

Foreign Direct Investment, Globalisation and Indian Commerce: Trends, Composition and Growth Linkages, 2000–2025

Ashwini V

Assistant Professor and Coordinator of the PG Department of Commerce, P.E.S. Institute of Advanced Management Studies, Shimoga, Karnataka, India

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Abstract

This study examines the trends, composition and growth linkages of foreign direct investment (FDI) in India over the quarter century from 2000-01 to 2024-25, and places them in the context of economic globalisation and digitalisation. It combines an integrative review of 19 scholarly and institutional sources, drawing on the theory of the multinational enterprise, the empirical literature on FDI and growth, and India-focused studies of liberalisation, FDI policy and sectoral change, with a descriptive analysis of official data published by the Department for Promotion of Industry and Internal Trade. The data show that annual FDI equity inflows rose from US\$2.5 billion in 2000-01 to a peak of US\$59.6 billion in 2020-21 before settling at US\$44 to 46 billion; that total FDI inflows, including reinvested earnings and other capital, reached a record US\$81.04 billion in 2024-25, more than double the 2013-14 level; that cumulative inflows over the eleven years to 2024-25 were 143% higher than in the preceding eleven years and account for about 70% of the US\$1.07 trillion received since 2000; and that inflows remain concentrated by sector (services, software and trading together 43%), by source (Singapore, Mauritius and the United States together 58%) and by destination (Maharashtra, Karnataka and Delhi together 64%). Four themes are developed: the liberalisation of the FDI regime, the scale and step-wise trend of inflows, the concentration of their composition, and the conditions under which FDI translates into growth. The findings are organised into a Regime–Inflow–Absorption framework and five research propositions. The paper argues that India's FDI performance is a policy achievement whose developmental return depends on broadening sectoral and regional absorption, and that digitalisation is changing both what is invested in and how.

Keywords: - Foreign Direct Investment, Economic Globalisation, Liberalisation, FDI Policy, Sectoral Composition, Economic Growth, Digitalisation, Indian Economy

I. INTRODUCTION

1.1. Background and Context

Foreign direct investment has been at the centre of India's engagement with the world economy since the reforms of 1991. Before that year, foreign ownership was restricted, approvals were discretionary and inflows were negligible; after it, successive governments raised sectoral caps, moved most activities to an automatic route and simplified procedures, so that India became one of the largest recipients of FDI among developing economies (Ahluwalia, 2002; Kumar, 2005). The Department for Promotion of Industry and Internal Trade (DPIIT, 2025) reports cumulative inflows of US\$1,072 billion between April 2000 and March 2025, and a record US\$81.04 billion in 2024-25 alone (Press Information Bureau [PIB], 2025).

This opening has unfolded within a wider process of economic globalisation, in which trade, capital, technology and, increasingly, data move across borders with diminishing friction. Aswani and Kalluraya (2023b) examine the relationship between economic globalisation and digitisation and argue that digital technologies have become both an object of cross-border investment and the infrastructure through which it flows. Aswani and Kalluraya (2024) explore the evolution of India's FDI policies and the trends in inflows that have followed, and draw insights on the direction of the regime. The present study

extends that work by assembling the official data on inflows over twenty-five years, by analysing their composition, and by reading them against the theoretical and empirical literature on what FDI does for a host economy.

1.2. Problem Statement

Public discussion of FDI in India tends to focus on headline totals, and the totals are impressive. Yet the developmental value of FDI depends less on its volume than on its composition and absorption: which sectors it enters, which regions it reaches, whether it brings technology and export capacity, and whether the host economy has the human capital and financial depth to benefit. The empirical literature is clear that these conditions matter (Borensztein et al., 1998; Alfaro et al., 2004), and sector-level work on India finds that the growth effects of FDI differ sharply by sector (Chakraborty & Nunnenkamp, 2008). An account that combines the trend in inflows with their composition and with the conditions for their absorption, and that reflects the changing nature of investment in a digitalising economy, is lacking. This study addresses that gap.

1.3. Research Objectives

This study pursues the following specific objectives:

- To review the theoretical and empirical literature on foreign direct investment, its determinants and its effects on host-country growth.
- To document, from official data, the trend of FDI inflows to India from 2000-01 to 2024-25.
- To analyse the composition of inflows by sector, source country and recipient state.
- To assess the conditions under which FDI translates into growth in the Indian context, including the role of economic globalisation and digitalisation.
- To develop an integrative conceptual framework and research propositions for future empirical work.

