



UPSC &amp; STATE PCS CURRENT AFFAIRS · UJIYARI.COM

**EDITORIAL ANALYSIS**

# India Can Attract FDI. The Harder Task Is Retaining It

 **INDIAN EXPRESS**

25 June 2026

**ECONOMY****REPORTS & SCHEMES****GS3**

CURATED &amp; WRITTEN BY

**Bharat Choudhary**

UPSC Educator &amp; Content Creator

 [linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)**ALSO FROM THE CREATOR****BharatNotes**Free UPSC notes, MCQs, PYQ analysis. **100% Free.**[bharatnotes.com](http://bharatnotes.com) → **ADVERTISE****Advertise with Ujiyari**

Reach thousands of UPSC aspirants daily.

 [epicbharat@gmail.com](mailto:epicbharat@gmail.com)



# India Can Attract FDI. The Harder Task Is Retaining It

 **The Indian Express**    25 June 2026    **GS3**

Source: [ujyari.com](http://ujyari.com) — researched, fact-checked & UPSC-mapped



## INTERVIEW ANGLE

*"Why is retaining foreign investment harder than attracting it, and what does a high rate of repatriation reveal about an economy's competitiveness?"*

Source: [Original editorial](#)  [The Indian Express](#)

 **Every fact web-verified against primary sources** (<https://ujyari.com/how-we-verify/>)

## WHY THIS MATTERS NOW

India has spent years positioning itself as a premier investment destination, and gross foreign direct investment inflows show that effort paying off. Yet the more telling number, net FDI, has come under pressure as **repatriation** (<https://ujyari.com/vocab/repatriation/>), profit outflows and some high-profile exits rise. This shifts the policy question from how to attract capital to how to keep it. With global investors diversifying supply chains and weighing India against alternatives, the country's ability to retain and sustain investment, not just win it, will determine whether FDI translates into durable jobs, technology and growth. Retention has quietly become the real test of investor confidence.

## THE CRUX IN 60 WORDS

India attracts large gross FDI but net inflows are squeezed by rising repatriation and exits. Attraction rewards market size and incentives; retention rewards stability, predictability, fast dispute resolution and certain exit. Investors enter for opportunity and stay for reliability. India must pivot from an attraction-first strategy to one centred on policy stability and credible exit pathways.

## THE ISSUE, DECODED

Ujivari Current Affairs - [ujivari.com](http://ujivari.com) - Free Daily Current Affairs for UPSC & State PCS

CONCEPT	WHAT IT MEANS	WHY IT MATTERS
Gross vs net FDI	Total inflow vs inflow minus repatriation and exits	Net FDI is what actually finances investment
Repatriation	Profits and capital sent back abroad	Rising repatriation erodes net inflows and signals confidence issues
Ease of doing business ( <a href="https://ujivari.com/terms/ease-of-doing-business/">https://ujivari.com/terms/ease-of-doing-business/</a> )	Regulatory friction, approvals, contract enforcement	A core determinant of whether investors stay
Bilateral ( <a href="https://ujivari.com/vocab/bilateral/">https://ujivari.com/vocab/bilateral/</a> ) investment treaty	Treaty protections for foreign investors	Affects dispute resolution and perceived safety of capital
Exit and repatriation certainty	Ability to wind down and take capital out cleanly	Investors stay where they trust they can also leave

## THE ANALYSIS

- ① **Attraction and retention are different problems.** What draws investors, market size, incentives like production-linked schemes and liberalised sectors, is not the same as what keeps them, namely stable returns, predictable policy and the ability to operate and exit without friction.
- ② **The net FDI signal is the one to watch.** Healthy gross inflows can mask a squeeze in net FDI when repatriation, profit outflows and investor exits rise. Net FDI is what finances new factories and jobs, so its erosion is a quieter but more serious warning.
- ③ **Policy unpredictability is the chief deterrent.** Sudden regulatory changes, tax uncertainty, slow dispute resolution and memories of retrospective taxation weigh on long-horizon investors who commit capital for decades, not quarters.
- ④ **Exit certainty paradoxically aids entry.** Investors are more willing to commit when they trust they can wind down and repatriate capital cleanly. Trapped capital deters not only the firm affected but every investor watching.
- ⑤ **The counter-view deserves a hearing.** Some repatriation reflects a mature, profitable market where firms harvest returns and reinvest selectively, and a functioning capital account naturally permits outflows. But persistent net erosion alongside regulatory friction points to a confidence gap, not just maturity.

