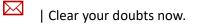




## **ECONOMY- FDI/FPI CHEAT SHEET**

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

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



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