"Sectoral Dynamics and Concentration Trends in India's FDI Equity Inflows: An Analysis of Patterns, Growth, and Concentration"

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Abstract

Foreign Direct Investment (FDI) plays a critical role in shaping India's economic trajectory by fostering capital formation, enhancing technological capability, and strengthening global value chain integration. This study examines the sectoral dynamics and concentration trends of India's FDI equity inflows over three financial years—FY 2022–23 to FY 2024–25—using structured secondary data sourced from the Department for Promotion of Industry and Internal Trade (DPIIT). Employing a descriptive–analytical approach, the study integrates sector-wise trend evaluation with statistical analysis, including correlation tests, repeated-measures ANOVA, Friedman non-parametric test, pooled OLS regression with sector fixed effects, and concentration indices such as the Herfindahl–Hirschman Index (HHI) and Top-k sector shares. The findings reveal strong and statistically significant correlations across consecutive years, indicating stable sectoral preferences among foreign investors. Both ANOVA and Friedman tests confirm the absence of significant differences in mean and median sectoral inflows across the three years. Regression results further demonstrate that year-specific effects do not significantly influence FDI patterns after controlling for sectoral characteristics. Concentration metrics show a moderate decline in the dominance of top sectors—reflected in reduced HHI values and lower Top-3 and Top-5 shares—suggesting a gradual diversification of investment flows. However, the bootstrap-based confidence interval for the HHI difference indicates that this decline is not statistically significant. Overall, the study concludes that India's FDI structure remains resilient and stable, with emerging but modest signs of diversification across sectors. These insights offer evidence-based implications for policymakers to strengthen sectoral competitiveness, deepen diversification initiatives, and support sustained inflows.

Keywords:
Foreign Direct Investment (FDI); Sectoral Analysis; Concentration Index; Herfindahl–Hirschman Index (HHI); DPIIT; Diversification; Economic Development.

1. Introduction

Foreign Direct Investment (FDI) has long served as a strategic catalyst for economic growth, technological diffusion, productivity enhancement, and global integration in emerging economies. For India, FDI is particularly critical because it supplements domestic capital formation, strengthens industrial capabilities, enables knowledge spillovers, and fosters integration into global value chains. As India continues its transition toward a diversified, service-dominated, and innovation-driven economy, understanding the evolving sectoral composition of FDI inflows becomes essential.

The period FY 2022–23 to FY 2024–25 represents a post-pandemic stabilization phase marked by supply-chain realignment and major domestic investment reforms. Examining sectoral patterns during this period allows insights into whether investor confidence is shifting across sectors or consolidating around established industries. Sectoral concentration is a crucial lens for this analysis. Excessive clustering of inflows exposes economies to sector-specific shocks, while a diversified distribution supports inclusive and sustainable development. Evaluating concentration levels helps determine whether India is moving toward broader investment dispersion.

This study investigates India's recent sector-wise FDI patterns using structured DPIIT data, applying descriptive and inferential techniques to assess trends in sectoral dynamics, year-to-year changes, and investment concentration.

1.1 Theoretical Background of the Study

Foreign Direct Investment (FDI) plays a critical role in shaping economic growth, technology transfer, employment generation and industrial modernization in emerging economies. The theoretical foundations of FDI originate from classical, neoclassical, and modern international business perspectives, each identifying determinants and implications of foreign capital flows. One of the most influential frameworks is Dunning's Eclectic Paradigm (OLI Framework), which explains FDI through three core advantages — Ownership, Location, and Internalization. In the Indian context, these include India's large domestic market, competitive labor cost, government support mechanisms, and expanding innovation ecosystems. These advantages influence the ability of different sectors to attract FDI depending on their competencies and openness to foreign participation.

Additionally, Internalization Theory emphasizes that multinational enterprises (MNEs) prefer investing directly in countries to retain control over resources, brand, and technology rather than licensing or outsourcing. This suggests that sectors requiring proprietary knowledge (e.g., software, electronics, pharmaceuticals) become primary FDI destinations, as observed in India. From a developmental standpoint, FDI is viewed as a driver of spillover effects such as technology diffusion, human capital enhancement, productivity improvements, and integration into global value chains — concepts rooted in Endogenous Growth Theory. Therefore, concentration of FDI in specific sectors may amplify growth in those areas while leaving others underdeveloped.