1.4. Research Questions

- How has India's FDI regime evolved, and how has the trend of inflows responded?
- What is the scale of inflows over the past quarter century, and how has it changed between policy phases?
- How concentrated are inflows by sector, source and destination, and what does this imply for the distribution of benefits?
- Under what conditions does FDI contribute to growth, and how is digitalisation changing the picture?

1.5. Significance of Study

The study contributes in three ways. First, it brings together the theory of the multinational enterprise, the cross-country evidence on FDI and growth, and the India-specific policy literature, which are usually read apart. Second, it assembles the official DPIIT series on inflows, sectors, sources and states into a single descriptive analysis covering twenty-five years, and computes the comparisons across policy phases that the raw tables do not provide. Third, it offers a framework and propositions that researchers can test with sector- or state-level data, together with practical guidance for policymakers, investment promotion agencies and domestic firms that compete or partner with foreign investors.

1.6. Scope and Limitations

The study is conceptual and descriptive. It relies on published literature and official secondary data and reports no primary survey or econometric estimation. The DPIIT data distinguish between FDI equity inflows and total FDI inflows, which add reinvested earnings and other capital; the two series are not interchangeable and are presented separately. The sector and source-country classifications are those of DPIIT, and the country of origin recorded is the immediate investing jurisdiction, which for Singapore and Mauritius often differs from the ultimate owner. Comparisons are indicative, and the analysis is confined to descriptive statistics. The propositions advanced are hypotheses for future testing and not established findings.

II. LITERATURE REVIEW

2.1. Theoretical Foundations

The theory of foreign direct investment explains why firms produce abroad rather than export or license. Hymer (1976) argued that a firm invests abroad when it possesses an advantage, such as technology, brand or organisation, that outweighs the disadvantage of operating in a foreign environment. Vernon (1966) added a dynamic dimension in the product cycle, in which production migrates from the innovating country to lower-cost locations as a product matures. Dunning (1988) synthesised these insights in the eclectic paradigm: a firm undertakes FDI when it has ownership advantages, when the host country offers location advantages, and when internalising the transaction within the firm is superior to the market. Location advantages, which include market size, factor costs, infrastructure and policy, are the variable that host-country policy can influence, and the Indian reforms since 1991 can be read as a sustained effort to improve them.

The growth effects of FDI are a separate question. Borensztein et al. (1998) find in cross-country data that FDI raises growth more than domestic investment does, but only where the host country has a threshold level of human capital. Alfaro et al. (2004) show that the effect depends on the depth of local financial markets. Balasubramanyam et al. (1996) find that FDI is more growth-enhancing in countries pursuing export promotion than in those pursuing import substitution. The common thread is absorptive capacity: FDI transfers technology, management and market access, but the host economy must be able to receive them.

2.2. Liberalisation and India's FDI Regime

Ahluwalia (2002) describes the gradualist path of Indian reform, in which FDI liberalisation proceeded sector by sector rather than at a stroke. Kumar (2005) reviews the flows of the 1990s and argues that liberalisation raised the volume of FDI but that its developmental quality, in terms of technology, exports and linkages, depended on the sectors it entered. Since then the regime has been opened further: sectoral caps have been raised in insurance, defence, retail and telecommunications, most sectors have been placed under the automatic route, and procedures have been digitised. Aswani and Kalluraya (2024) trace these policy developments and the trends in inflows that accompanied them, and identify the continuing sensitivity of inflows to policy signals and global conditions. The Chakraborty and Nunnenkamp (2008) finding that reforms raised FDI most in services, and that the growth effects of FDI are strongest in manufacturing but weak in the primary sector, is directly relevant to the composition of inflows analysed below.

2.3. Composition and Concentration of Inflows

The composition of FDI shapes its effects. The eclectic paradigm implies that inflows will concentrate where location advantages are greatest, and in India these have been in services, information technology and trading, which draw on the country's skilled workforce and large domestic market, and in the states that host its commercial centres. The source-country pattern reflects a different logic: a large share of inflows is routed through Singapore and Mauritius, jurisdictions whose tax treaties with India make them efficient conduits for investors domiciled elsewhere. Sectoral studies illustrate the manufacturing side of the picture. Aswani and Kalluraya (2023a) analyse the cement industry in India, one of the country's largest manufacturing sectors and one in which international producers have long held significant positions, and document its structure, capacity and growth. Such industries receive a smaller share of FDI than services but are those in which the growth effects identified by Chakraborty and Nunnenkamp (2008) are strongest.

