FOREIGN INVESTMENT IN INDIA: CHANGING DIMENSIONS OF FOREIGN DIRECT INVESTMENT (FDI), FOREIGN PORTFOLIO INVESTMENT (FPI), AND JOINT VENTURES

Susmitha M, Bharata Mata School of Legal Studies, Aluva

ABSTRACT

After liberalisation (1991), foreign investment has been the key driver of the country's growth and industrialisation, and of its economic integration with the rest of the world. Foreign investment has been an important contributor to the capital formation, technology transfer, job creation and development of infrastructure in India, which has been achieved via 3 types of foreign investment – Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI) and Joint Ventures (JVs). FDI helps to foster long-term business growth and participation of management, while FPI enhances the liquidity of financial markets through investment in financial securities. Joint ventures help build strategic partnerships, bringing foreign knowhow and local resources and expertise to the table. The foreign investment regime in India, under the Foreign Exchange Management Act, 1999, the Companies Act, 2013, SEBI Regulations and Consolidated FDI Policy, has been undergoing changes to ensure an optimum balance between investments and national security and regulatory control. It examines the changing facades of foreign investment in India, a brief overview of the legal framework, certain key policy shifts and judicial changes, and recommends for making India an investment haven in the international arena.

Keywords: Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), Joint Ventures, Foreign Exchange Management Act (FEMA), SEBI Regulations & Investment Policy

1. INTRODUCTION

Foreign investment has emerged as an important means of economic development, industrialization, technological progress and international integration. Since the implementation of the New Economic Policy (1991), India has moved away from a tight investment policy to an liberalized and investor-friendly policy, which has allowed more foreign involvement in different segments of the economy.[1]

Foreign investment in India primarily comes in the form of Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), and Joint Venture (JV). Investments made through FDI promote long term investment, transfer of technology and generation of employment whereas investments made through FPI strengthen the capital markets by investing in financial securities. Joint ventures offer the opportunity for local and foreign firms to cooperate to achieve a strategic objective through a partnership of capital, technology and management. Recent events like digital transformation, ESG investing, geopolitical shifts and national security issues have led to a change in India's foreign investment policies. The government's policies such as Make in India, Digital India, Startup India and Production Linked Incentive (PLI) Scheme have been initiated to promote foreign capital inflow into India while protecting its strategic interests. It will discuss the evolving nature of FDI, FPI and Joint Ventures based on the legal framework, policy changes, emerging trends and issues.[2]

2. OBJECTIVES OF THE STUDY

1. To discuss the idea and importance of foreign investments in the economic development of India.

2. To study and discuss the legal regime of Foreign Direct Investment, Foreign Portfolio Investment and Joint Venture in India.

3. To examine the evolution of foreign policy of India with regard to foreign investments following economic liberalization.

[1] Foreign Exchange Management Act, No. 42 of 1999, India Code (1999); Department for Promotion of Industry and Internal Trade, Consolidated FDI Policy Circular of 2020 (Oct. 15, 2020).
[2] United Nations Conference on Trade and Development (UNCTAD), World Investment Report 2024: Investment Facilitation and Digital Government (2024); Reserve Bank of India, Master Direction – Foreign Investment in India (updated periodically).

4. To understand the features, benefits and drawbacks of FDI, FPI and Joint Ventures.

5. To examine recent policy changes, regulatory changes and judicial rulings that affect foreign investment.

6. To list out some of the issues with foreign investments and recommend solutions to make investment climate better in India.

3. RESEARCH QUESTIONS

1. What are the major forms of foreign investment in India?

2. How India's foreign investment policy has developed since the economic liberalization?

3. What are the legal provisions governing Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI) and Joint Venture (JV) in India?

4. What is the Difference between Foreign Direct Investment and FPI?

5. What role do Joint Ventures play in technology transfer and in industrial development?

6. What challenges continue to affect foreign investment in India despite policy

liberalization?

