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Exploring Crisis Driven Foreign Direct Investments in India

MUNJAL THAKKAR[1] AND SANYA RAHUL BHUTIANI[2]

ABSTRACT

This paper explores the intricate relationship between economic crises and Foreign Direct Investment (FDI) in India. It examines how various crises, from the Asian financial crisis of 1997 to the global financial crisis of 2008, have impacted the volume, nature, and strategies surrounding foreign investment in the Indian market.

The analysis reveals a clear correlation between economic crises and a decline in FDI inflows. The impact seems to be more pronounced during global crises compared to regional ones. Understanding these historical trends is crucial for policymakers as they formulate strategies to attract and retain FDI in the face of future economic turbulence.

The paper also delves into investor behavior during crises. Investors tend to adopt either risk aversion or opportunity-seeking strategies. The interplay between these approaches defines investment patterns during economic downturns.

Furthermore, the paper examines the FDI strategies adopted by India during crises. These strategies include a mix of liberalization, incentivization, and initiatives like "Make in India" aimed at creating a more investor-friendly environment.

Finally, the paper explores potential areas for improvement in government responses to crisis-driven FDI. This includes enhancing policy transparency, streamlining approval processes, strengthening local linkages, and offering incentives for sustainable investments. By focusing on these areas, India can build greater economic resilience and weather future crises more effectively.

Keywords: *Economic Crisis, Foreign Direct Investment (FDI), India, Investor Behavior, Government Strategies.*

I. INTRODUCTION

India witnessed a total of 70.97 Billion Dollars of Foreign Direct Investment inflows in the financial year 2022-23 alone.[3] Foreign direct investment, or FDI, plays a key role in the economic growth of developing nations. It's essentially an investment made by a company in one country into a business or project located in another. This can involve establishing a

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[3] Foreign Direct Investment (FDI) Policy 2023. Make in India. https://pib.gov.in/PressReleasePage.aspx?PRID=1861929

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physical presence in the new country, such as building a factory or opening a branch office, or acquiring a significant ownership stake in a local company. Unlike portfolio investment, where you might simply buy stocks or bonds in a foreign company without any control, FDI signifies a deeper commitment and involvement with the host country's economy.

FDI brings a multitude of benefits to the receiving nation. It injects fresh capital, which can be used to develop infrastructure, expand industries, and create new jobs. Additionally, foreign companies often bring with them advanced technology and expertise, boosting the overall productivity and competitiveness of the host country. It can act as a springboard for local companies to access international markets through the foreign investor's established distribution channels. These advantages make FDI a crucial tool for developing economies like India to achieve sustainable growth.

It acts as a lifeblood for developing economies like India, fuelling growth, innovation, and job creation. However, the global economic landscape is rarely a peaceful picture. Periodic crises, characterized by events like recessions, financial meltdowns, or currency fluctuations, can disrupt these positive trends and send shockwaves through international investment flows. India, with its ambitious growth trajectory, is no stranger to such economic turbulence.

An Indian company may accept foreign direct investment through the two routes listed below:

1) "**Automatic Route**": Here, FDI is permitted under the automatic route without prior clearance from the Government or the RBI in all activities or sectors indicated in the consolidated FDI Policy, which is issued by the Government of India from time to time.

2) "**Government Route**": FDI in activities not covered by the automatic route requires prior government clearance, which is reviewed by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, and Ministry of Finance.

This research shall explore the intriguing relationship between economic crises and FDI in India. We will explore how various economic crises, from the Asian financial crisis of 1997 to the more recent global financial crisis of 2008, have impacted the volume, nature, and strategies surrounding foreign investment in the Indian market. These crises have not been homogenous events, each carrying unique characteristics and consequences. Some may have triggered a significant decline in FDI as investors adopted a cautious wait-and-see approach. Others, however, may have presented unforeseen opportunities for savvy investors seeking undervalued assets in sectors less affected by the downturn.

By analysing past trends and investor behaviour during these critical junctures, this research seeks to identify patterns and understand the complex interplay between economic crises,

investor strategies, and government responses in the context of FDI in India. This knowledge will be crucial in developing a framework to navigate and adapt to future crisis-driven FDI situations, ensuring a more resilient and sustainable Indian economy.