2.4. Globalisation, Digitalisation and the Changing Nature of FDI

Economic globalisation, understood as the integration of national markets for goods, services, capital and knowledge, has been the context of India's FDI performance, and digitalisation is now changing its content. Aswani and Kalluraya (2023b) examine the relationship between economic globalisation and digitisation and show how digital technologies both attract cross-border investment, in software, platforms and data infrastructure, and lower the cost of the coordination on which international production depends. The United Nations Conference on Trade and Development (UNCTAD, 2024) reports that digital-economy sectors have become among the most dynamic destinations of global FDI and that digital government, including online single windows for investors, has become a determinant of location. In India, the prominence of computer software and hardware among the leading recipient sectors is the visible result. The growth literature reviewed above applies with particular force here: the absorptive capacity that turns digital FDI into productivity is human capital, and the financial depth that turns it into enterprise is a functioning market for risk capital.

2.5. Empirical Evidence for India

Chakraborty and Basu (2002), using cointegration analysis for the period after liberalisation, find that FDI in India is determined more by domestic conditions, including output and the trade regime, than the reverse, and that the causal link from FDI to growth is weaker than often assumed. Chakraborty and Nunnenkamp (2008) refine this at sector level: FDI in manufacturing has positive growth effects, FDI in services is associated with growth but with feedback from growth to FDI, and FDI in the primary sector shows no significant effect. Kumar (2005) reaches a similar conclusion about the importance of sectoral quality. Together these studies caution against reading headline totals as a measure of developmental benefit and point to composition and absorption as the decisive variables.

2.6. Research Gaps

Three gaps follow. First, the trend of inflows is usually reported for a few recent years, whereas the policy question requires comparison across the phases of the regime. Second, sector, source and state composition are reported separately, and their joint implication for the distribution of benefits is rarely drawn. Third, the digital transformation of FDI is discussed in the international literature but has not been connected to the Indian data. The framework and the descriptive analysis developed below respond to these gaps.

III. RESEARCH METHODOLOGY

3.1. Research Design

The study combines two components. The first is an integrative literature review, which Snyder (2019) identifies as appropriate for combining perspectives from different fields to generate a conceptual framework and which Torracio (2005) describes as producing new frameworks through critique and synthesis of representative literature. The second is a descriptive analysis of official secondary data, used to establish the scale, trend and composition of FDI inflows. The design is therefore that of a descriptive study based on secondary sources, which suits a topic in which the relevant data are collected comprehensively by a single official agency.

3.2. Research Propositions

Because the study is conceptual and descriptive, it advances propositions for future testing in place of statistical hypotheses:

- P1: Successive liberalisation of India's FDI regime has been followed by step increases in inflows, so that the level of inflows in each policy phase exceeds that of the preceding phase.

- P2: Growth in inflows is step-wise rather than continuous, with plateaus following global shocks and domestic policy uncertainty.
- P3: FDI inflows to India are concentrated by sector, source jurisdiction and recipient state, and this concentration limits the regional and sectoral spread of the benefits of FDI.
- P4: The growth effect of FDI in India is stronger in manufacturing and digital services than in trading and the primary sector, and depends on the human capital and financial depth of the receiving region.
- P5: Digitalisation is increasing the share of FDI directed to digital-economy sectors and lowering the cost of locating in India, so that digital infrastructure has become a location advantage in its own right.

3.3. Data Sources

The review corpus comprises the 19 sources listed in the references: (a) foundational works on the theory of the multinational enterprise; (b) cross-country and India-specific empirical studies of FDI and growth; and (c) policy and institutional sources. Sources were selected purposively on three criteria: direct relevance to at least one research question, publication in a peer-reviewed or institutional outlet, and availability of bibliographic details.

The secondary data analysed in Section IV are drawn from the fact sheet on FDI published by the Department for Promotion of Industry and Internal Trade (DPIIT, 2025), which compiles data reported by the Reserve Bank of India, and from the official release accompanying the 2024-25 figures (PIB, 2025). Two series are used. FDI equity inflows are available financial-year-wise from 2000-01 to 2023-24 and are used for the long-run trend. Total FDI inflows, which add reinvested earnings and other capital to equity, are used for the comparison of 2013-14, 2023-24 and 2024-25 and for the cumulative comparison of the two eleven-year periods 2003-14 and 2014-25. Sector, source-country and state shares refer to 2024-25. All figures are in US dollars as reported. No primary data were collected.

