



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

**EDITORIAL ANALYSIS**

# Attracting Is Easy, Keeping Is Hard: On FDI Retention

 **INDIAN EXPRESS**25 June 2026 · **ECONOMY** · **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)



# Attracting Is Easy, Keeping Is Hard: On FDI Retention

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

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



## INTERVIEW ANGLE

*"India draws record gross FDI yet struggles to keep it. Is the binding constraint our pitch to investors, or the predictability of the environment we ask them to stay in?"*

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

## WHY THIS MATTERS NOW

India keeps setting **records for gross foreign direct investment**, yet the capital that actually stays and compounds, **net FDI**, remains thin. The Indian Express argues that India's FDI challenge has quietly shifted from **attraction to retention**. For an aspirant, this is a sharp **GS3 (economy, external sector) lead** because it moves beyond the familiar gross-versus-net point into the harder question of **reinvestment, repatriation and the treaty and tax architecture** that decides whether foreign capital deepens or departs.

## THE CRUX IN 60 WORDS

Gross FDI hit a **record (about 94.5 billion dollars in 2025-26)**, but **net FDI stayed near 7.6 billion dollars** because **repatriation and disinvestment rose to a multi-year high (around 53.6 billion dollars)** and Indian outbound investment grew. Attraction is solved; **retention** is not. Keeping capital depends on **reinvested earnings, tax certainty, credible dispute resolution and a balanced Model BIT**, now under revision.

## THE ISSUE, DECODED

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

ELEMENT	WHAT IT IS	WHY IT MATTERS FOR RETENTION
<b>Gross FDI</b>	Total inflows coming in	The headline; record in 2025-26
<b>Net FDI</b>	Gross minus repatriation, disinvestment and outward FDI	What actually stays; stayed thin
<b>Repatriation</b>	Profits and exits taken out by foreign investors	Rose to a multi-year high, draining net FDI
<b>Reinvested earnings</b>	Profits ploughed back, not sent home	Cheapest, most durable FDI; depends on confidence
<b>Model BIT 2016</b>	India's restrictive template treaty	Under revision to be more investor-friendly

## THE ANALYSIS: FROM ATTRACTION TO RETENTION

### 1. The gap is now a retention gap

A strong gross figure once doubled as proof of success. In 2025-26 it does not, because **repatriation, disinvestment and outbound flows now offset much of the inflow**. The question is no longer “can India attract capital” but “**can India make capital stay**”.

### 2. Reinvested earnings are the quiet test

The most durable FDI is not a fresh cheque from abroad; it is the **share of profits a foreign firm chooses to reinvest in India** rather than repatriate. That choice is a daily verdict on the **predictability of the environment**. When firms reinvest, net FDI deepens cheaply; when they repatriate, the headline survives but the substance leaks.

### 3. The tax-certainty legacy still casts a shadow

The **retrospective-tax disputes** with **Vodafone and Cairn** became the defining cautionary tale of policy unpredictability. The retrospective amendment was eventually **repealed**, but reputational memory is long. Retention requires not just good current rules but **credible assurance that the rules will not change midstream**.

## 4. The treaty architecture is being rebuilt

After adverse arbitral awards, India **terminated about 75 older bilateral** (<https://ujivari.com/vocab/bilateral/>) **investment treaties** in 2016-17 and adopted a restrictive **2016 Model BIT** that narrowed the definition of investment and mandated **exhaustion of local remedies** before international arbitration. In **February 2026 the Finance Ministry confirmed a revision is underway** to make the template **more investor-friendly** while preserving regulatory sovereignty (<https://ujivari.com/vocab/sovereignty/>). The treaty regime is part of the retention story, because investors price in how protected and enforceable their stake is.