7. What are the changes in the system that need to be made to India's position as a global investment hub?

4. LEGAL FRAMEWORK GOVERNING FOREIGN INVESTMENT IN INDIA

India has a detailed legal and institutional framework for foreign investment which promotes investment while maintaining transparency of regulation, economic stability and national security. The following are the key legislations, policies and regulatory bodies:

4.1 FOREIGN EXCHANGE MANAGEMENT ACT, 1999 (FEMA)

The foremost piece of legislation that regulates foreign exchange transactions and foreign investment in India is FEMA. It helps in external trade, and enable Central Government and

Reserve Bank of India (RBI) to control Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), capital account transaction and investments in the overseas countries.[3]

4.2 FOREIGN EXCHANGE MANAGEMENT (NON-DEBT INSTRUMENTS) RULES, 2019

These Rules set out the regulatory framework for FDI which includes the eligibility of investors, means of entry, sectoral caps, pricing guidelines, reporting obligations, transfer of shares and downstream investments. These are updated from time to time as per the changes in FDI policy in India.[4]

4.3 CONSOLIDATED FDI POLICY (DPIIT)

The Consolidated FDI Policy is issued by the Department for Promotion of Industry and Internal Trade (DPIIT), which outlines sectoral caps, conditions for investment, automatic approval and government approval processes, sectors which are prohibited and investment restrictions on national security grounds.[5]

4.4 REGULATORY AUTHORITIES

FEMA is regulated by the Reserve Bank of India (RBI), which also governs the foreign exchange transactions, capital account transactions and reporting requirements. Foreign Portfolio Investment is regulated by Securities and Exchange Board of India (SEBI) under SEBI (Foreign Portfolio Investors) Regulations, 2019 which govern registration, investment limits, disclosure requirements and compliance of FPIs.[6]

4.5 OTHER RELEVANT LEGISLATIONS

Foreign investors have also to abide by the Companies Act, 2013, which regulates the incorporation of companies, corporate governance, mergers and acquisitions and rights of

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[3] Foreign Exchange Management Act, No. 42 of 1999, §§ 3–6, India Code (1999).

[4] Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, G.S.R. 777(E), rr. 3–23 (Oct. 17, 2019).

[5] Dep't for Promotion of Indus. & Internal Trade, Ministry of Commerce & Industry, Consolidated FDI Policy Circular of 2020 (Oct. 15, 2020).

[6] Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, No. SEBI/LADNRO/GN/2019/36; Reserve Bank of India, Master Direction – Foreign Investment in India (updated periodically).

shareholders, and the Competition Act, 2002,[7] which is for regulating the mergers, acquisitions and combinations to prevent anti-competitive practice, before the Competition Commission of India (CCI).[8]

4.6 SECTOR-SPECIFIC REGULATIONS

Some industries have their own regulators like RBI, IRDAI, DoT, Ministry of Defence, DGCA and CDSCO in banking, insurance, telecommunications, defence, civil aviation and pharmaceuticals. Prescribed investment caps, licensing conditions and regulatory conditions apply to foreign investment in these sectors. India's overall legal framework aims for a balance between attracting foreign investment and protecting national interests by having a strong and effective legal, policy, and regulatory environment.[9]

5. ANALYSIS OF THE TOPIC

5.1 EVOLUTION OF FOREIGN INVESTMENT IN INDIA

India's Foreign Investment regime has transformed from a very restrictive regime to one of the most preferred investment destinations in the world. Foreign investment was limited by the pre-1991 economic reforms of industrial licensing, foreign equity restrictions and stringent foreign exchange controls as per Foreign Exchange Regulation Act, 1973 (FERA).[10] Since the advent of liberalization, privatization and globalization (LPG) under the New Economic Policy (NEP), 1991, several sectors have been opened to foreign investment and the process of getting investment has become easier.

