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Review

Behind the Withdrawal of Foreign Investment from India: In-depth Causes and Insights

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Abstract

In recent years, one of the most noteworthy events experienced by the Indian economy is the large-scale withdrawal of foreign capital. In 2023, a total of 2,783 foreign enterprises exited the Indian market, with divested capital aggregating to 2 trillion rupees. While foreign direct investment (FDI) has consequently increased on a territorial basis, there has been a steep decline in India's FDI inflows to USD$28.163 billion in 2023 from its peak of USD$64.072 billion in 2020. This indicates some relationship between territorial rise or fall and regional factors. This article delves into the collapse of foreign capital in India, exploring the causes and offering benchmarks on how to address these circumstances. The analysis will cover various perspectives, including infrastructure development in India, lack of policy clarity for foreign investors, poor legal conditions, and socio-political factors, to identify the main reasons behind the cessation of foreign investments. Additionally, this article aims to provide both theoretical and practical guidance for formulating India's future economic policies by comparing the flow of investment into India with other emerging economies like China.

Keywords: FDI, economic policy, India, investment flow

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1 INTRODUCTION

As the planet's second most populous nation and one of its fastest - growing economies, India has been coveted as an imperative investment hub for several decades. From the 1990s onwards, with its rapid economic liberalization, India emerged as one of the largest markets for attracting foreign direct investment (FDI). The Indian Government put in place a range of incentives, such as tax cuts, land concessions, and subsidies for specific industries on a global scale. These measures attracted significant international inflows that also boosted domestic manufacturing and services. India was once called the "new China", a critical link in the global supply chain for multinational corporations[1,2].

Nevertheless, the foreign investment climate in India has changed substantially in recent years. Since 2020, foreign firms have shown declining interest in investing in India, with many choosing to divest. The 43% drop in FDI inflows to USD$28.163 billion in 2023 marks a recent low, comparable to periods of heightened economic sanctions. During this time, 2,783 foreign enterprises left

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India, accounting for one - third of all foreign units, with a total divestment of 2 trillion rupees. These figures not only highlight the significant challenges India faces in attracting foreign investment but also underscore the volatility within the Indian economy.

The utilization of foreign capital to mitigate the effects of global economic competition is crucial for any nation's growth and development. Foreign investment brings not only capital and technology but also employment opportunities, improved labor quality, and enhanced competitiveness for domestic enterprises. However, in the process of globalization, India has experienced a significant flight of foreign capital, which has not only impacted its economic growth but also raised serious concerns about its reputation as a desirable investment destination[3].

The aim of this study is to establish the underlying factors that triggered off foreign capital's withdrawal and the drastic fall in FDI inflows into India so as to inform future policy options. The main objective of this research is to search for reasons behind Indian foreign investor exit, compare with other rising economies trend - wise and recommend for reversal of such trends both in practice and theoretically.

The study intends to analyze how Indian infrastructure development has affected FDI and capital inflows while highlighting how absence of well defined policies that attract investors resulted in foreign capital withdrawals. It will investigate into what extent does South Asian nation's legal and regulatory environment act against foreigners who want to invest money there as well as looking at socio - political dimensions including stability of politics as well as corporate milieu which affect trustworthiness among investors. In addition, benchmarking against other emerging, it will examine India's investment landscape so as to point out some strategic enhancements for luring and retaining global finance.

The objectives of this research will be the study of various trends related to FDI in India from 2020 till now, which includes analyzing what made them increase or decrease during this span. A significant part will involve taking an analysis on sectors concerning leakage of foreign money so as to establish who were the most affected and why they exited. In addition, there will also be a comparative analysis between India and China's approaches towards attracting and retaining FDIs with regards to their levels of success. This understanding would eventually lead to practical policy implications that would make India a better option for international investors who are looking for stable and stable investments.

In these regard this paper hopes to provide both theoretical as well as practical guidance to India on how it can form policy and strategies to lure in and keep foreign capital for development reasons.

