



India's Foreign Direct Investment Trends

[Source: TH](#)

The Finance Ministry has released a comprehensive review shedding light on [India's foreign direct investment \(FDI\)](#) landscape, revealing both declines and hopeful prospects.

- India's **net FDI inflows dropped by almost 31% to USD 25.5 billion** over the first ten months of 2023-24.
 - Overall global FDI flows rose by 3% to an estimated USD 1.4 trillion in 2023, but flows to developing countries **fell by 9% due to economic uncertainty and higher interest rates.**
 - While a modest increase in global FDI flows is anticipated in 2024, significant risks remain, including **geopolitical tensions, high debt levels, and global economic uncertainties.**
- Around 65% of India's FDI equity inflows were observed in services, drugs and pharmaceuticals, construction (infrastructure activities), and non-conventional energy sectors.
 - The **Netherlands, Singapore, Japan, the USA, and Mauritius** accounted for approximately **70% of the total FDI equity inflows into India.**

//

FDI and FPI



Foreign Direct Investment (FDI)

About:

- Investment made by foreign entities/individuals in **businesses and assets** located in a different country

FDI Routes:

Automatic Route:

- No prior government approval required
- Up to 100% allowed in non-critical sectors

Government Approval:

- Necessary in certain sectors or for investments above specific thresholds
- Administered by **Department for Promotion of Industry and Internal Trade (DPIIT)** and RBI

Examples of Approval via Auto and Govt Route:

- Banking (Private sector): up to 49% (auto) + above 49% and up to 74% (Govt)
- Defence: up to 74% (auto) + above 74% (Govt)
- Healthcare (Brownfield): up to 74% (auto) + above 74% (Govt)
- Telecom Services: up to 49% (auto) + above 49% (Govt)

Foreign Investment Promotion Board (FIPB):

- Comes under Ministry of Finance
- Responsible for processing FDI proposals - facilitated by **Foreign Investment Facilitation Portal (FIIP)**
- Making recommendations for Government approval

Govt's prior approval is mandatory for FDI from countries sharing land border with India (China, Bangladesh, Pakistan, Bhutan, Nepal, Myanmar and Afghanistan)

India's Top 5 FDI Sources (FY 2022-23):

- Mauritius
- Singapore
- USA
- Netherlands
- Japan

India's Top Sectors Attracting FDI (FY 2022-23):

- Services Sector
- Computer Software & Hardware
- Trading
- Telecommunications
- Automobile Industry



Foreign Portfolio Investment (FPI)

About:

- Investments made by foreign individuals, institutions, or funds in financial assets
- Known as Fly by Night or Hot Money

Imp Features:

- Purchase of financial assets** occur without gaining ownership
- Passive investment approach
- Investors earn returns through **dividends, interest, and capital appreciation**

Example:

- Stocks, Bonds etc.

Regulatory Body:

- Securities and Exchange Board of India (SEBI)

Difference between FDI and FPI

Features	FDI	FPI
Nature of Investment	Long-term	Short-term
Objective	Long-term presence in a foreign country	Earning quick returns on investments
Control	Significant (over the invested entity)	No or limited control
Investments in	Tangible assets (e.g., factories, buildings)	Financial assets (e.g., stocks, bonds)
Returns	Profits, Dividends, and Capital appreciation	Dividends, Interest, and Capital appreciation
Policy Regulations	Govt policies and sector-specific regulations	Flexible regulations and easier entry/exit
Impact on Economy	Job creation, technology transfer, and economic growth	Short-term liquidity and impact on stock market performance



Read more: [Foreign Direct Investment](#)

PDF Reference URL: <https://www.drishtias.com/printpdf/india-s-foreign-direct-investment-trends>