Fall in Net FDI

***Prelims**: Economic and Social Development| Current events of national and international importance.*

Why in News?

Recent data released in RBI reveals that Net FDI into India fell by over 96% to $353 million in 2024–25 from $10.1 billion in 2023–24.

- **Foreign direct investment (FDI)** – It refers to an ownership stake in a foreign company or project made by an investor, company, or government from another country.
- FDI investors typically take controlling positions in domestic firms or joint ventures and are actively involved in their management.
- **Top sector-wise Gross FDI Inflows for 2024–25**
  - Manufacturing
  - Financial services
  - Electricity and energy
  - Communication services
- **Top countries contributing to India's Gross FDI**
  - Singapore
  - Mauritius
  - UAE
  - Netherlands
  - USA
- **OFDI (Outward Foreign Direct Investment)** - It refers to investments made by Indian companies in foreign countries — through acquisitions, establishing subsidiaries, joint ventures, or branches.
- In 2024–25 over $29.2 billion were invested abroad by Indian companies.
- Indian OFDI mainly into **Singapore**, **USA**, **UAE**, **Mauritius**, **Netherlands.**
- **Net FDI –** It is the difference between **Gross FDI** and **Outward direct investments** by Indian firms and repatriation by overseas entities.
- **Net FDI = Gross FDI inflows − (OFDI by Indian firms +Repatriation by foreign firms)**

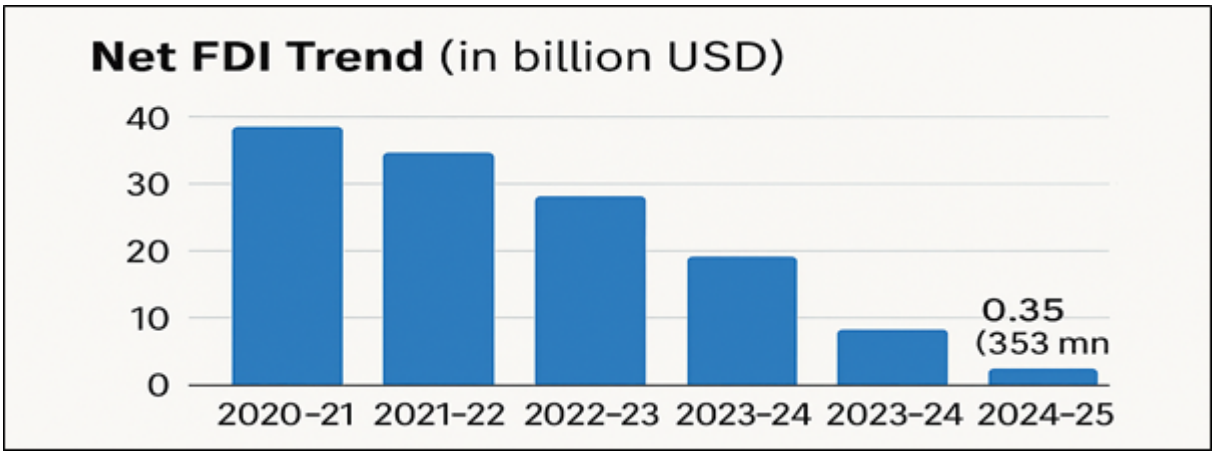
  Repatriation refers to the profits, dividends, or capital from foreign companies gained from India that were sent back to their home countries.

- Net FDI reflects the **net capital retained within India** after outflows.

FDI Component	Amount (2024-25, USD Billion)
Gross FDI (Inward)	81.0
Repatriation by Foreign Companies	51.5
Outward FDI by Indian Companies	29.2
Net FDI (Gross FDI – (Repatriation + Outward FDI)	0.353

Reason for fall in net FDI Fall

- **Highest Repatriation** - $51.5 billion repatriated in 2024–25 which is the ***highest in last decade***.
- **Rise in OFDI** - Indian firms invested $29.2 billion abroad which is a 75% increase from previous year.
- **Pandemic Trend** – Net FDI has been consistently declining declined post-pandemic.



Reference

[The Hindu| India's Net FD crashed by more than 96%]

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