GENERAL STUDIES III

India's $4.95 Billion Net FDI Outflow 2026: UPSC Analysis

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India recorded net Foreign Direct Investment outflows of $4.95 billion in September 2026, highlighting the impact of increased foreign investment repatriation, lower gross inflows and overseas investments by Indian companies. Civil Service Gurukul examines the difference between gross and net FDI, FDI and FPI, Balance of Payments, capital outflows, exchange-rate implications, investment policies and India's long-term economic competitiveness. This comprehensive UPSC current-affairs guide includes conceptual explanations, comparative tables, Prelims MCQs and Mains model answers for UPSC CSE 2027.

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UPSC CIVIL SERVICES EXAMINATION | PRELIMS • MAINS • INTERVIEW

DAILY CURRENT AFFAIRS | INDIAN ECONOMY & EXTERNAL SECTOR

26 November 2026 | Civil Service Gurukul Editorial Team | UPSC CSE 2027

Excerpt / Brief Summary

India recorded net Foreign Direct Investment outflows of $4.95 billion in September 2026, following a combination of lower gross foreign investment inflows, increased repatriation and overseas investments by Indian companies.

Although the monthly figures indicate external financing pressures, cumulative net FDI during April–September 2026 remained positive and exceeded the corresponding previous-year level.

The development highlights the importance of distinguishing gross investment, net investment, capital repatriation and outward direct investment.

For UPSC aspirants, the issue connects India's investment climate, Balance of Payments, exchange-rate management, economic reforms and long-term industrial development.

?$4.95 Bn

September 2026 Net FDI

$60.91 Bn

Gross FDI During April–Sep[illegible]mbe[illegible] 2026

+$[illegible].82 Bn

[illegible]t FDI During First Half of FY27

UPSC Syllabus Rele[illegible]vance

Examination Sta[illegible]	Relevant Topics
Prelims	FDI, FPI, Balance of Payments, foreign exchange reserves, economic institutions and investment terminology.
GS Pap[illegible]	Government policies, regulatory reforms and institutional accountability.
GS Paper III	Indian economy, investment, liberalisation, external sector, industrial development and inclusive growth.
Essay	Globalisation, economic resilience, investment-led growth and strategic autonomy.
Interview	India's investment climate, foreign capital dependence and economic competitiveness.

Table of Contents

1. **Why in the News?**
2. **Latest RBI FDI Data**
3. **What Is Foreign Direct Investment?**
4. **Gross FDI vs Net FDI**
5. **Calculation of Net FDI Outflow**
6. **FDI vs FPI**

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7. **Greenfield vs Brownfield Investment**
8. **Repatriation, Disinvestment and ODI**
9. **Capital Outflows vs Capital Flight**
10. **Balance of Payments**
11. **International Investment Position**
12. **India's FDI Regulatory Framework**
13. **Reasons for Declining Net FDI**
14. **Impact on the Indian Economy**
15. **Balanced Economic Analysis**
16. **Way Forward**
17. **UPSC Prelims Quick Revision**
18. **UPSC Prelims Practice MCQs**
19. **UPSC Mains Model Answer**
20. **Frequently Asked Questions**
21. **Conclusion**

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1. Why in the News?

India's net Foreign Direct Investment position recorded a significant deterioration in September 2026, with relevant investment outflows exceeding gross inward investment.

Detailed investment statistics released on 25 November 2026 indicate that the monthly net FDI position turned negative to the extent of $4.95 billion.

This followed positive net inflows of approximately $3.3 billion in August 2026.

However, the cumulative investment position during the first half of FY 2026–27 remained positive.

Major Issues Highlighted

- Decline in monthly gross inward investment.
- Increased foreign investment repatriation and disinvestment.
- Overseas direct investment by Indian companies.
- Volatility in external financing flows.
- Potential exchange-rate pressures.

- Importance of improving India's long-term investment climate.