6 **Retention is the harder, more credible test.** Winning investment showcases India's promise; keeping it proves India's reliability. The reforms that retain, stable rules, fast and fair dispute resolution, honoured treaty commitments, are less glamorous than headline-grabbing inflow figures, but they are decisive.

## DATA AND INSTITUTIONS VAULT

### CARRY THESE INTO THE EXAM HALL.

FDI policy: most sectors under the automatic route; some under the government route with sectoral caps.

DPIIT: Department for Promotion of Industry and Internal Trade, nodal body for FDI policy.

RBI: regulates capital account, repatriation and reporting of FDI.

Production-Linked Incentive (PLI) schemes: incentives to attract manufacturing investment.

Bilateral Investment Treaties (BITs): India's revised Model BIT framework shapes investor protection and dispute resolution.

Ease of Doing Business: reforms in approvals, contract enforcement and insolvency (<https://ujivari.com/vocab/insolvency/>) (IBC) affect retention.

Concept anchors: gross vs net FDI, repatriation, capital account convertibility, round-tripping, brownfield vs greenfield (<https://ujivari.com/vocab/greenfield/>).

## THE DEBATE

**For optimism:** India's gross inflows, large market, **demographic** (<https://ujivari.com/vocab/demographic/>) edge and reform momentum keep it a top destination; some repatriation simply reflects profitability and a maturing market.

**For caution:** Net FDI erosion, regulatory friction, dispute delays and exit anxieties reveal a retention problem that headline inflow numbers conceal, and that can deter long-term commitment.

**Balanced verdict:** India's attraction is genuine and should be celebrated, but it is not self-sustaining. The decisive contest is retention, which depends on the less visible virtues of stability, predictability and clean exit. India must treat sustained net FDI, not gross inflows, as the true measure of success.

## HOW TO THINK ABOUT THIS (TRANSFERABLE SKILL)

Ujjayari Current Affairs - [ujjayari.com](http://ujjayari.com) - Free Daily Current Affairs for UPSC & State PCS

*Gross inflows flatter; net flows reveal. Whenever a metric can be inflated by ignoring outflows or costs, find the net version that captures what actually stays. Applying this gross-versus-net discipline, to FDI, to fiscal data, to migration, prevents being misled by impressive top-line numbers and is exactly the analytical rigour GS3 economy answers reward.*

## DIAGRAM-IN-WORDS

Incentives + market size -> healthy gross FDI inflows -> but repatriation + exits rise -> net FDI squeezed -> cause: policy unpredictability, dispute delays, exit anxiety -> investors enter but do not stay -> reform retention: stability, fast dispute resolution, clean exit -> sustained net FDI, durable jobs and technology

## THE WAY FORWARD

- ① **Guarantee policy and tax stability.** Predictable, non-retrospective rules give long-horizon investors confidence to stay and reinvest.
- ② **Deepen ease of doing business.** Streamline approvals, strengthen contract enforcement and improve insolvency resolution.
- ③ **Speed and professionalise dispute resolution.** Fast, fair arbitration and honoured treaty commitments reassure investors.
- ④ **Ensure exit and repatriation certainty.** Clean, predictable exit pathways paradoxically encourage entry and retention.
- ⑤ **Measure success by net FDI.** Shift the policy lens from celebrating gross inflows to sustaining net, productive investment that compounds over time.

## THE TAKEAWAY BOX

Ujivari Current Affairs - [ujivari.com](https://ujivari.com) - Free Daily Current Affairs for UPSC & State PCS

*Examine why retaining FDI is harder than attracting it, distinguishing the drivers of entry from the drivers of staying, and derive a retention-centred reform agenda.*

*“Attracting investment showcases India’s promise; retaining it proves India’s reliability, and only reliability compounds into growth.”*

*Gross vs net FDI; repatriation; DPIIT; RBI capital account; automatic vs government route; PLI schemes; Model BIT; IBC; ease of doing business.*

*Honouring commitments and the rule of law as the basis of trust between a state and investors; the duty of policy consistency.*

*GS3 questions on FDI, the role of foreign investment in development, infrastructure financing, and the effects of liberalisation on the economy.*

*ease of doing business, supply-chain diversification, the current account, manufacturing competitiveness, and Make in India.*

**Sources:** *Indian Express* (<https://indianexpress.com>), *DPIIT* (<https://dpiit.gov.in>), *Reserve Bank of India* (<https://www.rbi.org.in>)

---

Source: India Can Attract FDI. The Harder Task Is Retaining It — Ujivari.com | Free UPSC & State PCS Editorial Analysis

**KEY ARGUMENTS AT A GLANCE**

 Ujjayanti Current Affairs · [ujjayanti.com](http://ujjayanti.com) · Free Daily Current Affairs for UPSC & State PCS

India has proved it can attract large gross FDI inflows, but rising repatriation and disinvestment mean the harder, and more telling, challenge is retaining and sustaining that investment through policy stability, ease of doing business and credible exit pathways.

