Investments through P-notes

Investments through **Participatory Notes** in domestic capital market rose to Rs 78,110 crore at the end of March,2019 amid positive market sentiments.

- **Participatory notes (P-notes)** are issued by **registered foreign portfolio investors (FPIs)** to overseas investors who wish to be a part of the Indian stock market without registering themselves directly after going through a due diligence process.
- The increase in P-notes investment is in line with the higher net inflows of Foreign Portfolio Investors (FPIs) in the cash segment.

Foreign Portfolio Investment

- **Foreign portfolio investment (FPI)** consists of securities and other financial assets **passively held by foreign investors.**
    - It does **not provide the investor with direct ownership** of financial assets and is relatively liquid depending on the volatility of the market.
    - Foreign portfolio investment is **part of a country's capital account** and is **shown on its Balance of Payments (BOP).**
    - The BOP measures the **amount of money flowing from one country to other** countries over one monetary year.
- The investor **does not actively manage** the investments through FPIs, he does **not have control over the securities or the business.** However, since the investor's goal is to create a quick return on his money, FPI is more liquid and **less risky than Foreign Direct Investment (FDI).**
- In contrast, FDI lets an investor purchase a direct business interest in a foreign country. The investor's goal is to create a long-term income stream while helping the company increase its profits.
- The investor controls his monetary investments and actively manages the company into which he puts money. However, because the investor's money is tied up in a company, he faces less liquidity and more risk when trying to sell his interest.