> **UPSC Current Affairs Insight:**
>
> A negative net FDI figure does not mean that foreign companies have stopped investing in India. It means that relevant direct investment outflows have exceeded gross inward flows during the reference period.

2. Latest RBI FDI Data: September 2026

Investment Indicator	US$ Billion
Gross Inward FDI	5.91
Repatriation and Disinvestment	6.45
Outward FDI by Indian Companies	4.41
Combined Relevant Outflows	10.86
Net FDI	**?4.95**
Net FDI in August 2026	+3.30
Net FDI in September 2025	?2.27

Understanding the September Investment Position

Gross Inward FDI – $5.91 Billion

Repatriation and Disinvestment – $6.45 Billion

Outward FDI – $4.41 Billion

Combined Relevant Outflows – $10.86 Billion

Figures reflect reported RBI statistics released on 25 November 2026 and may be subject to subsequent revisions.

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First Half of FY 2026–27: A Broader Perspective

Particulars	Reported Position
Gross FDI during April–September 2026	$60.91 billion
Year-on-Year Gross FDI Growth	Approximately 15.5%
Net FDI during April–September 2026	$8.82 billion
Net FDI during April–September 2025	$7.35 billion
Year-on-Year Net FDI Growth	Approximately 20%

Important Prelims Trap:

September recorded negative monthly net FDI, but cumulative net FDI during April–September 2026 remained positive. Monthly and cumulative investment figures should not be confused.

3. What Is Foreign Direct Investment (FDI)?

Foreign Direct Investment refers to cross-border investment involving a lasting interest and a significant degree of influence over an enterprise located in another economy.

FDI generally involves a more substantial business relationship than investment undertaken solely for financial returns through securities markets.

Major Forms of Foreign Direct Investment

- Investment in equity capital.
- Establishment of new business operations.
- Acquisition of ownership interests in existing enterprises.
- Reinvestment of eligible earnings.
- Qualifying financial transactions between related direct investment enterprises.

International Statistical Benchmark

Under widely used international Balance of Payments statistical standards, ownership of at least 10% of voting power generally establishes a direct investment relationship.

India's regulatory classification additionally considers whether an investee company is listed or unlisted and applies the relevant foreign investment rules.

Prelims Concept: FDI does not necessarily require majority ownership or complete managerial control. A significant degree of influence may establish a direct investment relationship.

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4. Difference Between Gross FDI and Net FDI

Parameter	Gross Inward FDI	Overall Net FDI
Meaning	Gross direct investment flowing into India.	Direct investment position after relevant inward and outward adjustments.
Repatriation Adjustment	Not deducted in the gross inward figure.	Relevant repatriation and disinvestment are deducted.
Outward Investment	Not deducted.	Net outward direct investment is deducted.
Economic Significance	Measures gross foreign investment activity.	Measures the net direct investment contribution to external financing.
Can Remain Positive During Net Outflows?	Yes.	May become negative.

Conceptual Clarity:

Net inward FDI, calculated after adjusting gross inward investment for repatriation and disinvestment, is distinct from overall net FDI, which additionally accounts for net outward direct investment by Indian residents.

5. How Is India's Net FDI Calculated?

Overall Net FDI = Gross Inward FDI ? Repatriation and Disinvestment ? Net Outward FDI

September 2026 Calculation

Particulars	US$ Billion
Gross Inward FDI	5.91
Less: Repatriation and Disinvestment	6.45
Net Inward FDI	?0.54
Less: Net Outward FDI	4.41
Overall Net FDI	**?4.95**

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$5.91 Billion ? $6.45 Billion ? $4.41 Billion

= ?$4.95 Billion

The negative position arose because the combined relevant outflows exceeded gross inward investment.

Exam Trigger: Positive gross inward FDI can coexist with negative net inward FDI and negative overall net FDI.

6. Difference Between FDI and FPI

Foreign Direct Investment and Foreign Portfolio Investment are important components of international capital movements, but their economic characteristics differ.

