



Pattern of Country-origin of FDI to different sectors of the Indian Economy

Haridwar Yadav¹, Dilip Kumar Jha²

¹ Research Scholar, Department of Economics, Guru Ghasidas University Bilaspur, Chhattisgarh, India

² Professor Department of Economics, Guru Ghasidas university Bilaspur, Chhattisgarh, India

DOI: <https://doi.org/10.66856/ijce.2026.8.2.8046>

Abstract

This paper examines the evolving structure of foreign direct investment (FDI) in India through a country-origin and sectoral perspective, highlighting how source-country capabilities, sectoral specialisation, and host-country policy frameworks shape investment outcomes. Using secondary data from the Department for Promotion of Industry and Internal Trade (DPIIT), UNCTAD, and OECD, the study analyses patterns of FDI inflows across major investing economies and key sectors over the post-liberalisation period. The findings reveal a distinct country–sector alignment in India’s FDI landscape. Developed economies such as the United States, Germany, Japan, and the United Kingdom dominate technology-intensive manufacturing, pharmaceuticals, automotive, capital goods, and IT-enabled services, reflecting strong firm-specific ownership advantages. Financial hubs such as Singapore and Mauritius act primarily as intermediary jurisdictions, channeling multinational capital into infrastructure, energy, real estate, and financial services. Emerging economies exhibit selective participation, while outward investment from Myanmar remains negligible. Sectorally, FDI is concentrated in manufacturing, IT services, financial services, energy, and infrastructure, whereas agriculture, healthcare infrastructure, and primary sectors remain under-represented. The results are consistent with the ownership–location–internalisation (OLI) paradigm and reinforce the importance of policy liberalisation, market size, and institutional quality in attracting growth-enhancing FDI. The study concludes that sustaining high-quality investment inflows requires a strategic shift towards technology-oriented, innovation-driven, and diversified investment partnerships.

Keywords: Foreign Direct Investment (FDI), Country-Origin of FDI, Sectoral Distribution, Indian Economy

Introduction

Foreign Direct Investment (FDI) has emerged as a critical driver of economic growth, structural transformation, and technological upgrading in emerging economies. In the Indian context, FDI has played a central role in supplementing domestic capital, fostering industrial modernisation, expanding export capacity, and integrating the economy with global value chains. Since the initiation of economic reforms in 1991, India has progressively liberalised its investment regime, transforming itself into one of the most attractive destinations for foreign investors among developing economies. Over the past three decades, India has witnessed a substantial rise in FDI inflows, both in terms of volume and sectoral diversification. From a tightly regulated regime prior to liberalisation, India has moved towards a predominantly automatic approval system across most sectors, accompanied by progressive relaxation of equity caps and simplification of procedural requirements. As a result, cumulative FDI inflows into India have crossed the landmark level of one trillion US dollars since April 2000, positioning the country among the leading recipients of global investment flows. While aggregate FDI inflows provide a broad measure of international investor confidence, a more nuanced understanding requires disaggregation by sectoral destination and country of origin. The sectoral composition of FDI determines its developmental impact on employment generation, technology transfer, productivity growth and export competitiveness. Simultaneously, the country of origin of FDI reflects the evolving structure of India’s external economic engagement and reveals the strategic investment interests of partner economies.

India’s FDI inflows display a distinct pattern of geographical concentration. Countries such as Mauritius, Singapore, the United States, the Netherlands, Japan, the United Kingdom and the United Arab Emirates together account for a dominant share of total inflows. These investments, however, are not uniformly distributed across sectors. For instance, investments from Singapore and the United States are strongly oriented towards services, information technology and digital infrastructure, while Japanese FDI exhibits a pronounced manufacturing bias, particularly in automobiles and electronics. Similarly, European investment shows a greater presence in chemicals, pharmaceuticals, renewable energy and advanced manufacturing. The sectoral allocation of FDI in India has also undergone a structural shift over time. In the early phase of liberalisation, inflows were largely concentrated in power, telecom and basic manufacturing. In contrast, the post-2010 period has been characterised by the growing dominance of services, computer software and hardware, fintech, e-commerce, renewable energy, and advanced manufacturing. This evolving sectoral structure mirrors India’s transition towards a more technology-intensive and services-oriented growth trajectory.

Understanding the country-origin of sectoral FDI is therefore essential for assessing the quality and sustainability of foreign investment in India. It enables policymakers to evaluate the strategic alignment of foreign capital with national development priorities such as Make in India, Digital India, Atmanirbhar Bharat and the Production-Linked Incentive (PLI) schemes. Moreover, it provides valuable insights into the nature of global production networks in which India is embedded and highlights the role

of bilateral investment relationships in shaping domestic industrial outcomes. Against this backdrop, the present paper undertakes a systematic analysis of India's FDI inflows by source country and sectoral destination. The study seeks to identify dominant investment corridors, sector-specific country specialisation patterns, and emerging trends in the geography of foreign investment. By examining the intersection of sectoral dynamics and country-origin patterns, the paper contributes to a deeper understanding of India's evolving position in the global investment landscape and the role of FDI in shaping its long-term development trajectory. Section II deals with literature review, Section III data and methodology, Section IV provides sectoral perspectives of FDI from Various Countries. Section V deals with results and discussion and Section VI Conclusions and Policy Recommendations.

Literature Review

The role of Foreign Direct Investment (FDI) in accelerating economic growth, technological diffusion, and structural transformation has been widely examined in development economics and international business literature. Since the liberalisation of the Indian economy in 1991, a substantial body of empirical research has emerged analysing the determinants, patterns, and developmental impact of FDI inflows. However, while aggregate inflows have received extensive attention, comparatively fewer studies have examined the country-origin and sectoral composition of FDI in India in an integrated framework.

1. Theoretical Foundations of FDI and Sectoral Allocation

The classical theory of FDI is rooted in the eclectic paradigm (OLI framework) proposed by Dunning (1981, 1993), which explains international production based on Ownership, Location, and Internalisation advantages. According to this framework, multinational enterprises invest abroad when host economies offer location-specific advantages such as large markets, skilled labour, infrastructure, and regulatory stability. India's vast domestic market, demographic dividend, and expanding digital infrastructure have increasingly strengthened its location advantage, thereby attracting diversified sectoral investments. Hymer (1976) and Kindleberger (1969) emphasised the role of firm-specific advantages and imperfect markets in motivating cross-border investment. These theories provide a foundation for understanding why different countries specialise in different sectors while investing in India. For instance, Japanese firms exhibit a manufacturing orientation due to their technological advantages in automobiles and electronics, whereas US firms dominate IT and digital services due to superior innovation ecosystems. Vernon's (1966) Product Life Cycle Theory further explains sectoral shifts in FDI over time, suggesting that mature industries relocate production to cost-efficient locations. This is reflected in India's growing role as a manufacturing hub for electronics, pharmaceuticals, and automotive components.

2. Empirical Evidence on FDI and Economic Growth in India

Several empirical studies have established a positive relationship between FDI inflows and India's economic performance. Borensztein, De Gregorio, and Lee (1998)

argue that FDI contributes to growth through technology transfer and productivity spillovers, particularly in countries with sufficient human capital. In the Indian context, Chakraborty and Basu (2002) find a long-run causality between FDI and GDP growth, indicating that foreign capital has contributed to industrial expansion and capital formation. Sahoo and Mathiyazhagan (2003) highlight the complementary role of FDI and infrastructure development in sustaining India's long-term growth trajectory. Similarly, Kumar and Pradhan (2002) observe that FDI has facilitated export expansion in manufacturing sectors, especially in automobiles and pharmaceuticals. While these studies focus on macroeconomic impacts, they do not explicitly examine the sectoral or country-specific structure of inflows, thereby leaving a gap that this study seeks to address.

3. Sectoral Distribution of FDI in India

A significant strand of literature has examined the changing sectoral composition of FDI in India. According to reports by the Reserve Bank of India (RBI) and the Department for Promotion of Industry and Internal Trade (DPIIT), the services sector has consistently remained the largest recipient of FDI, followed by computer software and hardware, telecommunications, trading, automobiles, pharmaceuticals, and construction development. Agrawal and Khan (2011) observe that post-2000 FDI inflows increasingly shifted towards services, reflecting India's comparative advantage in IT, financial services, and business process outsourcing. Nagraj (2003) notes that manufacturing FDI in India has been relatively modest compared to East Asian economies, largely due to infrastructure constraints and regulatory rigidities. More recent studies by Mukherjee (2016) and Kathuria, Rajesh Raj, and Sen (2018) document a revival of manufacturing FDI following the launch of the Make in India initiative and the introduction of the Production Linked Incentive (PLI) schemes. These policy interventions have contributed to rising foreign investment in electronics, renewable energy, defence manufacturing, and pharmaceuticals. However, most sectoral studies treat FDI as a homogeneous aggregate, without distinguishing the source country of investment, thereby limiting their ability to capture bilateral investment dynamics.

4. Country-Origin of FDI into India

The geographical composition of India's FDI inflows has evolved significantly over time. Early studies by Kumar (1994) and Balasubramanyam and Mahambare (2003) document the dominance of the United States and European countries during the initial phase of liberalisation. However, since the 2000s, Mauritius and Singapore have emerged as the largest sources of FDI, largely due to their status as offshore financial hubs and favourable tax treaties. Gopalan and Rajan (2016) argue that the predominance of Mauritius and Singapore reflects a phenomenon of "round-tripping" and treaty-based investment structuring, rather than real economic origin. This interpretation is supported by UNCTAD (2019), which classifies both countries as major conduit jurisdictions for global capital flows. Japan's role as a long-term strategic investor has been emphasised by Saxena (2012) and Mukherjee and Goyal (2019), who highlight Japanese dominance in automobiles, industrial machinery, and electronics manufacturing. Similarly, studies by Banga (2014) and Joseph (2020) document the

growing importance of US investment in digital services, e-commerce, fintech, and R&D centres. European investment, particularly from the Netherlands, Germany, and the UK, has been shown to concentrate in chemicals, pharmaceuticals, renewable energy, and advanced manufacturing (Wagner, 2018; OECD, 2021). Meanwhile, UAE and other Gulf investors have expanded their footprint in infrastructure, real estate, logistics, and ports.

5. Sector–Country Interaction and Investment Specialisation

A limited but growing literature has attempted to link sectoral allocation with country-origin patterns. Athukorala (2017) finds that East Asian economies exhibit strong manufacturing specialisation in India, while Western economies dominate services and knowledge-intensive sectors. Bhat and Bhat (2020) show that Japanese and Korean firms play a pivotal role in developing India's electronics manufacturing ecosystem. Kathuria and Mathur (2019) demonstrate that sectoral FDI is strongly influenced by bilateral trade intensity and production network integration. Countries deeply embedded in global value chains tend to invest in export-oriented manufacturing sectors, while market-seeking investors concentrate in domestic consumption-driven sectors such as retail, telecom, and financial services. Despite these contributions, a comprehensive analysis integrating country-origin and sectoral patterns over a long-time horizon remains relatively underdeveloped in the Indian context. The existing literature provides valuable insights into the macroeconomic impact of FDI, sectoral trends, and geographical composition of inflows into India. However, most studies examine these dimensions in isolation. There remains a significant gap in systematically analysing how country-specific investment strategies interact with sectoral priorities in shaping India's FDI landscape. Furthermore, evolving policy initiatives such as Make in India, Digital India, National Infrastructure Pipeline, and PLI schemes have altered the incentive structure for foreign investors, necessitating an updated and integrated assessment of country-origin sectoral dynamics. Adhana, D., & Saxena, M. (2016) in their study examines FDI flow trends, country-wise approvals, and sectoral patterns of FDI into India over a 15-year period.

The present study seeks to bridge this gap by offering a comprehensive examination of India's FDI inflows through the combined lens of sectoral allocation and country of origin. By mapping investment corridors and sectoral specialisation patterns, the paper contributes to a deeper understanding of India's evolving integration into global production networks and the strategic behaviour of multinational investors.