1.1 Literature Review

In recent years, the subject of foreign capital exit from developing economies, especially India has been a burning issue. The interaction dynamics among policy frameworks, infrastructural development and FDI trends have been examined by several scholars and economic theorists.

The determinants of outward FDI from India were explored in Pradhan (2004), who discussed the relationship between economic reforms, technological advancement and the role of foreign investments in India's manufacturing sector. He underscored that FDI inflows were driven primarily by policy openness and stable legal conditions. Also taking note of the inconsistency of policies that could disrupt foreign investments(dbs3e_ppt_ch02), Rjiesh (2018) supported trade liberalization as one way to promote productivity growth among Indian manufacturing firms.

In addition, Sauvant (2005) gave a comparative analysis of the emerging economies including the BRICS nations in attracting FDI. His work emphasizes that political stability, legal transparency and clear economic policies are paramount in maintaining foreign investor trust which is in line with the current state of affairs in India. In addition, Pradhan (2005) noted that India's economic reforms in the 1990s attracted foreign capital but recent reversals can be attributed to lack of policy coherence and increasing operational difficulties.

Another theme that scholars have addressed is the role of infrastructure in attracting FDI with Malik (2019) exploring infrastructure bottlenecks on foreign capital withdrawal. His findings show that insufficient infrastructure such as unreliable power supply and poor transport systems increase foreign business operation costs and reduce investor confidence. Furthermore, Joseph et al. (2019) pointed out the legal risks and inefficiencies within India's judicial system where slow - paced and unpredictable justice deters foreign companies from investing over the long - term period. Engle and Richardson (2012) contend that the combined effects of worldwide financial crises and limited regulatory transparency further aggravate capital outflows from developing countries. According to them, it is essential for developing countries, such as India to put more emphasis on enhancing regulatory frameworks as well as creating stable macroeconomic environments in order to entice and keep foreign investments. Therefore, there exists a general agreement in literature on the relationship among policies, infrastructure, legal environments and FDI flows that lays an aspect for this study.

1.2 Research Methodology

To understand why foreign investment is leaving India and what happens as a result, we have adopted a mixed - methods technique which assimilates both qualitative and quantitative methods. The major steps of this methodology are as follows:

1.2.1 Data Collection

Secondary data analysis: The primary data sources will include secondary statistics from government publications, World Bank Reports, International Monetary Fund (IMF) reports, among other FDI - related databases. Trends analyses on FDI inflows, capital outflow and sectoral withdrawal patterns will be made between 2020 and 2023 so as to establish trends over time.

1.2.2 Case Studies

To offer qualitative insights into specific sectors that witnessed massive foreign capital exit, case studies will be used e.g. Ford Company in Manufacturing and Xiaomi in Telecommunications etc. Therefore, these case studies will provide practical experiences of challenges faced by foreign investors in India.

1.2.3 Quantitative Analysis

The quantitative part would involve applying statistical approaches, for instance regression analysis, to find out how the independent variables (like quality of infrastructure, legal frameworks, and stability of policies) are related to dependent variables (inflows of FDI and capital withdrawals). When looked at over time some key indicators that will be analyzed include amount of FDI received in USD, levels of disinvestment, operational expenses incurred by investors and investor confidence indices.

1.2.4 Comparing Studies

To benchmark India's FDI performance against other emerging markets such as China a comparing study will be carried out. It will include an assessment of macroeconomic policies, regulatory framework and FDI - related outcomes among the two countries so as to point out deficiencies and lessons which can be utilized by India in enhancing its investment environment.

1.2.5 Policy Analysis

Necessarily, a close scrutiny of Indian economic policies enacted from 2020 will be necessary, especially those aimed at making business environment more conducive and attracting FDI. The effectiveness of these policies in creating an investment climate that is stable and predictable will be assessed through content analysis.