II. Economic crises and FDI

Throughout the years, FDI in India has been growing exponentially. Foreign direct investments and international trade are major drivers of economic growth. The FDI-growth and trade grow. A thriving economy with strong economic growth and employment rates entices foreign investors. Crises can reduce FDI inflow by altering macroeconomic variables like economic performance and productivity.[4] The initial shock, economic instability and uncertainty may cause potential investors to lose confidence in the investments, thereby discouraging such investments. Economic crises are therefore, commonly coupled with a reduction in international transactions and foreign direct investments. Moreover, global economic crises would force potential investors to divert funds inwards. Crises reduce demand and promote savings – prompting them to either delay or cancel foreign direct investments. According to theory of risk aversion, economic crises usually create a risky and uncertain global investment climate. Investors may become more cautious and risk-averse when they are unclear of a country's economic and political situation.

Moreover, crises can also severely affect trade – reducing consumer confidence, consumer demand and reduction in overall business. These trends are clearly reflected in the net inflows (% of GDP) of India.

[5]

[4] Saleh EA (2023) The effects of economic and financial crises on FDI: a literature review. J Bus Res 161:113830. https://doi.org/10.1016/j.jbusres.2023.113830

[5] Foreign direct investment, net inflows (% of GDP) World Bank Open Data. Available at:

The above attached data by the World Bank clearly reflects the same. The Net Inflows (percentage of GDP) dropped from 3.6% to 2.7%, soon after the Global Economic Crises of 2008 – in 2009 and then again in 2010, to 1.6%. Similarly, during the East Asian Economic Crisis 1997-2001; the Net Inflows (percentage of GDP) dropped from 0.9% in 1997 to 0.6% in 1998 to 0.5% in 1999.

The 2008 global financial crisis, often referred to as the "Great Recession", was a watershed moment that fundamentally altered the global economic landscape. Triggered by the fall of the subprime mortgage market in the United States, the crisis led to a domino effect, crippling financial institutions, plunging stock markets, and throwing the world into a severe recession. While India, with its robust domestic market displayed a great degree of resilience compared to other economies, it was not entirely unaffected by the crisis's repercussions.

With India's increased linkages post 1991, it could not remain unaffected by the global economic crises. The global crisis has impacted India via three separate avenues. These channels include financial markets, flows of trade, and exchange rates. For instance, Indian stock markets experienced a significant crash between January 2008 and March 20, 2009. The index value dropped by more than 60%, representing a staggering loss of US$1.3 trillion in market capitalization. This steep decline wiped out a substantial portion of investor wealth.[6] The Impact on Foreign Direct Investment in India was also substantial. The FDI inflows fell from about $41 Billion in 2008 to $37Bn in 2009-10 and then $34.8Bn in 2010-2011. [7]

The decline in FDI inflows during these crisis periods had a ripple effect on the Indian economy. Reduced foreign capital meant a slowdown in investment and infrastructure development. This, in turn, could potentially hamper long-term economic growth. However, the Indian government implemented various policy responses to mitigate the impact of these crises. These consisted of fiscal stimulus packages aimed at boosting domestic demand and measures to improve the ease of doing business for foreign investors. The effectiveness of these policies varied, but they underscored the government's commitment to attracting FDI and promoting economic stability.

The data presented here highlights a clear correlation between economic crises and a decline in FDI inflows into India. Interestingly, the impact seems to be more pronounced during global crises compared to regional ones, as evidenced by the steeper drop in FDI post-2008 compared to the East Asian crisis. This suggests that the interconnectedness of the global financial system

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https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?end=2022 (Accessed: 24 April 2024).

[6] Rajiv Kumarl, The Global Economic Crisis: Impact on India and Policy, (Nov. 12, 2009), https://www.adb.org/sites/default/files/publication/156019/adbi-wp164.pdf

[7] Marcus Lu Charted: India's FDI inflows over the last 20+ years, Visual Capitalist. Available at: https://www.visualcapitalist.com/indias-fdi-inflows/

can amplify the negative effects of crises for emerging economies like India. Understanding these historical trends is crucial for policymakers as they formulate strategies to attract and retain FDI in the face of future economic turbulence. By diversifying trading partners, strengthening domestic financial institutions, and fostering a more resilient business environment, India can build greater economic stability and weather future crises more effectively.