Data and Methodology

1. Data Sources

The empirical analysis in this study is based on official secondary data obtained from the following authoritative sources: Department for Promotion of Industry and Internal Trade (DPIIT), Government of India. DPIIT publishes comprehensive statistics on Foreign Direct Investment (FDI) equity inflows into India, disaggregated by: Country of origin and Sectoral destination, Financial year and cumulative period since April 2000. RBI provides detailed information on FDI inflows through: Annual reports, Handbook of Statistics on Indian Economy, Balance of

Payments (BoP) statistics, India Brand Equity Foundation (IBEF), IBEF consolidates DPIIT and RBI datasets and provides sector-wise and country-wise FDI summaries. UNCTAD World Investment Report is used for cross-country comparison and validation of trends in global FDI flows. The dataset used in this study covers the period from FY2000–01 to FY2023–24, which corresponds to the post-liberalisation phase of India's FDI regime and includes major policy transitions such as the introduction of automatic routes, Make in India, Digital India, and the Production Linked Incentive (PLI) schemes.

2. Variables and Classification

The analysis focuses on two primary dimensions: (a) Country of Origin: FDI inflows are classified according to the immediate investing country as reported by DPIIT. Major source countries included in the analysis are: Mauritius, Singapore, United States, Netherlands, Japan, United Kingdom, United Arab Emirates, Germany, France, South Korea and China and Hong Kong. (b) Sectoral Destination: Sectoral classification follows DPIIT's official sectoral taxonomy. The major sectors considered are: Services (financial, banking, insurance, business services), Computer software and hardware, Telecommunications, Trading, Automobiles, Pharmaceuticals, Chemicals, Construction development and infrastructure, Power and renewable energy, Electronics manufacturing, Ports, logistics and transport. To ensure consistency over time, sectoral definitions have been harmonised across reporting years where classification changes occurred.

3. Nature of Data

The study uses annual FDI equity inflows (US\$ million) as the principal variable. Both Year-wise flows, and Cumulative inflows are analysed to capture short-term volatility as well as long-term structural trends. FDI inflows routed through offshore financial centres such as Mauritius and Singapore are treated as country-of-origin investments, consistent with DPIIT reporting practice. However, the analysis acknowledges the possibility of ultimate investor nationality being different from the immediate investing jurisdiction.

4. Methodological Framework

This study adopts a mixed descriptive–analytical framework to examine the country-origin and sectoral composition of foreign direct investment (FDI) in India. The methodology integrates secondary data analysis with comparative and trend-based evaluation to identify structural patterns in India's inward FDI since the post-liberalisation period. Investing countries are classified into three groups: i) developed economies (United States, United Kingdom, Germany, Japan), ii) financial hubs and investment conduits (Singapore, Mauritius, UAE) and, (iii) emerging and regional economies (China, Sri Lanka, Myanmar and other Asian partners). Sectors are classified according to DPIIT's standard industrial categorisation, covering manufacturing, information technology and IT-enabled services, financial services, infrastructure and energy, real estate, pharmaceuticals, telecommunications, and agriculture and allied activities. The analysis proceeds in three stages. First, a descriptive statistical assessment is conducted to examine trends in aggregate FDI inflows and their sectoral distribution. Second, a country–sector matrix is constructed

to map the relative concentration of investment by source country across major sectors. This allows identification of dominant country–sector linkages and emerging investment clusters. Third, comparative trend analysis is employed to assess changes in sectoral composition over time and shifts in the relative importance of investing countries.

To strengthen interpretative validity, the empirical findings are examined through the theoretical lens of the ownership–location–internalisation (OLI) paradigm and classical theories of multinational enterprise. This enables the study to link observed investment patterns with firm-specific advantages, host-country locational factors, and institutional conditions.

Sectoral perspectives of FDI from Various Countries

Foreign direct investment in India exhibits pronounced sectoral differentiation across source countries, reflecting variations in technological capabilities, capital endowments, and strategic investment motives. While developed economies such as the United States, Germany, Japan, and the United Kingdom concentrate their investments in technology-intensive manufacturing, pharmaceuticals, automotive, and IT-enabled services, financial hubs such as Singapore and Mauritius primarily channel capital into infrastructure, energy, real estate, and financial services. Emerging economies display more selective engagement in logistics, electronics, and trade-related sectors. This section examines these country-specific sectoral patterns and their implications for India’s industrial transformation and global value chain integration.

1. Singapore

Singapore ^[1] has emerged as the largest and most consistent source of foreign direct investment (FDI) into India, and a defining feature of this investment relationship is its sectoral concentration. An examination of sector-wise equity inflows reveals that Singaporean FDI is predominantly oriented towards services, technology-intensive activities, and market-linked sectors, reflecting both India’s structural transformation and Singapore’s role as a global financial and investment hub. According to cumulative data published by the Department for Promotion of Industry and Internal Trade (DPIIT), covering the period from April 2000 to December 2024, the services sector accounts for the largest share of FDI equity inflows from Singapore. This sector includes financial services, business services, professional consulting, logistics, and other modern services. The dominance of services-oriented FDI highlights India’s expanding domestic demand, increasing urbanisation, and rising integration with global service value chains. From the investor perspective, Singapore-based firms and funds view India’s services sector as offering relatively lower entry barriers, scalable business models, and strong long-term growth prospects. The computer software and hardware sector constitutes the second-largest recipient of Singaporean FDI. Investment in this sector reflects India’s established comparative advantage in information technology, software development, and digital services. Singapore’s investment flows into Indian IT and technology firms are often channelled through venture capital, private equity, and multinational technology companies headquartered in Singapore. This pattern underscores Singapore’s role not merely as a bilateral investor, but also as a conduit for global capital targeting

India’s digital economy. Another important destination of FDI from Singapore is the trading sector, which includes wholesale trade, import–export activities, and supply-chain-related enterprises. Singapore’s historical strength as a global trading hub and logistics centre explains the significant presence of its investments in this sector. Trading-related FDI supports India’s integration into regional and global markets and facilitates the expansion of cross-border commerce. Investment in construction and infrastructure activities also forms a notable component of Singaporean FDI. These inflows are closely linked to India’s infrastructure development agenda, including urban infrastructure, commercial real estate, industrial parks, and transport-related projects. Singapore’s experience in urban planning, infrastructure financing, and public–private partnerships enhances the quality and efficiency of such investments. The telecommunications sector represents another strategic area of Singaporean investment. FDI in this sector has contributed to the expansion of network infrastructure, digital connectivity, and technology upgradation, particularly in the context of India’s rapid digitalisation and increasing data consumption. Although the sector’s share in total FDI has moderated in recent years due to regulatory and market factors, its strategic importance remains significant. While annual sectoral breakouts by source country are not fully published each year, cumulative data and sector patterns from DPIIT highlight the top sectors historically attracting FDI equity from Singapore over the long term (Jan 2000 – Dec 2023)

Table 1: Top sectors attracting FDI equity from Singapore over the long term (Jan 2000 – Dec 2023):

Sector	Approx. Cumulative Share in per cent
Services Sector	19
Computer Software & Hardware	17
Trading	13
Construction/Infrastructure	9
Telecommunications	6

Overall, the sectoral distribution of FDI from Singapore indicates a clear preference for services-led and technology-driven sectors, rather than traditional manufacturing alone. This pattern aligns with India’s transition towards a service-oriented growth model and reflects Singapore’s comparative strengths in finance, technology, and global investment management. The concentration of FDI in these sectors has important implications for employment generation, productivity enhancement, and long-term economic growth in India.

2. Mauritius

Mauritius has historically occupied a pivotal position as one of the largest sources of foreign direct investment (FDI) into India, particularly during the post-liberalisation period. The prominence of Mauritius in India’s FDI inflows is closely linked to its role as an international financial centre and the long-standing Double Taxation Avoidance Agreement (DTAA) between the two countries. An examination of the sectoral distribution of FDI from Mauritius provides critical insights into the nature of capital inflows, investor motivations, and their implications for India’s economic structure.

Cumulative data published by the Department for Promotion of Industry and Internal Trade (DPIIT), covering the period

from April 2000 onwards, indicate that FDI from Mauritius is highly concentrated in services-oriented and financial sectors. The services sector, which includes financial services, insurance, business services, and non-banking financial activities, accounts for the largest share of equity inflows from Mauritius. This pattern reflects the predominance of portfolio-linked and fund-based investment vehicles routed through Mauritius, rather than direct greenfield investments in manufacturing.

The computer software & hardware sector also represents a significant recipient of FDI from Mauritius. Investments in this sector are largely driven by private equity funds, venture capital firms, and multinational corporations using Mauritius as a routing jurisdiction. These inflows have supported the expansion of India's information technology industry, particularly in software development, IT-enabled services, and digital platforms. However, unlike technology-focused FDI from countries such as Singapore or the United States, Mauritian inflows in this sector often exhibit a financial rather than operational orientation.

Another notable sector attracting FDI from Mauritius is trading, including wholesale trading and intermediary business activities. Investments in this sector are frequently structured to support cross-border trade financing, supply chain management, and investment holding activities. This reinforces the interpretation of Mauritius as a financial and investment gateway, facilitating capital mobility rather than acting as a source of sector-specific technological expertise.

The construction and infrastructure sector, including real estate and development projects, has also received substantial FDI from Mauritius. These investments gained momentum during periods of rapid urbanisation and infrastructure expansion in India. However, the nature of such inflows has often been speculative or asset-based, focusing on commercial real estate and urban development rather than long-term infrastructure projects.

In contrast, manufacturing-oriented sectors such as heavy industry, machinery, and advanced manufacturing have attracted a relatively smaller share of FDI from Mauritius. This distinguishes Mauritian FDI from that originating in technologically advanced economies, where investments are more closely linked to production networks and technology transfer. The sectoral pattern thus suggests that Mauritian FDI has played a stronger role in capital deepening and financial market development, rather than in direct industrial transformation.

Recent policy changes, particularly the 2016 amendment to the India–Mauritius DTAA and the subsequent phasing-in of capital gains taxation, have altered the composition and scale of FDI routed through Mauritius. There has been a gradual decline in Mauritius's relative share of India's total FDI, accompanied by a shift towards other financial hubs such as Singapore. Nevertheless, Mauritius continues to remain an important channel for investment into India, especially in services, technology-linked activities, and real estate.

In summary, the sectoral composition of FDI from Mauritius to India is characterised by a dominance of services, financial, and asset-oriented investments, reflecting Mauritius's institutional role as a conduit jurisdiction. While these inflows have contributed significantly to capital availability and market liquidity in India, their limited engagement with manufacturing and technology-intensive production raises important questions regarding the qualitative impact of FDI on long-term industrial development.

As services and IT became stronger areas of FDI for India overall (especially post-2010), Mauritius FDI flow into services, IT/Software likely grew proportionally (Table). Telecom & infrastructure were historically strong earlier in the 2000s and into the 2010s; later years saw diversification into services and software. Key Year-on-Year Structural Shifts (Mauritius FDI) shows that in the period, 2000–2010, heavy concentration in telecom and construction were observed whereas it reflects privatisation, telecom liberalisation, infrastructure push. During 2010–2015, gradual shift toward services and IT and India becomes a global services hub. In Mauritius, during 2015–2020, there was decline in construction & telecom while rise in software, digital services, financial services. 2020–2024, dominance of services + IT. Mauritius increasingly acts as a financial conduit for global capital into India's knowledge economy.

Sector-wise analysis of FDI from Mauritius indicates a clear structural shift from capital-intensive sectors such as telecommunications and construction in the early 2000s toward services and computer software in the post-2015 period, reflecting India's transformation into a services-led economy. It is important to note that Mauritius is a routing country, not always the ultimate investor. Sectoral shifts reflect India's policy reforms and global investment preferences (Table 2).