Parameter	FDI	FPI
Full Form	Foreign Direct Investment	Foreign Portfolio Investment
Primary Characteristic	Lasting business interest and significant influence	Investment in financial securities without an equivalent direct investment relationship.
Typical Assets	Business ownership interests and related direct investment assets.	Shares, bonds and other eligible securities.
Investment Horizon	Generally longer-term.	May be short-term or long-term.
Liquidity	Often relatively less liquid.	Often more liquid.
Volatility	Generally more stable, although exits and repatriation occur.	May respond rapidly to global financial conditions.
Potential Developmental Role	Technology, management expertise and productive capacity.	Capital-market liquidity and financial investment.

UPSC Prelims Trap:

FDI is not permanently locked into an economy. Foreign investors may exit investments, undertake restructuring or repatriate eligible capital in accordance with applicable regulations.

7. Greenfield Investment vs Brownfield Investment

Parameter	Greenfield Investment	Brownfield Investment

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Meaning	Establishment of a new business facility or operation.	Investment in or acquisition of an existing facility or business.
Example	A foreign company establishes a new semiconductor factory in India.	A foreign company acquires an existing Indian manufacturing enterprise.
New Capacity	Generally creates additional productive capacity.	May expand, restructure or modernise existing capacity.
Implementation Period	Often requires longer establishment time.	May provide faster access to existing assets.
Employment Impact	Potential creation of new employment opportunities.	Employment effects depend on restructuring and expansion plans.

GS Paper III Value Addition:

The developmental impact of foreign investment depends on its nature, sector, technology transfer, domestic linkages and employment outcomes. A large acquisition does not necessarily create the same new productive capacity as an equivalent greenfield project.

8. Repatriation, Disinvestment and Overseas Direct Investment

A. Repatriation

Repatriation broadly refers to transferring eligible funds or investment proceeds from a foreign jurisdiction to the investor's home economy or another permitted destination.

Foreign investors may repatriate capital or sale proceeds in accordance with applicable regulations.

B. Disinvestment

Disinvestment occurs when an investor sells, reduces or otherwise disposes of an existing ownership interest.

Such transactions may reduce the net direct investment recorded for the host economy.

C. Overseas Direct Investment (ODI)

Overseas Direct Investment involves eligible direct investments by Indian residents or enterprises in foreign entities under the applicable regulatory framework.

Indian companies may undertake overseas investments to acquire technology, access international markets, secure resources or expand their business operations.

Why Do Indian Companies Invest Abroad?

- Access to international customers.
- Acquisition of advanced technologies.
- Business diversification.

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- International brand expansion.
- Access to strategic resources.
- Participation in global value chains.

Accounting Distinction: Ordinary dividend and profit remittances are generally recorded as primary income in the current account of the Balance of Payments. Capital withdrawals and qualifying disinvestment are recorded in the financial account. These categories should not be treated as interchangeable.

9. Capital Outflows vs Capital Flight

Capital outflows broadly represent movements of investment or financial resources from one economy to another.

Capital flight is a narrower and context-dependent expression commonly used for significant movements of capital associated with concerns about economic instability, political uncertainty, loss of confidence or similar risks.

Capital Outflows	Capital Flight
May result from normal business activities.	Often associated with an adverse confidence or risk environment.
Includes overseas investments and legitimate investment exits.	May involve rapid movement of funds to perceived safer destinations.
Not necessarily a negative economic development.	May indicate macroeconomic or institutional vulnerabilities.
Can support international business expansion.	Can increase pressure on currency and external financing.

Balanced Analysis: Negative monthly net FDI does not establish capital flight. The motivations, timing and composition of outflows must be examined before drawing conclusions about investor confidence.

10. Foreign Investment and India's Balance of Payments

The Balance of Payments (BoP) is a statistical record of economic transactions between residents of an economy and non-residents during a specified period.

