Indian Economy · GS - III

Policy uncertainty and frequent changes in government priorities can affect long-term investment decisions. Examine how statutory investment-protection frameworks can improve investor confidence while maintaining democratic accountability and the regulatory powers of future governments.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 12/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Policy continuity, statutory guarantees, ease of doing business, federalism, contractual certainty, legitimate expectations, legislative sovereignty, regulatory flexibility, public interest, dispute resolution.

Model Answer

Introduction

Long-term investments in infrastructure and industry depend on predictable policies, regulatory stability and confidence in government commitments. Statutory investment-protection frameworks seek to reduce uncertainty and improve the investment climate.

Potential Benefits

- **Policy continuity:** Legal frameworks can reduce arbitrary changes in investment procedures and incentives.

- **Investor confidence:** Transparent commitments and time-bound approvals improve investment predictability.
- **Infrastructure development:** Greater certainty can encourage long-term capital commitments in energy, transport and manufacturing.
- **Institutional accountability:** Defined procedures and grievance-redressal mechanisms can improve administrative efficiency.

Challenges and Limitations

- **Legislative sovereignty:** An ordinary law cannot permanently bind future legislatures against amendment or repeal.
- **Public interest:** Governments must retain the ability to regulate investments for environmental protection, labour welfare and public safety.
- **Fiscal implications:** Excessive guarantees and incentives may create long-term financial liabilities.
- **Federal coordination:** Investment policies must remain consistent with constitutional distribution of powers.

Way Forward

Investment laws should ensure transparent contracts, independent dispute resolution, predictable regulatory procedures and proportionate safeguards for public interest.

Conclusion

Investor protection and democratic accountability are complementary objectives. A credible framework must provide policy stability without restricting legitimate future legislative choices.

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