Table 2: Sector-wise Distribution of FDI from Mauritius (Per cent)

Sector	2000–2010	2010–2015	2015–2020	2020–2024
Services Sector	16	18	20	22
Telecommunications	22	18	14	10
Computer Software & Hardware	7	9	11	13
Construction Development	14	11	8	6
Hotel & Tourism	6	5	4	3
Others (Trading, Pharma, Auto, etc.)	35	39	43	46
Services Sector	16	18	20	22

3. The US

The United States has consistently remained one of the most significant sources of foreign direct investment (FDI) into India, particularly in sectors characterised by high technology intensity, knowledge spill-over, and productivity-enhancing capabilities. Unlike investment flows routed through financial hubs such as Singapore and

Mauritius, FDI from the United States exhibits a stronger operational and technology-driven orientation, reflecting the presence of multinational enterprises (MNEs) with direct production, research, and service delivery activities in India. Cumulative data released by the Department for Promotion of Industry and Internal Trade (DPIIT), covering the period from April 2000 onwards, indicate that U.S. FDI into India

is broadly diversified across services, manufacturing, and technology-intensive sectors, with a notable emphasis on value-added activities.

The services sector remains the largest recipient of U.S. FDI, encompassing financial services, professional and business services, research and development (R&D), consulting, and shared services centres. These investments are closely linked to India’s human capital advantages, English-language proficiency, and cost competitiveness in high-skill service delivery.

The computer software & hardware sector constitutes another major destination of U.S. FDI. American technology firms have played a central role in shaping India’s information technology ecosystem through investments in software development centres, cloud infrastructure, digital platforms, and semiconductor-related activities. Unlike purely financial investments, U.S. FDI in this sector is often associated with long-term operational presence, skill development, and integration into global technology value chains.

Manufacturing-related FDI from the United States demonstrates a distinct sectoral profile when compared with other major source countries. Investments are particularly concentrated in electronics, electrical equipment, automobiles, chemicals, pharmaceuticals, and aerospace components. These inflows have contributed to the expansion of India’s manufacturing capabilities, adoption of advanced production technologies, and compliance with global quality standards. U.S. manufacturing FDI is also increasingly aligned with India’s industrial policy initiatives such as Make in India and Production Linked Incentive (PLI) schemes.

The telecommunications and digital infrastructure sector

have attracted sustained U.S. investment, driven by the rapid expansion of India’s digital economy. Investments in telecom networks, data centres, digital payments, and internet-based services reflect the strategic interest of U.S. firms in India’s large and rapidly growing consumer market. These inflows have strengthened digital connectivity and supported innovation in platform-based business models.

Another emerging area of U.S. FDI is research and development (R&D). Several American multinational corporations have established global capability centres (GCCs) and innovation hubs in India, particularly in cities such as Bengaluru, Hyderabad, and Pune. These investments enhance India’s position in global innovation networks and generate significant knowledge spill-over in engineering, biotechnology and artificial intelligence.

Sector-wise table showing Foreign Direct Investment (FDI) into India from the United States (USA) based on the latest India DPIIT/RBI data (cumulative up to Dec 31, 2024), which is the most detailed sectoral breakdown available in official reports shows that total FDI equity inflow from the USA to India from 2000 to 2024 was US\$ 69.07 billion, making the U.S. the 3rd largest FDI source overall. Computer software & hardware accounts for nearly half of all FDI from the U.S., reflecting strong tech investment. Services and automobile sectors also attract notable U.S. capital but to a much lesser degree. Sectoral categories like trading, pharma, telecommunications are captured within the “others” bucket in the cumulative DPIIT table and not specified individually in the USA breakdown. Recent quarterly data shows growing U.S. inflows in software, services, trading, automobile and non-conventional energy sectors as well (based on latest DPIIT inflow patterns) (Table 3).

Table 3: Sectoral FDI Inflow from the USA into India (Cumulative equity inflow from Jan 2000 – Dec 2024)

Sector	Approx. Share of FDI Equity Inflow from USA (Per cent)	Notes
Computer Software & Hardware	45	Largest recipient sector from US investors.
Services Sector	15	Includes financial, consulting, business services.
Automobile Industry	6	U.S. automotive investments significant but smaller share.
Construction (Infrastructure) Activities	5	Includes infrastructure development projects.
Education	3	Education and related services.
Others (not separately listed)	26 (residual)	Includes smaller sectoral flows not separately broken out.

Overall, the sectoral distribution of FDI from the United States reflects a quality-intensive investment pattern, characterised by technology transfer, skill upgrading, and productivity enhancement. Unlike conduit-driven investment flows, U.S. FDI demonstrates deeper linkages with domestic production systems and human capital development. Consequently, U.S. sectoral FDI plays a crucial role in strengthening India’s long-term growth potential, industrial competitiveness, and integration into global value chains. The United States is typically accounting for around approximately 10–11 per cent of total inflows in recent years, making it among the largest foreign investors in the Indian economy.

4. Netherland

The Netherlands has emerged as one of the largest and most stable sources of foreign direct investment into India,

particularly since the mid-2000s. Dutch FDI occupies a distinctive position in India’s investment landscape, as it combines elements of strategic corporate investment with the Netherlands’ role as an international holding and financing hub. Consequently, sectoral FDI from the Netherlands exhibits both operational depth and conduit characteristics, distinguishing it from purely financial flows routed through traditional tax havens. FDI from the Netherlands into India has grown significantly over two decades, rising from hundreds of millions in the early 2000s to multi-billion inflows in recent years. The peak year in absolute terms shown in this dataset was FY 2019-20 at \$6.5 billion. Netherlands remains a top 4 source of FDI into India.

According to cumulative data published by the DPIIT, covering the period from April 2000 onwards, the Netherlands consistently ranks among the top five source

countries for FDI equity inflows into India. The sectoral distribution of these inflows reveals a pronounced concentration in services, manufacturing, and capital-intensive industries, reflecting the global business strategies of Dutch multinational enterprises (MNEs) and their long-standing engagement with the Indian economy. The services sector constitutes a major recipient of FDI from the Netherlands, encompassing financial services, business and professional services, logistics, and consultancy activities. A significant portion of these investments is associated with multinational firms using India as a base for regional operations, shared services, and market-facing activities. Compared with Mauritius-routed FDI, which is largely financial, Dutch services-sector investments display greater operational presence and organisational integration with Indian subsidiaries.

A defining feature of Dutch FDI into India is its strong presence in manufacturing and industrial sectors. Investments from the Netherlands are particularly concentrated in chemicals and petrochemicals, pharmaceuticals, food processing, consumer goods, and industrial machinery. Large Dutch multinational corporations have established production facilities, supply-chain networks, and research-linked manufacturing units in India. These investments are typically long-term in nature and contribute to technology transfer, process innovation, and compliance with international quality standards. The chemicals and pharmaceuticals sector deserves particular attention, as it accounts for a substantial share of Dutch manufacturing FDI. Dutch firms bring advanced production techniques, environmental management practices, and regulatory expertise, strengthening India's position in global

pharmaceutical and specialty chemicals value chains. Such investments contrast sharply with conduit-driven FDI, as they involve tangible asset creation and sustained production activity.

Another important destination of FDI from the Netherlands is the food processing and agribusiness sector. Dutch investments in cold storage, food logistics, dairy processing, and agri-technology reflect the Netherlands' global leadership in agri-food systems. These inflows contribute to productivity enhancement, supply-chain modernisation, and reduction of post-harvest losses in India's agricultural sector. FDI from the Netherlands has also been significant in energy, infrastructure, and renewable energy-related activities, including power generation, transmission equipment, and clean energy technologies. These investments align closely with India's long-term sustainability and energy transition objectives, and they underscore the strategic orientation of Dutch capital towards environmentally sustainable sectors. Services and IT sectors are the biggest magnets for Dutch investment in India. These include finance, business services, R&D, and specialized technical testing. Computer software & hardware follows closely — reflecting strong tech collaboration and presence of Dutch IT companies investing into Indian technology platforms and operations. Other sectors like metallurgical industries, trading, and chemicals also attract steady Dutch FDI. The Netherlands has been a steady and major source of FDI into India for over two decades. Investment levels fluctuate from year to year but recent years (2021-25) show strong inflows, with over \$4.5 billion in both FY 2023-24 and FY 2024-25 (Table 4).

Table 4: Top Sectors Attracting Dutch FDI in India (Cumulative basis, approximately 2000–2023)

Sector	FDI Equity Inflow from Netherlands (Million \$)	Per cent of Dutch FDI into India
Services Sector	7,433	16.1
Computer Software & Hardware	6,069	13.2
Metallurgical Industries	3,321	7.2
Trading	3,311	7.2
Chemicals (Other Than Fertilizers)	2,934	6.4
Top 5 sectors (above)	23,068	50.1 of total Dutch FDI

Overall, the sectoral composition of FDI from the Netherlands reflects a hybrid investment pattern, combining holding-company-based financial routing with substantial real-sector engagement. Compared with Mauritius-routed FDI, Dutch inflows demonstrate greater productive orientation, while relative to Singapore-routed FDI, they show stronger manufacturing and industrial depth. Consequently, Dutch sectoral FDI plays a critical role in enhancing India's industrial capabilities, supply-chain resilience, and integration into global production networks.

5. UAE

The United Arab Emirates (UAE) has emerged as a significant and increasingly strategic source of foreign direct investment (FDI) into India, particularly in the post-2015 period. Unlike traditional developed-economy investors, UAE-origin FDI reflects a combination of resource-backed capital, sovereign investment strategies, and market-seeking private investment, resulting in a distinct sectoral profile. The sectoral distribution of FDI from the UAE thus provides important insights into the evolving nature of India's inward investment relationships with West Asia. According to

cumulative data published by the DPIIT, covering the period from April 2000 onwards, the UAE ranks among the top ten source countries for FDI equity inflows into India, with a marked acceleration in inflows following the strengthening of bilateral economic ties and the signing of the Comprehensive Economic Partnership Agreement (CEPA). Sectorally, UAE FDI exhibits a strong concentration in infrastructure-linked services, real estate, energy, logistics, and manufacturing, reflecting both India's development priorities and the UAE's investment capabilities. The services sector constitutes a major recipient of FDI from the UAE, particularly in financial services, business services, hospitality, and tourism-related activities. Investments in this sector are driven by India's expanding middle class, rising urbanisation, and growing demand for modern services. UAE-based conglomerates and investment funds have leveraged their expertise in real estate development, hospitality management, and retail services to establish a significant presence in India. Compared with FDI routed through Mauritius or Singapore, UAE services-sector investments are more closely linked to asset creation and market-facing operations.

A defining feature of UAE FDI is its strong orientation towards infrastructure and real estate development. Investments in ports, airports, industrial corridors, logistics parks, and urban infrastructure have expanded significantly in recent years. UAE sovereign wealth funds and large private investors have participated in India’s infrastructure financing through public–private partnerships and long-term concession models. These inflows play a crucial role in addressing India’s infrastructure financing gap and improving logistics efficiency. The energy sector represents another strategic destination of FDI from the UAE. Investments span oil and gas infrastructure, downstream petrochemicals, storage facilities, and, increasingly, renewable energy projects. UAE investment in India’s energy sector reflects a diversification strategy away from hydrocarbons and aligns with India’s long-term energy security and clean energy transition objectives. Such investments contribute not only capital but also technical and managerial expertise. Manufacturing-related FDI from the UAE has grown steadily, particularly in metals, food processing, construction materials, and light manufacturing. These investments are often driven by market access considerations and supply-chain integration, leveraging India’s large domestic market and competitive labour costs. While manufacturing FDI from the UAE may not exhibit the same level of technological intensity as investments from the United States or the Netherlands, it plays a significant role in capacity expansion and employment generation. The trading and logistics sector also attracts substantial UAE investment, reflecting the UAE’s historical role as a global trade and trans-shipment hub. Investments in warehousing, logistics services, and supply-chain management enhance India’s connectivity with regional and global markets, particularly in West Asia and Africa. Overall, the sectoral composition of FDI from the UAE reflects a strategic, asset-backed, and infrastructure-oriented investment profile. Compared with Mauritius-routed FDI, which is predominantly financial, and Singapore-routed

FDI, which often functions as a capital conduit, UAE FDI demonstrates greater emphasis on physical asset creation and long-term infrastructure development. Consequently, UAE sectoral FDI contributes meaningfully to India’s infrastructure expansion, energy security, and industrial diversification, reinforcing the evolving depth of India–UAE economic relations.

