

# FDI equity inflows into India in FY 2021-22

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**In news**– The Ministry of Commerce and Industry has recently released data on Foreign Direct Investment(FDI) equity inflows into India in FY 2021-22.

## **FDI equity inflows into India in FY 2021-22-**

- **Singapore (27.01%) and USA (17.94%) have emerged as top 2 sourcing nations in FDI equity flows into India in FY2021-22 followed by Mauritius (15.98%), Netherland and Switzerland.**
- **It may be noted that as per the UNCTAD World Investment Report (WIR) 2022, in its analysis of the global trends in FDI inflows, India has improved one position to 7th rank among the top 20 host economies for 2021.**
- **FDI Equity inflow in Manufacturing Sectors have increased by 76% in FY 2021-22 compared to previous FY 2020-21.**
- **Despite the ongoing pandemic and global developments, India received the highest annual FDI inflows of USD 84,835 million in FY 21-22 overtaking last year's FDI.**
- **Top 5 sectors receiving highest FDI Equity Inflow during FY 2021-22 are Computer Software & Hardware (24.60%), Services Sector (Fin., Banking, Insurance, Non Fin/Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other) (12.13%), Automobile Industry, Trading and Construction (Infrastructure) Activities.**
- **Top 5 States receiving highest FDI Equity Inflow during FY 2021-22 are Karnataka (37.55%), Maharashtra (26.26%), Delhi, Tamil Nadu and Haryana.**
- **During FY 2021-22 FDI has been reported from 101 countries, whereas, it was reported from 97 countries during previous FY 2020-21.**

- **In India FDI up to 100% is allowed in non-critical sectors through the automatic route, not requiring security clearance from the Ministry of Home Affairs (MHA).**
- **Prior government approval or security clearance from MHA is required for investments in sensitive sectors such as defence, media, telecommunication, satellites, private security agencies, civil aviation and mining, besides any investment from Pakistan and Bangladesh.**
- All foreign investments are required to be in compliance with the applicable entry route, sectoral cap, attendant conditions, sectoral laws, Companies Act, 2013 and rules thereunder, pricing guidelines, documentation and reporting requirements.
- The FDI policy regime continues to welcome all investments in the country subject to compliance of applicable entry conditions and rules/regulations.

### What is foreign direct investment (FDI)?

- A foreign direct investment (FDI) is a purchase of an interest in a company by a company or an investor located outside its borders.
- With FDI, foreign companies are directly involved with day-to-day operations in the other country
- FDI is an important monetary source for India's economic development. Economic liberalisation started in India in the wake of the 1991 crisis and since then, FDI has steadily increased in the country.

### Routes through which India gets FDI

#### Automatic route:

The non-resident or Indian company does not require prior nod of the RBI or government of India for FDI.

#### Govt route:

- The government's approval is mandatory. The company will have to file an application through Foreign Investment Facilitation Portal, which facilitates single-window clearance.
- The application is then forwarded to the respective ministry, which will approve/reject the application in consultation with the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce.
- DPIIT will issue the Standard Operating Procedure (SOP) for processing of applications under the existing FDI policy.