



India's Outward and Inward Investment Trends

For Prelims: Outward Direct Investment (ODI), [Foreign Direct Investment \(FDI\)](#), [Tax Havens](#).

For Mains: India's Outward and Inward Investment Trends, and Implications on Indian Economy.

[Source: IE](#)

Why in News?

In the fiscal year 2023, India saw a significant increase in **Outward Direct Investment (ODI)** by Indian firms, as well as a surge in inward [Foreign Direct Investment \(FDI\)](#), according to a census conducted by the [Reserve Bank of India \(RBI\)](#).

What is Foreign Direct Investment (FDI)?

- FDI is a type of **cross-border investment** in which an investor from one country establishes a lasting interest in an enterprise in another country.
- FDI can take various forms, **such as acquiring shares**, establishing a subsidiary or a joint venture, or providing loans or technology transfers.
 - FDI is considered to be a key driver of economic growth, as it can bring in capital, technology, skills, market access and employment opportunities to the host country.

What is Outward Direct Investment (ODI)?

- An ODI is a business strategy in which **a domestic firm expands its operations** to a foreign country.
- Employing ODI is a natural progression for firms if their domestic markets become saturated and better business opportunities are available abroad.
- American, European, and Japanese firms have long made extensive investments outside their domestic markets.
 - **China has emerged as a large ODI player in recent years.**

What are the Key Highlights of the Outward Direct Investment Trends?

- **Singapore Leads in ODI:**
 - Singapore emerged as the largest beneficiary of Indian ODI in FY2023, receiving Rs 2.03 lakh crore, representing 22.3% of the total ODI, indicating the **growing interest of Indian firms** in the Singaporean market.
 - Singapore serves as a crucial hub for Indian businesses expanding internationally.
 - **Singapore, the US, the UK, and the Netherlands** were **among the top destinations**, receiving 60% of the total Rs 9.1 lakh crore invested during FY23.

- **Overall ODI Growth:**

- Indian firms' total ODI rose by an impressive 19.46%, reaching Rs 9.11 lakh crore in FY2023, compared to Rs 7.62 lakh crore in 2022.

OUTWARD DIRECT INVESTMENT FROM INDIA

COUNTRY	2022	2023	SHARE
Singapore	₹182,200 cr	₹203,233 cr	22.3%
USA	₹102,078 cr	₹124,123 cr	13.6%
UK	₹84,075 cr	₹116,398 cr	12.8%
Netherlands	₹97,723 cr	₹106,395 cr	11.7%
UAE	₹55,608 cr	₹87,459 cr	9.6%
Mauritius	₹70,392 cr	₹76,881 cr	8.4%
Switzerland	₹26,130 cr	₹28,228 cr	3.1%
Bermuda	₹11,515 cr	₹12,582 cr	1.4%
Jersey	₹13,198 cr	₹11,661 cr	1.3%
Cyprus	₹10,142 cr	₹9,985 cr	1.1%
Other Countries	₹1,09,591 cr	₹1,34,124 cr	14.7%
All Countries	₹7,62,652 cr	₹9,11,069 cr	100.0%

- **Tax Havens in the Mix:**

- Bermuda, Jersey and Cyprus are **three jurisdictions known for tax benefits** and are in the **top ten countries** that received Indian ODI.
 - Bermuda, in particular, is renowned for its favourable tax policies, including no taxes on profits, income, dividends, or capital gains.

What are the Key Highlights of Inward Foreign Direct Investment Trends?

- **Total FDI Growth:**

- India witnessed a notable increase in FDI flows, with the total FDI inflow in FY2023 reaching Rs 49.93 lakh crore, compared to Rs 46.72 lakh crore in 2022.

- **US Tops Inward FDI:**

- The United States was the largest source of inward FDI in India in FY2023, bringing in Rs 8.58 lakh crore, accounting for 17.2% of the total share.

- **Other Major FDI Contributors:**

- Mauritius, the UK, and Singapore followed the US in contributing to India's FDI. The top ten countries were responsible for over 90% of the total FDI inflows.

What are the Implications of the Growing ODI and FDI on Indian Economy?

- The growth in ODI and FDI indicates the **increasing global footprint of Indian firms and a willingness to invest** in and **expand operations overseas**, contributing to economic growth and diversification.
- Investing in a variety of countries and sectors allows Indian firms to **diversify risks, gain access to new markets**, technology, and resources, and improve competitiveness.

- If India continues to attract significant FDI from various countries, its appeal as an investment destination and **potential for economic development and job creation will** increase.

UPSC Civil Services Examination Previous Year Question (PYQ)

Q. Justify the need for FDI for the development of the Indian economy. Why there is gap between MoUs signed and actual FDIs? Suggest remedial steps to be taken for increasing actual FDIs in India. **(2016)**

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