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Disruptive Shocks and Capital Flows: COVID-19's Structural Impact on India's FDI

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Abstract: The COVID-19 pandemic triggered unprecedented disruptions to global capital flows, with significant implications for India's foreign direct investment (FDI) landscape. This study examines the structural impact of the pandemic on India's FDI trends, highlighting sectoral realignments, shifts in investor geography, and evolving policy responses. Using data from DPIIT, RBI, and international investment monitors, the paper identifies a marked rise in digital economy investments—such as the landmark Jio Platforms deals—alongside a decline in traditional manufacturing FDI due to supply chain vulnerabilities. The analysis also reveals a geopolitical rebalancing of capital inflows, with increased interest from the United States and declining engagement from China. Government initiatives, including Production-Linked Incentive (PLI) schemes and liberalized norms, have played a pivotal role in supporting post-COVID recovery. The study concludes with targeted policy recommendations for both the government and investors, urging institutional resilience and adaptive risk frameworks. Findings offer insights for long-term strategic positioning of India in the evolving global investment architecture.

Keywords: FDI, Covid-19, FDI policy, Make in India, Digital economy.

I. INTRODUCTION

1.1. Background of the study

The coronavirus disease (COVID-19), first identified in Wuhan, People's Republic of China in December 2019, rapidly evolved into a global health crisis. In efforts to contain the virus, numerous countries implemented stringent public health measures, including social distancing mandates, lockdowns, and international travel restrictions. These interventions, while necessary, significantly curtailed economic activity across the globe. According to the International Monetary Fund (2021), the global economy contracted by 3.2% in 2020, while international trade declined by 8.3%. Notably, the pandemic precipitated a substantial decline in foreign direct investment (FDI). As reported by the United Nations Conference on Trade and Development (2021), global FDI flows plummeted by 35%, from $1.5 trillion in 2019 to $1 trillion in 2020, representing a sharper decline than observed in global GDP or trade volumes.

FDI has historically been susceptible to economic shocks and crises. Previous research has documented the adverse impacts of financial crises (Dornean, Işan, and Oanea, 2012; Dornean and Oanea, 2015; Poulsen and Hufbauer, 2011; Stoddard and Noy, 2015) and natural disasters (Anuchitworawong and Thampanishvong, 2015; Escaleras and Register, 2011) on FDI inflows. Financial crises tend to impose liquidity constraints, while natural disasters often destroy critical physical infrastructure. However, the COVID-19 pandemic introduced a unique set of challenges, particularly the widespread and prolonged enforcement of infection control measures such as lockdowns and social distancing. These measures elevated the costs associated with pre-investment assessments, labor and location searches, and operational expenditures of FDI ventures.

Furthermore, the pandemic underscored the vulnerability of global trade and value chains to external disruptions. When a key player in a global supply chain faced significant outbreaks and factory shutdowns, the ripple effects disrupted entire production networks. Consequently, many firms have reconsidered their dependence on concentrated foreign production, prompting a shift towards risk diversification strategies (Lee and Park, 2020). Such restructuring of global value chains is likely to influence FDI decisions, given the inherent complementarities between trade in intermediate goods and foreign investment (Carril-Caccia and Pavlova, 2018; Aizenman and Noy, 2006; Hanson, Mataloni, and Slaughter, 2005; Kumar, 1994).

The COVID-19 pandemic represents an unprecedented global event in contemporary history, influencing virtually all sectors of human activity. Although the Indian economy had already been showing signs of distress—evident in the decline of GDP to 4.2% in 2019–20, the lowest since 2008–09—the pandemic exacerbated these challenges. FDI serves as a vital instrument for economic development, especially for emerging economies like India. It provides a supplementary source of capital, mitigates domestic savings gaps, and facilitates access to advanced technologies that enhance productivity and generate new economic opportunities. Since the initiation of economic reforms in 1991, India has witnessed significant growth in FDI, often ranking among the top recipients of greenfield investment globally. However, the nationwide lockdowns brought economic activity to a near standstill, adversely affecting FDI inflows. In response, the Indian government introduced a revised FDI policy to safeguard domestic firms from opportunistic takeovers during this period of economic vulnerability.

Globally, the pandemic not only triggered a public health emergency but also led to widespread economic disruptions, including declines in income, surges in unemployment, and interruptions in transportation, services, and manufacturing. Financial markets experienced initial declines followed by substantial recoveries, driven by expansionary monetary policies and progress in vaccine development. While traditional safe-haven assets like gold exhibited atypical behavior, digital assets such as bitcoin saw positive valuation trends, driven by investor demand for higher returns amidst falling yields on fixed-income instruments.

