **Export-oriented manufacturing** supported by **FDI** enhances India's participation in **Global Value Chains (GVCs)** and strengthens export competitiveness.
- **Infrastructure sectors**, including **transport, logistics, renewable energy, digital infrastructure, and data centres**, receive long-term capital through foreign investment.
- **FDI** promotes **research and development (R&D)**, encourages innovation ecosystems, and facilitates the diffusion of advanced technologies across industries.

Macroeconomic Significance:

- **FDI** strengthens the **Balance of Payments (BoP)** by providing stable non-debt capital inflows.
- **Stable FDI inflows** support **foreign exchange reserve stability** and reduce dependence on comparatively volatile **Foreign Portfolio Investment (FPI)**.
- **Higher foreign investment** improves investor confidence, enhances productivity, and contributes to sustainable long-term economic growth.

Strategic Significance:

- **FDI** supports flagship initiatives such as **Make in India, Digital India, Startup India, PM Gati Shakti National Master Plan, National Logistics Policy**, and the **Production Linked Incentive (PLI) Scheme**.
- **Investments in semiconductors, electronics, critical minerals, renewable energy, electric vehicles, artificial intelligence, and data centres** strengthen India's technological capabilities and strategic economic resilience.
- **Growing outward FDI** enables Indian enterprises to expand globally, secure critical resources, diversify markets, and enhance India's international economic influence.

Challenges Associated with Foreign Direct Investment:

Domestic Challenges:

- **Regulatory uncertainty, procedural delays, and complex compliance requirements** continue to increase project implementation costs.
- **Land acquisition challenges, contract enforcement issues, judicial delays, and infrastructure gaps** affect the timely execution of investment projects.
- **Policy variations across States** sometimes reduce investment efficiency and create uncertainty for foreign investors.
- **Skill shortages** in high-technology sectors may constrain India's ability to attract advanced manufacturing investments.

Global Challenges:

- **Geopolitical conflicts, trade fragmentation, economic slowdown, and global financial volatility** continue to influence cross-border investment decisions.
- **Protectionist measures, friend-shoring, near-shoring, and increasing investment screening mechanisms** have altered global investment patterns.
- **National security concerns, critical infrastructure protection, and data security considerations** are becoming increasingly important in evaluating foreign investments, particularly in strategic sectors.

Way Forward:

Policy Reforms:

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- **India** should continue simplifying investment regulations through greater **Ease of Doing Business** reforms and transparent policy implementation.
- **Stable taxation, predictable regulatory frameworks, faster dispute resolution, and reduced compliance burden** should remain policy priorities.
- **Investment promotion agencies** should actively attract high-value investments in **advanced manufacturing**, **semiconductors, artificial intelligence, renewable energy, critical minerals, electronics, and digital infrastructure**.

Structural Reforms:

- **Industrial corridors, multimodal logistics, port connectivity, and integrated infrastructure** should be strengthened under **PM Gati Shakti National Master Plan** and the **National Logistics Policy**.
- **Skill development, research and development (R&D), innovation ecosystems, and industry–academia collaboration** should be expanded to attract technology-intensive investments.
- **Supply chain resilience** should be strengthened through deeper integration with **Global Value Chains (GVCs)**, trusted international partners, and diversified sourcing networks.
- **Policy stability, institutional transparency, and digital governance reforms** should continue to improve India's attractiveness as a preferred long-term investment destination.

Value Addition for UPSC:

Key Institutions:

- **United Nations Conference on Trade and Development (UNCTAD)** publishes the annual **World Investment Report** and monitors global investment trends.
- **Department for Promotion of Industry and Internal Trade (DPIIT)** formulates and periodically updates **India's FDI Policy**.
- **Reserve Bank of India (RBI)** administers foreign investment transactions under the **Foreign Exchange Management Act (FEMA), 1999**.
- **Securities and Exchange Board of India (SEBI)** regulates **Real Estate Investment Trusts (REITs)** and India's securities market.
- **International Monetary Fund (IMF)** and the **Organisation for Economic Co-operation and Development (OECD)** treat **10% or more voting ownership** as the international benchmark for **Foreign Direct Investment**.
- **World Bank** and **International Monetary Fund (IMF)** regularly assess the role of investment in global economic growth and development.

Key Facts:

- **India's Global FDI Rank (2025): 11th.**
- **India's FDI Inflows (2025): US\$ 38.89 billion.**
- **Annual Growth in FDI Inflows: 44%.**
- **India's Outward FDI (2025): US\$ 35.66 billion.**
- **Growth in Outward FDI: 47%.**
- **India's Rank among Global FDI Source Economies: 18th.**
- **Largest Announced Greenfield Project (2025): Alphabet Inc.'s US\$ 14.5 billion data centre investment in India.**
- **Largest Overseas Greenfield Project by an Indian Company: Rana Group's US\$ 10 billion automotive manufacturing facility in the United Arab Emirates.**
- **Largest Global FDI Destination (2025): The United States.**
- **China's Global FDI Rank (2025): 4th.**
- **Major FDI Approval Routes in India: Automatic Route and Government Approval Route.**

- **Principal Legislation Governing Foreign Investment: Foreign Exchange Management Act (FEMA), 1999.**
- **FDI Policy Formulating Authority: Department for Promotion of Industry and Internal Trade (DPIIT).**
- **International Benchmark for FDI: Ownership of 10% or more voting power** generally qualifies as Foreign Direct Investment.
- **Important National Initiatives Supporting FDI: Make in India, Production Linked Incentive (PLI) Scheme, Digital India, PM Gati Shakti National Master Plan, National Logistics Policy, and National Single Window System (NSWS).**

Prelims Value Addition:

FDI vs FPI at a Glance:

Parameter

Foreign Direct Investment (FDI)

Foreign Portfolio Investment (FPI)

Nature of Investment

Long-term investment with ownership and management interest

Financial investment without management control

Ownership Benchmark

Generally **10% or more** voting power

Generally **Less than 10%** voting power

Management Control

Significant influence over business decisions

No effective management control

Investment Stability

Relatively stable and long-term

Comparatively volatile and market-driven

Economic Impact

Generates production, employment, technology transfer, and infrastructure

Primarily provides liquidity to financial markets