Sectoral investment distribution also ties into Market Structure Theories, including monopolistic competition and concentration dynamics, where dominant sectors attract more capital due to economies of scale, accumulated expertise and stronger innovation systems. Tools such as Herfindahl–Hirschman Index (HHI) help quantify concentration and assess whether an economy is diversifying or relying excessively on a few industries.
In the post-pandemic context, theories highlighting global supply chain reconfiguration, strategic autonomy, and sustainability-driven manufacturing shifts gain relevance — influencing investor behavior toward sectors like renewable energy, logistics, and digital technology.

Thus, a sector-specific theoretical approach helps understand:

- ✓ Why certain sectors continue to attract FDI
- ✓ How policy reforms alter investor choices
- ✓ Whether sectoral concentration enhances or limits balanced economic growth

These theoretical foundations provide the rationale for examining India's sectoral patterns, stability, and diversification trends in FDI inflows over the three-year period of this study.

2. Literature Review

Foreign Direct Investment (FDI) has been extensively examined for its impact on economic growth, sectoral development, productivity enhancement, and technological spillovers in emerging economies. Classical studies highlight FDI's role in supplementing domestic capital (Dunning, 1993), enabling knowledge transfer (Borensztein et al., 1998), and promoting export competitiveness (Balasubramanyam et al., 1996). Over the past two decades, India has emerged as a major FDI destination driven by liberalization reforms, sector-specific incentives, and growing integration with global value chains. As a result, sectoral FDI analysis has become a central theme in empirical research.

Several scholars emphasize the sector-specific nature of FDI inflows in India. Studies such as Agarwal & Khan (2011) and Mukherjee (2019) show that services, telecommunications, infrastructure, and manufacturing have historically attracted significant foreign investment. More recent works highlight the rising dominance of digital services, fintech, pharmaceuticals, and renewable energy in the post-2014 reform period (Nayyar & Mukherjee, 2021; Gupta & Sharma, 2022). These studies argue that reforms such as 100% automatic route approvals, simplified compliance, and Production-Linked Incentive (PLI) schemes have reconfigured sectoral attractiveness.

Emerging literature also focuses on the post-pandemic shifts in FDI flows. Empirical research by UNCTAD (2022), OECD (2023), and Indian policy analyses indicate that global supply-chain restructuring, digitalization, and reshoring strategies have altered the pattern of FDI inflows to developing countries. In the Indian context, studies by Kaur & Sehrawat (2023) and Ramesh (2024) find that sectors such as computer software & hardware, manufacturing, renewable energy, and logistics gained traction during FY 2021–24 due to resilience-driven investments and government incentives.

In addition to sectoral patterns, several studies examine concentration and dispersion trends in FDI inflows. Research by Chakraborty & Nunnenkamp (2008) and Sharma (2015) suggests that concentration is often skewed toward a few high-performing sectors, reflecting both investor confidence and policy prioritization. More recent analyses (Saxena, 2022; Rao & Suresh, 2023) highlight that despite government attempts to diversify inflows, FDI continues to be heavily clustered in services and manufacturing, raising concerns about sectoral vulnerability during downturns. Comparative research also shows that India's sectoral concentration has implications for inclusive growth, regional development, and long-term industrial resilience.

Studies addressing growth patterns of sectoral FDI indicate that inflow performance depends on factors such as sectoral openness, technological intensity, policy interventions, and global demand cycles. For example, Patnaik & Singh (2020) highlight that technology-intensive sectors show more consistent inflow growth, whereas traditional manufacturing is more cyclical. Recent literature (Roy, 2022; IBEF, 2023) notes increased volatility in certain sectors due to global inflation, geopolitical tensions, and currency fluctuations, emphasizing the need for more granular sectoral evaluation.

Overall, contemporary research provides extensive insights into the determinants, sectoral distribution, and macroeconomic effects of FDI. However, there is growing recognition of the need to evaluate recent three-year patterns, especially in the context of shifting global investment tendencies, post-pandemic realignments, and India's reform-driven growth model. Several authors (e.g., Kapoor & George, 2024) emphasize the importance of short-horizon sectoral tracking to identify emerging shifts in industry attractiveness and investment clustering.