III. INVESTOR BEHAVIOUR DURING CRISES

Economic crises, by their very nature, shake the foundations of financial markets. In India, a nation with a vast financial sector and a growing pool of investors, understanding how investor behaviour changes during these periods of turmoil becomes crucial. India's investor landscape comprises a diverse range of participants. Retail investors, constituting a significant portion of the market, are often categorized by their risk tolerance and investment horizon. Post a financial crises, investors are in an environment fraught with uncertainty and therefore remain vary of risky investments. Contemporary investigations of historical evidence have revealed that such crises often lead in a harsh recession lasting around two years. Consumption, private investment, and credit flows are also slowly improving, owing to debt deleveraging and risk perceptions. As a result, recovery is delayed, with unemployment being high for several years after the economy resumed growth. [8]

The severity and duration of a crisis significantly influence investor behavior. A short-lived crisis, such as a liquidity crunch, might trigger a temporary sell-off followed by a quicker recovery as investor confidence rebounds. Conversely, a prolonged crisis with systemic implications can lead to long-term changes in investment strategies. Investors might shift towards more defensive asset classes and prioritize capital preservation over growth. This is evident from the significant fall in investments immediately after the 2008-2009 crisis. FDI in the service sector in India (which initially contributed to more than fifty per cent of the economic growth) dipped by 22.5% to USD 3.4 billion in 2010-11.[9] Net capital flows went negative in the second half of 2008-09, with significant withdrawals of portfolio investment, short-term trade finance, and banking capital. Moreover, the capital flows from foreign direct investment and external commercial borrowings fell sharply by 66% and 56%, respectively,

[8] Verick, S. and Islam, I. (2010) The Great Recession of 2008-2009: Causes, Consequences and Policy Responses, IZA DP No. 4934. Available at: https://docs.iza.org/dp4934.pdf (Accessed: 20 April 2024).
[9] FDI in services dips 22.5% to $3.4 bn in 2010-11 (2011) The Economic Times. Available at: https://economictimes.indiatimes.com/news/economy/indicators/fdi-in-services-dips-22-5-to-3-4-bn-in-2010-11/articleshow/8638469.cms?from=mdr (Accessed: 24 April 2024).

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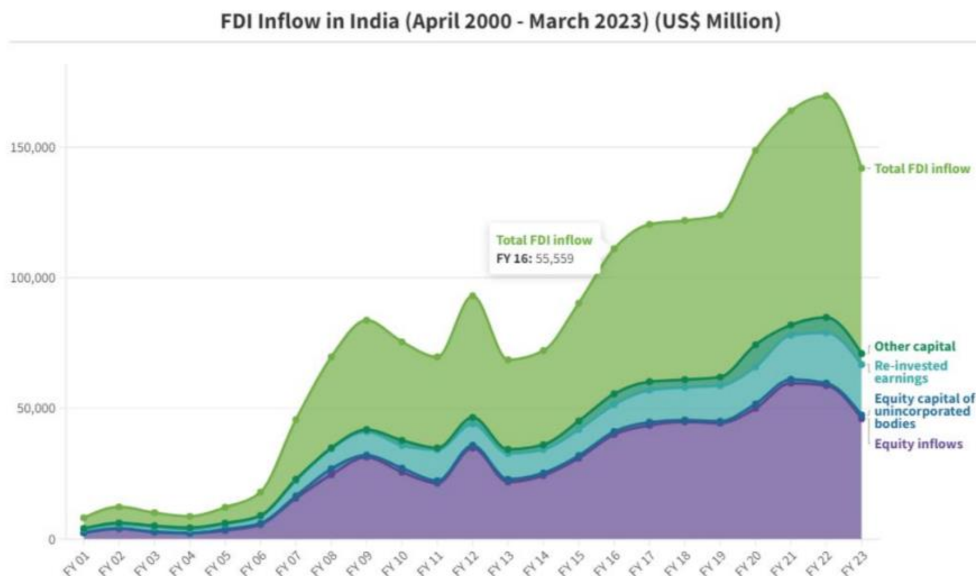
over the same period in 2007-08.