Major Components of Balance of Payments

Account	Major Components
Current Account	Trade in goods and services, primary income and secondary income.
Capital Account	Capital transfers and transactions in non-produced, non-financial assets.
Financial Account	Direct investment, portfolio investment, financial derivatives, other investment and reserve assets.
Net Errors and Omissions	Statistical adjustments arising from differences in data recording and measurement.

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Understanding the Current Account Deficit

A Current Account Deficit (CAD) arises when total current account debits exceed total current account credits.

Foreign direct investment can help finance a current account deficit by contributing to external financing. However, it is not itself a current account receipt.

> **Important UPSC Distinction:**
>
> Under the modern international Balance of Payments framework, FDI and FPI are classified under the financial account.
>
> Some traditional textbooks use the term capital account more broadly to include financial flows. Aspirants should recognise the distinction between these presentations.

11. What Is the International Investment Position?

The International Investment Position (IIP) records the value of an economy's external financial assets and liabilities at a particular point in time.

Net International Investment Position = External Financial Assets ? External Financial Liabilities

Balance of Payments vs International Investment Position

Parameter	Balance of Payments	International Investment Position
Nature	Flow concept.	Stock concept.
Reference	Transactions during a period.	Assets and liabilities at a particular date.
Example	FDI received during September.	Outstanding direct investment assets and liabilities at September-end.
Analytical Purpose	External transactions and financing.	External financial exposure and wealth position.

> **Prelims Value Addition:** A change in the international investment position can arise from financial transactions, exchange-rate changes, asset-price movements and other adjustments.

12. India's Foreign Direct Investment Regulatory Framework

India regulates foreign investment through its applicable FDI policy, foreign exchange legislation, sector-specific requirements and associated regulatory instruments.

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Institution or Framework	Major Responsibility
Department for Promotion of Industry and Internal Trade (DPIIT)	Formulation and coordination of foreign direct investment policy.
Reserve Bank of India (RBI)	Foreign exchange regulation, reporting requirements and external sector statistics within its statutory responsibilities.
Foreign Exchange Management Act, 1999	Provides the overarching legal framework for foreign exchange management.
Foreign Exchange Management (Non-Debt Instruments) Rules, 2019	Provide important rules governing foreign investment in non-debt instruments.
SEBI	Regulates securities markets and foreign portfolio investment under the applicable framework.
Sectoral Ministries and Regulators	Administer sector-specific approvals and regulatory requirements.

Automatic Route vs Government Route

Automatic Route	Government Route
Prior government approval is generally not required.	Prior government approval is required.
Investment must comply with sectoral caps and applicable conditions.	Investment is subject to approval procedures and applicable conditions.
Applicable reporting obligations remain relevant.	Approval does not eliminate other statutory obligations.

Actual investment eligibility depends on the applicable sectoral policy, investor characteristics and rules in force on the transaction date.

13. Why Can India's Net FDI Decline?

A. Lower Gross Inward Investment

A reduction in new foreign investment transactions can weaken gross inward FDI.

B. Increased Repatriation and Disinvestment

Foreign investors may sell existing investments, restructure holdings or transfer eligible investment proceeds abroad.

C. Expansion of Indian Companies Abroad

Higher outward direct investment can reduce the overall net FDI figure even when it reflects the international expansion of competitive Indian businesses.

D. Global Interest Rate Conditions

Higher financing costs and changing international investment returns may influence investment decisions.

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E. Geopolitical Uncertainty

Trade disputes, international conflicts and global economic uncertainty can affect business investment plans.

F. Domestic Regulatory and Infrastructure Challenges

Complex procedures, delays in approvals, infrastructure gaps and contract enforcement issues may influence long-term investor confidence.