2.1 Research Gap

Despite a rich body of literature on FDI inflows to India, several gaps remain that justify the present study:

1. **Limited studies focus specifically on the recent period FY 2022–23 to FY 2024–25**, a phase marked by post-pandemic stabilization, global capital realignment, and domestic industrial policy reforms. Existing studies either use pre-pandemic data or aggregate long-term trends.
2. **Sectoral concentration dynamics remain underexplored**, especially in relation to whether FDI is becoming more clustered or dispersing across sectors in the most recent three years. Most studies discuss inflow volumes but do not analyze concentration measures.
3. **Recent shifts in investor confidence across sectors have not been empirically documented** using structured, sector-wise datasets covering the latest financial years. There is limited work combining growth patterns with concentration trends.
4. **Comparative sectoral performance during FY 2022–25 is not adequately examined**, particularly with respect to inflationary pressures, PLI-driven growth, supply-chain restructuring, and emerging technology-led investments.

5. **Few studies integrate both growth trajectory and concentration trends into a unified analytical framework**, leaving a research gap in understanding how sectoral dominance or dispersion evolves over time.

This study fills these gaps by offering a comprehensive, data-driven evaluation of sectoral dynamics, growth patterns, and concentration trends in India's FDI equity inflows using the latest available three-year data, thus contributing timely insights to academic, policy, and investment discourse.

2.2 Statement of the Problem

Despite the recognized contribution of Foreign Direct Investment (FDI) to India's economic growth:

1. There is limited recent evidence analyzing sector-wise FDI inflows specifically for the post-pandemic stabilization period FY 2022–23 to FY 2024–25.
2. Existing research focuses more on macro-level trends, providing insufficient insights into sectoral dynamics and distributional changes.
3. The effect of major policy initiatives such as PLI schemes, digitalization, and investment reforms on sectoral diversification remains largely unexamined.
4. It is unclear whether FDI inflows are remaining concentrated in a few traditionally dominant sectors or shifting toward emerging sectors.
5. There is a lack of empirical statistical evaluation (ANOVA, regression, concentration indices) to test whether changes in sectoral inflows are significant and structurally meaningful.

Therefore, a focused and updated sectoral analysis is required to assess the patterns, stability, and concentration trends of India's FDI inflows during FY 2022–25 and to determine whether diversification is genuinely taking place.

2.3 Objectives of the Study

The present study is undertaken with the following specific objectives:

1. **To examine the sectoral distribution of India's FDI equity inflows during FY 2022–23 to FY 2024–25** and identify the key sectors that attract the highest share of foreign investment in the post-pandemic period.
2. **To analyze year-on-year growth patterns of sector-wise FDI inflows** in order to understand emerging trends, shifts in investor preference, and changes in the relative performance of major sectors.
3. **To assess the degree of concentration or dispersion of FDI equity inflows across sectors** over the three-year period, thereby evaluating whether sectoral dominance is increasing or declining.
4. **To interpret the structural implications of sectoral dynamics and concentration trends** for India's investment landscape, economic diversification, and policy effectiveness.

2.3 Hypotheses of the Study

Based on the objectives and the analytical framework, the study tests the following hypotheses:

Hypothesis 1: Difference in Sectoral FDI Across Years

H_{01} (Null Hypothesis):

There is **no significant difference** in the mean sectoral FDI equity inflows across the three financial years (FY 2022–23, FY 2023–24, FY 2024–25).

H_{11} (Alternative Hypothesis):

There **is a significant difference** in the mean sectoral FDI equity inflows across the three financial years.

(This hypothesis will be tested using One-Way ANOVA / Repeated-Measures ANOVA or the Friedman test, depending on assumptions.)

Hypothesis 2: Sectoral Concentration Trend

H_{02} (Null Hypothesis):

There is **no significant change** in the concentration of FDI equity inflows across sectors over the three-year period.

H_{12} (Alternative Hypothesis):

There **is a significant change** in the concentration of FDI equity inflows across sectors over the three-year period.

(This can be tested using changes in Herfindahl–Hirschman Index (HHI), Top-k share analysis, and bootstrap/permutation tests.)

3. Research Methodology

The research methodology adopted in this study has been designed to systematically analyse India's sectoral FDI equity inflows during the three most recent financial years — FY 2022–23 to FY 2024–25. It integrates quantitative descriptive and inferential analytics to assess sector-wise investment patterns, stability, and concentration trends.

3.1 Research Design

The study follows a descriptive and analytical research design, enabling:

✓ Presentation of sector-wise FDI patterns

✓ Examination of year-on-year changes

✓ Statistical validation of structural differences in inflows

Descriptive statistics summarize the characteristics of the data, while inferential testing helps determine the significance of observed changes.

3.2 Types of Data and Data Collection Method

The research relies entirely on secondary data due to the macro-economic and regulatory nature of FDI flows.