Internationally, the pandemic severely disrupted trade and capital flows, with FDI contracting more sharply than either domestic economic activity or trade. This study endeavors to analyze the magnitude and causes of the decline in FDI during 2020, drawing upon macroeconomic theories, empirical evidence, and historical understanding of the economic consequences of global crises and disasters. As a foundation, the paper provides a comprehensive overview of the theoretical and empirical literature on FDI.

1.2. India's FDI Landscape Pre-Pandemic

Before the COVID-19 pandemic, India was one of the fastest-growing destinations for Foreign Direct Investment (FDI), driven by economic liberalization, demographic advantages, and policy reforms such as the "Make in India" initiative. Between 2015 and 2019, India received an average annual FDI inflow of $45–50 billion, with key sectors including services, telecommunications, and manufacturing (UNCTAD, 2020). The country's large consumer base and improving ease of doing business rankings (World Bank, 2019) made it an attractive investment hub. However, structural challenges such as regulatory hurdles, infrastructure gaps, and tax uncertainties persisted. The pre-pandemic FDI landscape was characterized by steady growth, with major investors including the U.S., Singapore, and Mauritius (RBI, 2020). The government had also relaxed FDI norms in sectors like retail and defense to attract capital. Despite global economic slowdowns in 2019, India remained resilient, ranking among the top 10 FDI recipients worldwide (UNCTAD, 2020).

1.3. Concept of "Disruptive Shocks" in Economic Theory

Disruptive shocks refer to sudden, large-scale disturbances that alter economic trajectories, often causing long-term structural changes (Acemoglu & Robinson, 2012). In economic theory, such shocks can be demand-side (e.g., financial crises) or supply-side (e.g., pandemics, wars). Unlike cyclical fluctuations, disruptive shocks lead to persistent shifts in production, consumption, and investment patterns (Bloom, 2009). The 2008 financial crisis, for instance, reshaped global capital flows by increasing risk aversion among investors (Forbes & Warnock, 2012). Similarly, COVID-19 disrupted supply chains, labor markets, and investor confidence, forcing economies to adapt. Disruptive shocks often accelerate pre-existing trends, such as digitalization, while rendering traditional business models obsolete (Gourinchas et al., 2021). Understanding these shocks helps policymakers design resilient economic frameworks.

1.4. COVID-19 as a Structural Shock to Global Capital Flows

The COVID-19 pandemic was an unprecedented structural shock, causing a 42% decline in global FDI flows in 2020 (UNCTAD, 2021). Unlike previous crises, the pandemic disrupted both supply (factory shutdowns) and demand (consumer spending drops) simultaneously. Advanced economies saw FDI plunge by 58%, while developing Asia, including India, experienced a 4% decline (World Bank, 2021). The shock altered investment priorities, with firms prioritizing supply chain resilience over cost efficiency (Baldwin & Freeman, 2020). Sectors like pharmaceuticals, technology, and e-commerce gained FDI, while hospitality and aviation suffered. Government interventions, such as stimulus packages and FDI policy relaxations, played a crucial role in mitigating the shock. India’s FDI inflows initially dipped but rebounded in late 2020 due to policy reforms and digital sector growth (RBI, 2021).

II. Research Question

How did COVID-19 structurally alter the composition, magnitude, and direction of FDI inflows into India?

III. Objectives

- ✓ Analyze the immediate and long-term disruptions to India's FDI inflows caused by COVID-19.
- ✓ Investigate structural shifts in FDI composition across sectors, investor origins, and government policies during and post-pandemic.
- ✓ Assess the revised FDI policy in India it’s underline goal and impacts.

3.1. Research Methodology

This study employs a mixed-methods approach combining quantitative analysis of FDI trends with qualitative assessment of policy interventions to evaluate COVID-19's structural impact on India's foreign direct investment.

3.1.1. Data Collection and Sources:

This study primarily relies on secondary data from reputed global and national institutions. Key FDI data, including quarterly inflows, sectoral trends, and investor-country profiles, are sourced from the Reserve Bank of India (RBI) and Department for Promotion of Industry and Internal Trade (DPIIT) for the period 2015–2023. Benchmark comparisons are drawn using UNCTAD’s World Investment Reports and World Bank’s Ease of Doing Business indicators to evaluate pre- and post-pandemic shifts. Additional insights on mergers, acquisitions, and greenfield investments are collected from corporate announcements available through Bloomberg, PwC, and India Brand Equity Foundation (IBEF).