2 CURRENT SITUATION AND HISTORICAL BACKGROUND OF FOREIGN CAPITAL WITHDRAWAL FROM INDIA

2.1 Foreign Capital Withdrawal Situation in India Now

During the past years, the withdrawing of foreign capital from India has reached a big extent; especially in 2023, certainly, this trend is in place and expanding. In accordance with the statistics, unfavorable times happened in the 2023 year for the so - great destination as India; the FDI fell down and only was at USD$28.163 billion - 43% less than the same indicator in 2022 or 56% less in comparison with the record in 2020. Besides, the figure reports a collapsing potential of foreign investment as well as manifests the substantial decline of confidence with respect to the Indian market on the part of the foreign companies. Since 2022, about 2,783 foreign companies have announced the closing of their businesses in India, which stands for one - third of all international and foreign entries to our country, becoming by far our business climate's most urgent problems, the movement of up to Rs. 2 trillion was estimated[4]. The endeavors sites of the foreign companies extending across the different industries, including the manufacturing, retailing, telecommunications, and financial sectors as well. Renowned international labels like Carrefour (France), Harley - Davidson (USA), and Ford (USA) all faced the complex bureaucratic system and opted to close their trade facilities as withdrawal. Even though, the Indian market presents a large potential of business for these companies, Chinese entities alike Xiaomi, OPPO, and Vivo have faced inconsistency of support and reputation, which have forced them to limit their operations as well as to quitates the market temporarily or permanently. Thus, the disinvestment activities, if not only the solid capital and technically of expertise linked with the international investors into the Indian market have been drained, however, are they draining the immediate prospects for the Indian economy. The businesses will not build jobs there to substitute the leaving foreign partners any longer; the flow of the capital done to steady the place will further aggravate India's economic problems. The results of this withdrawal of international inflows indicate an overwhelming strength to the Indian ability to compete on a global basis[5].

2.2 Historical Background: Economic Liberalization and Foreign Investment Attraction in India

Through a historical journey on rapid liberalization of Indian economy and a long succession of foreign capital investment attracting, it becomes possible to be acquainted with the existing clinical diagnostic related to a capital outflow situation in India. Instead, India was adopting a state - regulated and controlled economic model known as "mixed economy" which effectively neutralized foreign investors to compete within the Indian territory. However, it was only at 1991 when faced by a burning economic crisis as well as the need of the IMF for its rescue that things began to change. In order to overcome this crisis, the Indian government, stimulated by the IMF, took action into the depth of the economic growth, namely deregulations to the financial markets and other measures that effectively opened the capital account. Hence, India's transition was marked by its entry to more foreign capital through shifts from a

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close to an open economy cultivating rapid development of the country. Economic liberalization influenced the setting of a conducive investing environment, motivating the Indian state to attract the foreign investments by carrying out a consecutive number of policies that created a better environment for the investors. Such measures as reduction in taxes applicable to foreign corporations, provision of lands on concession basis, permission on free flow of foreign currency in and out of the country, and subsidies in some sectors were introduced to help foreign companies establish their enterprises and invest in India. That campaign did a stunning job in invoking much FDI particular to the spheres of information technology, manufacturing, and services. Migrants coming into India did not only accelerate exponentially the development of the economy but also led to technology transfer as well as higher employment. The beginning of the millennium marked India as an emerging market, a buoying investment portfolio, and one of the BRIC countries. Afterward, changes to fiscal and monetary policies in major global economies, as well as individual circumstances in India, led to complexities and uncertainties in the foreign investment environment in India. Consequently, the 2020s witnessed a lot of efforts on the side of India to draw more foreign investment, for example, with campaigns like "Make in India". However, the inability of the financial market and legislative framework to protect foreign entities in India prevented the implementation of those policies.

