



FDI in UP Shows Significant Growth

Why in News?

Foreign Direct Investment (FDI) in Uttar Pradesh (UP) has surged significantly in recent years, with the state government reporting significant growth between 2019 and 2023.

Key Points

- **Historical Challenges:** Historically, UP struggled with a poor [industrial ecosystem](#) that discouraged foreign investors. A combination of factors contributed to this unfavorable environment, including:
 - Low rankings in [ease of doing business](#)
 - Absence of a streamlined **single-window clearance system**
 - Insufficient basic infrastructure
 - Unclear **industrial policies**
 - Unstable [law and order](#) conditions
- **Shift in FDI Trends:** From 2000 to 2017, Uttar Pradesh's FDI was limited to only Rs 3,000 crore, but it has surged in recent years.
 - Uttar Pradesh is now the 11th most attractive state for FDI, with a total inflow of \$1.7 billion from October 2019 to September 2024.
 - The state ranks first in India for the export of consumer electronics, hosting 196 Electronics System Design and Manufacturing (ESDM) companies currently operating within its borders.
- **Key Policy Reforms:**
 - The [UP Investors Summit 2018](#) set the stage for the state's investment-friendly initiatives.
 - The summit attracted investment proposals worth Rs 4.28 lakh crore.
 - Building on this success, the [Global Investors Summit \(GIS\) in 2023](#) drew Rs 33.50 lakh crore in investment proposals.
 - [Uttar Pradesh Foreign Direct Investment \(FDI\) Fortune Global 500 & Fortune India 500 Companies' Investment Promotion Policy-2023](#)
 - [Uttar Pradesh Industrial Investment and Employment Promotion Policy 2022](#)
 - [Uttar Pradesh Green Hydrogen Policy 2024](#)
 - [Uttar Pradesh Global Capability Centres Policy 2024](#)
- **Project Implementation:** The UP government introduced the concept of [Groundbreaking Ceremonies \(GBCs\)](#).
 - These events serve as a platform for launching large-scale investment projects statewide, with over 16,000 projects initiated across the first four GBCs, more than 8,000 of which are already operational.
 - For the upcoming **GBC-5**, the state government is targeting the grounding of projects worth Rs 5 lakh crore, with the potential to scale up to Rs 10 lakh crore by the event's date.
 - The bulk of the investment has flowed into the [manufacturing](#), [services](#), and [infrastructure](#) sectors, with the manufacturing sector receiving the largest share at **62.25%** of the total investment.

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



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