3.4. Analytical Strategy

The literature was analysed thematically following the phases described by Braun and Clarke (2006): familiarisation, generation of initial codes, search for themes, review of themes, definition and naming of themes, and reporting. The secondary data were then organised under the resulting themes and analysed descriptively: the equity series is presented as levels and as multiples of the base year; total inflows are compared across years and periods as percentage changes; and composition is presented as percentage shares and as three-category concentration ratios. No inferential statistics are applied. The themes and the data together were used to construct the conceptual framework, and each proposition was derived from the convergence of theory and evidence within a theme.

IV. RESULTS

4.1. Overview of the Literature Reviewed

The 19 sources span the period 1966 to 2025. The theoretical works are drawn from international business and international economics; the empirical studies are cross-country and India-specific; and the institutional sources are official Indian and United Nations publications. Four themes were identified, and they are summarised in Table 1. Sections 4.2 to 4.5 present the secondary data under each theme, and Section 4.6 integrates the findings into the conceptual framework.

Table 1. Thematic Synthesis of the Literature and Derived Propositions

Theme	Core insight from the synthesis	Representative sources	Proposition
Liberalisation and the FDI regime	Progressive opening since 1991, with most sectors now under the automatic route, transformed India from a marginal to a leading FDI destination.	Ahluwalia (2002); Kumar (2005); Aswani & Kalluraya (2024); DPIIT (2025)	P1
Scale and trend of inflows	Equity inflows rose twenty-fold in two decades; total inflows have doubled since 2013-14; growth has been step-wise, with plateaus after 2008 and 2021.	DPIIT (2025); PIB (2025); UNCTAD (2024)	P2
Composition: sectors, sources and states	Inflows are concentrated in services, software and trading; in three source jurisdictions; and in three states, which shapes the distribution of benefits.	Dunning (1988); Chakraborty & Nunnenkamp (2008); DPIIT (2025); Aswani & Kalluraya (2023a)	P3
Globalisation, digitalisation and growth effects	FDI raises growth where absorptive capacity, human capital and financial depth exist; digitalisation is reshaping both the vehicle and the destination of investment.	Borensztein et al. (1998); Alfaro et al. (2004); Balasubramanyam et al. (1996); Chakraborty & Basu (2002); Aswani & Kalluraya (2023b)	P4, P5

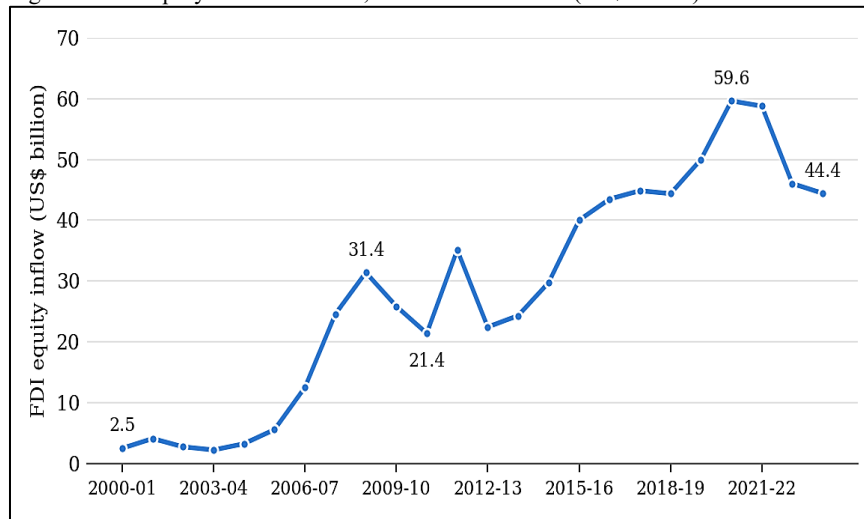
Note. DPIIT = Department for Promotion of Industry and Internal Trade; PIB = Press Information Bureau; UNCTAD = United Nations Conference on Trade and Development. Propositions P1 to P5 are stated in Section 3.2.