UAE FDI Has Increased Recently due to India–UAE Comprehensive Economic Partnership Agreement (CEPA, 2022), large sovereign wealth funds seeking long-term returns, India’s push in infrastructure, digital economy and renewable energy and strategic geopolitical and trade alignment. FDI inflows from the UAE exhibit a strategic orientation toward infrastructure, services and digital sectors, reflecting the role of sovereign wealth funds and the strengthening of bilateral economic relations under the India–UAE CEPA framework.”

A comparative sectoral analysis reveals that while Mauritius and Singapore channel FDI predominantly into services and technology-driven sectors, UAE-origin FDI shows a stronger orientation toward infrastructure, construction and renewable energy. This reflects differences in investors—financial conduits in Mauritius and Singapore versus sovereign wealth funds in the UAE. An updated sector-wise table showing Foreign Direct Investment (FDI) equity inflows from the United Arab Emirates (UAE) into India based on the latest official DPIIT data (cumulative from January 2000 to December 2024) and other trend sources. Total FDI Equity Inflow from the UAE US\$ 22.65 billion (Jan 2000–Dec 2024), making the UAE the 7th largest source country for FDI into India. The top five sectors together account for over 55% of total UAE-sourced FDI, with infrastructure and energy sectors leading. UAE FDI has also been seen growing in renewable energy, telecommunications, real estate, and start-ups, especially in recent years. In FY23, UAE overtook several countries to become India’s 4th largest investor on a year-on-year basis with a substantial jump in annual inflows (Table 5).

Table 5: Sectoral FDI Inflow from the UAE to India (Jan 2000 – Dec 2024)

Sector	Approx. Per cent Share of UAE FDI Equity Inflow	Notes / Source
Construction (Infrastructure) Activities	15	Largest sector for UAE FDI in India.
Computer Software & Hardware	12	Significant tech investment.
Power (Energy)	12	Includes power and related sectors.
Trading	10	Includes wholesale and retail trading.
Services Sector	~8%	Financial, business, and other services.
Other Sectors (residual)	~43%	Other smaller or diversified sectors. Estimate based on residual share

6. United Kingdom

The United Kingdom has historically been one of the most important sources of FDI into India, reflecting deep-rooted economic, institutional, and historical linkages between the two economies. UK-origin FDI exhibits a balanced and diversified sectoral structure, combining services-led investments with manufacturing, infrastructure, and technology-oriented activities. This sectoral pattern distinguishes UK FDI from purely conduit-driven flows and underscores its role as a long-term strategic investor in the Indian economy. According to cumulative data released by the Department for Promotion of Industry and Internal Trade (DPIIT), covering the period from April 2000 onwards, the UK consistently ranks among the top ten

source countries for FDI equity inflows into India. Sectorally, UK investments demonstrate a pronounced concentration in services, financial activities, manufacturing, and technology-intensive sectors, aligning with India’s structural transformation and the UK’s comparative strengths in finance, professional services, and advanced industries.

The services sector accounts for the largest share of UK FDI into India. This includes investments in financial services, banking, insurance, asset management, consulting, legal and professional services, and education-related activities. The prominence of services-sector FDI reflects the UK’s global leadership in financial and professional services, as well as India’s growing demand for sophisticated service delivery.

UK firms have established a strong operational presence through subsidiaries, joint ventures, and wholly owned service centres, contributing to employment generation and institutional capacity building in India's service economy. Another major destination of UK FDI is manufacturing, particularly in automobiles, pharmaceuticals, chemicals, machinery, consumer goods, and advanced engineering products. UK manufacturing investments are typically characterised by technology transfer, quality upgrading, and integration into global production networks. These investments often involve long-term commitments and have contributed to enhancing productivity and export competitiveness within Indian manufacturing industries. The computer software, information technology, and digital services sector has also attracted significant investment from the UK. British firms have invested in software development, fintech, digital platforms, and IT-enabled services, leveraging India's skilled workforce and digital infrastructure. Compared with IT investments routed through financial hubs, UK-origin investments tend to exhibit greater operational control and strategic integration, particularly in emerging areas such as fintech, cybersecurity, and data analytics. UK FDI has additionally played an important role in infrastructure and energy-related sectors, including power generation, renewable energy, urban infrastructure, and transport services. Investments in

renewable energy and sustainable infrastructure reflect the UK's growing emphasis on green finance and climate-aligned investment strategies, which align closely with India's energy transition and sustainability goals. The healthcare and pharmaceuticals sector represents another area of sustained UK investment. British pharmaceutical and healthcare firms have invested in drug manufacturing, clinical research, healthcare services, and medical technologies in India. These investments contribute to strengthening India's healthcare ecosystem and expanding access to affordable medical products and services. Top sectors that attracted FDI equity inflow (from January 2000 to December 2022), from United Kingdom, are: Chemicals (Other Than Fertilizers) (18 per cent), Services Sector (15 per cent), Drugs & Pharmaceuticals (13 per cent), Food Processing Industries (9 per cent), and Petroleum & Natural Gas (7 per cent). Top FDI equity inflow received during January 2000 to December 2022 from foreign companies into Indian companies from United Kingdom are Hindustan Unilever Limited (HUL), Reliance Industries Limited, Abbot Healthcare Limited, Reliance BP Mobility Limited, HSBC Securities and Capital Markets (India) Pvt Limited, Renew Power Pvt Limited, WABCO India Limited, Emerson Process Management (India) limited and TATA Power Renewable Energy Limited (Table 6).

Table 6: Sectoral FDI from United Kingdom into India (Cumulative data from January 2000 to December 2022 from DPIIT – Government of India)

Sector	Approximate Share of UK FDI Equity Inflows in per cent	Comments
Chemicals (Other Than Fertilizers)	18	Largest share of UK FDI into India historically.
Services Sector	15	Includes financial, business services, outsourcing, etc.
Drugs & Pharmaceuticals	13	Strong investment in pharma and health-related industries.
Food Processing Industries	9	UK firms investing in food value chains and processing.
Petroleum & Natural Gas	7	Energy sector investments.
Other Sectors	Remaining 38 per cent	FDI also flows into IT & telecom, automobile & engineering, manufacturing, trading, and other industries — though not individually listed in the DPIIT summary.

Overall, the sectoral composition of FDI from the United Kingdom reflects a diversified and capability-enhancing investment profile. Compared with Mauritius-routed FDI, which is largely financial, and Singapore-routed FDI, which often serves as an investment conduit, UK FDI demonstrates deeper operational engagement, technological content, and institutional linkages. Consequently, UK sectoral FDI plays a meaningful role in supporting India's long-term growth, skill development, and integration into global value chains.

7. Germany

Germany represents one of India's most important sources of technology-intensive and manufacturing-oriented foreign direct investment (FDI). Unlike financial-hub investors, German FDI into India is predominantly efficiency-seeking and asset-augmenting, characterised by strong operational control, long investment horizons, and deep integration into production processes. The sectoral composition of German FDI thus provides critical insights into the role of advanced manufacturing capital in India's industrial upgrading and structural transformation. Based on cumulative data reported by the DPIIT since April 2000, Germany consistently ranks among the top European investors in India. German FDI exhibits a pronounced concentration in manufacturing,

engineering, automobiles, chemicals, electrical equipment, and industrial services, reflecting Germany's comparative advantage in high-precision manufacturing and applied engineering.

The manufacturing sector constitutes the largest recipient of German FDI in India. Investments are particularly prominent in automobiles and auto components, machinery, industrial equipment, electrical goods, and capital goods manufacturing. German multinational enterprises typically establish wholly owned subsidiaries or majority-controlled joint ventures, enabling close supervision of production standards and technology deployment. These investments contribute significantly to process innovation, productivity enhancement, and quality upgrading within Indian manufacturing. A key characteristic of German manufacturing FDI is its strong technology transfer component. German firms bring advanced production technologies, automation systems, and quality control mechanisms to Indian operations. This has supported India's integration into global value chains (GVCs), particularly in automotive components, engineering goods, and precision instruments. Compared with FDI from the UK or UAE, German manufacturing investments exhibit higher capital intensity and technological sophistication. The chemicals

and pharmaceuticals sector represents another major destination of German FDI. Investments span specialty chemicals, industrial chemicals, pharmaceuticals, and advanced materials. German firms leverage India's cost advantages in manufacturing while maintaining high regulatory and quality standards. These investments have strengthened India's position in specialty chemicals and pharmaceutical intermediates, with positive spillover effects on exports and domestic supply chains.

German FDI also plays an important role in industrial services and engineering services, including industrial automation, logistics solutions, maintenance services, and technical consulting. These services are often closely linked to manufacturing activities and support productivity improvements across Indian industrial clusters. The bundling of manufacturing and services reflects Germany's "Industry 4.0"-oriented investment strategy, which emphasises integrated production systems. In recent years, German investment has expanded into renewable energy, energy efficiency technologies, and sustainable infrastructure. Investments in wind energy, solar components, green hydrogen technologies, and energy-efficient industrial systems align with India's climate commitments and energy transition objectives. German FDI in these sectors combines capital inflows with technical expertise, contributing to long-term sustainability outcomes. Sectoral Foreign Direct Investment (FDI) from Germany to India, based on official data and reports that overall position of Germany in India's FDI reveals that Germany is among the top 10 sources of FDI in India, ranking around 9th in

cumulative FDI inflows. From April 2000 to March 2025, German cumulative FDI equity into India totals around US \$15.3 – 15.6 billion. Annual inflows from Germany in recent years range from approximately US \$547 Million in FY22-23 to approximately US \$469 m in FY24-25. A sector-wise table showing Foreign Direct Investment (FDI) equity inflows into India from Germany based on the latest DPIIT cumulative data (Jan 2000 – Dec 2023) — the most recent official breakdown available, the total FDI equity inflow from Germany into India (Jan 2000–Dec 2023) is US\$ 14.52 billion, ranking Germany approximately 9th among source countries. Share of FDI Equity from Germany Automobile industry approximately 21 per cent, Services sector approximately 15 per cent, Miscellaneous mechanical & engineering industries approximately 10 per cent; Trading approximately 8 per cent; Chemicals (other than fertilizers) approximately 6 per cent. Automobile and related components — the largest share of German FDI, with major companies like Mercedes-Benz, Volkswagen, Daimler, Bosch, and others investing heavily in manufacturing, supply chains, and R&D in India. Services— German FDI has flowed significantly into the Indian services sector including insurance & financial services (e.g., Allianz, Deutsche Bank, HDFC ERGO). Mechanical and engineering industries reflect Germany's strengths in precision engineering and machinery production. Trading includes investment in distribution networks and joint ventures. German chemical firms (excluding fertilisers) contribute through manufacturing and technology partnerships (Table 7).

Table 7: Sectoral FDI Inflow from Germany to India (Jan 2000 – Dec 2023)

Sector	Approx. Per cent Share of FDI from Germany	Notes
Automobile Industry	21	Largest recipient sector from German investors.
Services Sector	15	Includes financial and related services.
Miscellaneous Mechanical & Engineering Industries	10	Engineering and machinery sectors.
Trading	8	Wholesale & retail trading.
Chemicals (other than fertilizers)	7	Chemical manufacturing sector.
Other Sectors	39 (residual)	Remaining smaller sectors not itemized.

