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MARC Insights

FDI: Fuelling India's Growth and Development

February 2025



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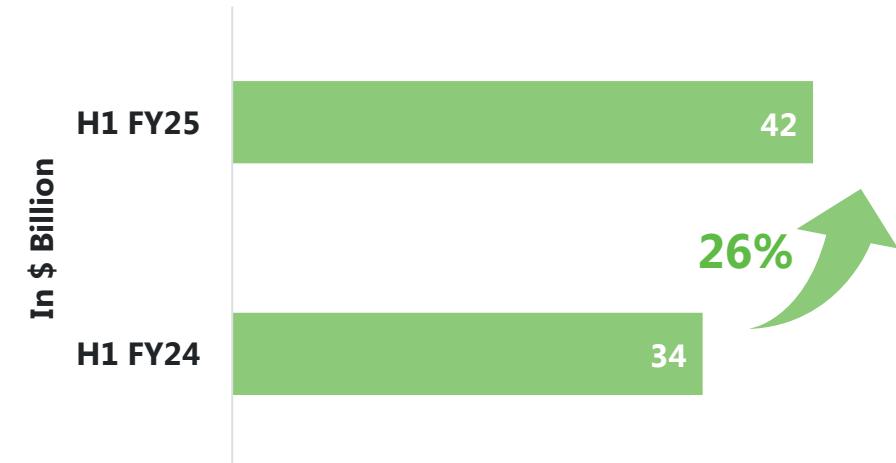
Market Overview (1/2)

India's position in the world ranking

- **2nd** largest country to get highest number of international projects, finance deals.
- **3rd** highest investment secured for the ***greenfield projects** as per World Investment Report 2023
- **3rd** largest **startup ecosystem** in the world as of Jan-25.
- **40th** in the World Competitive Index 2024
- **48th** most innovative country among the top 50 countries.

FDI Inflow in India

India has attracted over **\$1 trillion** in Foreign Direct Investment (FDI) inflows between **Apr-2000 and Sep-2024**



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**.

Source - pib.in, www.india-briefing.com, pib.gov.in

***Greenfield projects:** Initiative that is developed from scratch, typically on undeveloped land, without constraints imposed by prior work.

Market Overview (2/2)

Market Drivers



Government initiatives like the implementation of measures such as PM Gati Shakti, single window clearance and GIS-mapped land bank is expected to push FDI inflows.



India's ranked as 63rd country in Ease of doing business in the Doing Business Report (DBR) 2020, published in 2019.



In Competitiveness & Innovation India grabs 40th position out of 132 economies in the Global Innovation Index 2023.

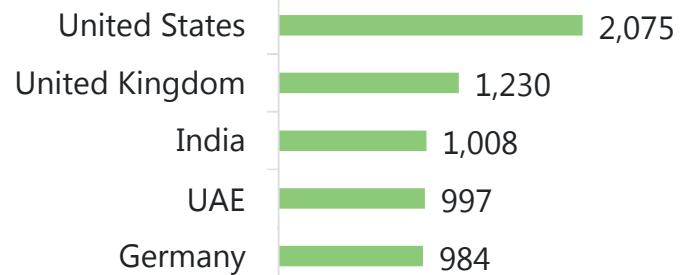


The Goods and Services Tax (GST) implementation has improved transparency, while Special Economic Zones (SEZs) provide dedicated spaces with tax incentives.

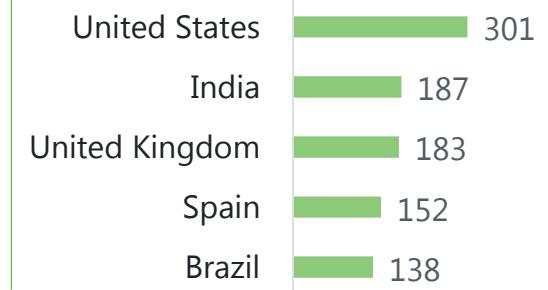
Source - pib.in, www.fortuneindia.com, unctad.org, pib.gov.in