G. Timing of Large Transactions

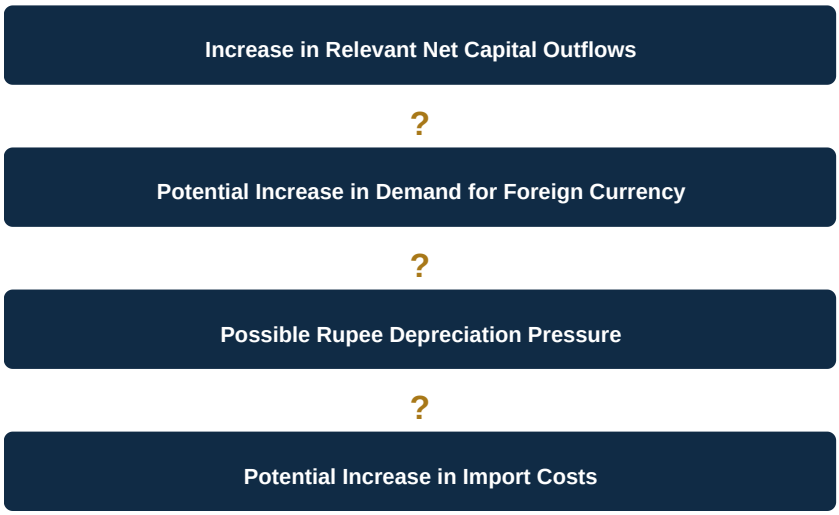
Monthly FDI data may be affected by the timing of acquisitions, capital withdrawals and major investment transactions.

These are potential explanatory factors. Establishing their individual contribution requires detailed evidence rather than assumptions based on a single monthly figure.

14. Potential Impact of Net FDI Outflows on the Indian Economy

Economic Dimension	Potential Impact
Foreign Exchange Market	Higher demand for foreign currency may contribute to depreciation pressures.
External Financing	Reduced net direct investment may weaken one source of external financing.
Investment Climate	Persistent declines in new investment may indicate challenges in attracting foreign capital.
Employment	Lower greenfield investment could affect the creation of new employment opportunities.
Manufacturing	Reduced productive investment may influence industrial expansion and technology development.
Foreign Exchange Reserves	Broader external financing conditions may affect reserve movements.
Inflation	Currency depreciation, if it occurs, may increase the domestic cost of selected imports.
Global Business Expansion	Outward FDI may support future overseas earnings, technology access and business diversification.

Possible Economic Transmission Mechanism



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?

Need for External Sector Resilience and Policy Coordination

This framework illustrates possible transmission channels. Actual outcomes depend on exports, remittances, other capital flows, market expectations, reserve management and monetary conditions.

15. Does Negative Net FDI Indicate a Weak Investment Climate?

The answer requires a balanced assessment rather than a conclusion based on one monthly observation.

Reasons for Concern	Reasons for a Balanced Interpretation
Lower monthly gross investment.	Gross investment during the first half of FY27 remained higher year-on-year.
Higher repatriation and disinvestment.	Investment exits may reflect normal commercial decisions.
Potential pressure on external financing.	Other external financing sources may offset part of the pressure.
Possible reduction in investor confidence.	Monthly flows can be influenced by large transactions.
Lower overall net FDI.	Outward investment may reflect global expansion by Indian companies.

Indicators That Should Be Examined Together

- Gross inward FDI over multiple quarters.
- Net inward and overall net direct investment.
- Greenfield project announcements and actual implementation.
- Sectoral distribution of foreign investment.
- Domestic value addition and technology transfer.
- Employment generated by investment projects.
- Repatriation and disinvestment patterns.
- Foreign exchange reserves and current account financing.
- Domestic private-sector investment growth.

> **Mains Value Addition:**
>
> Investment quality is as important as investment quantity. A sustainable investment strategy should promote productive capacity, technological capabilities, employment and integration with domestic supply chains rather than targeting gross inflow figures alone.

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16. Importance of Foreign Exchange Reserves

Foreign exchange reserves help an economy manage external payment requirements and periods of financial volatility.

Major Components of India's Foreign Exchange Reserves

- Foreign Currency Assets (FCA).
- Gold reserves.
- Special Drawing Rights (SDRs).
- Reserve Tranche Position in the International Monetary Fund.

Role of the Reserve Bank of India

The RBI may intervene in the foreign exchange market to address excessive exchange-rate volatility and support orderly market conditions.

