

# India received the highest ever FDI inflow in FY 2021-22

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## [GS Paper 3 - Indian Economy, Foreign Investments]

**Context** - Measures taken by the Government on FDI policy reforms have resulted in increased FDI inflows in the country. India has received its highest ever FDI inflow of INR 6,31,050 crores in Financial Year 2021-22.

### Key Highlights

- FDI Equity inflow in Manufacturing sectors has increased to INR 1,58,332 crore in Financial Year 2021-22 from INR 89,766 crore (FY 2020-21), which is an increase of 76%.
- The commerce ministry said that the Government has put in place a liberal and transparent policy for attracting Foreign Direct Investment (FDI), wherein most sectors, except certain strategically important sectors, are open for 100% FDI under the automatic route.
- Further, the Reserve Bank of India (RBI) has undertaken several measures to enhance forex inflows.
- Foreign investment in the manufacturing sector is under the automatic route.

Manufacturing activities may be self-manufacturing by the investee or contract manufacturing in India with a legal basis. This is subject to the provisions of the FDI Policy.

- A manufacturer can also sell its products through wholesale or retail, including through e-commerce, without obtaining government approval.
- Measures undertaken by the Reserve Bank of India (RBI) to enhance foreign exchange inflows include exemption of incremental Foreign Currency Non-Resident (Bank) and Non-Resident (External) Rupee deposits from Cash Reserve Ratio and Statutory Liquidity Ratio and allowing of Foreign Portfolio Investment in commercial paper and non-convertible debentures with an original maturity of up to one year, amongst others.

### **About FDI**

Foreign direct investment (FDI) is a type of investment wherein an investor from one country establishes or significantly influences a business entity in another economy.

The increase in FDI inflows is a result of the measures taken by the Government on FDI policy reforms. A transparent and liberal policy was adopted in order to attract Foreign Direct Investment. Strategically important sectors are open for 100 per cent FDI under the automatic route.