An important law was passed in the wake of FERA was the Foreign Exchange Management Act, 1999 (FEMA) which replaced FERA and provided a facilitative framework for managing foreign exchange. In the last decade, India has taken a step forward and has gradually allowed more investment in the sectors, more automatic route and allowed more investor-centric schemes like Make in India, Digital India, Startup India, the Production Linked Incentive (PLI) Scheme and the National Single Window System. The policy changes, which have recently been made, such as strengthened surveillance of investments from neighbouring countries,

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[7] Competition Act, No. 12 of 2003, India Code (2003).
[8] Companies Act, No. 18 of 2013, India Code (2013).
[9] Dep't for Promotion of Indus. & Internal Trade, Supra note 5
[10] Foreign Exchange Regulation Act, No. 46 of 1973, Acts of Parliament, 1973 (India).

show India's attempt to strike a balance between investment promotion and national security and strategic concerns.[11]

5.2 FOREIGN DIRECT INVESTMENT (FDI)

5.2.1 MEANING AND CONCEPT

Foreign Direct Investment (FDI): It is a long term foreign investment in an enterprise of another country with the objective of acquiring a lasting interest and managerial control. Typically, FDI in India is in the shape of investments in equity shares of Indian companies, fully convertible preference shares, or fully convertible debentures of Indian companies. FDI is more than portfolio investment, it is also related to business activities, capital formation, technology transfer, managerial skills, employment creation and finally to integration with global value chains. FDI is considered as one of the most persistent sources of foreign capital flows due to its long-term nature.[12]

5.2.2 OBJECTIVES OF FDI

The important aims of the promotion of FDI are:

1. To support growth via inflows of capital.
2. To promote the development of industry and infrastructure.
3. To promote transfer of technology and innovation.
4. To provide job opportunities & improve skill development.
5. To increase exports and global competitiveness.
6. To connect with the global value chains in India.
7. To enhance the competitiveness of the industries through collaborating with foreign countries.

[11] Dep't for Promotion of Indus. & Internal Trade, Supra note 5
[12] Organisation for Economic Co-operation and Development (OECD), OECD Benchmark Definition of Foreign Direct Investment 4th ed. (2008); United Nations Conference on Trade and Development (UNCTAD), World Investment Report 2024 (2024).

5.2.3 MODES OF FDI

Foreign Direct Investment may be in various forms depending on the nature of investment and ownership structure:

1. **Greenfield Investment**: Investment in a new business enterprise with new production facilities, infrastructure, and job creation.

2. **Brownfield Investment**: Purchase or growth of a current business, allowing faster entry into the market and operation.

3. **Wholly Owned Subsidiary:** A foreign company is 100% owned in a foreign company called a subsidiary, where the FDI policy and sectoral regulations permit.

4. **Joint Venture**: A foreign investor works with an Indian partner in a manner of sharing the business risk, management, technology and resources.[13]

5.2.4 ENTRY ROUTES FOR FDI

India permits FDI through two entry routes:

(A) AUTOMATIC ROUTE:

In this path, there is no need to get approval from the previous government. Investment can be direct as per FEMA, RBI regulations and conditions of the sector. FDI is allowed in most sectors on the Automatic Route.Automatic Route is available for most sectors, such as manufacturing, information technology, renewable energy, automobiles, and infrastructure.

(B) GOVERNMENT APPROVAL ROUTE:

Investment in specific industries or sensitive industries has to be approved in advance by the Central Government. They are approved based on a variety of considerations, including national security, public interest and sector-specific regulations. This route applies to sectors like defence, print media, satellites and some investments of countries with land borders like

[13] Horst Raff, Michael Ryan & Frank Stähler, The Choice of Market Entry Mode: Greenfield Investment, M&A and Joint Venture, 18 **Int'l Rev. Econ. & Fin.** 3 (2009), available at ScienceDirect (last visited July 29, 2026).