 **SUPPORTING**

- Net FDI has been squeezed as repatriation, profit outflows and the exit of some investors rise even while gross inflows remain healthy.
- Policy unpredictability, regulatory friction, dispute resolution delays and retrospective fears weigh on long-term investor confidence.
- Sectoral reforms, production-linked incentives and improved infrastructure attract entrants, but retention depends on stable returns, contract enforcement and clean exit.

 **COUNTER**

Higher repatriation can reflect a maturing, profitable market where firms reinvest selectively, and some outflow is a normal sign of a functioning capital account, not weakness.

 **WAY FORWARD**

Ensure policy and tax stability; deepen ease of doing business; speed dispute resolution; honour bilateral investment treaty commitments; and improve exit and repatriation certainty.


**MAINS ANSWER FRAMEWORK**

 Ujivari Current Affairs - [ujivari.com](http://ujivari.com) · Free Daily Current Affairs for UPSC & State PCS

**QUESTION**

*India has been successful in attracting foreign direct investment, but retaining it has emerged as the tougher challenge. Critically examine the factors behind FDI retention and suggest measures to sustain investor confidence. (250 words)*

**INTRODUCTION**

India's success in drawing foreign direct investment is well established, but a rise in repatriation and selective exits has exposed retention as the harder and more revealing test.

**BODY**

Gross FDI inflows into India have remained substantial, helped by sectoral liberalisation, production-linked incentive schemes, a large market and improving infrastructure. Yet net FDI, the figure that actually finances investment, has been squeezed as repatriation of profits, capital and the proceeds of some investor exits has risen.

This gap matters because it signals whether capital stays and compounds or merely passes through. Retention turns on factors distinct from those that attract: policy and tax predictability, speed and fairness of dispute resolution, contract enforcement, the sanctity of bilateral investment treaty commitments and, crucially, certainty of exit and repatriation.

Investors will enter for opportunity but will stay only where returns are stable and capital is not trapped.

The counter-view, that higher repatriation can reflect a mature, profitable market, has some truth, but persistent net erosion alongside regulatory friction points to a confidence problem.

India must therefore move from a strategy built around attraction, incentives and market size, to one built around retention, stability, predictability and clean exit, which is the surer foundation for sustained, productive foreign investment.

**CONCLUSION**

Attracting FDI showcases India's promise; retaining it proves India's reliability, and only the latter sustains long-term investment and confidence.


**RELATED DAILY ARTICLES**

26 Jun [UNODC World Drug Report 2026 and the International Day...](#)

26 Jun [NAFED Launches Digital Push for Cooperative...](#)

26 Jun [India Digital Public Infrastructure in Focus During...](#)

25 Jun **VB-G RAM G Act: 318 Works Notified as MGNREGA Makes Way**

Ujjari Current Affairs · [ujjari.com](http://ujjari.com) · Free Daily Current Affairs for UPSC & State PCS

Ujiyari Current Affairs · [ujiyari.com](https://ujiyari.com) · **Free Daily** Current Affairs for UPSC & State PCS

CURATED &amp; WRITTEN BY

## Bharat Choudhary

UPSC Educator &amp; Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)[Read Full Article on Ujiyari →](#)<https://ujiyari.com/editorials/2026/06/ie-fdi-attract-retain-2026/>

### ALSO FROM THE CREATOR

## BharatNotes

Free UPSC study platform — subject-wise notes across all 4 GS papers, Prelims MCQs, Mains answer frameworks, PYQ analysis & progress tracking. **100% Free • No Login Required.**

[Start Preparing → \[bharatnotes.com\]\(https://bharatnotes.com\)](#)

### 📌 OPPORTUNITY

## Advertise with Ujiyari

Reach **thousands of serious UPSC & State PCS aspirants** daily through our PDFs, website, and social channels.

**Ideal for:** Coaching institutes • EdTech platforms • Book publishers • Exam prep apps

[✉ epicbharat@gmail.com](mailto:epicbharat@gmail.com)

Write to us for rates & media kit

Free UPSC & State PCS Current Affairs · [ujiyari.com](https://ujiyari.com) · [bharatnotes.com](https://bharatnotes.com)