4.2. Liberalisation and the Long-Run Trend of Equity Inflows

Figure 1 traces FDI equity inflows from 2000-01 to 2023-24. Three phases are visible. In the first, from 2000-01 to 2005-06, inflows were small and flat, between US\$2.2 and 5.5 billion a year. In the second, from 2006-07 to 2008-09, they rose almost six-fold in three years to US\$31.4 billion, following the opening of sectors such as telecommunications, real estate and single-brand retail and the general buoyancy of global capital before the financial crisis. The crisis produced the first plateau: inflows fell to US\$21.4 billion in 2010-11 and oscillated between US\$22 and 35 billion until 2013-14. The third phase

began in 2014-15 with a further round of liberalisation and promotion, and inflows climbed from US\$29.7 billion to a peak of US\$59.6 billion in 2020-21, twenty-four times the level of 2000-01. A second plateau followed: inflows settled at US\$46.0 billion in 2022-23 and US\$44.4 billion in 2023-24 as global monetary tightening reduced cross-border investment (DPIIT, 2025).

Figure 1. FDI equity inflows to India, 2000-01 to 2023-24 (US\$ billion)



Source. DPIIT (2025), fact sheet on FDI, financial-year-wise equity inflow.

The pattern corresponds closely to the policy phases that Aswani and Kalluraya (2024) describe, and it supports both P1 and P2. Each liberalising phase was followed by a step increase in the level of inflows, and each step was followed by a plateau set off by an external shock. The trend is therefore one of rising steps rather than continuous growth, which is what the eclectic paradigm would predict when location advantages improve discretely through policy while the supply of investable capital fluctuates with global conditions.

4.3. Scale of Total Inflows Across Policy Phases

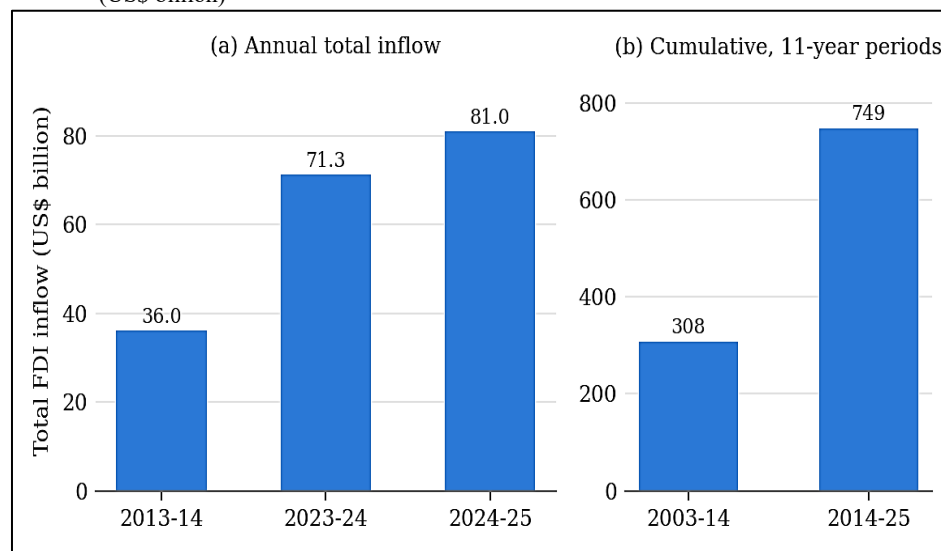
Total FDI inflows, which include reinvested earnings and other capital, give a fuller measure of the resources committed by foreign investors. Table 2 and Figure 2 present the official comparisons. Total inflows were US\$36.05 billion in 2013-14, US\$71.28 billion in 2023-24 and a provisional US\$81.04 billion in 2024-25, the highest on record and 14% above the previous year (PIB, 2025). Over the eleven years from 2014-15 to 2024-25, cumulative inflows were US\$748.78 billion, 143% higher than the US\$308.38 billion of the preceding eleven years from 2003-04 to 2013-14. Of the US\$1,072.36 billion received over the twenty-five years since 2000-01, about 70% arrived in the most recent eleven. The number of source countries rose from 89 in 2013-14 to 112 in 2024-25, and manufacturing inflows grew 18% in 2024-25 to US\$19.04 billion (PIB, 2025).