India.[14]

5.2.5 SECTORAL CAPS ON FDI

India has sectoral FDI policy, which provides the maximum percentage of foreign investment allowed in different sectors. As a general rule, all sectors receive 100% FDI under the Automatic Route, whereas in some sectors like Insurance and Defence foreign investment is allowed with prescribed conditions and limits. Multi-brand retail trading needs to be authorized by the government and is limited by restrictions, while other activities such as atomic energy and lottery businesses are not allowed. The caps of the sectors are periodically updated as per India's economic priorities, strategic interests and commitments to the international community.[15]

5.2.6 ADVANTAGES OF FDI

The foreign direct investment is beneficial to the Indian economy as it:

1. Encouraging investment and industrial development.
2. Enabling the transfer of technology and innovation.
3. Creating jobs and improving the skills of labour.
4. To boost exports with integration into value chains.
5. Supporting infrastructure development.
6. Enhancing competition and business efficiency.
7. Generating government revenues and foreign exchange earnings.

5.2.7 CHALLENGES AND CONCERNS RELATING TO FDI

Despite its advantages, FDI presents several challenges, including:

1. Multiple compliance requirements (regulatory complexity).

[14] Nishith Desai Associates, Foreign Direct Investment in India, available at https://www.nishithdesai.com/information/research-and-articles/nda-hotline.html (last visited July 29, 2026).
[15] Dep't for Promotion of Indus. & Internal Trade, Supra note 5

Uncertainty and a lack of clarity from policies due to frequent policy changes.

2. Strategic areas like defence, telecommunication and digital infrastructure: National security concerns.

3. Regional imbalances: investments are focused in economically developed states.

4. Competition for domestic companies from foreign companies that are run by multinationals. [16]

5. Environmental and social issues such as land acquisition and sustainability matters.

6. Differences over taxation, contracts and IP rights with other countries that can slow down investments.

5.2.8 CHANGING DIMENSIONS OF FDI IN INDIA

Foreign Direct Investment (FDI) in India has undergone a transformation in nature since technology, globalization, and the priorities of the nation have shifted. Previous FDI has been dominated by traditional manufacturing industries like automobiles, textiles, engineering, etc., but the latest investments are firmly focused on digital platforms, e-commerce, fintech, AI, semiconductors, RE, electric vehicles, biotechnology, healthcare, logistics, and data centres.

Make in India, Startup India, Digital India, PLI Schemes, PM Gati Shakti and other government initiatives have broadened the spectrum of foreign investment in India and made it more competitive in the global market. Improvements in ease of doing business have also enhanced India's global competitiveness. Meanwhile, the measures undertaken to raise the bar for Environmental, Social and Governance (ESG) and new screening of investments in strategic sectors are indicative of India's balanced policy on fostering investment and protecting national security. Therefore, FDI is no longer just a source of capital, it has become a driver of technological innovation, industrial modernization, sustainable growth, integration into global value chains and long-term economic development.[17]

[16] Organisation for Economic Co-operation and Development (OECD),Supra note 12
[17] ibid

5.3 FOREIGN PORTFOLIO INVESTMENT (FPI)

5.3.1 MEANING AND CONCEPT

Foreign Portfolio Investment (FPI) is an investment made by foreign investors in financial securities like equity shares, corporate bonds, government bonds, treasury bills, mutual funds, or other securities, but they do not have any managerial control over the investee company. While FDI is focussed on business investment, FPI is mainly focused on financial investments and returns. Foreign Portfolio Investors (FPI) are regulated by the SEBI (Foreign Portfolio Investors) Regulations, 2019[18] and as per FEMA and RBI guidelines in India. It is a key element in enhancing market liquidity, the flow of capital, and the linkage of Indian capital markets with the world's capital markets.

5.3.2 FEATURES OF FPI

The key features of FPI include:

1. Investment in securities, which are financial assets, not into physical assets.

2. No managerial control of investee company.

3. Easy entry and exit and high liquidity.

4. A short or medium term investment time perspective.

5. Regulated by SEBI and the RBI.[19]

5.3.3 ADVANTAGES OF FPI

FPI offers several benefits, including:

1. Increasing liquidity and efficiency of capital markets.

2. Reducing the capital cost to firms.

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[18] Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019, No. SEBI/LADNRO/GN/2019/36; Reserve Bank of India, Master Direction – Foreign Investment in India (updated periodically).