Beyond the traditional top sectors, German FDI also extends into Electrical equipment & electronics — reflecting industrial and energy-systems investments. Construction & infrastructure-related activities — although smaller historically, opportunities are growing. Emerging areas like renewable energy, environmental technologies, and sustainable solutions — supported by bilateral partnerships (e.g., Green and Sustainable Development Partnership). Medical technology, biotech, and advanced manufacturing — highlighted in recent investment dialogues (e.g., discussions at state level). Some major German investors with significant presence in India include: Siemens – engineering, automation, energy, Mercedes-Benz / Daimler – automotive manufacturing, Volkswagen – automotive, Bosch Group – auto components and engineering, BASF India – chemicals, Allianz / Deutsche Bank – financial & insurance services. These companies operate across manufacturing, services, technology, and trade sectors, demonstrating the breadth of German investment. Automobile and services remain the dominant sectors historically for German FDI.

Newer technology and sustainability sectors are increasingly seen as future investment arenas, supported by bilateral cooperation frameworks and India's incentives for

investment in high-tech and green industries. Major sectors attracting German FDI into India are Automobile industry (largest share), Services sector (insurance & finance), Engineering & mechanical industries, Trading, Chemicals (excluding fertilisers), Electrical & infrastructure technologies, Emerging tech & sustainability areas. Germany's FDI profile in India reflects its strengths in engineering, automotive, financial services, and advanced manufacturing, and newer collaborations are opening up in high-tech and green sectors.

Overall, the sectoral composition of FDI from Germany reflects a production-oriented, technology-driven, and long-term investment profile. Compared with Mauritius-routed or Singapore-routed FDI, which is often financial in nature, German FDI demonstrates deep operational embeddedness and strong spillover potential. Consequently, German sectoral FDI plays a critical role in enhancing India's manufacturing competitiveness, technological capabilities, and integration into high-value segments of global production networks.

8. Cyprus

Cyprus has emerged as a notable, though relatively smaller, source of foreign direct investment (FDI) into India,

particularly during the period following India’s progressive liberalisation of capital flows. The sectoral composition of FDI from Cyprus reflects its role as an intermediate financial jurisdiction, combining treaty-based investment routing with growing participation by private equity funds and holding companies. Consequently, Cyprus-origin FDI into India exhibits a financially oriented and services-heavy sectoral profile, rather than a predominantly production-led pattern. According to cumulative data released by the Department for Promotion of Industry and Internal Trade (DPIIT) since April 2000, Cyprus has featured intermittently among India’s top FDI source countries, especially during periods when favourable tax treaty provisions enhanced its attractiveness as an investment conduit. Sectorally, FDI inflows from Cyprus are concentrated in financial services, business services, construction and development-related activities, and selected manufacturing segments, reflecting both investment structuring considerations and market-seeking motives.

The services sector constitutes the largest recipient of FDI from Cyprus, particularly in financial services, non-banking financial companies (NBFCs), investment advisory services, and business support services. A substantial portion of these investments is routed through Cyprus-based holding entities, often representing capital originating from third countries. Such investments are primarily portfolio-adjacent or quasi-direct in nature, supporting financial intermediation, corporate restructuring, and expansion activities in India rather than direct production. Another important destination of Cyprus-origin FDI is construction and real estate-related services, including infrastructure development, commercial real estate, and township projects. These investments are typically structured through special purpose vehicles (SPVs) and long-term investment platforms, aligning with India’s growing demand for urban infrastructure and real estate financing. While the physical assets are located in India, the strategic and financial control often resides with investment funds operating through Cyprus.

FDI from Cyprus has also been observed in manufacturing-related activities, particularly in metals, basic manufacturing, pharmaceuticals, and consumer goods. However, compared with manufacturing FDI from Germany or the United States, Cyprus-linked manufacturing investments are generally financially motivated and acquisition-oriented, focusing on consolidation, turnaround strategies, or minority equity participation rather than greenfield technology-intensive production. The trading and business services sector has additionally attracted Cyprus-origin FDI, reflecting the jurisdiction’s role in facilitating cross-border trade financing and holding-company structures. Investments in this sector support supply-chain management, wholesale trade, and intermediary services, contributing indirectly to India’s integration with global markets. It is important to note that the India–Cyprus Double Taxation Avoidance Agreement (DTAA) historically influenced the sectoral pattern and volume of FDI inflows. Subsequent treaty amendments and the introduction of anti-avoidance measures have moderated purely treaty-driven inflows, leading to a gradual shift toward more transparent and substance-based investment structures.

Cyprus is among the top 10 source countries for FDI equity inflows into India, contributing around US\$12–16 billion cumulatively from April 2000 to mid-2025. Key Sectors

Attracting FDI from Cyprus are Construction Development, the largest sector receiving equity FDI from Cyprus. It accounts for about approximately 36 per cent of total Cyprus-sourced FDI (2000-2021 data). Services Sector, such as, business services, consulting, support, and related non-manufacturing services roughly accounts for 11 per cent of cumulative FDI inflows from Cyprus have been towards services. Consultancy Services as specialized professional and advisory services attracted around 5 per cent of Cyprus FDI. Indian hotel and tourism sectors received nearly 5 per cent of Cyprus-origin FDI. The automobile sector also attracted close to 5 per cent of FDI from Cyprus. Beyond the top categories above, more recent DPIIT/MEA sources note that Cyprus-linked investments have also been seen in IT & software services, Real estate & infrastructure, Logistics, Shipping & maritime activities, Pharmaceuticals.

These are noted as key areas of investment interest for Cypriot investors, though exact equity shares by sector are not always broken out in the publicly released DPIIT country subsectors tables. Historically, the states and companies with significant Cyprus-linked investments include Maharashtra, Delhi, Gujarat, and Telangana. Large Indian entities receiving Cyprus FDI include (but are not limited to) Tata Capital, National Stock Exchange of India, Mahindra & Mahindra, Welspun Corp, etc. The India–Cyprus Double Taxation Avoidance Agreement (DTAA) was revised in 2016, bringing it in line with international norms and removing Cyprus from India’s “Notified Jurisdictional Areas,” improving investor confidence. Cyprus has traditionally been used as an investment route given tax treaty benefit, investor networks, and legal frameworks facilitating cross-border equity.

Table 8: Sectoral Shares from Cyprus FDI into India - Cumulatively from April 2000 to mid-2025

Sector	Cumulative Approx. Share (Per cent)
Construction & Infrastructure	36–37
Services Sector	11
Consultancy Services	5
Hotel & Tourism	5
Automobile Industry	5
Other sectors (IT/software, real estate, logistics, shipping, pharma)	

Cyprus-linked FDI into India reflects both longstanding investment patterns (services, construction, automobiles) and evolving strategic trends — most notably major maritime and logistics investment, driven by Cyprus’s role as a global shipping hub and by strengthening bilateral ties under favourable legal and tax frameworks. While recent annual country × sector data isn’t published publicly by DPIIT, multiple credible sources point to the following key areas of Cyprus-linked investment into India in the 2010s and early 2020s: Cyprus investors have participated in IT/software services and business services sectors. Manufacturing and auto-related investment (like vehicle components) has been noted as a Cyprus FDI area. Capital from Cyprus has been seen in real estate development and infrastructure projects, reflecting the historical strength in construction. Logistics services and cargo handling have been listed as investment areas over time. The pharma sector has also been cited as an investment destination for

Cyprus-linked FDI. Very recently, Cyprus-based shipping firms (e.g., Interior Navigation Co. and Danship & Partners) have committed to invest around ₹10,000 crore (approximately €1 billion) in India's shipping sector — the largest FDI in that sector since 2005. This points to growing strategic interest in maritime and logistics infrastructure.

As per MEA India, Cyprus and India have a revised Double Taxation Avoidance Agreement (DTAA) (2016), which has improved tax certainty, reducing capital gains tax uncertainties for Cyprus investors. Cyprus offers a competitive regulatory and investment environment, and Cyprus entities often serve as investment and fund management vehicles for European and Middle Eastern capital targeting India. Cyprus is also classed under India's SEBI rules as Category-I Foreign Portfolio Investors, facilitating financial flows into Indian markets. Cyprus is a major maritime hub with one of the world's largest ship registries, making Indian shipping and logistics an attractive target for investment and partnership. Recent diplomatic and business developments underline potential growth areas. The multibillion-rupee shipping investment highlights maritime logistics as an expanding field of Cyprus engagement. Expanding financial cooperation and trilateral initiatives with Greece signal interest in banking, funds, and fintech collaboration. Cyprus's strategic location offers opportunities as a logistics gateway and partner in corridors like the India-Middle East-Europe Economic Corridor (IMEC), potentially boosting transport, trade infrastructure and energy sectors. Technology, Innovation & Digital. Emerging cooperation in digital technologies, cybersecurity, AI, and innovation, partly through business council initiatives and summit engagements.

Overall, the sectoral composition of FDI from Cyprus reflects a financially intermediated and services-led investment profile, with limited direct engagement in high-technology manufacturing or infrastructure creation. Compared with Mauritius and Singapore, Cyprus accounts for a smaller share of total FDI inflows but performs a similar function as a capital routing and holding jurisdiction. Consequently, Cyprus-origin sectoral FDI contributes primarily to capital mobilisation, financial deepening, and corporate restructuring, rather than direct technology transfer or large-scale employment generation.

9. Cayman Islands

The Cayman Islands occupy a distinctive position in India's foreign direct investment (FDI) landscape as a global offshore financial centre rather than a conventional source economy. Sectoral FDI from the Cayman Islands to India is therefore best understood as financially intermediated capital, routed through investment funds, private equity vehicles, and holding companies. The sectoral distribution of such FDI reflects investment structuring and portfolio allocation strategies, rather than sector-specific comparative advantages of the Cayman economy itself.

According to cumulative data published by the Department for Promotion of Industry and Internal Trade (DPIIT) since April 2000, the Cayman Islands have intermittently featured among significant source jurisdictions for FDI equity inflows into India, particularly during periods of heightened private equity and venture capital activity. Sectorally, Cayman-origin FDI is heavily concentrated in services, financial activities, information technology, telecommunications, e-commerce, and start-up ecosystems,

underscoring its role as a conduit for global risk capital. The services sector represents the dominant destination of Cayman-routed FDI into India. This includes financial services, investment holding companies, business services, and professional services, often structured through special purpose entities (SPEs). These investments support capital infusion into Indian firms for expansion, restructuring, or acquisition activities, rather than direct operational involvement by Cayman-based entities.

A particularly significant share of Cayman FDI is directed towards the information technology, digital services, and start-up sector. Many technology firms, platform companies, and digital enterprises operating in India receive foreign equity through Cayman-incorporated holding structures. This pattern reflects global venture capital norms, where Cayman entities are used for ease of fundraising, investor protection, and exit flexibility. Consequently, Cayman-routed FDI plays a critical role in financing India's digital economy and innovation ecosystem, despite limited physical asset creation. The telecommunications and media sector has also attracted substantial Cayman-origin FDI, especially during phases of consolidation and capital restructuring. Investments in this sector are typically large, equity-based, and long-term, facilitating balance-sheet strengthening and infrastructure modernisation. These inflows are often associated with global institutional investors operating through Cayman-registered funds.

Cayman-routed FDI is also observed in manufacturing and infrastructure-related sectors, though indirectly. Investments in these sectors are generally financial in nature, involving minority equity stakes, leveraged buyouts, or platform investments rather than greenfield manufacturing projects. Compared with German or Japanese FDI, the technological and operational spillovers from Cayman-origin manufacturing investments remain limited. A defining characteristic of Cayman Islands FDI is its high sensitivity to regulatory and tax policy changes. The absence of a comprehensive tax treaty with India, combined with evolving anti-avoidance measures and beneficial ownership norms, has influenced both the volume and sectoral allocation of Cayman-routed inflows over time. This has led to a gradual shift toward greater transparency and substance-based investment structures, though the Cayman Islands remain a key jurisdiction for global capital intermediation.

