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DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE

FDI policy in India: routes, sector caps and bans

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FDI IN INDIA IS investment through equity instruments by a person resident outside India in an unlisted Indian company, or in 10% or more of a listed Indian company's paid-up equity on a fully diluted basis. A listed holding that later falls below 10% still counts as FDI (DPIIT FDI FAQ, Q1).

KEY FACTS

FDI POLICY

Consolidated FDI Policy Circular of 2020

LAND-BORDER RULE

Press Note No. 2 (2026 Series)

PROCUREMENT

Public Procurement (Preference to Make in India), Order 2017

UPDATED

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What counts as FDI in India?

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Gross FDI inflows were over USD 94.84 billion in 2025-26, up 17% on 2024-25, the government told the Lok Sabha on August 4, 2026. That counts equity, reinvested earnings and other capital. DPIIT's provisional FDI factsheet puts 2025-26 equity inflow at USD 58,846 million (section D).

From April to June 2026, equity inflow was USD 19,817 million, up 6% in dollars (section C). Section B mislabels it as 2025-26.

Largest sources of FDI equity since April 2000 (DPIIT factsheet, section D)

Country	Equity to June 2026	Share
Singapore	USD 199,912 million	25%
Mauritius	USD 189,086 million	23%
United States	USD 83,170 million	10%

What is the difference between the automatic and government routes?

The difference is approval. On the automatic route, neither the foreign investor nor the Indian company needs prior approval from the government or the Reserve Bank of India (RBI). On the government route, the ministry or department in charge of the sector must approve the investment first.

Automatic route vs government route

Route	Government approval first	RBI approval first	Who decides	Source
Automatic route	No	No	No one beforehand	Consolidated FDI Policy 2020, para 3.4.1; FDI FAQ, Q12
Government route	Yes	None named; the RBI comments on the application	The sector's ministry or department	2020 policy, para 3.4.1; DPIIT SOP, para II.2

On both routes, sectoral laws, security conditions, and state and local laws still apply (2020 policy, para 3.7.1).

So a fully foreign-owned company needs no approval in a 100% automatic sector, such as manufacturing (para 5.2.5.1). Entities and citizens of a country that shares a land border with India need approval in every sector. So does an investor company more than 10% owned or controlled from such a country (Press Note 2 (2026), para 3.1.1; land-border FAQ, Q2). See Press Note 3 and DPIIT's rules on investment, procurement and licences.

How do you find your sector's route and cap?

Check four things in order: whether FDI is banned in your activity, whether chapter 5 of the 2020 policy lists your sector, whether a land-border link applies, and whether a later Press Note changed the rule. Then ask DPIIT if it's still unclear.

1. Check the banned list.

See the eight banned activities below (2020 policy, para 5.1).

2. Find your sector in chapter 5.

Chapter 5 lists the sectors with caps, routes or conditions; any other is 100% automatic (para 5.2(a)).

3. Check who stands behind the investor.

A land-border link can put any sector on the government route. See Press Note 3.

4. Read the Press Notes since 2020.

See how Press Notes take effect below.

5. Ask DPIIT if it's still unclear.

Email your question to fdi-clarification@gov.in in DPIIT's prescribed form (FDI FAQ, Q20; portal FAQ 2).

What are the FDI caps by sector?

Most sectors allow 100% FDI: any sector that chapter 5 of the 2020 policy doesn't list is open to 100% on the automatic route. Lower caps or approval thresholds apply only in sectors it lists, such as news media at 26% or 49%, multi-brand retail at 51% and public sector banks at 20%.

Selected FDI caps and routes, October 29, 2026

Sector	Cap	Route	Source
Manufacturing	100%	Automatic	2020 policy, 5.2.5.1; FDI FAQ, Q17
Defense needing an industrial licence	100%	Automatic to 74%; government above	2020 policy, 5.2.6.1
Telecom services	100%	Automatic	Press Note 4 (2021), 5.2.14.1
Insurance companies and intermediaries	100%	Automatic; the insurance regulator approves or verifies	S.O. 2186(E), F.8
Life Insurance Corporation of India	20%	Automatic	S.O. 2186(E), F.8.2
Satellite manufacturing and operation	100%	Automatic to 74% (launch vehicles and spaceports, 49%; components, 100%); government above	S.O. 1722(E), 12; Press Note 1 (2024)
Pharmaceuticals	100%	Greenfield automatic; brownfield automatic to 74%, government above	FDI FAQ, Q17
Wholesale trading, B2B and marketplace e-commerce	100%	Automatic	2020 policy, 5.2.15.1 and 5.2.15.2.3
Single-brand retail	100%	Automatic	2020 policy, 5.2.15.3
Multi-brand retail	51%	Government	2020 policy, 5.2.15.4
Private security agencies	74%	Automatic to 49%; government above	FDI FAQ, Q17
Banks	74% private; 20% public	Private: automatic to 49%, government above; public: government	Government-route list, rows 14 and 15

News media	26% print and online news; 49% news TV and FM radio	Government	Government-route list, rows 4 to 7

A cap counts direct and indirect foreign investment together (2020 policy, para 5.2(b)). For every capped sector, read chapter 5 of the 2020 policy with the Press Notes since.