IV. Empirical Analysis

4.1: Magnitude of Disruption

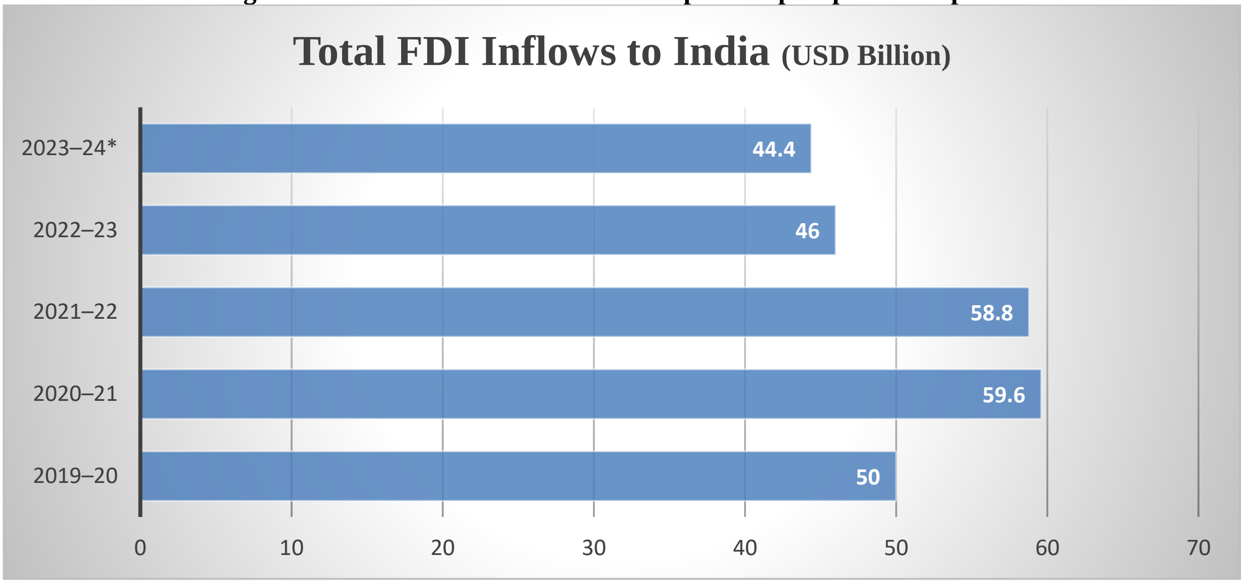
YoY FDI inflow trends (pre- vs. post-COVID)

Table no. 1 - Total FDI Inflows to India

Year	FDI Inflows (USD Billion)
2019–20	50
2020–21	59.6
2021–22	58.8
2022–23	46
2023–24*	44.4

Source – DPIIT database

Fig. no. 1 - Total FDI Inflows to India in pre and post pandemic period



Analysis –

An examination of total FDI inflows to India from 2019 to 2024 reveals critical patterns shaped by global and domestic disruptions. In 2019–20, India recorded a relatively strong FDI inflow, reflecting growing investor confidence pre-pandemic. However, in 2020–21, a noticeable decline occurred due to the COVID-19 pandemic's economic shocks, disruptions in supply chains, and the imposition of nationwide lockdowns. The inflow gradually recovered in 2021–22, driven by policy stimulus, digital transformation, and India's relative economic resilience. The upward momentum continued into 2022–23, with inflows stabilizing as India attracted investments in technology, pharmaceuticals, and infrastructure sectors. By 2023–24, FDI showed signs of diversification with moderate growth, indicating investors' cautious optimism amidst global uncertainty. This trend signifies India's sustained attractiveness as a long-term investment destination, while also reflecting structural shifts in sectoral preferences and geopolitical realignments. Overall, the recovery trajectory post-2020 highlights India's policy responsiveness and economic adaptability in a volatile global environment.