According to DIPT, the Cayman Islands ranks among the top 10 source countries for FDI equity into India. As of 31 December 2022, it contributed around US \$14.78 billion in cumulative equity inflows since 2000, accounting for about 2.36 per cent of total FDI equity into India. The Cayman Islands often functions as a holding-jurisdiction for international investment funds and multinationals targeting emerging markets like India, partly due to its tax-neutral legal regime and global fund structuring ecosystem. Computer Software & Hardware (40 per cent) is the dominant sector receiving FDI from the Cayman Islands, indicating strong interest in technology, digital platforms, software services, and IT-enabled businesses in India. Hotel & Tourism (17 per cent). Significant equity has gone into hospitality and tourism infrastructure, reflecting investment confidence in India's growing travel and accommodation demand. Education (11 per cent) reflects long-term strategic investments into private education and ed-tech companies, the sectors that have seen robust growth in India. Services

Sector, accounting for 10 per cent of FDI broadly covering business services, finance, consulting, and related activities — a traditional area for global capital. Trading with share of approximately 5 per cent includes investments in distribution, retail and trade-linked entities. Other sectors beyond the top five likely account for the remaining approximately 17 per cent of Cayman FDI equity (e.g., logistics, consumer platforms, financial tech and ancillary sectors).

Table 9: Sectoral Share of FDI from Cayman Islands
(Per cent)

Sector	Cumulative Per cent Share of Cayman FDI to India
Computer Software & Hardware	40
Hotel & Tourism	17
Education	11
Services Sector	10
Trading	5
Other	17

Cayman Islands investment include: Jio Platforms Ltd, One97 Communications Ltd (Paytm), Oravel Stays Pvt Ltd (Oyo), Delhivery Pvt Ltd, Ola Electric Mobility Pvt Ltd, Lenskart Solutions Pvt Ltd, Think & Learn Pvt Ltd (Byju's). These examples highlight the Cayman Islands' role in channeling capital into technology, logistics, mobility, e-commerce and platform businesses — many of which are high-growth, innovation-focused firms. Cayman structures are widely used by global private equity and venture capital funds, which invest in India's startup and tech ecosystem — often through holding entities based in Cayman. This explains the strong concentration in software, digital services, and platform businesses. Hospitality & Education. These are long-term, scalable sectors with predictable demand growth, appealing to institutional investors seeking stable returns.

Services & Trading broadly capturing export services, B2B operations, and trade-oriented firms align with the global orientation of Cayman-based investors. The Cayman Islands' tax neutrality and investment fund ecosystem make it a preferred jurisdiction for private equity and venture capital funds targeting India. There have been fluctuations in annual FDI figures from Cayman into India over short periods depending on market sentiment and fund cycles — e.g., a notable rise in 2019-20 to approximately USD 3.7 billion. Recent rounds of regulatory scrutiny and compliance improvements (including FATF grey list removal) may impact investment patterns, especially in financial services and alternative investment vehicles. Tech & digital services has been the largest beneficiary of Cayman FDI into India (approximately 40 per cent). Hospitality, education, services, and trading are also major areas attracting capital from Cayman-based investors. Cayman Islands functions as a global investment hub, with many funds routing capital into Indian high-growth sectors via Cayman entities. The Cayman Islands' cumulative contribution to India's FDI reflects both large institutional investments and strategic bets on India's growth story.

Overall, the sectoral composition of FDI from the Cayman Islands reflects a financial conduit-driven, services- and technology-oriented investment profile. Compared with Mauritius, Singapore, and Cyprus, Cayman-origin FDI is more closely associated with private equity, venture capital,

and platform-based investments, particularly in India's new-economy sectors. While such inflows contribute significantly to capital availability, innovation financing, and corporate growth, their direct impact on technology transfer, employment generation, and physical infrastructure creation is relatively limited. Nevertheless, Cayman-routed sectoral FDI remains an important component of India's broader inward investment ecosystem, especially in the context of financial deepening and entrepreneurial expansion.

10. China

Foreign direct investment from China to India represents a distinctive and sensitive component of India's inward investment landscape, shaped by economic complementarities as well as geopolitical considerations. Unlike FDI from traditional developed economies or financial conduits, Chinese FDI into India has been predominantly market-seeking and efficiency-seeking, with a strong orientation towards manufacturing, digital platforms, electronics, and consumer-oriented sectors. The sectoral composition of Chinese FDI thus reflects both China's industrial strengths and India's large domestic market. Based on cumulative data published by the Department for Promotion of Industry and Internal Trade (DPIIT) since April 2000, China has accounted for a modest but strategically significant share of India's total FDI inflows. Sectorally, Chinese investments are concentrated in manufacturing, electronics, information technology, telecommunications equipment, mobile devices, chemicals, and digital services, distinguishing them from the service-heavy profiles of the UK or conduit jurisdictions.

The manufacturing sector constitutes a major destination of Chinese FDI in India, particularly in electronics, electrical equipment, consumer durables, and light manufacturing. Chinese firms have invested in mobile handset assembly, electronic components, power equipment, and industrial machinery, leveraging India's cost advantages and growing consumer demand. These investments are often structured as joint ventures or wholly owned subsidiaries, focusing on local assembly, market penetration, and supply-chain localisation rather than high-end research and development. A significant component of Chinese FDI has flowed into the electronics and telecommunications equipment sector, including smartphones, networking equipment, and electronic hardware. Chinese firms have used India as a manufacturing and assembly base to serve the domestic market, especially following India's policy emphasis on local manufacturing. Compared with German or Japanese manufacturing FDI, however, Chinese investments have been relatively less technology-intensive, with limited upstream integration into advanced component manufacturing.

The digital economy and technology services sector has been another important recipient of Chinese FDI, particularly through investments in e-commerce platforms, fintech, logistics technology, ride-hailing services, and online marketplaces. These investments were largely venture capital and private equity driven, often routed through offshore holding structures. Chinese capital played a notable role in scaling Indian digital start-ups, contributing to rapid market expansion, consumer adoption, and platform development. Chinese FDI has also been observed in chemicals, pharmaceuticals intermediates, and industrial

inputs, reflecting China's strong position in global manufacturing supply chains. Investments in these sectors support India's manufacturing ecosystem by ensuring access to intermediate goods, though concerns related to supply-chain dependence have influenced policy responses. The sectoral pattern of Chinese FDI has been significantly affected by policy and regulatory developments, particularly since 2020. Enhanced screening mechanisms for investments from neighbouring countries have altered both the volume and composition of Chinese FDI inflows. As a result, recent Chinese investments have increasingly taken the form of minority stakes, indirect investments, or strategic partnerships, rather than large greenfield projects. Chinese multinational corporations invest in India primarily due to India's large and growing market, overcapacity and saturation in China's domestic market, and the strategic need to establish a presence within India to overcome trade barriers and leverage local supply chains. India's large population and expanding consumer base represent an almost irreplaceable market opportunity that Chinese companies cannot ignore. This drives market-seeking investments aimed at selling goods and services directly to Indian consumers. Fierce competition and excess manufacturing capacity in several sectors within China (e.g., power equipment, mobile phones, automobiles) push Chinese firms to seek international markets for survival and growth. Chinese companies have invested in India to support local production, often as original equipment manufacturers (OEMs) or suppliers to major brands (including Apple), to benefit from the "Make in India" initiative and Production-Linked Incentive (PLI) schemes. This helps them ensure local production capacity and take advantage of cost efficiencies. India offers lower labor and manufacturing costs compared to China, which helps Chinese firms maintain price competitiveness in the region and globally. In some instances, Chinese firms invest to tap into India's skilled talent pool (e.g., setting up R&D centers in Bengaluru for the auto industry) and adapt their products for local needs. Establishing a local presence helps Chinese companies mitigate the impact of tariffs, import restrictions, and national security-related bans that India has imposed on goods and services from China, particularly since the 2020 border clashes. Strategic Before stricter government scrutiny, Chinese venture capital firms and tech giants (like Alibaba and Tencent) invested heavily in Indian startups

across e-commerce, fintech, and media apps, seeking early access to India's booming digital economy. Historically, Chinese investment has concentrated in several key areas: Mobile Phones: Brands like Xiaomi, Vivo, and OPPO established strong manufacturing bases in India and captured a significant market share. Automotive: Companies such as SAIC (MG brand) and BYD established or planned factories to tap into India's growing auto market, especially for electric vehicles (EVs). Chinese firms were major suppliers of power generation equipment and involved in infrastructure projects like railways and metro systems. Chinese tech giants invested significantly in Indian internet and e-commerce platforms like Paytm, Zomato, and Ola. It is important to note that since mid-2020, Indian government policy has become much stricter, requiring prior government approval for all investments from land-border-sharing countries, which has significantly reduced and impacted Chinese FDI inflows.

A sector-wise overview of Foreign Direct Investment (FDI) equity inflows into India from China — noting that China has historically been a very small source of FDI for India due to policy restrictions and geopolitical factors. Total FDI from China into India has been very limited historically: cumulative equity FDI from China from April 2000 to March 2025 was approximately US \$2.5 billion (about 0.3% of total) — a very small share compared with other source countries. Over recent years, investments have been small and concentrated in select sectors, often requiring government approval because of policies affecting border-sharing countries. Chinese investors also participate indirectly through venture capital and private equity in Indian startups and tech firms, but these are minority stakes and not always classified as FDI. India's DPIIT/FDI official reports do not generally publish a detailed sectoral FDI inflow table specifically broken down for China — only cumulative country totals are publicly available. The above table is therefore an informed estimate based on known investment patterns and corporate activity of Chinese firms in India. Since 2020, India has placed additional scrutiny and approval requirements on Chinese investments, limiting large inflows in sensitive sectors. A significant share of Chinese capital has been deployed into Indian startups via private equity/VC channels (e.g., tech platforms), which may not always be captured fully in FDI statistics (Table 10).

Table 10: Estimated Sectoral Distribution of FDI from China into India

Sector	Approx. Share / Trend Per cent	Indicative Notes
Manufacturing (Electronics & Telecom)	30–40	Includes electronics assembly, telecom equipment, mobile devices; Chinese firms like Xiaomi, Vivo, Oppo have plants/operations.
Automotive & Components	15–25	Includes some manufacturing/assemblies, e.g., partnerships with Indian firms.
E-commerce & Tech Startups	15–20	Minority capital into platforms (e-commerce, fintech, logistics), often via venture investments rather than large FDI.
Household & Consumer Electronics	10–15	Investments tied to brands operationalising factories & R&D in India.
Services & Other Sectors	10–20	Small flows into select service industries, including business services; but limited overall.

Note: Approximation based on available data and known investment patterns — precise official DPIIT sectoral breakdown by country is not publicly published in detailed sector format)

Overall, the sectoral composition of FDI from China reflects a manufacturing- and technology-oriented investment

profile, driven primarily by market access and scale considerations. Compared with FDI from the USA or Germany, Chinese investments exhibit lower levels of technological spillovers but higher market responsiveness. While Chinese sectoral FDI has contributed to manufacturing capacity, consumer access, and digital

platform growth in India, its future trajectory remains closely tied to policy frameworks, national security considerations, and broader geopolitical dynamics. The Table below shows the dominant sectors of FDI, Secondary

sectors of FDI, nature of FDI, key characteristics and developmental impact on India across various countries (Table 11).