Top five recipients by number of projects

Greenfield investment announcements



International project finance deals

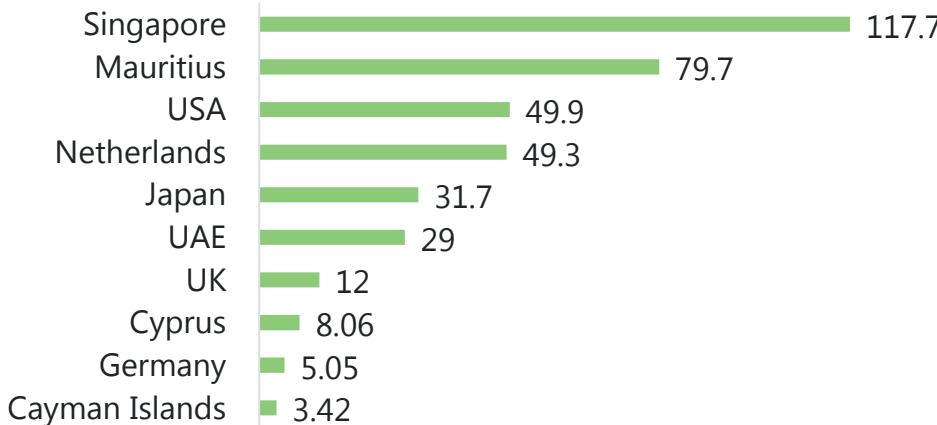


FDI Future outlook

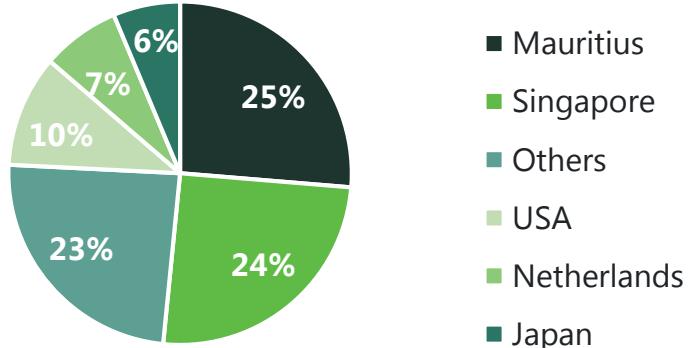
- Country aims to achieve **US\$ 100 billion** in annual Foreign Direct Investment (FDI) in the coming years.
- It is anticipated that a consistent growth rate of 6-8% will be seen over the next decade.
- Government has ensured liberalization of FDI policies in retail, defence, insurance, and single-brand retail trading.

FDI inflow

Top 10 countries to invest in India in 2024 (in \$Bn)



Major Countries Investing in India (2000-2024)



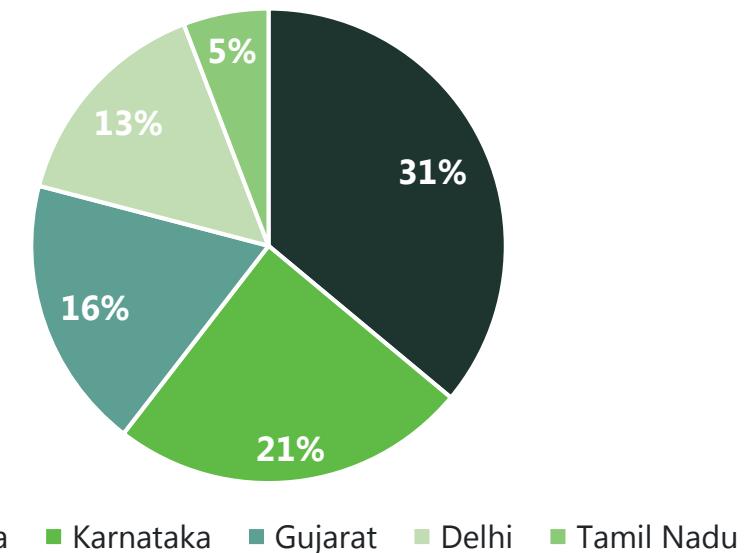
- Mauritius
- Singapore
- Others
- USA
- Netherlands
- Japan

India received \$177.18 billion from Mauritius, \$167.47 billion from Singapore, and \$67.8 billion from the United States.