3 IN - DEPTH ANALYSIS OF THE UNDERLYING CAUSES OF FOREIGN CAPITAL WITHDRAWAL

The growing significance of foreign capital withdrawal in India should not be seen solely as a result of short - term economic fluctuations. It reflects more serious and persistent structural problems. Some of these problems consist of unstable policy environment, complex legal system, bad infrastructure, socio - cultural limitations and international geopolitics. This adds up to an outline of the above mentioned reasons for better understanding the intricacies involved in foreign capital exodus from India[6].

3.1 Uncertainty in the Policy Environment and Selective Enforcement

Although the government of India has come up with various incentives for the invitation of foreign investment, it turns out that the real implementation is quite inconsistent and non - transparent. This policy uncertainty is one of the main reasons for the withdrawal of foreign enterprises from India. Although the government policies, from time to time, offered different types of incentives, including tax reduction, land concession, and subsidy, and attracted a considerable volume of foreign investment, these inconsistency and arbitrary changes in policy enforcement have undermined the confidence of foreign enterprise.

For example, tax incentives and land use rights to be given by the government during investment promotion campaigns are changed or revoked once the foreign enterprises have started the operations, hence impossible to follow through with the initial investment plans. This kind of erratic policy environment has placed foreign enterprises in a situation where they cannot anticipate the future policy changes, hence hard to map out a long - term business strategy. The other most serious issue at play is selective enforcement of regulations. Supervisory and enforcement activities show a propensity for subjectivity and arbitrariness not only in government agencies but also in industry - regulating agencies. This further destabilizes the business environment of foreign enterprises in India. Instability not only simply adds to compliance costs but has seriously undermined the confidence of foreign enterprises in the Indian market.

3.2 Complexity of the Legal System and Inefficiency in Enforcement

The Indian legal system is notoriously complicated, unwieldy, and oversaturated. Running into tens of thousands, there are thousands of laws and regulations relating to commercial and economic sectors alone. All these laws and regulations sound full - fledged on paper, but their implementation is very erratic. The span of time through which these laws have been passed has resulted in contradictions or overlaps between them, thereby leading to a lot of confusion and causing problems for businesses while trying to abide by the legal framework.

Of greater concern is the low efficiency of India's judicial system, long - winded in litigation processes and mired with serious case backlogs, which most of the time leaves foreign enterprises in the cold whenever legal disputes arise. Besides, the stringent penalty - imprisonment for infringement of most foreign commercial and economic laws - adds legal risks to foreign enterprises. Ambiguity of legislations, inefficiency of litigation, and severity of penalties all combine to make the legal risks extremely high for foreign enterprises operating in India. These uncertainties and high risks in the legal environment are among the principal factors forcing foreign enterprises to withdraw from India.

3.3 Lagging Infrastructure and Rising Operating Costs

Though India has been developing economically to some extent in the last few decades, the country still lacks adequate infrastructure. Deficiencies characterize the various transportation systems, power supply, and communication networks in India and cannot support modern commercial activities. Infracharacterized by gaps such as these directly translate into higher operating costs and decreased efficiency for foreign firms[7].

It is true that frequent power outages, ancient transport networks, and high logistics costs are what foreign

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enterprises face in the Indian market. Not only do these increase operational costs but they are also huge components of production and supply chain management, thus hitting hard at the competitiveness of such enterprises in the marketplace. Specifically, given complex and sensitive global supply chains, it is hard to achieve stable and effective operation of foreign enterprise in the Indian market due to large infrastructural lags, which becomes a major factor driving them to withdraw.

3.4 Socio - cultural Factors and Challenges of Adaptation for Foreign Enterprises

The socio - cultural environment in India is complex and diverse, and its multiculturalism, religious beliefs, and stratification are significant challenges to foreign enterprises. The strong nationalist sentiment and suspicious attitude toward foreign enterprises in Indian society usually mean social pressure and cultural adaptation difficulties for the foreign firms entering this market.