Table 11: Sectoral Composition and Characteristics of Major Source-Country FDI into India

Source Country / Jurisdiction	Dominant Sectors	Secondary Sectors	Nature of FDI	Key Characteristics	Developmental Impact on India
United Kingdom	Services (financial, professional), IT	Manufacturing, pharmaceuticals, renewables	Market-seeking & strategic	High institutional linkage, operational presence, skill-intensive	Skill formation, services deepening, technology diffusion
Germany	Manufacturing (automobiles, machinery, chemicals)	Industrial services, renewables	Efficiency-seeking & asset-augmenting	High technology intensity, long-term commitment	Industrial upgrading, productivity growth, GVC integration
United States	IT, software, digital services	Manufacturing, healthcare, fintech	Market- & innovation-seeking	R&D-driven, platform-based investments	Innovation, digital transformation, high-skilled employment
Netherlands	Manufacturing, chemicals, energy	Services, logistics	Strategic & tax-efficient	Holding-company structures with operational depth	Technology transfer, supply-chain integration
United Arab Emirates (UAE)	Infrastructure, real estate, services	Energy, logistics, manufacturing	Asset-backed & market-seeking	Sovereign funds and conglomerates, long-term assets	Infrastructure creation, energy security
China	Electronics, manufacturing, digital platforms	Chemicals, telecom equipment	Market- & efficiency-seeking	Scale-oriented, assembly-focused, policy-sensitive	Manufacturing capacity, consumer market expansion
Singapore	Services, finance, IT	Manufacturing, logistics	Conduit & strategic	Treaty-based routing with growing operational control	Capital mobilisation, services expansion
Mauritius	Financial services	Construction, business services	Conduit / financial	Treaty-driven, holding-company based	Capital inflows, limited real-sector spillovers
Cyprus	Financial & business services	Real estate, basic manufacturing	Financially intermediated	Investment funds, SPVs, tax structuring	Financial deepening, corporate restructuring
Cayman Islands	Digital platforms, IT, financial services	Telecom, start-ups	PE/VC conduit	Venture capital & private equity routing	Innovation financing, start-up ecosystem growth

11. Neighbouring Countries

Foreign direct investment (FDI) from India's neighbouring countries occupies a unique position in India's inward investment framework, shaped by geographical proximity, regional trade linkages, political economy considerations, and national security concerns. Unlike FDI from advanced economies or offshore financial centres, neighbouring-country FDI into India is relatively limited in volume, highly sector-specific, and strongly influenced by regulatory screening mechanisms. The sectoral composition of such FDI reflects a mix of market-seeking, efficiency-seeking, and strategic considerations. India's neighbouring countries—namely China, Bangladesh, Nepal, Sri Lanka, Bhutan, Myanmar, Pakistan, and Afghanistan—display heterogeneous investment profiles, with China being the most significant contributor in quantitative and strategic terms. Sectoral FDI from neighbouring countries is primarily concentrated in manufacturing, small-scale services, energy, infrastructure-adjacent activities, and digital platforms, though with varying degrees of depth and technological content.

Bangladesh and Nepal

FDI from Bangladesh and Nepal is modest and primarily directed toward manufacturing (textiles, garments, food processing) and small-scale services. These investments are often cross-border, proximity-driven, and focused on leveraging regional supply chains. Sectoral investments from these countries tend to be labour-intensive rather than technology-intensive and contribute marginally to employment generation in border regions.

Sri Lankan FDI into India – Very Small but Growing

Sri Lankan FDI into India is concentrated mainly in services, hospitality, food processing, and light manufacturing. Investments are typically market-seeking, aimed at accessing India's domestic consumer market. The scale of sectoral FDI from Sri Lanka remains limited, but it demonstrates relatively higher operational involvement compared to other South Asian neighbours.

Unlike major investors such as the U.S., UK, Japan, or Mauritius, Sri Lanka is a very minor source of direct investment into India. According to regional economic research, Sri Lanka's share in India's total FDI inflows over the last two decades has been *extremely low* — roughly about 0.02% of all FDI into India. This shows that actual Sri Lankan outward FDI into India is quite limited in scale. This means that while some Sri Lankan firms do invest in India, overall monetary flows and sectoral totals are small and not prominently tracked in official Indian FDI statistics.

Although formal FDI data is limited, available research and business reports identify a *few sectors* where Sri Lankan companies have made investments: Sri Lankan garment manufacturers have established manufacturing operations in India. For example, large apparel firms like Brandix and MAS Holdings have planned manufacturing and allied investments, including proposals such as a garment city investment in Visakhapatnam (around ~\$1 billion) to tap India's large workforce and export markets.

Sri Lankan logistics and freight companies invest in transport and distribution services in India, taking advantage of regional trade links and proximity. Some Sri Lankan hotel and resort operators engage in *tourism-related*

investments or collaborations in India, especially in coastal and leisure destinations. Sri Lankan investors show interest in services, information technology, and consumer goods sectors, though these are typically small-scale or exploratory rather than large FDI deals.

Some notable Sri Lankan companies that have invested or established operations in India include: Brandix – Apparel manufacturing and related textile industry engagement; MAS Holdings – Another major apparel exporter with strategic operations tied to Indian manufacturing base; Damro – Furniture retail and related services; Aitken Spence – Involved in hospitality and hotel operations; LTL Holdings – Linked with logistics/transport investments. These show that *even though overall Sri Lankan investment into India is modest*, specific industries like textiles, logistics, and services are the key entry sectors.

Several structural and economic reasons explain the low levels of Sri Lankan investment in India. Sri Lanka’s economy is much smaller than India’s, and outward FDI flows are limited in scale. Domestic firms often focus on other markets like Southeast Asia, Middle East, or African markets that are geographically or commercially closer. India’s market is highly competitive with large domestic players, making it harder for Sri Lankan firms to scale without strategic partnerships or joint ventures.

Bhutan and Myanmar

FDI from Bhutan and Myanmar is extremely limited and sectorally narrow. Where present, investments are linked to hydropower, energy cooperation, and trading activities, often involving government-linked entities or joint projects. These investments are more strategic and bilateral in nature rather than commercially driven.

Pakistan and Afghanistan

FDI from Pakistan and Afghanistan into India is negligible, reflecting geopolitical tensions, regulatory constraints, and limited economic integration. Consequently, there is no meaningful sectoral diversification observable from these countries.

A defining feature of neighbouring-country FDI is its high sensitivity to policy and regulatory frameworks. Investments from neighbouring countries—particularly China—are subject to prior government approval, which has reshaped both the sectoral allocation and mode of entry. As a result, sectoral FDI from neighbouring countries increasingly favours non-controlling stakes, indirect investment routes, and joint ventures, rather than wholly owned subsidiaries. Overall, sectoral FDI from neighbouring countries to India is characterised by low aggregate volume but high strategic sensitivity, concentration in manufacturing, digital platforms, and border-linked services, limited technology spillover compared with FDI from advanced economies, strong influence of geopolitical and national security considerations. Compared with FDI from the USA, Germany, or Japan, neighbouring-country FDI contributes less to industrial upgrading and innovation, but plays a role in regional integration, supply-chain diversification, and market competition. Its future trajectory will depend critically on regional diplomacy, regulatory clarity, and India’s evolving investment screening regime. The Table below shows the major sectors of FDI, nature of investment, scale of FDI, key characteristics and policy strategic sensitivity.

Table 12: Sectoral FDI from Neighbouring Countries to India

Neighbouring Country	Major Sectors of FDI	Nature of Investment	Scale of FDI	Key Characteristics	Policy / Strategic Sensitivity
China	Electronics, mobile manufacturing, digital platforms, chemicals	Market- & efficiency-seeking	Moderate (largest among neighbours)	Assembly-oriented manufacturing, platform investments, limited R&D	High – subject to government approval & security screening
Bangladesh	Textiles, garments, food processing	Market-seeking	Low	Labour-intensive, proximity-driven investments	Low
Nepal	Manufacturing, small services	Market-seeking	Very low	Border-region focused, small-scale firms	Low
Sri Lanka	Services, hospitality, food processing	Market-seeking	Low	Consumer-oriented, operational involvement	Low–moderate
Bhutan	Hydropower, energy cooperation	Strategic / bilateral	Very low	Government-linked, project-based	Moderate
Myanmar	Trading, energy-related activities	Strategic	Very low	Bilateral and infrastructure-adjacent	Moderate
Pakistan	— (negligible)	—	Negligible	No meaningful sectoral presence	Very high (geopolitical constraints)
Afghanistan	— (negligible)	—	Negligible	No structured investment flows	Very high

Results & Discussion

The analysis of foreign direct investment (FDI) into India reveals distinct country-specific and sector-specific patterns, reflecting both historical ties and policy-driven incentives. Using data sourced from the Department for Promotion of Industry and Internal Trade (DPIIT), UNCTAD (2019), OECD (2021), and sectoral studies (Banga, 2013; Joseph, 2020; Athukorala, 2017), this study identifies the evolving landscape of sectoral FDI inflows from major investing countries.

1. Country-Origin Patterns of FDI in India

India continues to attract significant investment from

developed economies, including the United States, United Kingdom, Germany, Japan, and Singapore, as well as emerging economies such as Mauritius, the UAE, and China. Each country exhibits a unique sectoral orientation, which is reflective of its comparative advantage, historical trade linkages, and the policy environment in India. U.S. investment has predominantly targeted the services, IT, and manufacturing sectors, consistent with its global emphasis on high-value industries (Banga, 2013). IT and software services attract U.S. FDI due to India’s skilled workforce, while manufacturing FDI is driven by supply-chain integration and the “Make in India” initiative. U.K. investors demonstrate a preference for financial services,

healthcare, and infrastructure projects, reflecting longstanding colonial-era connections and expertise in regulated sectors (Kumar & Pradhan, 2002; Mukherjee, 2016). These economies focus on engineering, automotive, and capital goods manufacturing, highlighting technology transfer and high-precision industry specialization (Agrawal & Khan, 2011; Kathuria & Mathur, 2019). Investments from Singapore and Mauritius often flow into real estate, financial services, and energy infrastructure, reflecting their roles as offshore investment hubs for multinational corporations (UNCTAD, 2019). FDI from neighboring or regional economies, such as China, Sri Lanka, and Myanmar, is comparatively smaller in volume but shows strategic sectoral targeting. For example, Sri Lanka investment is concentrated in logistics, hospitality, and trading services, while Myanmar's outward investment remains negligible due to domestic capital limitations (DPIIT, 2023). These patterns suggest that source-country characteristics, including capital endowment, sectoral expertise, and historical relations, significantly influence the sectoral composition of FDI inflows into India.

2. Sectoral Composition of FDI

Analysis of sectoral inflows indicates that manufacturing, IT services, financial services, and energy infrastructure dominate FDI allocation. The manufacturing sector has historically received investments from Germany, Japan, and the U.S., aligning with these countries' strengths in high-technology and capital-intensive industries (Borensztein, De Gregorio & Lee, 1998; Saxena, 2012). IT and software services attract U.S., Singapore, and U.K. investment due to India's comparative labour advantage and technical skill base (Mukherjee & Goyal, 2019). Energy and infrastructure investments primarily involve Singapore, Mauritius, and European investors, highlighting the importance of policy facilitation and public-private partnerships in these capital-intensive sectors (OECD, 2021). Conversely, agriculture and primary sectors receive limited FDI, reflecting regulatory constraints, low returns, and sectoral risk (Bhat & Bhat, 2020). A notable trend is the emerging diversification of FDI in services, including logistics, telecommunications, and health services, aligning with India's growth trajectory and policy reforms under the National Infrastructure Pipeline and Digital India initiatives (Joseph, 2020; Athukorala, 2017).

3. Comparative Country-Sector Analysis

When comparing the source-country FDI across sectors, several insights emerge. Developed economies (U.S., Germany, Japan) prioritize technology-intensive and capital-intensive sectors such as automotive, pharmaceuticals, and high-end manufacturing. Investment hubs (Singapore, Mauritius) often channel FDI into financial intermediation, energy, and urban infrastructure, functioning as intermediaries for global corporate investment. Emerging economies (China, Sri Lanka) show targeted sectoral investment, often linked to strategic trade complementarities, supply chain integration, or regional connectivity projects. Myanmar exhibits negligible outward FDI, indicating that bilateral economic interactions remain limited to trade and minor services investments rather than capital-intensive projects (OECD, 2021). These trends reflect the Dunning OLI framework, where ownership advantages (technology, brand), location advantages

(India's market size, cost-effective labor), and internalization incentives (control over technology and operations) determine sectoral investment patterns (Dunning, 1981, 1993).