Table 2. Total FDI Inflows to India, Selected Years and Periods (US\$ billion)

Period / year	Total FDI inflow (US\$ billion)	Remark
2013-14	36.05	Base year before the current policy phase
2023-24	71.28	Nearly double the 2013-14 level
2024-25 (provisional)	81.04	14% growth over 2023-24; highest on record
2003-04 to 2013-14 (11 years)	308.38	Cumulative
2014-15 to 2024-25 (11 years)	748.78	Cumulative; 143% higher than the preceding 11 years
2000-01 to 2024-25 (25 years)	1,072.36	Cumulative; the 2014-25 period accounts for about 70%

Source. PIB (2025); DPIIT (2025). Total FDI inflow = equity inflow + reinvested earnings + other capital. 2024-25 figure is provisional.

Figure 2. Total FDI inflows to India: (a) selected years and (b) cumulative eleven-year periods (US\$ billion)



Source. PIB (2025); DPIIT (2025).

The difference between the equity series in Figure 1 and the total series in Figure 2 is itself informative. Equity inflows in 2023-24 were US\$44.4 billion while total inflows were US\$71.3 billion, so that reinvested earnings and other capital accounted for roughly US\$27 billion, or 38% of the total. A growing share of FDI in India is thus the reinvestment of profits by foreign firms already present, which indicates that the stock of foreign enterprise has matured to the point of self-financing expansion. This is consistent with the Chakraborty and Basu (2002) finding that FDI responds to domestic conditions: firms reinvest where the market is growing.

4.4. Composition: Sectors, Sources and States

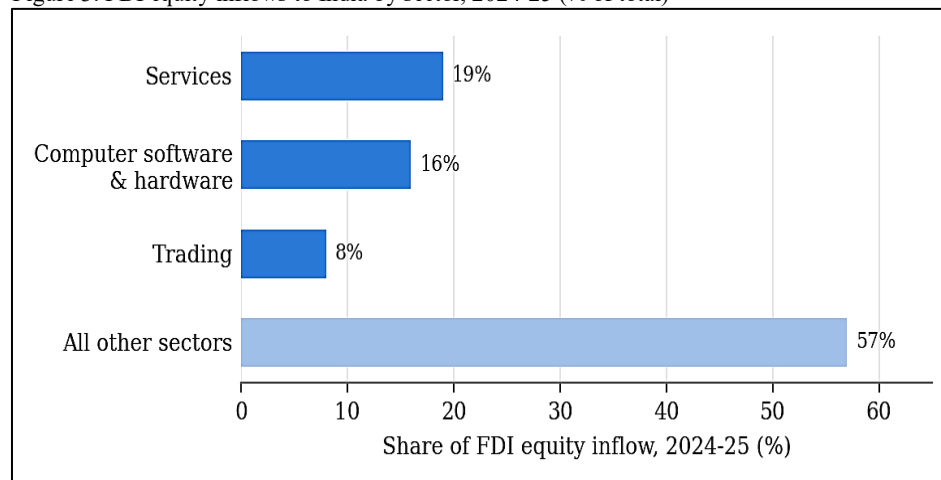
Table 3 and Figures 3 and 4 present the composition of inflows in 2024-25. By sector, services received 19% of equity inflows (US\$9.35 billion, up 40.8% on the year), computer software and hardware 16% (US\$7.81 billion) and trading 8% (US\$4.18 billion), so that the three leading sectors together took 43% (PIB, 2025). The cumulative shares since 2000 are similar, at 16%, 15% and 7% respectively, which shows that the sectoral pattern is long-standing rather than recent. By source, Singapore accounted for 30% of inflows, Mauritius for 17% and the United States for 11%, together 58%. By recipient state, Maharashtra took 39%, Karnataka 13% and Delhi 12%, together 64%.

Table 3. Concentration of FDI Inflows to India by Sector, Source Country and Recipient State, 2024-25

Dimension	Leading category	Share (%)	Second	Share (%)	Third	Share (%)
Sector (equity inflow)	Services	19	Computer software & hardware	16	Trading	8
Source country	Singapore	30	Mauritius	17	United States	11
Recipient state	Maharashtra	39	Karnataka	13	Delhi	12