Reserve movements are influenced by external transactions, RBI operations, valuation changes and other factors.

> **Prelims Trap:** Every decline in foreign exchange reserves does not necessarily represent capital flight or RBI intervention. Changes in exchange rates and asset valuations can also influence the reported value of reserves.

17. FDI and India's Long-Term Economic Development

Technology Transfer

Foreign investment can facilitate access to advanced technologies, managerial expertise and international production practices.

Employment Generation

Productive investments may create direct employment and opportunities within supporting industries.

Infrastructure Development

Long-term foreign capital may support infrastructure investment, subject to commercial viability and appropriate regulation.

Export Competitiveness

Integration with international production networks can create opportunities for Indian suppliers and exporters.

Industrial Modernisation

Investment in advanced manufacturing can contribute to productivity improvements and industrial diversification.

Domestic Enterprise Development

Foreign investors may create commercial opportunities for Indian MSMEs through supplier relationships and technology partnerships.

These benefits are not automatic. Their realisation depends on investment quality, domestic capabilities, competition policy, labour conditions and regulatory effectiveness.

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18. Way Forward: Strengthening India's Investment Climate

A. Improve Regulatory Predictability

Maintain clear, transparent and consistent investment policies to reduce uncertainty for domestic and international businesses.

B. Strengthen Contract Enforcement

Improve dispute resolution mechanisms, commercial justice and the enforcement of legitimate contractual obligations.

C. Reduce Infrastructure and Logistics Costs

Develop efficient transport, energy and digital infrastructure to improve manufacturing competitiveness.

D. Promote Greenfield Investment

Encourage investment that creates productive capacity, technology capabilities and sustainable employment.

E. Strengthen Domestic Supply Chains

Support MSMEs, component manufacturers, research institutions and domestic technology enterprises.

F. Diversify Investment Sources

Reduce excessive dependence on limited investment markets by developing wider international economic partnerships.

G. Maintain Macroeconomic Stability

Strengthen fiscal sustainability, inflation management, financial stability and external sector resilience.

H. Improve Statistical Transparency

Monitor gross inflows, net inward investment, outward investment and repatriation separately to understand the underlying investment position.

I. Encourage Sustainable Outward Investment

Recognise that commercially sound overseas investments can support the competitiveness and international expansion of Indian companies.

> **Strategic Framework for UPSC:**
>
> Regulatory Stability + Productive Investment + Domestic Competitiveness + Diversified Capital Sources + Macroeconomic Resilience = Sustainable Investment-Led Growth.

19. UPSC Prelims 2027 – Quick Revision

- FDI stands for Foreign Direct Investment.

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- FPI stands for Foreign Portfolio Investment.
- ODI stands for Overseas Direct Investment.
- Gross inward FDI and overall net FDI are different statistics.
- Repatriation and outward investment can reduce net FDI.
- Positive gross inflows can coexist with negative net flows.
- September 2026 net FDI outflow was reported at $4.95 billion.
- September 2026 gross inward FDI was $5.91 billion.
- First-half FY27 net FDI remained positive at $8.82 billion.
- Greenfield investment generally creates a new business facility.
- Brownfield investment involves an existing enterprise or facility.
- FDI and FPI are recorded in the financial account under the modern BoP framework.
- Ordinary dividends are generally recorded under primary income in the current account.
- Balance of Payments is a flow concept.
- International Investment Position is a stock concept.
- FEMA was enacted in 1999.
- DPIIT plays a central role in formulating FDI policy.
- SDRs form part of India's foreign exchange reserves.
- Negative net FDI does not automatically establish capital flight.
- Monthly investment volatility must be distinguished from structural economic trends.

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20. UPSC Prelims Practice MCQs

Question 1

Why can overall net Foreign Direct Investment become negative despite positive gross inward FDI?