4. Policy and Structural Implications

The sectoral composition and source-country orientation of FDI highlight several policy implications. Targeted Sectoral Incentives through India's policy reforms, such as liberalization of the multi-brand retail sector and the ITES/BPO incentive schemes, have been effective in attracting specialized FDI from countries like the U.S. and Singapore (Saxena, 2012; Mukherjee, 2016). The concentration of FDI in energy, manufacturing, and logistics underscores the role of infrastructure quality and ease of doing business in attracting foreign investment (Kathuria & Mathur, 2019; OECD, 2021). Heavy reliance on developed economies for high-technology sectors implies potential vulnerabilities; hence, promoting investment from emerging economies could diversify sectoral and country risk (Banga, 2013; Joseph, 2020). Limited FDI in agriculture, primary production, and health infrastructure points to untapped opportunities, which could be addressed through sector-specific policy incentives and liberalization measures (Bhattarai & Negi, 2020).

In sum, the observed patterns confirm the theoretical propositions of Hymer (1976), Kindleberger (1969), and Vernon (1966) regarding the role of firm-specific and country-specific advantages in directing FDI flows. High-technology, knowledge-intensive, and capital-intensive sectors attract investment primarily from developed countries with the requisite ownership advantages, whereas investment hubs such as Singapore and Mauritius act as intermediaries for capital allocation to sectors with higher infrastructure or regulatory requirements. The findings also corroborate Borensztein, De Gregorio & Lee (1998) and Chakraborty & Basu (2002), emphasizing that FDI contributes not only to capital accumulation but also to technology transfer, sectoral productivity, and integration into global value chains. The limited FDI from neighboring developing countries, including Myanmar, highlights constraints related to capital scarcity, institutional capacity, and investment experience, echoing observations by Athukorala (2017). Furthermore, sectoral FDI is shaped by India's post-1991 liberalization trajectory, with policy reforms directly influencing sectoral allocation, investment approvals, and regional distribution. For instance, the concentration of FDI in IT services and manufacturing aligns with policies encouraging technology-intensive, export-oriented investment (Mukherjee & Goyal, 2019; Kathuria & Mathur, 2019).

In conclusion, the country-origin of sectoral FDI in India reflects a combination of historical linkages, economic complementarities, policy incentives, and firm-level advantages. The results highlight both opportunities and vulnerabilities in the FDI ecosystem, underscoring the importance of diversified country sources, sectoral targeting, and policy facilitation to maximize economic gains.

Conclusion and Policy Recommendations

This paper examined the evolving structure of foreign direct investment (FDI) in India through a country-origin and sectoral lens, highlighting how source-country capabilities,

sectoral specialisation, and host-country policy frameworks jointly shape investment outcomes. The findings demonstrate that India's FDI inflows exhibit a clear pattern of country–sector alignment rather than a uniform distribution across industries or investor origins.

Developed economies such as the United States, Germany, Japan, and the United Kingdom dominate investment in technology-intensive manufacturing, pharmaceuticals, automotive, capital goods, and IT-enabled services, reflecting their firm-specific ownership advantages and technological leadership. In contrast, financial hubs such as Singapore and Mauritius function primarily as intermediary jurisdictions, channeling multinational capital into infrastructure, real estate, energy, and financial services. Emerging economies such as China and Sri Lanka display more selective engagement, concentrating on logistics, electronics, and infrastructure-linked manufacturing, while outward investment from Myanmar remains negligible due to capital constraints and institutional limitations. Sectorally, FDI in India is concentrated in manufacturing, IT services, financial services, energy, and infrastructure, consistent with India's market size, demographic dividend, and post-1991 liberalisation trajectory. Agriculture, healthcare infrastructure, and primary sectors continue to attract relatively limited foreign investment, reflecting regulatory complexity, infrastructure gaps, and risk perceptions. The results therefore point to a dualistic pattern: strong inflows into high-growth, urban-industrial sectors alongside persistent underinvestment in socially critical and rural sectors.

The observed country-sector configuration is consistent with the predictions of the ownership–location–internalisation (OLI) paradigm and classical theories of multinational enterprise, which emphasise the role of firm-specific advantages, host-country market potential, and institutional quality in directing FDI flows. Empirically, the findings reinforce earlier evidence that India's growth performance and policy liberalisation have been central to attracting foreign capital, while the quality and sectoral composition of FDI remain critical for long-term productivity gains. Overall, the study underscores that India's emergence as a major FDI destination is not merely a function of aggregate inflows but of the strategic alignment between source-country capabilities and sectoral opportunities. Sustaining high-quality, growth-enhancing FDI will therefore require continued reforms aimed at deepening technology-oriented investment, diversifying source countries, and expanding foreign participation in under-served sectors.

The empirical evidence on the country-origin and sectoral composition of FDI in India suggests that policy intervention must move beyond aggregate inflow targets towards a more strategic, sector-specific and technology-oriented investment framework. First, India should adopt a differentiated FDI promotion strategy aligned with source-country comparative advantages. Advanced manufacturing, semiconductors, electric mobility, pharmaceuticals, and precision engineering are natural domains for deepening investment partnerships with Germany, Japan, and the United States, while digital services, fintech, and R&D-intensive activities should be prioritised in engagement with the United States and the United Kingdom. Financial hubs such as Singapore and the UAE should be leveraged for long-term infrastructure, renewable energy, logistics, and urban development projects. Second, policy must focus on

attracting higher-quality, innovation-driven FDI. This requires expanding fiscal incentives for foreign R&D centres, strengthening intellectual property protection, and building integrated innovation clusters in emerging technologies such as artificial intelligence, green hydrogen, biotechnology, and advanced materials. Such measures would enhance technology spillovers and productivity gains, reinforcing the growth-enhancing role of FDI.

Third, India should pursue greater diversification of FDI source countries to reduce dependence on a narrow group of investors and offshore financial centres. Strengthening bilateral investment treaties, deepening economic partnership agreements, and establishing sector-specific investment corridors with ASEAN, South Korea, Israel, and Nordic economies would broaden India's external investment base and reduce vulnerability to geopolitical and financial shocks. Fourth, unlocking FDI potential in agriculture, food processing, and healthcare requires regulatory stability and infrastructure development. Liberalising agri-processing supply chains, expanding cold storage and logistics networks, and encouraging foreign participation in hospital infrastructure, medical tourism, and digital health platforms would improve rural employment outcomes and strengthen social infrastructure.

Finally, sub-national investment governance must be strengthened. Harmonisation of land, labour, and environmental clearances, combined with digital single-window systems and transparent regulatory processes, would improve investor confidence and promote competitive federalism across Indian states. Taken together, these measures would reposition India from a volume-driven FDI destination towards a technology-intensive, innovation-led, and globally integrated investment hub capable of sustaining long-term and inclusive economic growth.

References

1. Agrawal G, Khan MA. Impact of FDI on GDP: A comparative study of China and India. *International Journal of Business and Management*,2011;6(10):71–79. <https://doi.org/10.5539/ijbm.v6n10p71>
2. Adhana D, Saxena M. An analytical study of foreign direct investment trends in India during 2000 01 to 2015 16. *North Asian International Research Journal of Multidisciplinary*,2016;2(7). July 2016. Available at SSRN: <https://ssrn.com/abstract=2856197>
3. Athukorala PC, Veeramani C. Internationalization of Indian enterprises: Patterns, determinants, and policy issues. *Asian Economic Papers*,2017;16(1):142–166. doi:10.1162/ASEP_a_00496
4. Balasubramanyam VN, Mahambare V. Foreign direct investment in India. *Economic and Political Weekly*,2003;38(19):1904–1908.
5. Banga R. The export diversifying impact of U.S. foreign direct investment in Indian manufacturing sector (ICRIER Working Paper No. 110). Indian Council for Research on International Economic Relations (ICRIER), New Delhi, 2013.
6. Bhattarai K, Negi V. FDI and Economic Performance of Firms in India. *Studies in Microeconomics*,2020;8(1):44–74.
7. Borensztein E, De Gregorio J, Lee J-W. How does foreign direct investment affect economic growth?

- Journal of International Economics,1998:45(1):115–135. [https://doi.org/10.1016/S0022-1996\(97\)00033-0](https://doi.org/10.1016/S0022-1996(97)00033-0)
8. Chakraborty C, Basu P. Foreign direct investment and growth in India: A cointegration approach. *Applied Economics*,2002:34(9):1061–1073. <https://doi.org/10.1080/00036840110074079>
 9. Dunning JH. Explaining the international direct investment position of countries: Towards a dynamic or developmental approach. *Weltwirtschaftliches Archiv (Review of World Economics)*,1981:117(1):30–64. <https://doi.org/10.1007/BF02696577>
 10. Dunning JH. *Multinational enterprises and the global economy*. Wokingham: Addison-Wesley, 1993.
 11. Department for Promotion of Industry and Internal Trade (DPIIT). India FDI equity inflows: country and sector data. Retrieved from DPIIT official publications.
 12. DPIIT / Government of India. FDI policy context and country/sector policy notes.
 13. Gopalan S, Rajan RS. Has foreign direct investment benefited India? A sectoral and macroeconomic perspective. *Asian Development Review*,2016:33(1):125–158. https://doi.org/10.1162/ADEV_a_00071
 14. Hymer SH. *The international operations of national firms: A study of direct foreign investment*. Cambridge, MA: MIT Press, 1976.
 15. India Brand Equity Foundation (IBEF). *Foreign Direct Investment in India — trends and insights*. Retrieved from <https://www.ibef.org>, 2024.
 16. India Brand Equity Foundation (IBEF). *Key investment destination: FDI inflows in India cross \$1 trillion, 2024*.
 17. Joseph N, Sridhar LS. Socio economic factors influence on foreign direct investment (FDI): A comparative study of India and Vietnam. *PalArch's Journal of Archaeology of Egypt / Egyptology*,2020:17(12):767–784.
 18. Kathuria S, Raj RSN, Sen K. India's manufacturing sector: Structure, performance, and future outlook. In: Kathuria S, Raj RSN, Sen K, editors. *The Oxford Handbook of the Indian Economy*. Oxford: Oxford University Press. 2018, 427–459.
 19. Kindleberger CP. *American business abroad: Six lectures on direct investment*. New Haven, CT: Yale University Press, 1969.
 20. Kumar N, Pradhan JP. Foreign direct investment, externalities and economic growth in developing countries: Some empirical explorations and implications for WTO negotiations on investment. *Research and Information System for Developing Countries (RIS)*, Discussion Paper, 2002.
 21. Kumar N. Determinants of export orientation of foreign production by US multinationals: An inter-country analysis. *Journal of International Business Studies*,1994:25(1):141–156.
 22. Mukherjee A. *Foreign direct investment in India: Policies, trends and outlook*. Indian Council for Research on International Economic Relations (ICRIER) Working Paper No. 319, New Delhi, 2016.
 23. Mukherjee A, Goyal TM. FDI in services and India: Some key trends and policy issues. *Journal of International Commerce, Economics and Policy*, 2013, 4(1).
 24. Nagraj R. Foreign direct investment in India in the 1990s: Trends and issues. *Economic and Political Weekly*,2003:38(17):1701–1712.
 25. OECD. *FDI in Figures*, April 2021 (No. 2021/01). OECD Publishing, Paris, 2021. <https://doi.org/10.1787/cde87d3c-en>.
 26. Sahoo P, Mathiyazhagan MK. Economic growth in India: Does foreign direct investment inflow matter? *The Singapore Economic Review*,2003:48(2):151–171. <https://doi.org/10.1142/S021759080300008X>
 27. Sectoral FDI distribution data. *India's FDI Inflows: Trends and Concepts (research publication)*.
 28. UNCTAD. *World Investment Report 2019: Special Economic Zones*. Geneva: United Nations Conference on Trade and Development, 2019.
 29. Vernon R. International investment and international trade in the product cycle. *The Quarterly Journal of Economics*,1966:80(2):190–207. <https://doi.org/10.2307/1880689>
 30. Wagner C, Delios A. Location choice and Indian outward foreign direct investment: Institutional thresholds and institutional quality versus distance. *Journal of Institutional Economics*.