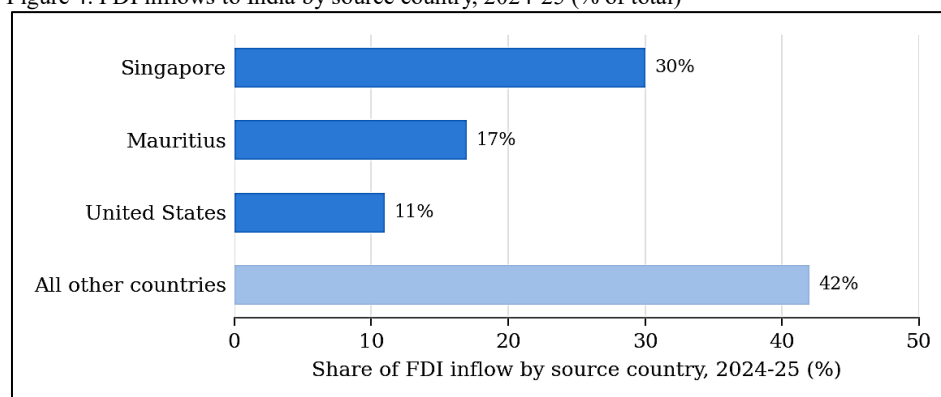
Source. PIB (2025); DPIIT (2025). Sector shares refer to equity inflows; source and state shares to total inflows as reported. Source country is the immediate investing jurisdiction.

Figure 3. FDI equity inflows to India by sector, 2024-25 (% of total)



Source. PIB (2025); DPIIT (2025).

Figure 4. FDI inflows to India by source country, 2024-25 (% of total)



Source. PIB (2025); DPIIT (2025).

Three observations follow. First, the sectoral pattern matches the location advantages the eclectic paradigm would predict for India, namely a large, English-speaking, technically skilled workforce and a large domestic market; the prominence of computer software and hardware is the direct expression of the digital dimension of globalisation that Aswani and Kalluraya (2023b) describe. Second, the source pattern is a treaty pattern as much as an investor pattern: Singapore and Mauritius are conduits, and the ultimate origin of nearly half of India's FDI is not visible in the official classification. Third, the state pattern reproduces India's existing commercial geography, with the three leading recipients being the states that host Mumbai, Bengaluru and the national capital region. The manufacturing sectors in which the growth literature finds the strongest effects, of which the cement industry analysed by Aswani and Kalluraya (2023a) is an example, receive a smaller share, although manufacturing inflows are growing. These observations ground P3.

4.5. Growth Linkages and Absorptive Capacity

The fourth theme concerns what the inflows achieve. The cross-country evidence indicates that FDI raises growth where human capital exceeds a threshold (Borensztein et al., 1998) and where financial markets are deep enough to channel its spillovers (Alfaro et al., 2004), and that export-oriented regimes benefit more than import-substituting ones (Balasubramanyam et al., 1996). The India-specific evidence indicates that the growth effect is strongest in manufacturing, present but bidirectional in services and absent in the primary sector (Chakraborty & Nunnenkamp, 2008), and that FDI is as much a consequence of growth as a cause of it (Chakraborty & Basu, 2002). Read against the composition in Section 4.4, this evidence implies that India's inflows are concentrated in the sectors and states where absorptive capacity is highest, which maximises their immediate productivity but limits their reach. The 18% growth of manufacturing inflows in 2024-25 (PIB, 2025) is therefore a development of some importance, as is the rising share of reinvested earnings noted in Section 4.3. Digitalisation cuts across these findings: the UNCTAD (2024) evidence that digital-economy sectors and digital government have become determinants of location, and the Aswani and Kalluraya (2023b) argument that digital technology is both the object and the infrastructure of globalisation, imply that India's software and data sectors will remain leading destinations and that digital public infrastructure has become a location advantage. These observations ground P4 and P5.

4.6. The Regime–Inflow–Absorption Framework

Taken together, the themes and the data yield an integrative framework with three components. The policy regime, liberalised in successive phases since 1991, determines India's location advantages and is the antecedent. Inflows respond to the regime in steps, moderated by global conditions, and are measured here by an equity series that has risen twenty-four-fold since 2000-01 and a total series that reached US\$81 billion in 2024-25. Absorption determines what the inflows achieve, and is governed by their sectoral, source and regional composition and by the human capital and financial depth of the receiving sectors and states. Digitalisation enters at two points: it shapes the regime through digital government and it shapes absorption through the prominence of software and data sectors. The five propositions correspond to these relationships. The framework implies that the next gains from FDI in India lie less in raising the total than in broadening its composition.