Moreover, the conflicts of interest between local and federal governments, bureaucratic complexity, and corruption among local officials further compound operational difficulties for foreign enterprises in India. Besides sophisticated cultural adaptation problems, companies have to bear the uncertainty and high compliance cost of dealing with local governments. This bundle of very socio - cultural and administrative complexities makes the business environment in India still more difficult and uncertain, with some enterprises opting for exit.

3.5 Impact of International Geopolitics and Risk Management for Foreign Enterprises

Within the context of globalization, changes in international geopolitics hit hard on the operating environment of foreign enterprises. The changes in India's diplomacy toward some countries in the past couple of years have been odd, especially with China, where the border conflicts and political tensions have raised the risks for Chinese enterprises in the Indian market. The Indian government has been increasing restrictions on investments from China on the pretext of national security and strengthening scrutiny and regulation over Chinese enterprises.

Furthermore, there is an increasing tendency of protectionism in international trade with India. The trade barriers and high tariffs have been used too frequently in order to support domestic industries at the expense of foreign enterprise market competitiveness. It becomes hard to control the risk for the foreign enterprise in the Indian market due to changes in geopolitical factors. Some of them retreat to avoid extra political and economic risks.

3.6 Low Long - term Investment Returns and Erosion of Confidence in Foreign Enterprises

Although considered a high - potential economy with a significant demographic dividend, the long - term investment returns for most foreign enterprises often remain below expectations. High operating costs, uncertain policy environments, and complicated legal systems are major challenges to foreign enterprises' expected investment returns. For far too long, the profitability of foreign enterprises in the Indian market has remained constrained due to a variety of factors, resulting in gradual erosion of confidence in the market.

Additionally, with the ever - tightening regulatory grip by the Indian government on foreign enterprises, it has increased operation cost and squeezed profit margins. Return on investment for foreign enterprises has drastically fallen, while some have even begun to suffer losses in this context. Having further dampened foreign enterprises' confidence in the Indian market, this low - return phase concluded with their decision to withdraw.

4 CASE STUDIES OF FOREIGN CAPITAL WITHDRAWAL

To get an in - depth understanding of the motives and implications behind the withdrawal of foreign capital from India, this paper discusses a few representative cases across diverse fields of activity such as manufacturing, energy, electronics, and telecommunications. These case studies will bring out more fundamental problems related to foreign capital withdrawal from India.

4.1 Manufacturing: Withdrawal of Ford and General Motors

The case of Ford and General Motors withdrawing from the Indian market is a typical example of the dilemmas that foreign enterprises have encountered in the manufacturing industry. In 1995, Ford entered the Indian market to cash in on the huge population and potential market demand there as a way of fueling profit growth. However, Ford was unable to capture the expected market share in India. Combined with rising cost pressures and an uncertain policy environment, Ford was forced to declare its exit from the Indian market only in 2021 after the company suffered cumulative net losses exceeding USD$2 billion. Bottom - line performance has been so dismal that it has forced Ford to take a serious relook at its strategic positioning in India.

Similarly, General Motors did business in India for 26 years before it withdrew due to a loss of USUSD$588 million. Its withdrawal statement indicated that it "could not expect returns commensurate with its investments in the Indian market." This also demonstrates that while the Indian market is excellent, the complicative business environment and frequent alteration of policies greatly strangled the profitability and long - term development of enterprises.

4.2 Energy Sector: Divesting Cairn Energy

The case of the divestment of Cairn Energy brings out

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the legal and policy risks in managing foreign investment in the country. Cairn Energy had been a heavy investor in the development of oil and gas resources in India. However, with changing policies of the government of India, coupled with tax disputes, Cairn Energy's investment plans ran into deep trouble. The Indian government had crippled the operations of Cairn Energy through a series of tax recoveries and fines, which finally forced it to divest. Not only is this case an epitome of the challenges that foreign investors face in the energy sector but it also reflects the attitude of the Indian government and, more importantly, the risks of arbitrary changes in policy while dealing with foreign capital.

