



# ECONOMY- FDI/FPI CHEAT SHEET

"Foreign Infiltration: Sneak Past UPSC Defenses with Superior FDI/FPI Intel."

| Attribute                   | FDI (Foreign Direct Investment)                                                                                                                         | FPI (Foreign Portfolio Investment)                                                                                            |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <b>Definition</b>           | Investment by a company or individual in one country in business interests in another country, typically in the form of control of a company or assets. | Investment by individuals or firms in securities and other financial assets in another country without controlling ownership. |
| <b>Nature of Investment</b> | Long-term and involves direct management participation.                                                                                                 | Short-term and does not involve direct management control.                                                                    |
| <b>Purpose</b>              | To establish lasting interest and control in a foreign enterprise.                                                                                      | To gain returns on stocks, bonds, or other financial assets.                                                                  |
| <b>Impact on Economy</b>    | Enhances productive capacity, technology transfer, and long-term economic development.                                                                  | Provides capital to markets but can lead to volatility due to rapid entry and exit.                                           |
| <b>Regulatory Body</b>      | Governed by policies framed by the Department of Industrial Policy and Promotion (DIPP) and subject to regulations under FEMA, 1999.                    | Regulated by the Securities and Exchange Board of India (SEBI), also under FEMA, 1999 regulations.                            |
| <b>Sectoral Limits</b>      | Subject to caps in various sectors, requiring government approval for strategic sectors.                                                                | Generally no sectoral limits, but subject to conditions on total foreign ownership in sensitive sectors.                      |
| <b>Type of Assets</b>       | Includes setting up facilities, mergers and acquisitions, and forming new enterprises.                                                                  | Primarily involves stocks, bonds, and other financial assets.                                                                 |
| <b>Volatility and Risk</b>  | Less volatile, involves greater commitment, and considered stable.                                                                                      | More volatile, higher liquidity, and considered riskier.                                                                      |
| <b>Economic Impact</b>      | Directly affects employment, management practices, and technology in the host country.                                                                  | Has less direct impact on job creation and technology transfer.                                                               |



| Clear your doubts now.