A. Because exports always exceed imports.

B. Because income tax revenue is included in foreign investment.

C. Because repatriation, disinvestment and outward direct investment exceed gross inward flows.

D. Because foreign companies are prohibited from investing in India.

Reveal Correct Answer and Explanation

Correct Answer: C

Overall net FDI adjusts gross inward investment for relevant repatriation, disinvestment and net outward direct investment. If these outflows exceed gross inflows, the resulting net position becomes negative.

Question 2

Consider the following statements regarding FDI and FPI:

1. FDI generally involves a lasting interest in a foreign enterprise.
2. FPI may involve investments in shares and bonds.
3. FDI can never be repatriated or withdrawn.

Which of the statements given above are correct?

A. 1 only
B. 1 and 2 only
C. 2 and 3 only
D. 1, 2 and 3

Reveal Correct Answer and Explanation

Correct Answer: B - 1 and 2 only

FDI generally involves a lasting business interest, while FPI includes eligible financial securities. Statement 3 is incorrect because direct investors may exit investments and repatriate eligible funds in accordance with applicable regulations.

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Question 3

Consider the following pairs under the modern Balance of Payments framework:

Transaction	Account
1. Foreign Direct Investment	Financial Account
2. Merchandise Exports	Current Account
3. Ordinary Dividend Payments to Non-Residents	Capital Account

How many of the above pairs are correctly matched?

A. Only one

B. Only two

C. All three

D. None

Reveal Correct Answer and Explanation

Correct Answer: B – Only two

Pairs 1 and 2 are correct. Ordinary dividend payments are generally recorded under primary income in the current account, not the capital account.

Question 4

Which of the following best describes greenfield foreign investment?

A. Purchase of government securities by a foreign portfolio investor.

B. Acquisition of shares solely for short-term trading.

C. Sale of an existing foreign investment.

D. Establishment of a new manufacturing facility by a foreign investor.

Reveal Correct Answer and Explanation

Correct Answer: D

Greenfield investment involves establishing new business operations or facilities. Brownfield investment involves an existing business or productive asset.

Question 5

With reference to India's foreign investment position in September 2026, consider the following statements:

1. India recorded negative monthly net FDI.
2. India continued to receive positive gross inward FDI during September.
3. Cumulative net FDI during April–September 2026 was negative.

Which of the statements given above are correct?

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A. 1 and 2 only

B. 2 and 3 only

C. 1 and 3 only

D. 1, 2 and 3

Reveal Correct Answer and Explanation

Correct Answer: A – 1 and 2 only

September recorded negative overall net FDI of $4.95 billion despite gross inward investment of $5.91 billion. Cumulative net FDI during April–September 2026 remained positive at $8.82 billion.

21. UPSC Mains Answer Writing Practice

GS Paper III – Indian Economy and External Sector

Question: A decline in net Foreign Direct Investment does not necessarily indicate a deterioration in India's overall investment climate. Critically examine this statement in the context of recent FDI outflows.

Marks: 15 | **Word Limit:** 250 Words

Reveal Model Answer

Introduction

Foreign Direct Investment contributes to external financing, productive capacity and technology development. India's reported net FDI outflow of $4.95 billion in September 2026 highlights the importance of distinguishing gross foreign investment from its overall net contribution.

Body

Negative net FDI may arise from lower gross investment, increased repatriation, disinvestment and overseas investments by domestic enterprises.

Persistent outflows can create concerns regarding external financing, exchange-rate stability, industrial investment and employment opportunities.

However, a negative monthly position does not necessarily indicate structural deterioration because:

- Gross inward investment may remain positive.
- Repatriation may reflect legitimate commercial decisions.

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- Outward FDI may support international expansion by Indian companies.
- Large transactions can create significant monthly volatility.
- Cumulative investment trends may differ from individual monthly observations.

India's cumulative net FDI during April–September 2026 remained positive at $8.82 billion, illustrating the importance of evaluating longer-term trends.

India should strengthen regulatory predictability, contract enforcement, logistics efficiency, domestic manufacturing and technological capabilities. Policy evaluation should focus on greenfield investment, employment generation, domestic value addition and investment sustainability.