4.3 Electronics and Telecommunications: The Experience of Xiaomi, Vivo, and OPPO

Probably, the most telling experiences in this area come from Chinese companies in the sector of electronics and telecommunications: Xiaomi, Vivo, and OPPO. For example, Xiaomi entered the Indian market in 2014 and did so with a view to quick success, becoming one of the leaders in the Indian smartphone market. But when the Sino - Indian relationship became complex and tight, Indian domestic policies were further tightened, and Xiaomi, along with other such companies, came under increased pressure from Indian government regulations. In 2023, the Indian Enforcement Directorate seized ₹55.51 billion of Xiaomi's funds on charges of illegal remittances. This accounted for a whopping 56.7% of its net profit in the previous year and seriously jeopardized its financial condition.

The Indian government has launched crackdowns against Vivo and OPPO. In 2022, the Indian government accused Vivo of tax evasion and accordingly ordered the freezing of ₹4.65 billion of its assets. OPPO was fined about 3.8 billion yuan in 2022 for the improper use of tariff exemptions on imported mobile phone parts. These developments suggest that the heightening regulatory scrutiny and selective enforcement by the Indian government have brought pervasive uncertainty and financial risks to foreign enterprises.

4.4 Telecommunications and Technology: Challenges Faced by Vodafone and Google

Cases of Vodafone and Google demonstrate the phenomenon of withdrawal of foreign capital in the high - tech and telecommunications sectors of India. In the case of Vodafone, after acquiring Li Ka-shing's telecommunications assets in India for USD$11.2 billion in 2007, changes to Indian tax policy left Vodafone with a tax bill of USD$2.1 billion. Though Vodafone finally won the case in international arbitration, the Indian government applied the tax law retrospectively to Vodafone's transaction, thereby underlining the arbitrariness and unpredictability of India's tax administration.

The same happened in the case of Google, which also came under a lot of flak in India. In 2022, the government accused Google of misusing its market dominance and levied a fine of over ₹22.7 billion. These cases show that while the Indian market has huge potential, its policy environment and enforcement practices bring great operational risk to foreign enterprises; hence, these companies partially withdraw from the Indian market.

4.5 High - tech Manufacturing: Wistron's Retreat

Wistron had been one of Apple's major suppliers and had operated in the Indian market for 15 years, focusing on the production of iPhones. Wistron has faced many operational problems: unrest among workers, wage disputes, and frequent industrial accidents. In 2023, it announced its complete withdrawal from the Indian market due to operational difficulties but also signaled a reflection of India's overall business environment. This case sums up how, despite the aggressive "Make in India" promotion by the Indian government, its social and legal environments are really not ready for a global supply chain shift.

Those reasons, related to the withdrawal of foreign capital from India, are pretty diversified and include policy uncertainty, legal and enforcement arbitrariness, socio - cultural challenges, and inadequate infrastructure. All these reasons contribute to making the Indian market very difficult for the survival and growth of foreign enterprises. While the Indian market is full of potential, its business environment seems too complicated and unpredictable to be a major risk that foreign enterprises have to face.

5 CONCLUSION AND RECOMMENDATIONS

A complex interaction of economic, legal, infrastructural and socio - political challenges account for the large - scale withdrawal of foreign capital from India (Iyer 2012). The structural problems have compounded over time causing massive disinvestment in industries thereby eroding investors' confidence. To restore and sustain foreign investment in India will require a targeted approach with several prongs and concrete measures[8].

5.1 Infrastructure Improvement

The improvement of infrastructure is necessary, but should be done in targeted areas such as logistics networks or energy supply chains where it would make a greater impact on development. For instance; India could emulate China's Belt and Road Initiative which is geared towards establishing efficient trade routes through its transport hubs (Yadav 2014)[9]. In a similar fashion, India may opt to establish dedicated freight corridors and smart logistics that would help cut down operational costs for foreign firms. Moreover, the country needs to fast - track its smart grid initiatives that aim at ensuring there is uninterrupted power supply and also reducing the cost of electricity. Special emphasis must be given to rural electrification as well as industrial estates where foreign companies ordinarily set up their factories.