Source - pib.in, www.india-briefing.com

Maharashtra is the top state in receiving FDI, with \$69.1 billion for the period from 2000-2024

State wise FDI Inflow (2000-2024)



- Maharashtra
- Karnataka
- Gujarat
- Delhi
- Tamil Nadu

State in Focus : FDI scenario in Maharashtra

FDI Inflow over the past 5 years

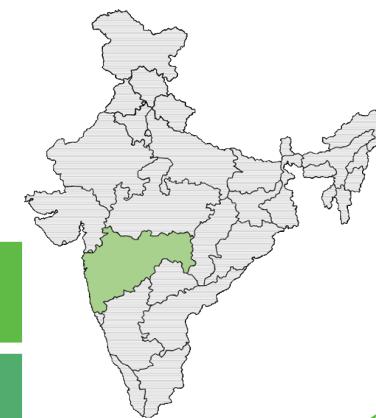


Maharashtra had approved 264 projects representing a total investment of Rs 59,551 crore.

Mumbai, the financial capital of India also plays an important role in attracting FDIs in Maharashtra.

The Gross State Domestic Product of Maharashtra for 2024-25 is projected to be Rs 42,67,771 crore,

Key drivers of FDI inflows



Exceptional infrastructure network, covering air travel, railways, roadways, and ports are attracting more FDI's.



Mumbai is home to Asia's oldest stock exchange, the Bombay Stock Exchange, and has a well-established reputation in foreign markets.



Robust industrial ecosystem with mature automobile manufacturing sector & leadership in agricultural, textile, and food processing industries are driving more FDI's.



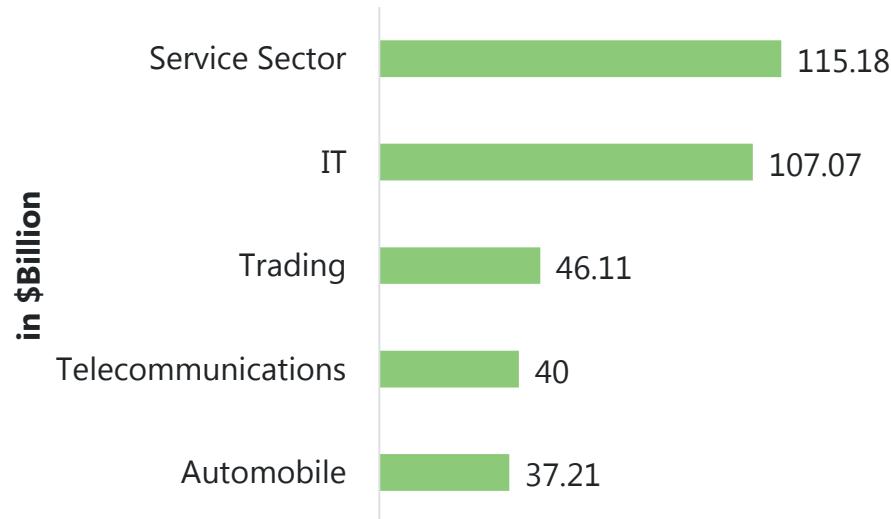
The state's JNPT Port, a key gateway for trade, connects to 33 container freight stations and 47 inland container depots, enabling logistical efficiency encourages more FDI trades.

Hyundai Motors has acquired General Motors India's Talegaon plant in Maharashtra and announced a substantial **investment of US\$ 721.94 million (Rs. 6000 crore)** in the state. The Talegaon plant, with an annual capacity of 1,30,000 units, is set to resume operations in 2025.

Source - prsindia.org, indiatimes.com

Sector wise FDI inflow

Major Sectors Receiving FDI Equity Inflow (2000-2024)



The services sector emerged as the largest recipient of investment, encompassing financial services, IT, and business outsourcing, highlighting its pivotal role in driving economic growth. Emerging industries, such as non-conventional energy, also began gaining traction, reflecting a shift towards sustainable development and innovation.

Sectoral FDI: Government Initiatives

- In **Budget 2025**, announcement has been made that government shall allow **100% FDI in insurance**, easing foreign entry aimed at attracting global insurers.
- India allows **100% FDI for Industrial parks**.
- In 2023, The opening of **satellite communications to the private sector**, and **introduction of the Telecommunications Act**, expected to make the sector attractive and stimulate Foreign direct investments.
- India is on track to become the **largest EV market by 2030**, with a total **investment opportunity of more than US\$ 200 billion** over the next 8-10 years.
- India enjoys a strong position in the global heavy vehicles market as it is the **largest tractor producer, second-largest bus manufacturer, and third-largest heavy truck manufacturer in the world**.