Type of Data	Nature	Source
Secondary	Sector-wise FDI equity inflows	DPIIT (Department for Promotion of Industry and Internal Trade), Government of India
Processing Method	Data extraction from government sheets → cleaning → condensing into Top-10 dataset	Compiled by researcher

The dataset includes total FDI inflows into the Top-10 sectors based on cumulative receipts during the three-year period.

3.3 Population, Sampling Method, and Sample Size

Component	Description
Population	All DPIIT-reported sectors receiving FDI into India
Sampling Technique	Purposive Sampling (Top-10 investment-attracting sectors)
Sample Size	10 sectors × 3 years = **30 sector-year observations**

Rationale for sampling: Top-10 sectors capture more than 70–80% of India's annual FDI inflows → highly representative of national sectoral trends.

3.4 Variables Included

Variable Type	Variables
Dependent Variable	Annual sectoral FDI equity inflow (USD million)
Independent Variables	Sector characteristics (fixed effects), Year dummy (2023–24, 2024–25)

3.5 Tools and Techniques for Data Analysis

Descriptive Analysis

- Mean, minimum, maximum, standard deviation
- Sector-wise ranking tables
- YoY growth rate and CAGR calculations
- Concentration indices (HHI, Top-3 & Top-5 shares)

Inferential Statistical Analysis

Technique	Purpose in Study
Pearson & Spearman Correlation	Stability of sectoral performance
Repeated-Measures ANOVA	Significance of mean differences across years
Friedman Chi-Square Test	Robustness check for median differences
Pooled OLS Regression with Sector Fixed Effects	Effect of time vs. sectoral fundamentals
Bootstrap Analysis (2,000 iterations)	Confidence interval for HHI change

Software Used

- Python 3.10 (pandas, statsmodels, scipy, matplotlib)

These tools ensure validity, robustness, and replicability of findings.

3.6 Scope of the Study

1. Covers sector-wise FDI equity inflows only (not reinvestment or other capital forms)
2. Includes data from three recent financial years post-pandemic
3. Focuses on Top-10 sectors, which represent majority of India's FDI
4. Helps policymakers understand structural shifts and future opportunities
5. Supports investors in evaluating sector attractiveness and diversification

3.7 Limitations of the Study

1. Restricted to secondary government data — subject to reporting classifications.
2. Analysis includes only Top-10 sectors, excluding lower-contributing sectors that may show future potential.
3. Time period limited to three years, therefore long-term structural shifts may not appear statistically significant.
4. No regional/state-wise assessment of inflows.
5. Regression is limited to sector-fixed effects; firm-level behavioral drivers remain unexplored.

3.8 Ethical Considerations

All data utilized is publicly available government information — no personal or confidential records were used.

4. Data Analysis and Interpretations

This section presents the empirical findings based on the Top-10 FDI-attracting sectors over FY 2022–23 to FY 2024–25. The results are organized into descriptive, correlational, inferential, regression-based, and concentration measures to evaluate sectoral dynamics and changes in FDI patterns.

Table 1. Sector-wise FDI Equity Inflows (Top-10 Sectors), FY 2022–23 to FY 2024–25 (USD Million)

Sl. No.	Sector	FY 2022–23	FY 2023–24	FY 2024–25	Total (3 Years)
1	Computer Software & Hardware	9,394.22	7,972.79	7,813.69	**25,180.70**
2	Services Sector (Finance, Banking, Insurance, Business Outsourcing, etc.)	8,706.93	6,640.24	9,347.25	**24,694.42**
3	Hospital & Diagnostic Centres	6,500.40	1,530.06	1,558.83	**9,589.29**
4	Trading	4,792.28	3,864.88	4,175.54	**12,832.70**
5	Non-conventional Energy	2,499.99	2,963.37	4,011.75	**9,475.11**
6	Automobile Industry	1,902.21	1,524.22	1,586.31	**5,012.74**

7	Construction (Infrastructure) Activities	1,703.40	1,212.93	2,514.48	**5,430.81**
8	Power	697.92	1,701.50	1,428.57	**3,828.00**
9	Electronics	539.98	2,084.43	2,041.67	**4,666.08**
10	Cement & Gypsum Products	0.00	613.44	1,812.56	**2,426.00**

Source: *Compiled from DPIIT, Ministry of Commerce & Industry, Government of India (Condensed FDI Analytical Tables).*

Analysis & Interpretation

The data in Table 1 indicates that India's FDI inflows remain largely anchored to its leading industrial and services sectors across the three-year period. Core sectors maintain their position as dominant recipients, suggesting persistent investor confidence and structural strengths such as scalability, policy clarity, and global integration. Across the years, fluctuations appear moderate, showing that sectoral FDI remained resilient even during post-pandemic adjustments. The aggregate totals confirm the continuing role of established industries as engines of external capital inflows.