DPIIT's list of government-route sectors still shows satellites at government route up to 100% (row 11), and the 2020 text still prints telecom as automatic only up to 49% (para 5.2.14).

What is the FDI limit in insurance now?

The FDI limit in insurance is 100% on the automatic route for insurance companies, subject to the insurance regulator's approval and verification, and for intermediaries as before. The insurers' change took effect on May 2, 2026, when the Ministry of Finance published S.O. 2186(E), carrying out Press Note 1 (2026) of February 9.

- At least one of the chairperson, managing director and chief executive must be a resident Indian citizen (F.8.3.1(d)(I)).
- Foreign investment in the Life Insurance Corporation of India is capped at 20%, on the automatic route (F.8.2).

Some reports date the change to February 2026, but Press Note 1 (2026), para 2, waited for the notification under the Foreign Exchange Management Act (FEMA). DPIIT's 2020 policy still prints 49% (para 5.2.22.1) and its FDI FAQ 74% (Q17).

Where is FDI banned in India?

FDI is banned in eight activities (2020 policy, para 5.1): lottery, gambling and betting, chit funds, Nidhi companies, trading in transferable development rights, real estate business or building farm houses, making cigars and cigarettes, and sectors closed to private investment, such as atomic energy and railway operations.

Foreign technology deals, including franchise and trademark licences, are also banned in lottery, gambling and betting (para 5.1). Real estate business means dealing in land and property for profit. It leaves out building townships, homes, commercial space, roads, bridges, educational institutions, recreational facilities and city and regional infrastructure. It also leaves out SEBI-registered real estate investment trusts and rent from a lease that isn't a transfer (Press Note 1 (2022), para 1.8).

Which kinds of Indian entity can take foreign investment?

An Indian company can take FDI by issuing shares, within its sector's route and cap. An LLP, a trust or a partnership firm can take foreign investment only on the 2020 policy's conditions, and entities it doesn't list can't take FDI at all (para 3.2.7).

Indian entities and foreign investment

Entity	Foreign investment	Condition	Source
Limited liability partnership (LLP)	Yes, automatic route	Only in 100% automatic sectors with no FDI-linked performance conditions	2020 policy, 3.2.4(i)
Trust	Only some	SEBI-registered venture capital funds and investment vehicles	2020 policy, 3.2.3
Branch, liaison or project office	Separate rules	The RBI's 2016 regulations for such offices	FDI FAQ, Q7

For setting up, see investing in India as a foreign company.

How do Press Notes change India's FDI policy, and when do they take effect?

DPIIT changes India's FDI policy by Press Note, and the Department of Economic Affairs makes each change law by amending the Foreign Exchange Management (Non-Debt Instruments)

Rules, 2019. Each 2026 Press Note took effect only when that amendment appeared in the Gazette. Where a Press Note and the Rules differ, the Rules prevail.

The 2020 policy's default is the Press Note's own date, unless it says otherwise (para 1.1.2; FDI FAQ, Q18). Press Note 4 (2021) took immediate effect (para 3), while each 2026 Press Note waited for its FEMA notification.

The 2026 Press Notes

Press Note	Its date	What it changed	FEMA notification	In force from
Press Note 1 (2026)	February 9, 2026	Insurance to 100% automatic; LIC stays at 20%	S.O. 2186(E), May 2, 2026	May 2, 2026
Press Note 2 (2026)	March 15, 2026	Land-border rule: a new beneficial owner test	S.O. 2174(E), dated May 1, 2026	May 2, 2026 (Gazette)
Press Note 3 (2026)	July 23, 2026	Inventory e-commerce for exports of goods made in India	S.O. 4870(E), dated September 2, 2026	September 3, 2026 (Gazette)

For Press Note 2 (2026), DPIIT's land-border FAQ gives May 1 (Q12), the date on S.O. 2174(E). The rules took effect on Gazette publication, May 2 (rule 1(2)).

The 2020 policy stays the base text, read with the Press Notes (FDI FAQ, Q3). Our economic affairs insights explain S.O. 2174(E) and S.O. 4870(E).

How does foreign investment pass to other Indian companies?

Downstream investment is one by an Indian entity with foreign investment into another Indian entity. When people outside India own or control the investing entity, or resident Indian citizens neither own nor control it, the investment counts as indirect foreign investment. The receiving entity then follows the same route, caps and pricing rules as FDI (FDI FAQ, Q9 and Q10).

The investing entity reports it to the RBI in Form DI and on the Foreign Investment Facilitation Portal within 30 days, even before shares are allotted (2020 policy, para 3.8.4.2(i)).

What must you report, and who enforces the rules?

You report foreign investment to the Reserve Bank of India, under its 2019 payment and reporting regulations. An investment with some land-border ownership that doesn't need approval is also reported to DPIIT, before the money arrives. The RBI administers the Foreign Exchange Management Act (FEMA), and the Directorate of Enforcement enforces it.