### DATA AND INSTITUTIONS VAULT

*gross FDI ~94.5 billion dollars (record, 2025-26); net FDI ~7.6 billion dollars; repatriation/disinvestment ~53.6 billion dollars (multi-year high). Concepts: gross vs net FDI; reinvested earnings; repatriation and disinvestment; outward FDI (OFDI); greenfield (<https://ujivari.com/vocab/greenfield/>) vs brownfield. FDI routes: automatic route (no prior approval) vs government route (prior approval, sensitive sectors). Treaty regime: Model BIT 2016; termination of ~75 BITs (2016-17); 2026 revision; exhaustion of local remedies; investor-state vs state-to-state dispute settlement. Tax legacy: retrospective tax; Vodafone and Cairn disputes; repeal of the retrospective amendment. Bodies: RBI (records BoP and FDI data); DPIIT and Invest India (promotion); ease of doing business (<https://ujivari.com/terms/ease-of-doing-business/>) reforms.*

### THE DEBATE

**Argument that the thin net figure is benign:** High repatriation can reflect a **mature, profitable market** where foreign firms earn well, and a restrictive treaty model protects India's **regulatory sovereignty and policy space**. On this view, strong gross inflows show the pitch still works.

**Argument that it is a retention failure:** A persistently low net figure means **fresh, durable commitment is not keeping pace with exits**, and an over-restrictive treaty plus tax memory raises the cost of staying. The capital that leaves is a signal about confidence.

**The balanced verdict:** Some repatriation is healthy; the problem is when **reinvestment does not refill the pool**. The answer is not a louder sales pitch but a **steadier environment**, so that capital, once in, chooses to compound rather than exit.

## HOW TO THINK ABOUT THIS (TRANSFERABLE SKILL)

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

*A weak answer treats a record inflow as the end of the story. The strong answer asks the second-order question: **what makes the capital stay?** The move is from a flow at a single moment to the conditions that govern its persistence. The same lens applies to talent retention, deposit stickiness in banking and treaty credibility in diplomacy, where attraction and retention are governed by different levers.*

## DIAGRAM-IN-WORDS

Record gross FDI - repatriation/disinvestment - outward FDI = thin net FDI. The retention engine: tax certainty + credible dispute resolution + balanced Model BIT + ease of doing business -> higher reinvested earnings -> durable net FDI. The failure mode: policy/treaty uncertainty -> firms repatriate instead of reinvest -> headline holds, substance leaks.

## THE WAY FORWARD

- ① **Cement tax certainty** by reinforcing the post-repeal regime with advance rulings and a no-surprises commitment, so the retrospective-tax memory finally closes.
- ② **Build fast, credible dispute resolution** so that protection on paper becomes enforceable in practice.
- ③ **Conclude a balanced revised Model BIT** that is more investor-friendly while preserving regulatory space, and pair it with new bilateral treaties.
- ④ **Ease the path for reinvested earnings** into greenfield manufacturing and high-value services, the cheapest durable FDI.
- ⑤ **Deepen ease of doing business** at the state and last-mile level, where the real friction sits.

## THE TAKEAWAY BOX

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

*“India’s foreign investment challenge has shifted from attraction to retention.” Examine the role of repatriation, treaty protection and policy certainty, and suggest reforms to convert one-time inflows into durable capital. (250 words)*

*“Attracting capital tests our pitch; retaining it tests whether investors believe us once they arrive.”*

*gross vs net FDI - reinvested earnings - repatriation - automatic vs government route - Model BIT 2016 - exhaustion of local remedies - retrospective tax - Vodafone and Cairn - DPIIT - Invest India.*

*When a government has reversed course on investors before (retrospective tax), how does it credibly commit to not doing so again?*

*Connects to GS3 PYQs on FDI, the external sector and the investment climate; a probable framing is the attraction-versus-retention split above.*

*Ujyari’s earlier gross-versus-net FDI editorial (June 11), which sets up the measurement; this piece extends it into the retention, tax and treaty agenda.*

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

Source: *Attracting Is Easy, Keeping Is Hard: On FDI Retention* — [Ujyari.com](http://Ujyari.com) | Free UPSC & State PCS Editorial Analysis