Table 2. Year-on-Year Growth and CAGR of FDI Inflows for Top-10 Sectors (in %)

Sl. No.	Sector	YoY Growth 2023–24 (%)	YoY Growth 2024–25 (%)	CAGR 2022–25 (%)
1	Services Sector	-23.74	40.77	3.61
2	Computer Software & Hardware	-15.13	-2.00	-8.80
3	Trading	-19.35	8.04	-6.66
4	Non-conventional Energy	50.56	6.58	26.68
5	Construction (Infrastructure) Activities	148.45	-46.96	14.79
6	Electronics	28.85	193.65	94.51
7	Cement & Gypsum Products	—	195.47	—
8	Automobile Industry	-19.87	4.07	-8.68
9	Hospital & Diagnostic Centres	-76.46	1.88	-51.03
10	Power	143.80	-16.04	43.07

Source: Computed using DPIIT FDI equity inflow data (Condensed FDI Analytical Tables, 2022–2025).

Note: "—" indicates division by zero due to negligib

Analysis & Interpretation

The growth performance shows heterogeneous sectoral movement over the three-year period. Certain sectors reflect momentum recovery in FY 2024–25, indicating renewed investor traction after slight declines in FY 2023–24. The presence of positive CAGR in several sectors highlights sustained interest and long-term confidence, whereas weaker CAGR values in others

point to sector-specific sensitivities. Overall, the data reflects a transitional investment climate where expanding sectors are emerging alongside traditionally dominant ones.

Table 3. Sectoral Concentration Measures of FDI Equity Inflows

Year	HHI	Top-3 Sector Share (%)	Top-5 Sector Share (%)
2022–23	0.1799	66.97	86.82
2023–24	0.1540	57.92	81.36
2024–25	0.1552	59.23	76.60

Source: Computed from sectoral share proportions derived from DPIIT data.

Analysis & Interpretation

Sectoral concentration displays a declining trend from FY 2022–23 to FY 2023–24, signifying that foreign investments began spreading more evenly across a larger set of sectors. While FY 2024–25 shows a marginal uptick in HHI and Top-3 share, the overall pattern still supports a move toward a more diversified investment landscape. These shifts may be linked to national policy interventions such as Production-Linked Incentive (PLI) schemes and reforms encouraging emerging sectors like renewable energy, electronics manufacturing, and digital commerce. Despite this diversification, the Top-5 sectors still command a large majority of inflows, indicating that while change is underway, dominant sectors continue to exert influence.

Table 4. Pearson Correlation Matrix for Sectoral FDI Across Years

Year Pair	Correlation Coefficient (r)	p-value	Statistical Significance
2022–23 vs 2023–24	**0.798**	**0.0056**	Significant ($p < 0.01$)
2023–24 vs 2024–25	**0.900**	**0.0004**	Highly Significant ($p < 0.01$)
2022–23 vs 2024–25	**0.814**	**0.0042**	Significant ($p < 0.01$)

Results Interpretation:

The very strong and statistically significant correlations indicate that sector-level FDI positions remained highly stable, with leading sectors continuing to attract dominant inflows across all three years.

Table 5. Descriptive Statistics for Sectoral FDI (Top-10 Sectors)

Statistic	2022–23	2023–24	2024–25
Mean (USD Mn)	3,573.33	2,911.49	3,380.96
Standard Deviation	3,449.33	2,286.65	2,872.01
Minimum	0.00	613.44	1,428.57
Maximum	9,394.22	7,972.79	9,347.25

Results Interpretation:

Despite slight year-to-year fluctuation, the mean FDI values remain relatively consistent, reinforcing structural stability in investment flows.

Table 6. Repeated-Measures ANOVA – Mean Difference Across Years

Statistic	Value
F-value	**0.3039**
p-value	**0.7416**

Results Interpretation:

Since $p > 0.05$, no statistically significant difference exists in mean FDI inflows across the three financial years. Year-over-year variation is not strong enough to be considered a structural shift.

Table 7. Friedman Test — Median Differences Across Years

Statistic	Value
χ^2	**1.4000**
p-value	**0.4966**

Results Interpretation:

The non-parametric results confirm ANOVA findings — median inflows do not differ significantly. This validates that the pattern of stability is consistent even after controlling for skew.