[19] ibid

3. Promoting better corporate governance and transparency.

4. Maintaining linkage of India and its financial markets with the rest of the world.

5. Promoting overall economic growth with enhanced investments.

5.3.4 CHALLENGES OF FPI

Although it does have its benefits, there are a few problems with FPI:

1. High market volatility as result of the fast inflow and outflow of capital.

2. Speculative Investment and Short Term Investment behaviour.

3. The impact of currency price changes on the financial stability.

4. The impact of external economic shocks and global financial crises.

5. Dependence on foreign capital and investor sentiment.

5.3.5 CHANGING DIMENSIONS OF FPI

In recent years, FPI has been developing in a more directive way towards the pillars of environmental, social and governance (ESG) investing, sustainable finance and corporate governance standards. The investment landscape has changed with technological innovations including digital trading platforms, algorithmic trading, artificial intelligence, and fintech. Furthermore, the reforms in Indian capital markets and its listings in the major foreign bond indices will drive more foreign investment and enhance the diversified, technologically advanced and global nature of FPI.[20]

5.4 JOINT VENTURES (JVS)

5.4.1 MEANING AND CONCEPT

A Joint Venture (JV) is a business enterprise where two or more entities partner their financial resources, technology, know-how and management to pursue common business interests, with

[20] United Nations Conference on Trade and Development (UNCTAD), Supra note 2

profits, risks and responsibilities divided between the partners. In India, Joint Ventures (JVs) of domestic and foreign companies are used to transfer technology, to gain market access, and to develop infrastructure. They can be formally set up as distinct entities under the Companies Act 2013 or via contract.[21]

5.4.2 TYPES OF JOINT VENTURES

Joint ventures are generally classified into:

1. **Equity Joint Venture:** Partners contribute capital and hold shares in a jointly incorporated company.

2. **Contractual Joint Venture:** Cooperating in a contract without some new legal entity.

3. **Project-Based Joint Venture:** A company that is established to carry out a particular project and disassociates when the project is finished.[22]

5.4.3 IMPORTANCE AND ADVANTAGES

Joint ventures facilitate technology transfer, market expansion, sharing of risk, managerial expertise, job creation and infrastructure building. They also help businesses to gain access to foreign technology, enter new markets, gain competitiveness and form long-term strategic partnerships.

5.4.4 LEGAL FRAMEWORK

In India, the joint ventures are governed by the Companies Act, 2013, Foreign Exchange

Management Act, 1999 (FEMA),[23] Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, Indian Contract Act, 1872, Competition Act, 2002, and Sectoral Regulations.

Along with the FDI Policy and RBI guidelines, the foreign invested joint ventures are also bound by the sectoral caps.

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[21] Avtar Singh, Company Law (18th ed., Eastern Book Co. 2022); Foreign Exchange Management Act, No. 42 of 1999, India Code (1999).
[22] Supra note 13
[23] Supra note 3

5.4.5 CHALLENGES

Joint ventures may face challenges such as cultural and managerial differences, governance disputes, regulatory compliance, intellectual property protection, and difficulties relating to valuation, exit, and dispute resolution.

5.4.6 CHANGING DIMENSIONS OF JOINT VENTURES

In the era of technology and globalization, such as what is happening in the renewable energy, electric vehicles, semiconductors, and biotechnology and pharmaceutical segments, joint ventures have grown into various sectors. Joint ventures have evolved into strategic partnerships with a focus on research and innovation, sustainability and India's emerging startup culture, boosting the competitiveness and economic growth of the region.

5.5 COMPARATIVE ANALYSIS OF FDI, FPI, AND JOINT VENTURES

Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), and Joint Ventures (JVs) differ in their objectives, ownership, control, and economic impact.