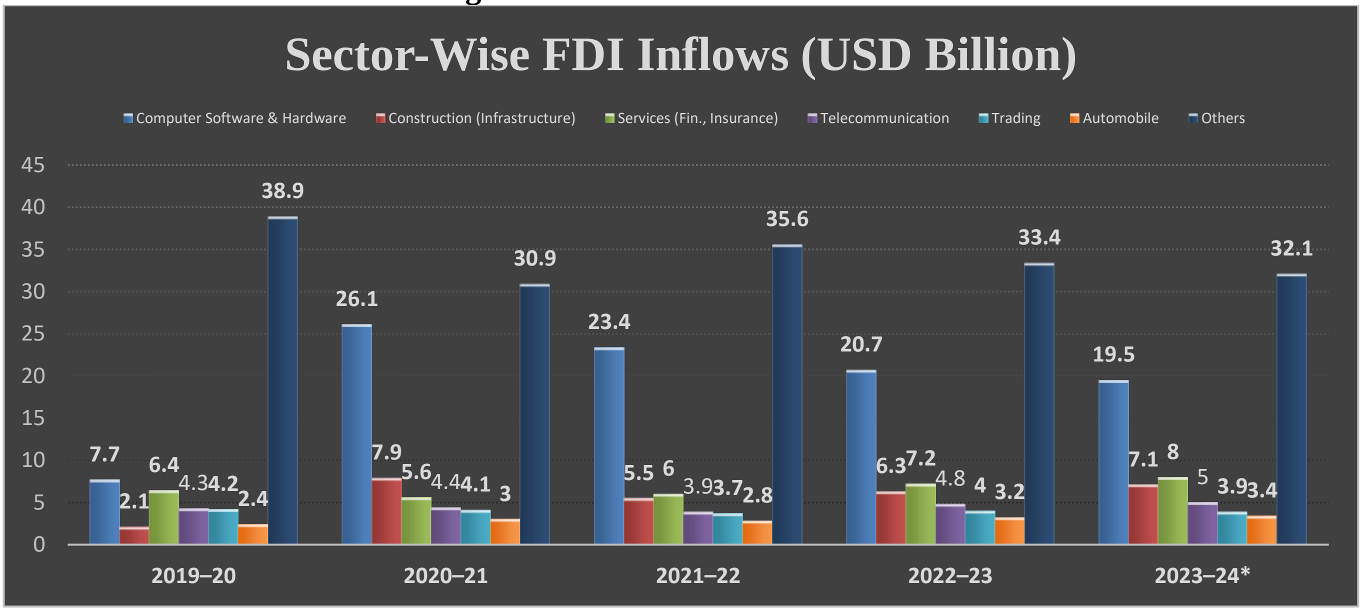
Table no. 2 - Sector-Wise FDI Inflows

Sector-Wise FDI Inflows (USD Billion)					
Sector	**2019–20**	**2020–21**	**2021–22**	**2022–23**	**2023–24***
Computer Software & Hardware	7.7	26.1	23.4	20.7	19.5
Construction (Infrastructure)	2.1	7.9	5.5	6.3	7.1
Services (Fin., Insurance)	6.4	5.6	6	7.2	8

Telecommunication	4.3	4.4	3.9	4.8	5
Trading	4.2	4.1	3.7	4	3.9
Automobile	2.4	3	2.8	3.2	3.4
Others	38.9	30.9	35.6	33.4	32.1