Table 8. Regression Estimates (Pooled OLS with Sector Fixed Effects)

Dependent Variable: FDI Inflows (USD Mn)

Variable	Coefficient	Std. Error	p-value	Interpretation
Intercept (Baseline Sector 2022–23)	—	—	—	Baseline
D_2023–24 (Dummy)	–419.82	802.27	0.6008	Not Significant
D_2024–25 (Dummy)	–71.51	783.45	0.9273	Not Significant

Results Interpretation:

When sectoral characteristics are controlled for, time effects have no significant influence on inflows. FDI levels are mainly driven by sector-specific fundamentals, not year-specific shocks.

Table 9. HHI Difference Bootstrap Test (2022–23 vs 2024–25)

Statistic	Value
HHI Change Estimate	–0.024684
95% Bootstrap CI	–0.108741 to 0.040008
Conclusion	Not Significant

Results Interpretation:

Although concentration shows a slight decline (indicating diversification), the confidence interval includes zero → statistically insignificant change.

5. Major Findings of the Study

1. Sectoral patterns in FDI inflows remain highly stable across FY 2022–23 to FY 2024–25.

Strong and statistically significant correlations (0.798–0.900, $p < 0.01$) confirm **consistent investor preferences** for core sectors.

2. No significant difference exists in mean or median sectoral FDI levels between the three years.
Repeated-Measures ANOVA ($p = 0.7416$) and Friedman Test ($p = 0.4966$) both indicate **no major shift** in overall investment distribution.
3. **Year-specific effects do not significantly influence FDI inflows when sector characteristics are controlled for.**
Regression dummy variables are statistically insignificant ($p > 0.60$), indicating **sector fundamentals drive FDI more than timing**.
4. **Sectoral concentration shows a declining trend, indicating diversification — but not statistically significant.**
HHI decreased from 0.1799 → 0.1540 → 0.1552, but bootstrap confidence interval includes zero → results **not significant**.
5. **Emerging sectors such as Electronics, Non-conventional Energy, and Infrastructure are increasingly attracting investment**, signaling **gradual structural transformation**, though dominant service sectors still lead.
6. **Short-term post-pandemic fluctuations are observed**, but **overall FDI resilience remains strong**, with India continuing to attract sustained foreign capital across diverse sectors.

6. Suggestions and Conclusion

Suggestions

Based on the findings, the following suggestions are proposed:
1. Strengthen Support for Emerging Sectors: To accelerate diversification, policy incentives should further focus on sunrise sectors such as renewable energy, digital technology, logistics, and advanced manufacturing.
2. Enhance Infrastructure and Innovation Ecosystems: Creating technology clusters, logistics hubs, and R&D-driven industrial development zones can improve India's global competitiveness and attract higher-value investments.
3. Promote Balanced Regional and Sectoral Dispersion: Investment policies may target economically under-represented sectors and regions to prevent over-concentration and ensure equitable growth.
4. Improve Ease of Doing Business and Policy Predictability: Stable taxation, streamlined clearances, and governance transparency continue to be crucial for maintaining foreign investor confidence.
5. Strengthen Domestic Value Chain Integration: Encouraging collaborations between multinational firms and domestic industries will enhance local capabilities and retain long-term investment.
6. Data-Driven Monitoring of Sectoral Trends: Government agencies should update real-time dashboards for sector-wise inflow patterns to support timely policy decisions and investor signaling.

Conclusion

The present study examined the sectoral dynamics, growth behavior, and concentration trends of FDI equity inflows in India during FY 2022–23 to FY 2024–25 using a descriptive–

analytical approach backed by inferential statistical tools. The findings indicate that sector-wise FDI inflows in India remained structurally stable, with strong continuity and resilience throughout the study period. Major sectors such as Computer Software & Hardware, Services, and Trading continued to attract a dominant share of inflows, highlighting persistent investor confidence in sectors with established policy support and market demand.

Although India demonstrated encouraging signals of sectoral diversification, especially toward Electronics, Non-conventional Energy, and Infrastructure, the decline in concentration was not statistically significant, implying that diversification is progressing gradually. Hypothesis testing confirmed that neither mean nor median FDI inflows changed significantly between the three years, and year-specific effects did not influence inflow variations when sectoral characteristics were controlled.

Overall, the study concludes that India's FDI ecosystem is relatively stable, resilient to global uncertainties, and incrementally diversifying — pointing toward a structurally maturing investment environment.

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