

New FDI Approval SOP India: How New FDI Approval SOP India Aims to Accelerate Investment Inflows

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FDI Approval SOP Latest News

- India has introduced a new Standard Operating Procedure (SOP) to streamline foreign direct investment (FDI) approvals, mandating that proposals be processed within 12 weeks.
- The initiative comes months after the easing of investment restrictions on neighbouring countries and aims to accelerate FDI inflows into priority sectors.

India's New FDI Approval SOP: Faster and More Transparent Clearances

- **Objective of the New Framework** - The reforms aim to create a more efficient and investor-friendly FDI approval system while maintaining strict scrutiny in sectors linked to national security and critical infrastructure.
- **Time-Bound Approval Process**

- Under the new SOP, the Department for Promotion of Industry and Internal Trade (DPIIT) will circulate FDI proposals to concerned ministries, the **Reserve Bank of India**, the Ministry of Home Affairs, and the Ministry of External Affairs within **two days**.
- These agencies are expected to provide their comments within **eight weeks**.
- **Additional Scrutiny for Sensitive Cases**
 - For proposals recommended for rejection or requiring extra conditions, DPIIT will get an **additional two weeks** for review.
 - Overall, the process aims to complete approvals in nearly 12 weeks through a structured and time-bound mechanism.
- **Shift Towards a Digital and Transparent System**
 - The SOP seeks to reduce duplication, improve coordination among agencies, and create a **fully digital approval** framework.
 - Experts believe this will strengthen ease of doing business and boost investor confidence through greater transparency and predictability.
- **Relaxation for Increased Foreign Equity**
 - Under the new SOP, prior government approval will not be required for increasing foreign equity up to ₹5,000 crore, provided the approved percentage of foreign or NRI ownership remains unchanged.
 - Companies only need to notify the competent authority within 30 days after receiving funds and allotting shares.
- **Dedicated Monitoring Mechanism**
 - To ensure faster processing and better coordination, each ministry will establish a dedicated FDI Cell headed by a nodal officer of at least Joint Secretary rank.
 - Additionally, the DPIIT Secretary will hold regular review meetings every four to six weeks to monitor pending proposals.
- **Security Clearance for Sensitive Sectors**
 - Certain strategic sectors will continue to require security clearance from the Ministry of Home Affairs.
 - These include: Broadcasting; Telecommunications; Space; Defence; Civil aviation; Private security agencies; Mining and processing of titanium-bearing minerals and ores.
- **Challenges and the Way Forward**
 - While the reforms are expected to speed up approvals, security checks and inter-agency scrutiny will continue to keep compliance requirements rigorous.
 - Analysts argue that India must further simplify regulations and reduce business costs to attract high-quality long-term investments, particularly in manufacturing and advanced sectors.

India's Investment Climate: Concerns Over Weak FDI Flows

- India witnessed **net FDI outflows** for the sixth consecutive month in January 2026.
- Gross FDI inflows declined sharply to an 11-month low, reflecting weakening investor sentiment and reduced capital inflows into the country.
 - After accounting for repatriation by foreign firms and overseas investments by Indian companies, India recorded a net outflow of capital during the month.

Impact on the Indian Rupee

- Weak FDI inflows, considered a stable source of foreign capital, have contributed to pressure on the Indian rupee.
- The currency depreciated sharply amid uncertainty over the India-US trade agreement and rising global risk aversion triggered by the West Asia conflict.

Global Factors and Emerging Market Risks

- The ongoing geopolitical tensions in West Asia have increased investor preference for safer assets, reducing flows into emerging markets like India.
- This has adversely affected both capital inflows and currency stability.

Global Competition for FDI: India's SOP Amid Changing Investment Trends

- India's new FDI approval framework comes at a time of intense global competition for foreign investments amid geopolitical uncertainty, energy disruptions, tariff-related trade slowdowns, and weaker global growth.
- Developing economies have been particularly affected by these challenges.

ASEAN and China Streamlining Approvals

- Several Asian economies have introduced faster and more investor-friendly approval systems:
 - Vietnam offers investment registration within 15 days
 - Malaysia processes fast-track applications in 3 days
 - Thailand clears certain proposals within 60–90 days
 - China's non-automatic approvals generally take 15–30 days

Global FDI Trends

- According to a UN Trade and Development report, global FDI flows rose by 14% in 2025 to about \$1.6 trillion.
- However, the gains were uneven:
 - Developed economies saw a 43% rise in inflows
 - Developing economies experienced a 2% decline
- This reflects growing investor preference for relatively stable advanced economies during uncertain times.

Implications for India

- The global investment environment is becoming increasingly competitive, pushing India to accelerate reforms, simplify procedures, and strengthen investor confidence to remain an attractive destination for long-term capital.

Source: **IE** | **ToI**

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