Investors in times of crises generally adopt either of 2 models of investment i.e Risk Aversion vs. Opportunity Seeking .The interplay between risk aversion and opportunity seeking is a defining characteristic of investor behaviour during crises. In the initial stages of a crisis, risk aversion generally dominates, leading to a flight to safety and a decline in overall market activity. However, as the crisis unfolds, some investors might identify opportunities arising from market volatility. Value investors, for instance, might seek to buy undervalued stocks in sectors expected to recover post-crisis. Similarly, distressed assets in specific industries might attract private equity investments seeking bargain acquisitions. This highlights the importance of investor sophistication and the ability to identify opportunities amidst market turmoil.

IV. FDI STRATEGIES ADOPTED IN INDIA DURING ECONOMIC CRISES

Historically, India has adopted a mix of liberalization and incentivization to attract FDI. During crises, these strategies are often intensified. For instance, the 'Make in India' initiative aimed to transform India into a global manufacturing hub, attracting substantial FDI. Additionally, the government has periodically relaxed FDI norms across various sectors to create a more investor-friendly environment. The implementation of various policies and efforts by the Indian government aims to augment Foreign Direct Investment (FDI) within the nation. One noteworthy initiative is the *"Make in India"* campaign, which aims to streamline processes and foster a conducive investment environment across several industries. The implementation of FDI policy liberalization, namely in the sectors of retail, defence, insurance, and single-brand retail commerce, has emerged as a pivotal strategic approach. The establishment of the Goods and Services Tax (GST) has enhanced transparency, while Special Economic Zones (SEZs) offer reserved areas with tax benefits. India had unprecedented levels of foreign direct investment (FDI) inflows, amounting to US$ 84.84 billion in the fiscal year 2021-22 and another 70 billion for the fiscal year 2022-23[10]. FDI was mostly received by the service sector, computer software and hardware, and trading industries.

[10] Make in India initiative to make India a hub for manufacturing, design and innovation, (Aug. 9, 2023), https://pib.gov.in/PressReleasePage.aspx?PRID=1947211.



Also in recent times the new wave of startup's has hit the country and that has made a significant amount of contribution to the FDI. The Startup India program provides entrepreneurs with incentives and tax advantages, facilitating their significant expansion. The technology and innovation industry in India is an attractive investment opportunity for international investors. Furthermore, the installation of streamlined procedures such as single-window clearance and the adoption of the Goods and Services Tax (GST) has effectively alleviated the administrative challenges faced by enterprises and international investors in India, thus augmenting the overall business environment inside the nation. A recent example of it was Walmart's investment in Flipkart and Facebook's investment in Reliance India was all over the news.

(A) Benefits of GST:

The implementation of GST is anticipated to have a positive impact on the economy and the Tax to GDP ratio. This is due to the streamlining of the indirect tax framework, the elimination of the cascading effect of taxation on consumers, and the facilitation of corporate operations within the nation. The augmentation of government income leads to a reduction in the Tax to GDP ratio, hence alleviating the burden of capital investment costs. The previously concealed imbedded or deadweight charges have been completely eradicated. Furthermore, the Goods and Services Tax (GST) has the potential to decrease the tax rate in several industries, with a particular emphasis on the services sector. This is of utmost importance as it will result in reduced domestic expenses and concurrently entice international investment. Moreover, this enhancement leads to economic expansion by generating an excess of financial resources and attracting increased investments.

The foreign investors had to pay layered taxes as across India the tax rates were different in all

the states this uniformity is a convenience to the investors as it gives them a clear picture of their business.

"The International rating agency Moody's said in a report that "Combined with reforms such as the introduction of a goods and services tax, which lowers the cost and complexity of doing business, and a simplified and clarified bankruptcy code, FDI is likely to rise further" [11]Moody's also maintained India's sovereign rating at 'Baa3 positive' because of the positive economic impact of India's measures to attract more FDI which will create the healthy and more competitive global environment."