V. DISCUSSION

The data support a reading of India's FDI performance as a policy achievement with an uneven developmental return. On the achievement, the evidence is unambiguous: equity inflows rose from US\$2.5 billion to a peak of US\$59.6 billion, total inflows doubled between 2013-14 and 2024-25, and the most recent eleven years delivered 143% more investment than the eleven before them (DPIIT, 2025; PIB, 2025). The step pattern of Figure 1 corresponds to the phases of liberalisation that Ahluwalia (2002), Kumar (2005) and Aswani and Kalluraya (2024) describe, which suggests that policy has been the principal driver and that the eclectic paradigm's emphasis on location advantages is well founded for India.

On the return, the composition data qualify the headline. Three sectors, three source jurisdictions and three states account for 43%, 58% and 64% of inflows respectively. The concentration in services and software is consistent with India's comparative advantage and with the digital character of contemporary globalisation (Aswani & Kalluraya, 2023b; UNCTAD, 2024), but the sector-level evidence of Chakraborty and Nunnenkamp (2008) implies that the strongest growth effects lie in manufacturing, which receives a smaller share. The regional concentration means that the states with the least absorptive capacity, and the greatest need for investment, receive the least of it, which is the pattern Borensztein et al. (1998) and Alfaro et al. (2004) would predict but not the one policy intends. The conduit role of Singapore and Mauritius means that the official

data understate the diversity of ultimate investors and complicate the assessment of what technology and market access the investment brings.

Two developments in the most recent data point in a more encouraging direction. Reinvested earnings and other capital now account for close to two-fifths of total inflows, which indicates a mature and self-financing stock of foreign enterprise, and manufacturing inflows grew 18% in 2024-25. Whether these continue depends on the conditions the growth literature identifies: human capital, financial depth and an export-oriented regime. The digitalisation of the investment process itself, through online approvals and digital public infrastructure, is a further location advantage that India has built and that UNCTAD (2024) identifies as increasingly decisive.

VI. RECOMMENDATIONS

6.1. For Policymakers and Investment Promotion Agencies

- Shift the objective of FDI promotion from the annual total to the composition of inflows, with explicit targets for manufacturing, for states outside the three leading recipients and for sectors with strong domestic linkages.
- Invest in the absorptive capacity of lagging states, including technical education, industrial infrastructure and access to finance, so that location advantages are not confined to the existing commercial centres.
- Publish data on the ultimate beneficial owner of inflows alongside the immediate investing jurisdiction, so that the origin and character of investment routed through Singapore and Mauritius can be assessed.

6.2. For Domestic Firms and Industry Bodies

- Treat foreign investors as partners in technology and market access, and structure joint ventures and supply relationships to capture the spillovers the growth literature identifies.
- In manufacturing industries such as cement, steel and chemicals, use the presence of international producers to raise domestic standards of efficiency, quality and environmental performance.

6.3. For Researchers

- Test the propositions with state- and sector-level panel data, distinguishing equity from reinvested earnings and manufacturing from services.
- Examine the digital-economy component of FDI separately, since its growth effects and absorptive requirements differ from those of traditional investment.

VII. CONCLUSION

This study has examined the trends, composition and growth linkages of foreign direct investment in India over the quarter century since 2000-01, on the basis of an integrative review and a descriptive analysis of official data. Equity inflows rose twenty-four-fold to a peak of US\$59.6 billion in 2020-21 before settling in the mid-forties; total inflows reached a record US\$81.04 billion in 2024-25, more than double the 2013-14 level; cumulative inflows over the past eleven years were 143% higher than in the preceding eleven; and inflows remain concentrated by sector, source and state. The four themes identified, the liberalisation of the regime, the step-wise scale of inflows, the concentration of their composition and the conditions of their absorption, were integrated into a Regime–Inflow–Absorption framework with five propositions. India's FDI performance is a policy achievement; its developmental return depends on broadening sectoral and regional absorption; and digitalisation is changing both what is invested in and how.

The study is limited by its reliance on official aggregates that record the immediate rather than the ultimate investor, by the difference between the equity and total series, and by its descriptive treatment of the evidence. Future research should test the propositions with disaggregated panel data, trace the ultimate origin and sectoral destination of conduit inflows, and evaluate the growth effects of digital-economy FDI separately from those of traditional manufacturing and services investment.

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