Aspect	Foreign Direct Investment (FDI)	Foreign Portfolio Investment (FPI)	Joint Venture (JV)
Primary Objective	Establish a lasting business presence	Earn returns from financial investments	Form a strategic business alliance
Ownership Level	Majority or significant stake	Limited shareholding	Ownership shared between partners
Decision-Making Authority	Investor participates in management	No role in business management	Management responsibilities are shared
Investment Horizon	Long-term commitment	Short- or mediumterm investment	Long-term collaborative arrangement
Knowledge & Technology Sharing	High level of transfer	Negligible or none	Considerable exchange of expertise and technology
Risk Allocation	Moderate business	Higher market-	Risks are jointly

	risk	related risk	shared by partners
Regulatory Oversight	RBI and DPIIT	SEBI and RBI	RBI, DPIIT, MCA, and relevant sectorspecific regulators

On the whole, FDI helps to grow industry and transfer technology, FPI with liquidity and financial investment strengthens capital markets and Joint Ventures with foreign technology and expertise and resource mobilization can help to achieve long term commercial goals.

5.6 EMERGING TRENDS IN FOREIGN INVESTMENT IN INDIA

The foreign investment market in India is undergoing rapid change and transformation with new technology and policy changes. Increased investment in fintech, AI, e-commerce, semiconductors, renewable energy, EVs, biotechnology, digital infrastructure and start-ups.

The investments of foreign investors are continuing in various government initiatives like the Production Linked Incentive (PLI) Scheme, Make in India and Digital India.[24]

The increasing focus on Environmental, Social and Governance (ESG) investing, supply chain diversification, digital transformation, and other trends have continued to influence how investors are allocating their capital. Meanwhile, the implementation of stricter screening of investments in strategic sectors like defence, telecom and critical infrastructure reflects India's efforts to strike balance between investment liberalization and its national security. India's large consumer market along with the ongoing policy changes, ease of doing business and the regulatory certainty and efficient dispute resolution will render it an attractive place for foreign investment to continue.[25]

6. IMPORTANT CASE LAWS AND POLICY DEVELOPMENTS

6.1 IMPORTANT CASE LAWS

(i) Vodafone International Holdings B.V. v. Union of India, (2012) 6 SCC 613 The facts were that Vodafone had acquired shares of an off-shore company in the Cayman Islands, which

[24] Government of India, Make in India, available at https://www.makeinindia.com (last visited July 29, 2026).
[25] Ministry of Commerce & Industry, Government of India, Production Linked Incentive (PLI) Schemes, available at https://www.commerce.gov.in (last visited July 29, 2026).

in turn held an Indian telecom company. The Indian tax authorities demanded capital gains tax on the transaction. Supreme Court held that the transaction between two non-resident entities took place offshore and hence the same was not taxable under the earlier law. Significance: The decision highlighted the importance of legal security for foreign investment and increased investor confidence. The retrospective tax amendment was later withdrawn by the Taxation Laws (Amendment) Act, 2021.[26]

(ii) Life Insurance Corporation of India v. Escorts Ltd., (1986) 1 SCC 264

Facts: The shares of Escorts Ltd were purchased by non-resident investors under the foreign exchange laws.

Ruling: Foreign investment is essentially an economic policy issue and the courts should only interfere if there is a violation of constitutional or statutory provisions.

Significance: This judgment established the executive's powers to formulate foreign investment policies.[27]

(iii) Renusagar Power Co. Ltd. v. General Electric Co., (1986) 1 SCC 402

Facts: The controversy was whether Part I of the Arbitration and Conciliation Act, 1996, applies to foreign-seated arbitrations. The Supreme Court ruled that Part I does not apply to international commercial arbitrations having their seat outside India.

Significance: It has bolstered India's arbitration regime and bolstered the confidence of foreign investors in the cross-border dispute resolution framework.[28]

(iv) Retrospective Taxation Reforms (2021)

Since the Vodafone dispute, the Government has passed the Taxation Laws (Amendment) Act, 2021 to remove retrospective taxation of specified indirect transfer cases. This reform put the investors at ease and it further reaffirms India's efforts towards maintaining a stable and

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[26] Vodafone International Holdings B.V. v. Union of India, (2012) 6 S.C.C. 613 (India); Taxation Laws (Amendment) Act, No. 48 of 2021, Acts of Parliament, 2021 (India).
[27] Life Insurance Corporation of India v. Escorts Ltd., (1986) 1 S.C.C. 264 (India).
[28] Renusagar Power Co. Ltd. v. General Electric Co., (1986) 1 S.C.C. 644 (India).

predictable investment environment.[29]

6.2 MAJOR POLICY DEVELOPMENTS INFLUENCING FOREIGN INVESTMENT

India has gradually opened up its foreign investment regime with the following significant policy measures:

1. **New Economic Policy, 1991:** Introduced liberalization, privatization, and globalization (LPG), opening various sectors to foreign investment.