(B) Benefits of the "Make in India" movement :

The slogan "Make in India" was introduced on September 25, 2014, by Prime Minister Narendra Modi to encourage international commercial enterprises to invest in and manufacture their goods within India. The initiation of this ambitious initiative is driven by the objective of converting the nation into a global hub for production. India should implement a systematic approach to manufacturing evaluations, gain a competitive edge on a global scale, and build a position of global leadership to achieve a transformation driven by manufacturing. To achieve success in this undertaking, the nation (India and entrepreneurs) needed to have access to finance and knowledge from many parts of the globe. The implementation of GST transformed India into a market, hence enhancing the whole plan. Conducting business in India was formerly significantly more challenging than in any other country, but the government aimed to rectify this situation. The initiation of the campaign was prompted by many significant concerns. The Prime Minister has undertaken global travel, actively seeking substantial resources in the form of foreign direct investment (FDI). India's ability to attract foreign direct investment (FDI) from China is a testament to the administration's achievements and a positive step forward.

Due to Make in India Initiative, FDI equity inflow in the manufacturing sector between 2014-2022 has increased by 57% over the previous 8 years i.e. 2006- 2014.[12]

The activities under the Make in India initiative are also being undertaken by several Central Government Ministries/ Departments and various State Governments. Ministries formulate action plans, programs, schemes, and policies for the sectors being dealt with by them, while States also have their Schemes for attracting investments.[13]

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[11] Vivekshukla, Dr., & Someshkumarshukla, Prof. (2019). Impact of GST on foreign direct investment: An appraisal. HEB Case Studies, 3(1) (Addendum 8), 1. Retrieved from http://heb-nic.in/cass-studies

[12] Press Information Bureau of India, Press Release, Due to Make in India Initiative, FDI Equity Inflow in Construction Development Sector Increased by 27% in Last 5 Years (July 14, 2023)

[13] *Id*

The ‘Make in India’ campaign was designed to boost Foreign Direct Investment (FDI) in India through several strategies:[14]

- **Easing FDI Regulations**: The campaign aimed to simplify FDI regulations across various sectors, making it more accessible for both multinational and domestic companies to invest in India. This involved minimizing restrictions and obstacles to FDI.
- **Sector-Specific Relaxations**: ‘Make in India’ pinpointed 25 crucial sectors and permitted 100% FDI in most of them, barring a few strategic areas like space, defence, and news media where the limits were capped at 74%, 49%, and 26% respectively. By offering sector-specific relaxations, the campaign aimed to draw investment in a broad spectrum of industries.
- **Promoting Manufacturing**: The main goal of the campaign was to motivate companies to manufacture their products in India. By fostering manufacturing activities within the country, ‘Make in India’ aimed to spur job creation, technology transfer, and overall economic growth.
- **Fostering a Business-friendly Environment**: The campaign aimed to foster a business-friendly environment by simplifying regulations, enhancing infrastructure, and improving the ease of doing business in India. These efforts were aimed at making India a more appealing destination for foreign investors.
- **Highlighting India’s Potential**: ‘Make in India’ also aimed to highlight India’s potential as a global manufacturing hub. Through marketing campaigns and promotional activities, the campaign aimed to position India as a competitive destination for investment in manufacturing and other sectors.

By adopting these strategies, the ‘Make in India’ campaign aimed to boost FDI, stimulate economic growth, and enhance India’s standing in the global business arena.

Some key observations regarding the increase in FDI across different sectors after the introduction of the ‘Make in India’ campaign include:

- **Notable Increase in FDI**: There was a significant increase in FDI across various sectors in India following the launch of the ‘Make in India’ campaign. This increase in FDI indicated a positive response to the government’s efforts to attract foreign investment.
- **Sector-wise Distribution**: Studies showed that different sectors experienced varying

[14] Manchanda, P. (2016). "A Study on Impact of ‘Make in India’ Initiative on FDI Inflows in India." International Journal of Business Management and Scientific Research, 17, 28.

levels of FDI after the introduction of 'Make in India.' Sectors like service, construction, and development attracted considerable interest from investors, while traditional sectors like food processing and textiles also saw increased FDI.