5.2 Policy Stability and Transparency

Up until October of 2023, one of the main deterrents against investing in India for foreign individuals has been this unfathomable policy environment. In order to encourage investment and develop trust among foreign stakeholders, India needs a permanent policy framework that does not shift between subsequent governments. For instance, Vietnam is able to attract foreign investment by way of its continuous implementation of 10 - year economic plans designed specifically to offer guidelines for such investments and market liberalization processes[10]. In light of this example India could also follow suit by coming up with long term FDI targets through strategic investment policies that span across several years making it difficult for quick adjustments.

Another important thing is stability as well as transparency concerning policies. The use of electronic platforms whereby foreign investors are able to track regulatory changes including tax requirements and subsidies in real time as well as an approach similar to Singapore's internet based entrepreneurial platforms could be suggested by the Indian government[11]. The businesses would always be aware about any likely changes enabling them to make required adjustments on time.

5.3 Legal and Regulatory Reforms

Legal reforms have to tackle the present inadequacies and convolutions in the judiciary of India, which results into deferred arrangement of disagreements as well as higher chances of investors losing their investments. One way that India could end up avoiding this situation is by emulating Hong Kong and Singapore that have put in place international arbitration centers to solve disputes in a speedy manner and within a neutral concept. Thus, it would create specialized FDI arbitration courts so as to hasten complaints imported from overseas businesses thereby decreasing the long periods during which potential investors stay waiting before commencing their businesses.

Furthermore, making the taxation system easier would assist in alleviating the burden on foreign firms. A single - window clearance for FDI projects like Malaysia's MIDA (Malaysian Investment Development Authority) would reduce time taken and bureaucracies during approvals[12].

5.4 To Improve Communication and Investor Relationships

The Foreign Investor Relations Office, dedicated to reassure the world investment community, should be implemented by India as part of an effort to regain lost trust. On bi - annual basis this office should collecting feedback from foreign investors and respond to their concerns through public - private dialogues. Countries like Ireland and Estonia have successfully established such systems that enable them meet investors' needs while enhancing their confidence in them[13]. This communication strategy will ensure that small problems do not become major issues leading to disinvestment.

5.5 High - return Sector Concentration and Technology - focused Industries

Lastly, Indian authorities must make a conscious effort towards attracting foreign investments into high - return sectors such as renewable energy, infrastructure development, and technology. Targeting industries with underlying global megatrends like digital infrastructure and green technologies through targeted incentivisation will help place India within the bracket of a future - oriented economy among other countries. Given this context some examples of initiatives include tax incentives for investing in clean energy projects or R&D grants for technology firms which are also what Germany's Renewable Energy Source Act provides[14]. The endowment not only encourages capital inflow but also enhances Indian economy's sustainability in the long - run.

6 CONCLUSION

The withdrawal of foreign capital from India is not an isolated phenomenon but rather symptomatic of deeper - rooted systemic problems. For India to reverse the trend and regain investor confidence, it should prioritize specific infrastructure investments, stabilize and streamline its policy and legal frameworks, as well as enhance direct communication with foreign companies. India can create a more attractive and predictable destination for foreign investment by adopting best practices from countries that have successfully reformed their FDI environments. This would enable the country to regain its position as one of the top host countries for international capital through well - defined reforms.

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Conflicts of Interest

The authors declared no conflict of interest.

Author Contribution

Tseung Y was the primary researcher and wrote the manuscript. Xie B provided research and editing assistance to the manuscript. Peng Z contributed to overall article design, data collection as well as revising and approving the manuscript.

Abbreviation List

FDI, Foreign direct investment

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