Source – DPIIT database

Fig. no. 2 - Sector-Wise FDI Inflows



Analysis –

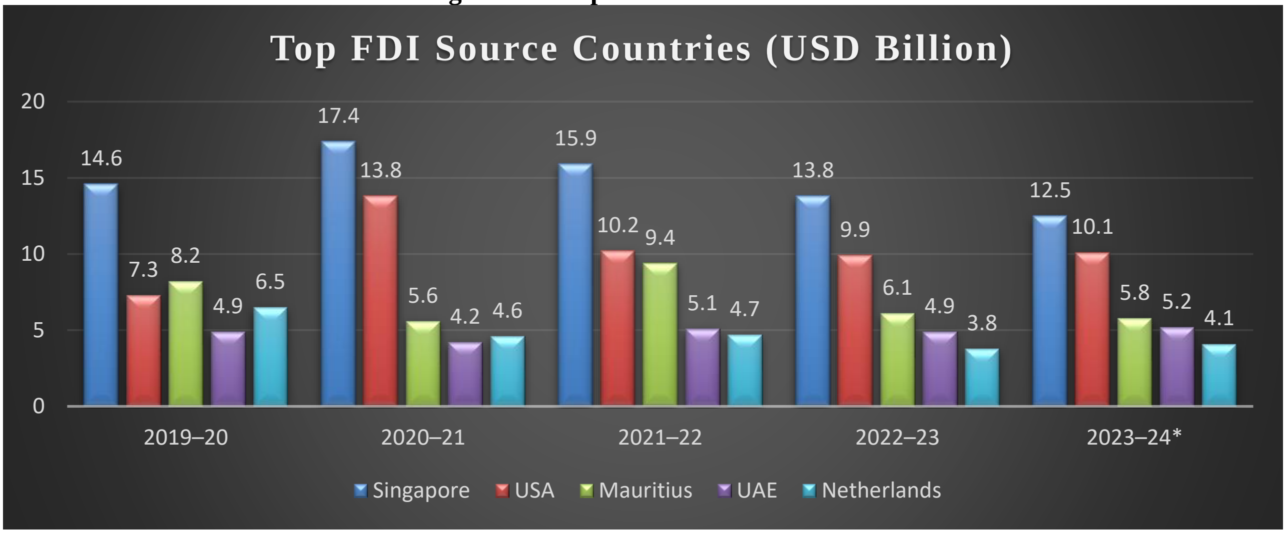
The sector-wise analysis of FDI inflows to India from 2019 to 2024 highlights a strategic shift in investor priorities. Traditionally dominant sectors like services (including finance, insurance, and IT-BPM) maintained a stronghold, reflecting India's global competency in digital and knowledge-based industries. The computer software and hardware sector witnessed a remarkable surge post-2020, spurred by digitalization during the pandemic and India's emergence as a global tech hub. Telecommunications and pharmaceuticals also saw increased investments, driven by rising demand for connectivity and healthcare. In contrast, construction development and retail trading showed volatility, affected by lockdowns and policy constraints. The automobile and infrastructure sectors saw a modest recovery by 2023–24, aligning with post-pandemic economic revival efforts. These trends signify a diversification of India's FDI landscape, with a clear tilt toward high-tech and resilient sectors. The shift also reflects evolving global investor confidence in India's digital economy, policy stability, and innovation ecosystem.

Table no. 3 - Top FDI Source Countries

Top FDI Source Countries (USD Billion)					
Country	**2019–20**	**2020–21**	**2021–22**	**2022–23**	**2023–24***
Singapore	14.6	17.4	15.9	13.8	12.5
USA	7.3	13.8	10.2	9.9	10.1
Mauritius	8.2	5.6	9.4	6.1	5.8
UAE	4.9	4.2	5.1	4.9	5.2
Netherlands	6.5	4.6	4.7	3.8	4.1

Source – DPIIT database

Fig. no. 3 - Top FDI Source Countries



Analysis –

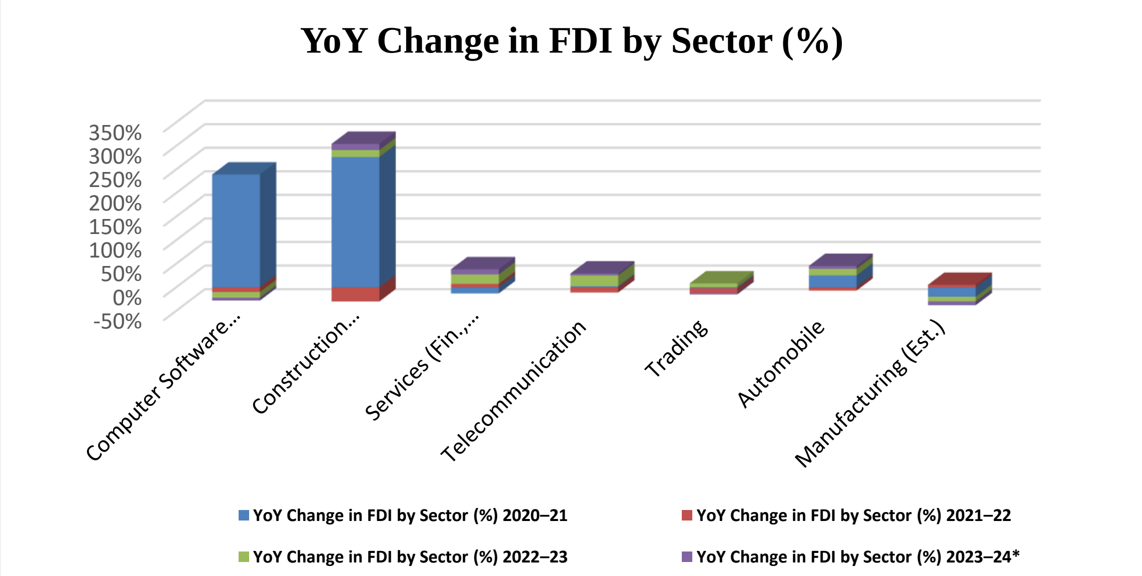
An evaluation of the top FDI source countries to India from 2019 to 2024 reveals consistent inflows from nations with strong economic ties and strategic interests in India's growth story. Singapore emerged as the largest source, owing to favourable tax treaties, regulatory ease, and its role as a financial intermediary hub for global investors. Mauritius, traditionally a key route due to its bilateral tax treaty with India, continued its relevance, though moderated after the revision of the Double Taxation Avoidance Agreement (DTAA). The United States showed rising FDI due to increasing bilateral cooperation in technology, defence, and clean energy sectors, especially post-COVID recovery and 'China plus one' investment strategies.