Sector wise status in 2024



Manufacturing

FDI equity inflows into the manufacturing sector over the past decade (2014–2024) reached \$165.1 billion, marking a 69% increase over the \$97.7 billion recorded in the previous decade (2004–2014),



Service

Over the past 9 years, the Indian insurance sector has attracted approximately Rs. 54,000 crore (US\$ 6.48 billion) in Foreign Direct Investment (FDI), with significant increases in FDI limits and a rise in the number of insurance players, contributing to enhanced insurance penetration and density in the country.



Aerospace

The computer software and hardware sector in India attracted cumulative Foreign Direct Investment (FDI) inflows worth US\$ 90.06 billion between 2015 to 2024. India has been a popular destination for FDI in the tech sector due to its skilled workforce and growing market potential.



Renewable energy

The renewable energy sector received a total FDI investment of US\$ 6.14 billion from April 2020 till September 2023, as per the data from the Department for Promotion of Industry and Internal Trade (DPIIT). According to the existing FDI policy, up to 100% investment is permitted in the sector via the automatic route.

Source -www.ibef.org, www.newsx.com

Major FDI investment

India was the third largest recipient of greenfield projects with 1,008 greenfield project announcements, as per the World Investment Report 2023

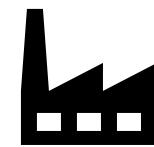


Boeing's cutting-edge US\$ 192.51 million (Rs. 1,600 crore) Engineering and Technology Centre near Bengaluru was inaugurated in 2024. The campus is set to foster collaborations with startups, private entities, and the government, driving next-generation aerospace and defence solutions globally.



Hyundai Motors has acquired General Motors India's Talegaon plant in Maharashtra and announced investment of US\$ 721.94 million (Rs. 6,000 crore) in the state. The agreement, finalized, with an annual capacity of 130,000 units, is set to resume operations in 2025.

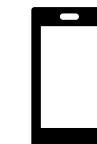
In 2024, Mercedes-Benz planned a US\$21.03 million (Rs. 200 crore) investment in India, unveiling over 12 vehicles, including three electric models. Nearly half of these will be in the top-end vehicle segment, with prices starting at US\$180,201 (Rs. 15 crore)



The investment of \$16.5 billion by ArcelorMittal for the production of basic metal and metal products in India was one of the top five global FDIs in 2024. The UNCTAD report said that the investment is expected to create 20,000 jobs.



In 2024, Toyota invested \$2.3 billion to expand production in India, focusing on increasing manufacturing capacity and localizing hybrid vehicle technology. This move aims to strengthen Toyota's market presence and create thousands of jobs in the automotive sector.



A US\$120.13 million investment from Corning Inc., a key Apple supplier known for Gorilla Glass, will establish a new manufacturing facility in Tamil Nadu.

Source -www.ibef.org, www.newsx.com, www.deccanchronicle.com

Regulatory Framework

To promote FDI, the government has put in place an investor friendly policy, wherein most sectors, except certain strategically important sectors like telecom, defense, are open for 100% FDI under the automatic route.

Liberalization of FDI

Tax Exemption

The NSWS* is a unified platform for businesses to access all Indian government approvals and services, streamlining G2B interactions and improving ease of doing business through increased transparency and accountability.

4

Production Linked Incentive

National Highways Logistics Management Ltd. (NHL) has signed agreement for the development of Multi-Modal Logistics Parks (MMLP) to strengthen India's freight logistics with a hub-and-spoke model.

New Foreign Trade Policy

1

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.

3

In 2024, Incentives valued at 23.68 Billion USD have been declared across 14 sectors, with significant support offered to foreign companies establishing operations in India.

