AILF INSIGHTS · THE INDUSTRY

How a stronger legal sector brings foreign direct investment

Investors look at contract enforcement before they commit capital. This article explains the link between legal services, dispute resolution and FDI in India.

When a foreign investor studies a country, the questions come in a familiar order. Is the market large? Is policy stable? And if something goes wrong, can a contract be enforced in reasonable time? India's answers to the first two are strong. The third is where the legal sector decides the outcome.

Law is investment infrastructure

Roads, ports and power are visible infrastructure. Law is the invisible kind. Every investment rests on documents: shareholder agreements, land titles, licences, loan agreements and supply contracts. The quality of the lawyers who draft them, and of the forums that enforce them, sets the risk premium an investor adds to the price of capital.

Three channels from law to investment

Certainty at entry. Clear advice on sectoral rules, approvals and tax lets an investor commit sooner. Indian firms with deep regulatory knowledge shorten this stage.

Confidence in enforcement. Commercial courts, arbitration and insolvency tribunals that keep to timelines reduce the fear of capital being locked in litigation.

Ease of exit. Investors enter more readily where they can leave cleanly, through sale, listing or an orderly insolvency process.

FDI in the legal sector, and through it

There are two separate ideas here. Investment *in* the legal sector concerns foreign lawyers and firms working in India within the Bar Council's rules, bringing skills and linking India to global work. Investment *through* the legal sector is much larger: it is every rupee that arrives because Indian legal services made a deal possible and safe.

What government and the profession can do together

- Publish reliable data on disposal times in commercial matters.
- Strengthen institutional arbitration so that India-related disputes are heard in India.
- Fill vacancies in commercial benches and tribunals promptly.
- Build specialist capacity in firms outside the metros, where new factories and projects are located.
- Promote Indian legal services abroad as part of the country's trade effort.

The Viksit Bharat link

A developed India by 2047 will need investment on a scale the country has not yet seen. That investment will be documented, negotiated and protected by lawyers. Strengthening the legal sector is therefore not a favour to the profession. It is part of the national plan.

The Association of Indian Law Firms works with government to regularise the industry and to promote investment in and through the legal sector, because the two goals are the same goal.

Association of Indian Law Firms · November 2026
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Keywords: FDI and legal sector India, contract enforcement India, ease of doing business legal, investment and rule of law
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