The Netherlands and Japan also contributed significantly—Netherlands being a European conduit for institutional investments and Japan due to its focus on manufacturing, infrastructure, and technological collaboration under initiatives like the Japan-India Digital Partnership. United Arab Emirates (UAE) gained ground post-2020 with investments in logistics, real estate, and energy, driven by enhanced diplomatic and trade relations. The root causes of these flows include tax optimization, policy predictability, ease of repatriation, bilateral agreements, and alignment with India's sectoral liberalization (e.g., 100% FDI in telecom, defense, and insurance). This trend reflects a blend of historical linkages and evolving strategic alliances, making India a preferred investment destination in Asia for both economic and geopolitical reasons.

Table No. 4 - YoY Change in FDI by Sector (%)

Sector	2020–21	2021–22	2022–23	2023–24*
Computer Software & Hardware	239%	-10%	-12%	-6%
Construction (Infrastructure)	276%	-30%	15%	13%
Services (Fin., Insurance)	-13%	7%	20%	11%
Telecommunication	2%	-11%	23%	4%
Trading	-2%	-10%	8%	-3%
Automobile	25%	-7%	14%	6%
Manufacturing (Est.)	-20%	5%	-10%	-8%

Source – DPIIT database



<u>Analysis –</u>

The year-on-year (YoY) changes in India's sectoral FDI inflows reveal significant post-pandemic trends that reflect both structural economic shifts and policy impacts. The digital sector (Computer Software & Hardware) experienced a dramatic 239% surge in 2020-21, demonstrating how pandemic-driven digitization created immediate investment opportunities, though subsequent declines of 10-12% indicate market saturation and global tech sector challenges. Infrastructure-related construction showed remarkable volatility - skyrocketing 276% during the pandemic's peak but then dropping 30% as projects faced delays and policy hurdles. In contrast, financial and insurance services demonstrated consistent resilience with 7-20% growth, benefiting from India's strong services ecosystem. The telecom sector's 23% growth in 2022-23 aligned with 5G expansion, though slowed to 4% as capital expenditures mounted. Traditional sectors presented concerning trends: trading stagnated with 2-10% declines due to global supply chain issues, while automobile manufacturing's initial 25% rebound faded to modest 6% growth amid supply constraints.

Most alarmingly, general manufacturing faced persistent 10-20% declines, exposing structural weaknesses in labor markets and production ecosystems despite government incentives. These patterns collectively highlight how investor priorities have shifted decisively toward digital and service-oriented sectors, while traditional manufacturing struggles to regain its pre-pandemic appeal. The data underscores the urgent need for policy interventions that address manufacturing competitiveness while sustaining momentum in India's high-growth digital and infrastructure sectors to ensure balanced FDI inflows moving forward.

4.2. Structural Shifts

<u>Rise of digital economy FDI (e.g., Jio Platform deals)</u>

The COVID-19 pandemic accelerated the digital transformation across sectors, significantly boosting foreign direct investment (FDI) into India's digital economy. One notable example is the substantial investment in Jio Platforms during 2020, where global giants such as Facebook, Google, and private equity firms like Silver Lake collectively invested over $20 billion. These deals signaled a shift from traditional capital-intensive sectors to technology-driven platforms, highlighting India's attractiveness as a digital consumption market. The digital economy offered resilience amid pandemic-induced economic slowdown, with increased demand for telecom, fintech, edtech, and e-commerce services. As per DPIIT data, computer software and hardware became the top FDI sector in FY2020–21, receiving over 44% of total inflows. This influx of capital fostered innovation, job creation, and competitive digital infrastructure development. The preference for asset-light, scalable business models also influenced FDI decisions, indicating a long-term pivot toward digital-first investments. Thus, digital FDI emerged as a structural reconfiguration of India's investment landscape in the post-COVID context.

