Q51

With reference to Foreign Direct Investment in India, which one of the following is considered its major characteristic? (a) It is the investment through capital instruments essentially in a listed company. (b) It is a largely non-debt creating capital flow. (c) It is the investment which involves debt-servicing. (d) It is the investment made by foreign institutional investors in the Government securities. Official key: B.

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Indian economy, budget, schemes - Prelims GS Paper I.

Explanation

(a)

Capital instruments in a listed company. That is closer to FPI/portfolio, not the FDI hallmark.

(b) Official key

A largely non-debt creating capital flow. Equity control; no scheduled repayment like an ECB.

(c)

Involves debt-servicing. That is ECB/NRI deposits, not FDI.

(d)

Investment in government securities. That is FPI in gilts.

Summary

Official key is (b). FDI's major characteristic here is that it is largely non-debt creating - unlike ECBs or NRI deposits. It is not essentially listed-stock buying or G-sec investment.

Related possible facts

These can be asked in a future Prelims paper.

FDI vs FPI

Lasting interest / 10% plus vs tradable paper.

Non-debt flows

FDI, GDR/ADR; debt: ECB, FCCB, NRI deposits.