- **Country-wise Differences**: The data revealed differences in the flow of FDI into India from various countries. Several countries, including Mauritius, Singapore, Japan, and the USA, emerged as significant sources of FDI into India, showcasing a diverse range of investors participating in the Indian market.
- **Month-wise Changes**: Analysis of month-wise changes in FDI after the launch of the campaign indicated a consistent upward trend in FDI. This trend suggested that the 'Make in India' campaign had a positive impact on attracting foreign investment over time.
- **Impact on Various Sectors**: The 'Make in India' campaign led to a shift towards modern industrial sectors like electronics, electrical equipment, and renewable energy, indicating a diversification of FDI across different sectors. This diversification was seen as a positive development for the Indian economy.

Overall, the key observations highlighted the positive impact of the 'Make in India' campaign on FDI across various sectors, showcasing increased investor interest and a more diversified investment landscape in India.

(C) Government's action at the time of the 2008 crisis:

"According to Ashwani Kumar, the Minister of State for Commerce and Industry, there has been a significant increase in Foreign Direct Investment (FDI) in India, surpassing $25 billion in the fiscal year 2007-08. Furthermore, the current Foreign Exchange Reserve of the country has surpassed $341 billion."[15]

According to him, the upcoming surge will occur in the skill-based manufacturing industry. The event attracted around 500 participants from the business and industrial sectors who attended to deliberate on the present social, financial, and economic issues associated with conducting business in India.

"Domestic demand and investment are the key drivers of growth and therefore insulate the Indian economy to a large extent from the sub-prime crisis. Inflation, though a major concern, could be contained. The growth potential of the services sector in India was enormous at $200

[15] India Times. India Attracts $25 Billion FDI in 2007-08. The Economic Times. india attracts 25 billion fdi in 2007 08 ON The Economic Times economictimes.indiatimes.com. Accessed April 20, 2024.

billion offering employment to 40 million people, he said.

(D) Exploring potential areas for improvement in government responses to crisis-driven FDI:

Enhancing governmental responses to FDI during crises requires a comprehensive strategy aimed at strengthening investment resilience and lessening the negative impacts of economic disruptions. Governments can improve their effectiveness by adopting adaptable policy frameworks that quickly adjust to evolving economic situations, implementing temporary measures like tax incentives, and simplifying regulatory processes to boost FDI during periods of instability.

Moreover, the development and execution of risk mitigation strategies are vital to managing the increased uncertainty associated with crisis-driven FDI, including initiatives to improve political and economic stability, fortify legal and regulatory structures, and upgrade infrastructure. Sector diversification is key in minimizing vulnerability to external disturbances, encouraging governments to foster investment in unconventional sectors and burgeoning industries. Prioritizing eco-friendly and sustainable investments not only draws FDI but also contributes to enduring economic resilience and environmental sustainability.

Governments should also concentrate on improving investment promotion and facilitation efforts, utilizing digital platforms, targeted marketing strategies, and comprehensive support services to assist investors throughout the investment process. Collaborative partnerships with international organizations and stakeholders are crucial for gathering resources and expertise, enabling knowledge exchange, capacity enhancement, and coordinated policy actions. Additionally, prioritizing policies that foster economic resilience, such as diversifying export markets, encouraging innovation, and investing in human capital development, is essential for sustainable economic growth and recovery. Through these measures, governments can improve their ability to attract and retain FDI during crises, thereby aiding broader economic recovery and development goals.

- **Policy Transparency** is paramount in maintaining investor confidence, especially during times of crisis. Governments can enhance transparency by regularly updating investors on changes in FDI policies, providing clear guidelines, and ensuring that all information is easily accessible. This approach not only fosters trust but also helps investors make informed decisions during uncertain times.

- **Streamlining Approval Processes** can significantly boost the attractiveness of a country's investment climate. By reducing bureaucratic hurdles and simplifying

procedures, governments can facilitate quicker decision-making for investors, which is particularly crucial during emergencies when time-sensitive investments are needed.