- ***Decline in manufacturing FDI (supply chain disruptions)***

The manufacturing sector in India witnessed a notable decline in FDI inflows during the COVID-19 pandemic due to disruptions in global supply chains. Lockdowns, workforce shortages, and logistical constraints severely impacted production and distribution networks, making traditional manufacturing investments riskier. Countries reliant on China-centered supply chains began reassessing their investment strategies, but relocation did not immediately translate into increased FDI for India due to infrastructural and regulatory hurdles. According to RBI data, sectors such as automobiles and heavy industries saw reduced foreign equity inflows in FY2020–21. Additionally, investor caution over uncertain demand recovery and operational viability further delayed large-scale manufacturing projects. The "Make in India" initiative, though aimed at increasing manufacturing FDI, was offset temporarily by these global setbacks. Moreover, sectors like textiles and chemicals, historically strong in attracting FDI, also experienced subdued interest. Overall, the pandemic exposed the vulnerabilities in India's manufacturing ecosystem and revealed the urgency for supply chain resilience and ease-of-doing-business reforms to attract consistent manufacturing FDI.

- ***Changing investor geography (e.g., US vs. China inflows)***

Post-COVID, a discernible shift in the geography of FDI sources emerged, with the United States increasing its investment footprint in India while China's inflows faced new regulatory barriers. Following the April 2020 amendment to India's FDI policy, all investments from neighbouring countries sharing land borders—especially China—required prior government approval. This policy was introduced to prevent opportunistic takeovers during economic vulnerabilities. Consequently, Chinese investments, which had been growing in Indian startups and tech ventures, declined significantly. Conversely, US-based investors and global funds ramped up their stakes, particularly in technology and healthcare. According to DPIIT data, the US became one of the top contributors to FDI inflows in FY2020–21. This trend also reflected broader geopolitical realignments and supply chain diversification strategies, as Western investors increasingly viewed India as a strategic partner in the Indo-Pacific. The diversification of investor geography is not only a result of policy interventions but also reflects a reorientation of global capital in favor of democratic, transparent investment destinations.

4.3. FDI Policy Effectiveness

Changes in Foreign Direct Investment (FDI) Rules in India Due to COVID-19

Foreign Direct Investment (FDI) has long been a significant contributor to India's economic development, drawing global firms due to low labor costs and dynamic market conditions. Post-liberalization in 1991, India experienced consistent growth in FDI, culminating in India becoming the top FDI destination in 2015, surpassing China and the U.S. (Financial Times, 2015).

To streamline FDI, India offers two main channels: the automatic route (no prior government approval) and the government route (approval required via the Foreign Investment Facilitation Portal). The Foreign Investment Promotion Board (FIPB), responsible for approvals under the government route, was abolished in 2017, transferring authority to respective ministries. The COVID-19 pandemic prompted a strategic shift in India's FDI policy. On 17 April 2020, the Government amended FDI norms to prevent opportunistic takeovers amid economic vulnerabilities.

Investments from countries sharing land borders with India—such as China, Pakistan, and Nepal—now require prior government approval, regardless of the investment route. This decision followed the People's Bank of China's acquisition of a stake in HDFC Bank, triggering concerns of hostile acquisitions. The policy amendment mandated beneficial ownership scrutiny and applied retrospectively to ownership changes.

To implement these changes, the Ministry of Finance revised the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 through the 2020 Amendment. A new Rule 7A permitted non-residents to acquire shares via rights renunciation, expanding investment flexibility within pricing guidelines. Another notable change was the enhancement of FDI limits in insurance intermediaries from 49% to 100% via the automatic route. This liberalization also aligned with earlier reforms, including the "Make in India" initiative launched in 2014, which spurred a 48% FDI increase in one year.

<u>Several sectors experienced targeted FDI policy revisions:</u>

- **Infrastructure:** 100% FDI allowed; private sector to fund 40% of the $1 trillion investment.
- **Automotive:** 89% FDI surge (2014–15); India is the 7th largest global vehicle producer.
- **Pharmaceuticals:** 74% FDI cap; expected CAGR of 20% (2015–2020).
- Services: Includes banking and insurance; FDI reached $1.88 billion in 2017.
- **Railways**: 100% FDI permitted in non-operational areas; large-scale projects like Mumbai-Ahmedabad bullet train underway.
- **Chemicals:** 100% FDI via automatic route, excluding hazardous chemicals.
- **Textiles:** 11% of exports; attracted $1.64 billion by 2015; FDI increased 91% in 2013–14.
- **Airlines:** 100% foreign investment allowed in scheduled domestic carriers.