5

Note - *National Single Window System

Source - pib.in, www.india-briefing

Key competitors

1. United States: The US remains a top destination for FDI due to its large consumer market, technological leadership, and strong legal framework. It attracts investment in a wide range of sectors, including technology, manufacturing, and services. **In 2023, the US had an FDI inflow of \$311 billion.**



2. China: China's established manufacturing infrastructure and its role as a global supply chain hub attract multinational corporations seeking access to its market and production capabilities. **In 2023, China received \$163 billion in FDI.**

3. Singapore: Singapore serves as a major financial and business hub in Asia, attracting leading firms in various sectors. Its strategic location, advanced infrastructure, and highly skilled workforce make it an attractive destination for high-value investors. **FDI inflow in 2023 was \$160 billion.**

4. Hong Kong: Hong Kong's well-established financial market, advanced infrastructure, and highly skilled workforce attract businesses seeking regional expansion. **FDI inflow reached \$113 billion in 2023.**

5. Brazil: Brazil attracts international investors due to its large domestic market (over 210 million inhabitants), readily available raw materials, diversified economy resilient to international crises, and strategic location providing easy access to other South American countries. **FDI inflow in 2023 was \$66 Billion.**

Source - www.visitsingapore.com, research.hktdc.com, tradingeconomics.com, www.singstat.gov.sg, www.opportimes.com, www.hongkongcompanyformation.hk, www.lloydsbanktrade.com

Top sectors for investment in India in the future



IT & Technology

The global demand for IT services, coupled with the rise of emerging technologies such as artificial intelligence (AI), machine learning, and cloud computing, has solidified India's position as a global IT hub. India's tech workforce is highly skilled, and cities such as Bengaluru and Hyderabad are becoming centers for tech innovation.



Manufacturing

India's strategic location, competitive labor costs, and government initiatives like the 'Make in India' campaign have positioned the country as a major manufacturing hub. The Production Linked Incentive scheme provides additional financial incentives, driving the growth of electronics, automotive, pharmaceuticals, and consumer goods manufacturing.



Healthcare

With a population exceeding 1.4 billion and a growing middle class, the healthcare sector in India continues to expand. The COVID-19 pandemic accelerated the need for robust healthcare infrastructure, prompting substantial investments from both public and private players in the sector.



Aerospace Industry

India's space sector, previously dominated by state-controlled entities, has recently opened up to private investments. The relaxation of FDI norms, allowing up to 100 percent foreign investment in key sub-sectors, has set the stage for rapid growth.



Renewable energy

The Indian government has set ambitious targets to increase its renewable energy capacity to 500 GW by 2030. This push for clean energy, coupled with global efforts to combat climate change, has attracted significant international interest in India's renewable energy sector.



Defense

India's defense sector has also seen significant FDI policy reforms, allowing up to 100 percent FDI with prior government approval. These reforms aim to boost domestic manufacturing of defense equipment, aligned with the government's goal of self-reliance in defense production.

Source - pib.in, www.india-briefing.com

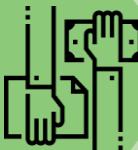
Challenges Hindering Foreign Direct Investment (FDI) in India

Complex Regulatory Environment



India's regulatory and tax framework remains cumbersome and unpredictable. Frequent changes and unclear procedures increase compliance costs and uncertainty. The Volkswagen tax dispute (2025), where the company faced a \$1.4 billion tax claim, highlights the unpredictability of India's tax system.

Slow Bureaucratic Processes



Delays in approvals, permits, and decision-making in sectors like real estate and infrastructure impede project timelines and increase operational costs. According to the World Bank Doing Business Report, India's ease of doing business is hindered by slow bureaucratic processes.

Infrastructure and Logistics Challenges



Despite urban improvements, rural and semi-urban areas still face inadequate infrastructure, increasing logistics costs. India's logistics costs remain high at around 13-15% of GDP, affecting operational efficiency for foreign investors.

Protectionist Policies



India's restrictions on foreign ownership in critical sectors like defense and retail pose barriers for full foreign control. Foreign investment restrictions in e-commerce are an example of protectionist policies limiting growth opportunities.

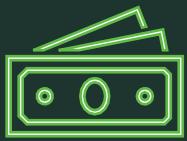
Source – [Reuters.com](https://www.reuters.com), [World Bank.org](https://www.worldbank.org) , [Global Trade.com](https://www.globaltrade.com)

Conclusion



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 (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.



Global Investment Standing:

- The number of international project finance deals in India also increased by 64% in 2024, 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.

Source - www.pib.gov.in, www.drishtiias.com/



Innovation ecosystem

- India's rapidly evolving innovation ecosystem has become a significant draw for foreign direct investment. The combination of a large talent pool, a vibrant startup culture, and government initiatives promoting innovation has created a fertile ground for technological breakthroughs. The country's large domestic market, youthful population, and increasing investment in research and development contribute to its growing innovation ecosystem.



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.



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