



India's Outward FDI Trends

[Source: IE](#)

India's **outward foreign direct investment (OFDI)** experienced a notable decline of **39%** to USD 28.64 billion in the fiscal year ending March 2024, reflecting the impact of uncertain global economic conditions.

- The decline is primarily attributed to reduced commitments in both **equity and loan routes**. The decrease in overseas acquisitions by Indian firms also played a role in this decline.
- However, March 2024 witnessed a surge in **outward FDI**, reaching USD 3.92 billion, with equity commitments at USD 2.03 billion, the highest for the year.
 - This rebound indicates potential opportunities emerging amidst the challenging global economic landscape, highlighting the dynamic nature of India's outward FDI trends.
- **Outward direct investment** is a business strategy where a company based in one country (home country) invests in a business entity (foreign affiliate) located in another country (host country).
 - This investment goes beyond simply buying stocks or bonds; **it involves establishing a controlling interest** or significant influence in the foreign company.

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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 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: [India's Outward and Inward Investment Trends](https://www.drishtias.com/printpdf/india-s-outward-fdi-trends)

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