**KEY ARGUMENTS AT A GLANCE**

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

**India's foreign-investment problem is no longer attraction but retention: record gross inflows are increasingly offset by repatriation, disinvestment and outbound flows, so the real reform agenda is to make capital stay and reinvest through stable tax, credible dispute resolution and a balanced investment-treaty regime.**


**SUPPORTING**

- Gross FDI touched a record in 2025-26 while net FDI stayed thin, because repatriation and disinvestment by foreign investors rose to a multi-year high and Indian outbound investment grew.
- Reinvested earnings, the share of profits foreign firms plough back rather than send home, are the cheapest and most durable form of FDI, and they depend on confidence that the rules will not change midstream.
- The restrictive 2016 Model Bilateral Investment Treaty, which followed the Vodafone and Cairn retrospective-tax disputes and the termination of about 75 older treaties, narrowed protections and is now under revision to become more investor-friendly.


**COUNTER**

High repatriation can signal a mature, profitable market rather than distress, and a restrictive treaty model preserves India's regulatory sovereignty and policy space, so a thin net figure is not automatically a failure of retention.


**WAY FORWARD**

Lock in tax certainty after the retrospective-tax repeal, build fast and credible dispute resolution, conclude a balanced revised Model BIT, deepen ease of doing business and ease the path for reinvested earnings into greenfield projects.


**MAINS ANSWER FRAMEWORK**

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

**QUESTION**

*"India's foreign investment challenge has shifted from attraction to retention." In light of falling net FDI despite record gross inflows, examine the role of repatriation, treaty protection and policy certainty, and suggest reforms to convert one-time inflows into durable capital. (250 words)*

**INTRODUCTION**

India has learned to attract foreign capital; the record gross FDI of 2025-26 proves it. The harder, less glamorous task is keeping that capital invested, and on that measure the picture is far weaker.

**BODY**

Net FDI is what survives after repatriation, disinvestment and Indian outbound investment are subtracted from gross inflows, and in 2025-26 it stayed thin even as gross flows hit a record because repatriation rose to a multi-year high. Retention, not attraction, is now the binding constraint.

The cheapest durable capital is reinvested earnings, the profits foreign firms plough back instead of sending home, and these depend almost entirely on confidence that the rules will hold. Three things shape that confidence.

First, tax certainty: the retrospective-tax episodes around Vodafone and Cairn left a long memory that the repeal has only begun to heal. Second, credible dispute resolution: investors need fast, predictable forums, not decade-long litigation.

Third, treaty protection: the restrictive 2016 Model BIT, adopted after India terminated about 75 older treaties, narrowed the definition of investment and forced exhaustion of local remedies, and is now being revised to be more investor-friendly while preserving regulatory space. The counter-view, that high repatriation reflects a mature, profitable market, has merit, but it cannot explain why fresh greenfield commitment is not keeping pace.

The answer is not louder promotion but a steadier environment, so that capital, once in, chooses to stay and compound.

**CONCLUSION**

The headline FDI number measures how good our pitch is. The net figure measures whether investors believe us once they arrive.

India must fix the second, because that is where durable growth is built.


**RELATED DAILY ARTICLES**

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

24 Jun **NAFEX.in: NAFED's Digital Auction Portal for...**

24 Jun **RBI's 2026 Master Direction on TReDS for MSME Financing**

[Ujjyari Current Affairs](#) · [ujjyari.com](http://ujjyari.com) · Free Daily Current Affairs for UPSC & State PCS

24 Jun **CPCL Becomes India's 28th Navratna CPSE**

Ujiyari Current Affairs · [ujiyari.com](http://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/indian-express-fdi-retention-investment-quality-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 → \[bharatnotes.com\]\(http://bharatnotes.com\)](#)

### 📌 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](http://ujiyari.com) · [bharatnotes.com](http://bharatnotes.com)