UP Received Four Times more FDI in 2019-23 than in 2000-17

Why in News?

Recently, Uttar Pradesh Chief Minister inaugurated the **'UP: An Emerging Destination for Foreign Investment in India"** conference.

Key Points

- During the conference, the CM informed that UP received **four times more** Foreign Direct Investment (FDI) **in 2019-23 in comparison to 2000-2017.**
  - According to the official statement, the state government will fulfill the targets set for UP by the Prime Minister in a time bound manner.
  - The state has changed its image in the last 6-7 years. Seven years ago, UP used to be the **BIMARU state of the country.**
- According to the CM, the increased investment is the result of improved law and order situation.

BIMARU

- It is an acronym for **Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh**, a grouping of states that have historically **lagged in economic and social indicators.**
- These states are characterised by **high levels of poverty, low literacy rates, and poor infrastructure.**
- There are a number of factors that have contributed to this, including:
  - **Lack Of Investment:** These states have historically received less investment from the central government than other states in India. This has led to a lack of infrastructure development, which has made it difficult for businesses to operate in these states.
  - **Poor Governance:** The BIMARU states have also been plagued by poor governance. This has resulted in corruption, nepotism, and a lack of transparency. This has made it difficult for businesses to operate in these states and has also discouraged investment.
  - **High Population Growth:** The BIMARU states have also experienced high population growth rates. This has put a strain on resources and has made it difficult for the governments of these states to provide basic services to their citizens.

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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 (FIFP)
  - Making recommendations for Government approval

Govt's prior approval is mandatory for FDIs 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
  - Netherland
  - 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

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