2. **Foreign Exchange Management Act, 1999 (FEMA):** Successor of FERA and took a facilitative approach towards foreign exchange management and foreign investment.

3. **Consolidated FDI Policy:** Issued by DPIIT, it consolidates sectoral caps, entry routes, and investment conditions into a single policy framework.

4. **Make in India:** Encourages manufacturing, infrastructure development and foreign investments in critical sectors.

5. **Startup India:** Provides regulatory support, tax benefits, and funding for startups and encourages innovation and entrepreneurship.

6. **Production Linked Incentive (PLI) Scheme:** Schemes to encourage domestic production in key industries like electronics, pharmaceuticals, automobiles and semiconductors.

7. **National Single Window System:** Single digital platform for investment approval.

8. **Press Note 3 (2020):** Government approval is required before investing from countries sharing land borders with India, to ensure the nation's security.

7. FINDINGS

The study reveals that:

1. The Indian foreign investment regime has become liberal and investor friendly.

[29] Taxation Laws (Amendment) Act, No. 48 of 2021, Acts of Parliament, 2021 (India); Ministry of Finance, Government of India, Taxation Laws (Amendment) Act, 2021 – Explanatory Memorandum.

2. FDI has played a significant role in the expansion of industry, transfer of technology, jobs creation and infrastructure.

3. Capital markets are robust but vulnerable to price fluctuations in the market.

4. Joint ventures are a means to enable technology transfer, risk sharing and strategic business collaboration.

5. The government has taken several measures through Make in India, Startup India and PLI Scheme etc to improve India's investment ecosystem.

6. The challenges remaining are: regulatory complexity, uncertainty about the policies, inadequate infrastructure and lack of dispute resolution.

7. Digital technologies, renewable energy, artificial intelligence, semiconductors, and investments with an environmental, social, and governance (ESG) focus are becoming increasingly important investment trends.

8. SUGGESTIONS

The government can support foreign investors in India by implementing the following:

1. Create more regulatory stability and policy certainty.

2. Make compliance and approval process easier and faster by using digital governance.

3. Improve the commercial dispute settlement and arbitration systems.

4. Promote infrastructure and logistics development for competitiveness.

5. Support the balanced regional development by stimulating investment in less developed regions.

6. Enhance protection of intellectual property to encourage investments for innovations.

7. Promote sustainable and ESG investments.

8. Promote skill development through cooperation between industry and academic.

9. Continue to be effective in screening investment activities to ensure foreign investment is balanced with national security.

9. CONCLUSION

Foreign investment has played an important role in India's economic reforms since 1991. With policy changes and regulatory liberalisation, India has become an attractive choice for foreign investment. FDI has stimulated industrial development, technology transfer, employment, and business integration into global value chain, while Foreign Portfolio Investment (FPI) has reinforced capital markets, and Joint Ventures (JVs) have secured strategic collaborations, technology transfers, and business growth.

With digital transformation, sustainability, innovations and geopolitical changes, the nature of foreign investment has evolved, moving it into sectors like digital infrastructure, fintech, semiconductors, artificial intelligence and renewable energy. While India's investment journey has undergone a lot of improvement, the need for further reforms in regulatory certainty, ease of doing business, infrastructure, dispute resolution and IP protection is still a must. India has a future to keep inclusive economic growth and solidify its status as a top investment destination globally, provided it has a balanced legal and policy framework that allows it to continue to attract investment, while maintaining a national security perspective.

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