These amendments reflect India's dual strategy of safeguarding national interests during crises while simultaneously encouraging long-term capital inflow and sectoral expansion.

V. KEY FINDINGS

The analysis reveals that the COVID-19 pandemic triggered notable structural shifts in India's foreign direct investment (FDI) landscape, significantly altering sectoral preferences and investor behavior. One of the most striking outcomes was the surge in FDI directed toward the digital economy. Technology platforms such as Jio Platforms attracted considerable investments from global technology giants and private equity firms, highlighting a strong investor preference for scalable, asset-light, and resilient business models. As a result, the digital sector emerged as a dominant recipient of FDI inflows during and after the pandemic period. In contrast, the manufacturing sector witnessed a decline in FDI due to widespread global supply chain disruptions, operational uncertainties, and mobility constraints imposed by lockdowns. These factors hindered new investments in traditional industries and exposed structural vulnerabilities in India's production and logistics systems, calling for urgent improvements in infrastructure and regulatory frameworks to revive manufacturing FDI.

In addition to sectoral realignments, there was a clear shift in the geographic origin of FDI. The United States significantly increased its share of investments in India, while Chinese inflows declined sharply. This was largely due to India's April 2020 policy that mandated prior approval for FDI from neighboring countries, a move interpreted as a regulatory response to geopolitical tensions. Consequently, Chinese investments, particularly in technology and start-up sectors, saw a steep fall. On the other hand, stronger geopolitical alignment with Western economies, especially the U.S., catalyzed strategic investments in healthcare, digital services, and renewable energy. This redirection of global capital away from politically sensitive regions toward more stable democracies underlined a broader realignment in international investment trends.

Investor sentiment also shifted toward pandemic-resilient sectors characterized by innovation, digitalization, and high consumer engagement. This structural pivot suggests a fundamental transformation in India's economic trajectory, wherein the digital economy now plays a central role in attracting foreign capital. While the manufacturing sector remains important for long-term growth and employment, its recovery will depend on targeted policy interventions aimed at enhancing India's industrial competitiveness and ease of doing business. Overall, the pandemic has redefined India's FDI profile, with digitalization, policy responses, and shifting geopolitical alliances serving as key determinants of future investment flows.

VI. Policy Implications and Recommendations

The structural shifts in India's FDI landscape post-COVID-19 warrant responsive and forward-looking policy actions. For the Government of India, it is essential to institutionalize crisis-responsive FDI frameworks, including fast-track approval mechanisms during periods of global uncertainty. Such streamlined processes can ensure investment continuity and reduce bureaucratic delays. Additionally, fiscal and regulatory incentives should be strategically directed toward shock-resilient sectors such as artificial intelligence, clean energy, digital services, and healthcare infrastructure. These sectors demonstrated stability and growth potential during the pandemic and are critical for future resilience. The Production-Linked Incentive (PLI) scheme must be expanded to accommodate emerging technologies and start-ups to reinforce India's global investment appeal.

For investors, the pandemic has underscored the importance of reassessing traditional risk models. Increased frequency of global shocks—ranging from pandemics to climate-related disruptions—necessitates incorporating adaptive risk management frameworks. Investors should diversify portfolios by prioritizing digital, renewable, and sustainable ventures with scalable models. Furthermore, India's favorable post-COVID policy reforms, such as the liberalized FDI norms and sector-specific incentives, present an opportune climate for capital inflow. Active engagement with India's evolving regulatory architecture can help investors maximize returns while contributing to long-term economic resilience.

VII. Conclusion

In conclusion, the COVID-19 pandemic has led to a structural reorientation of India's FDI landscape, marked by an accelerated shift toward digital sectors and a reevaluation of manufacturing-led investment strategies. The crisis tested India's policy frameworks and highlighted the need for adaptive and responsive governance. The digital economy, healthcare, and technology-driven sectors emerged as prime destinations for global capital, reshaping investor preferences and national development priorities. These changes are not temporary disruptions but signal a long-term transformation in India's economic strategy.

However, the study is subject to certain limitations. Time lags in data reporting may obscure immediate investment trends, and the exclusion of informal economy linkages can result in partial insights. Moreover, the full impact of policy interventions such as the PLI scheme will only become evident with longitudinal analysis. Future research should focus on tracking the productivity and developmental outcomes of reallocated FDI flows over time. Understanding these patterns can inform more effective sectoral policies and investor strategies. Ultimately, India's ability to sustain FDI momentum in a post-pandemic world will depend on the synergy between policy innovation, sectoral readiness, and geopolitical alignment.

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