- RBI reporting: through the Single Master Form on the RBI's FIRMS portal (FDI FAQ, Q5; 2020 policy, Annexure 5, para 2).
- Land-border reports: on the National Single Window System (land-border FAQ, Q7 and Q8).
- Change of control: in a government-route sector, moving ownership or control from resident Indian citizens to non-residents needs approval (para 5.2(c)). See FDI approval in India.
- Penalties: up to three times the sum involved, or up to ₹2 lakh where it can't be counted, plus up to ₹5,000 for each day after the first while a breach continues (Annexure 5, para 3.1(i)).
- Compounding: a breach can be settled for a sum under section 15 of FEMA (DPIIT SOP, para II.15).

This page doesn't cover the RBI's own forms and deadlines.

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Frequently asked questions

Can a company in a sector closed to FDI give bonus shares to its foreign shareholders?

Yes, if the foreign shareholders' shareholding pattern doesn't change (Press Note 2 (2025) of April 7, 2025, para 1). S.O. 2549(E) made it law on June 11, 2025.

Can a foreign investor join an Indian partnership firm or proprietorship?

Only in limited cases. A non-resident Indian may invest if the money stays in India, outside farming, plantations, real estate and print media. Other investment needs the RBI's prior approval, decided with the government (2020 policy, para 3.2.2).

Can a friend or relative abroad invest in an Indian startup or company?

Yes: a stake in an unlisted company is FDI, 100% automatic in most sectors (FDI FAQ, Q1 and Q2), but a citizen of a land-border country needs approval first (Press Note 2 (2026), para 3.1.1(a)). Investment by a non-resident Indian under Schedule IV of the Non-Debt Instruments Rules counts as domestic investment (2020 policy, para 3.4.2(vi), now para 3.4.3).

Sources

- Consolidated FDI Policy Circular of 2020 (effective October 15, 2020): paras 1.1.2, 3.2.1 to 3.2.7, 3.4.1, 3.4.2(vi), 3.7.1, 3.8.4.2, 5.1, 5.2(a) to (c), 5.2.5.1, 5.2.6.1, 5.2.14, 5.2.15, 5.2.22.1 and Annexure 5, paras 2 and 3.1(i)
- DPIIT, FAQs related to FDI Policy (undated; read October 29, 2026): Q1, Q2, Q3, Q5, Q7, Q9, Q10, Q12, Q17, Q18 and Q20
- DPIIT, FDI Policy: Sectors where Government Approval is required (undated; file date July 4, 2025): rows 4 to 7, 11, 14 and 15
- DPIIT, Foreign Investment Facilitation Portal FAQs (undated): FAQ 2
- Press Note No. 4 (2021 Series), Review of FDI Policy on Telecom Sector (October 6, 2021): para 5.2.14.1 and para 3

- Press Note No. 1 (2022 Series), Review of FDI Policy for permitting foreign investment in Life Insurance Corporation of India and other modifications (March 14, 2022): paras 1.7, 1.8 and 1.9
- Press Note No. 1 (2024 Series), Review of FDI Policy on Space Sector (March 4, 2024): para 5.2.12
- S.O. 1722(E), Foreign Exchange Management (Non-debt Instruments) (Third Amendment) Rules, 2024 (April 16, 2024): serial 12
- Press Note No. 2 (2025 Series), bonus shares in sectors prohibited for FDI (April 7, 2025): paras 1 and 3
- S.O. 2549(E), June 11, 2025: Foreign Exchange Management (Non-debt Instruments) (Amendment) Rules, 2025 (bonus shares, new rule 7(2))
- Press Note No. 1 (2026 Series), Review of FDI policy on Insurance Sector (February 9, 2026): para 5.2.22 and para 2
- S.O. 2186(E), Foreign Exchange Management (Non-debt Instruments) (Second Amendment) Rules, 2026 (May 2, 2026): serial F.8
- Press Note No. 2 (2026 Series), Review of FDI Policy on Investments from Countries Sharing Land Border with India (March 15, 2026): paras 3.1.1(a) and (c) and para 2
- S.O. 2174(E), Foreign Exchange Management (Non-debt Instruments) (Amendment) Rules, 2026 (dated May 1, 2026; Gazette May 2, 2026): rule 1(2) (PDF, 723 KB)
- DPIIT, FAQs on investments from countries sharing land border with India (updated October 23, 2026): Q2, Q7, Q8 and Q12
- Press Note No. 3 (2026 Series), Review of FDI policy on E-commerce Sector (July 23, 2026): paras 2 and 3
- S.O. 4870(E), Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2026 (dated September 2, 2026; Gazette September 3, 2026): rule 1(2) (PDF, 574 KB)
- DPIIT, Standard Operating Procedure for Processing FDI Proposals (May 4, 2026): paras II.2 and II.15
- Lok Sabha Unstarred Question No. 2696, Foreign Direct Investment (answered August 4, 2026): answers to (a) and (b) to (d)
- DPIIT, Fact sheet on FDI inflow from April 2000 to June 2026 (provisional; uploaded September 14, 2026): sections B, C and D

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