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Why Centre eased FDI approvals amid competition from China, which sectors benefit

The new SOP comes amid a scramble of FDI globally amid heightened global uncertainties due to the ongoing energy crisis, disruption due to tariffs that have slowed down global trade and growth.

Written by: Ravi Dutta Mishra 6 min read New Delhi Updated: May 6, 2026 12:40 AM IST

FDI saw an outflow from India on a net basis for the sixth month in a row in January, according to data released by RBI in March, nearly tripling from their December 2025 levels as gross FDI fell by a third. Photo: Wikimedia Commons

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Months after easing investment curbs on land-bordering countries, the government has issued a new Standard Operating Procedure (SOP) as per which foreign direct investment (FDI) proposals will be required to be processed within 12 weeks. The move is aimed at accelerating **FDI inflows** into priority sectors.

How will the process under the new SOP work and how will it impact India's investment climate? Here's what to know.

The process

As per the new SOP, the **Department for Promotion of Industry & Internal Trade (DPIIT)** is expected to disseminate the proposal to concerned ministries, Reserve Bank of India (RBI), Ministry of Home Affairs (MHA) and Ministry of External Affairs (MEA) within two days.

The concerned ministries, along with MEA, RBI, and MHA, are expected to submit comments within eight weeks after internal scrutiny of the application. However, an additional two weeks "shall be given to DPIIT" for consideration of those proposals that are proposed for rejection or where additional conditions are proposed, the guidelines said.

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Experts said that the new process aims to eliminate duplication and ensure time-bound decisions, with timelines ranging from initial scrutiny within two weeks to final approvals in about 12 weeks.

"The SOP will improve ease of doing business by making FDI approvals faster, transparent, and fully digital, with clear timelines boosting investor confidence. However, strong inter-agency scrutiny and security checks mean compliance will remain demanding. While a welcome step, India must go further — simplifying regulations, cutting compliance costs, and reducing the cost of doing business — to attract high-quality, long-term investment into manufacturing and advanced sectors," the India-based economic research group Global Trade Research Initiative said.

Monitoring and fast-tracking

The guidelines further said that "no prior approval of the competent authority shall be required for an increase in the amount of foreign equity, provided that there is no change in the percentage of foreign/NRI equity already approved and total foreign equity is up to Rs 5000 crores".

"The Investee shall only be required to notify such increase to the Competent Authority within thirty days of receipt of funds, as also allotment of shares to the non-resident shareholders," DPIIT said.

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The guidelines said that each ministry "should have a dedicated FDI Cell with a nodal officer not below the rank of Joint Secretary" and that regular review meetings with the concerned administrative ministries "on the pendency of FDI proposals" shall be convened by the DPIIT Secretary every "four to six weeks".

Under the new SOP, investments in broadcasting, telecommunications, space, private security agencies, defence, civil aviation, and mining and mineral separation of titanium-bearing minerals and ores, its value addition, and integrated activities shall require security clearance from MHA.

Investment climate

FDI saw an outflow from India on a net basis for the sixth month in a row in January, according to data released by RBI in March, nearly tripling from their December 2025 levels as gross FDI fell by a third.

In January, gross FDI into India declined to an 11-month low of $5.67 billion, down 33% from December and 7% from January 2025. As a result, net FDI, which is calculated after adjusting for investments that are repatriated by foreign companies and overseas investments made by Indian companies, saw an outflow of $1.39 billion in the first month of 2026.

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Weakness in FDI flows, seen as a more stable form of foreign investment, has contributed to the sharp depreciation in the Indian rupee over the last year or so. After falling past the Rs 90- and 91-per-dollar levels in December amid a delay in the finalisation of a trade agreement with the US, the war in West Asia has led to a global aversion to risky assets such as those of emerging markets like India.

ASEAN countries, China streamlining investments

The new SOP comes amid a scramble of FDI globally amid heightened global uncertainties due to the ongoing energy crisis, disruption due to tariffs that have slowed down global trade and global trade growth. The uncertainties are particularly impacting developing nations.

Amid the fight for global FDI, the Association of Southeast Asian Nations (ASEAN) countries have streamlined investment norms. Under its new “special investment procedure” introduced in 2025, Vietnam, for instance, had introduced a 15-day window for obtaining investment registration certificates.

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Malaysia processes applications within 3 days for the fast track category and in 10 days for the normal track. In Thailand, certain categories of investment proposals are accepted within 60 days, and others within 90 working days. In China, too, the approvals under non-automatic routes take 15 to 30 days under general review.

As per an UN Trade and Development report in January earlier this year, global FDI flows rose by 14% in 2025, reaching an estimated $1.6 trillion. But while FDI flows to

developed economies increased by 43% to $728 billion, flows to developing economies declined by 2% to an estimated $877 billion, or 55% of global flows.

The report said that international project finance — critical for infrastructure development — continued the decline that began in 2023. In 2025, the number of deals fell by 12% and their value by 16%, largely due to persistent economic and geopolitical uncertainty and the slowing down of internationally financed renewable energy investments.

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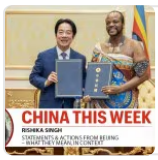

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