- **Investor Support Services** play a critical role in guiding investors through the investment landscape of a country. These services can range from providing up-to-date market information to assisting with regulatory compliance and facilitating connections with local businesses. Such support can be instrumental in easing the investment process and enhancing the overall experience for foreign investors.

The establishment of a **Crisis Management Framework** is essential for mitigating the impact of economic downturns on FDI. A well-structured framework should include predefined action plans, emergency funding mechanisms, and coordination among various government agencies. This preparedness can help stabilize the investment environment and provide a safety net for both existing and potential investors.

Strengthening Local Linkages is about creating symbiotic relationships between foreign investors and local firms. Encouraging such collaborations can lead to more robust supply chains, knowledge transfer, and local economic development. It also helps in cushioning the local economy against global shocks by diversifying the economic base.

Offering **Incentives for Sustainable Investment** is a forward-thinking strategy that aligns with global trends towards sustainability. Governments can incentivize investments that contribute to environmental preservation, social development, and economic resilience. Such incentives not only attract responsible investors but also ensure that the investments contribute positively to the host country's long-term goals.

Investing in **Digital Infrastructure** is becoming increasingly important as the world shifts towards a digital economy. Enhancing digital capabilities can attract investments in high-tech industries, support remote work, and foster innovation. A strong digital infrastructure can be a key differentiator for countries looking to attract FDI in the technology sector.

Regulatory Stability is a cornerstone of a favourable investment climate. Investors seek predictability and consistency in the regulatory environment. Governments can improve regulatory stability by avoiding abrupt policy changes and engaging with stakeholders before implementing new regulations. This approach can help in retaining existing investors and attracting new ones.

Lastly, developing **Risk Mitigation Strategies** can make a country more appealing to investors who are often concerned about various risks associated with FDI. Strategies such as offering political risk insurance and creating favourable trade agreements can reassure investors and

protect their investments from unforeseen political or economic events.

By focusing on these areas, governments can not only improve their response to crisis-driven FDI but also strengthen their economies and build resilience against future crises.

V. Conclusion and recommendations

The Indian government's response to crisis-driven FDI has been largely effective, as evidenced by the significant increase in FDI inflows even during periods of global economic instability. Initiatives such as the 'Make in India' campaign and the implementation of GST have played a crucial role in attracting foreign investment and fostering a conducive business environment. The government's focus on policy liberalization, sector-specific relaxations, and the promotion of manufacturing has not only boosted FDI but also stimulated economic growth and enhanced India's standing in the global business arena.

(A) Recommendations

While the government's efforts have yielded positive results, there are areas where further improvements can be made

1. Policy Transparency: Enhance transparency by regularly updating investors on changes in FDI policies and ensuring that all information is easily accessible.
2. Streamlining Approval Processes: Reduce bureaucratic hurdles and simplify procedures to facilitate quicker decision-making for investors.
3. Investor Support Services: Provide comprehensive support services to guide investors through the investment landscape of the country.
4. Crisis Management Framework: Establish a well-structured framework that includes predefined action plans, emergency funding mechanisms, and coordination among various government agencies.
5. Strengthening Local Linkages: Encourage collaborations between foreign investors and local firms to create more robust supply chains and promote local economic development.
6. Sustainable Investment Incentives: Align with global trends towards sustainability by incentivizing investments that contribute to environmental preservation, social development, and economic resilience.
7. Digital Infrastructure Investment: Enhance digital capabilities to attract investments in high-tech industries and foster innovation.

8. Regulatory Stability: Improve regulatory stability by avoiding abrupt policy changes and engaging with stakeholders before implementing new regulations.
9. Risk Mitigation Strategies: Develop strategies such as offering political risk insurance and creating favorable trade agreements to reassure investors and protect their investments from unforeseen political or economic events.

By focusing on these areas, the Indian government can further improve its response to crisis-driven FDI, thereby strengthening its economy and building resilience against future crises. This will ensure that India continues to be an attractive destination for foreign investors, contributing to the country's long-term economic growth and development.

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