Conclusion

Foreign investment performance must be assessed through its composition, quality and long-term developmental outcomes. India should pursue a resilient investment ecosystem that combines foreign capital with competitive domestic enterprises and macroeconomic stability.

GS Paper III – Balance of Payments and Investment

Question: Examine the relationship between foreign investment flows, exchange-rate stability and India's Balance of Payments position.

Marks: 10 | **Word Limit:** 150 Words

Revised Suggested Answer

Foreign Direct Investment and Foreign Portfolio Investment constitute important sources of external financing and are recorded in the financial account of the Balance of Payments.

Foreign capital inflows may increase the availability of foreign currency and contribute to exchange-rate stability. Conversely, substantial outflows may generate depreciation pressures and increase external financing requirements.

However, exchange-rate movements also depend on trade balances, remittances, global interest rates, market expectations and central bank operations.

FDI is generally considered more stable than portfolio investment, although repatriation and business exits can generate substantial volatility.

India should strengthen productive investment, export competitiveness, diversified external financing and adequate foreign exchange reserves.

A sustainable external sector requires macroeconomic stability and competitive domestic industries rather than excessive reliance on any single category of foreign capital.

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22. Important Essay Topics for UPSC

- Foreign investment is a means of development, not an end in itself.
- Economic resilience in an interconnected global economy.
- Globalisation and India's strategic autonomy.
- Investment-led growth must translate into inclusive development.
- Technology and competitiveness are the foundations of economic self-reliance.
- Domestic economic strength is the best protection against external uncertainty.

23. Frequently Asked Questions

What is Foreign Direct Investment?

FDI refers to cross-border investment involving a lasting interest and significant influence over an enterprise in another economy.

What was India's net FDI in September 2026?

India recorded a reported net FDI outflow of $4.95 billion in September 2026.

What was India's gross FDI in September 2026?

Gross inward Foreign Direct Investment was approximately $5.91 billion.

Why did India's net FDI become negative?

Relevant foreign investment repatriation, disinvestment and outward direct investment together exceeded gross inward investment.

What is the difference between gross and net FDI?

Gross inward FDI measures investment flowing into India before relevant deductions, while overall net FDI adjusts for repatriation, disinvestment and net outward direct investment.

Does negative net FDI mean foreign investment has stopped?

No. Positive gross inward investment can coexist with negative net FDI when relevant outflows exceed inflows.

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What was India's net FDI during April–September 2026?

Cumulative net FDI remained positive at approximately $8.82 billion.

What is the difference between FDI and FPI?

FDI generally involves a lasting business interest and significant influence, whereas FPI involves investment in financial securities without an equivalent direct investment relationship.

What is Overseas Direct Investment?

ODI involves eligible direct investment by Indian residents or businesses in foreign enterprises under applicable regulations.

What is greenfield investment?

It involves establishing a new business operation or productive facility.

Which account of the Balance of Payments records FDI?

The financial account under the modern international Balance of Payments statistical framework.

Which department formulates India's FDI policy?

The Department for Promotion of Industry and Internal Trade plays a central role in foreign direct investment policy formulation.

What is the International Investment Position?

It is a statistical statement recording an economy's external financial assets and liabilities at a particular date.

Is negative net FDI the same as capital flight?

No. Negative net FDI can result from normal investment exits and outward business expansion. Capital flight requires a broader assessment of the motivations and circumstances surrounding capital movements.

Why is the FDI outflow issue important for UPSC?

It connects investment, Balance of Payments, economic liberalisation, exchange-rate management, industrial development and macroeconomic stability under GS Paper III.

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24. Conclusion

India's reported net FDI outflow of $4.95 billion in September 2026 highlights the importance of understanding the composition of foreign investment rather than relying exclusively on headline figures.

While lower gross inflows and increased capital withdrawals require careful monitoring, positive cumulative net investment during the first half of FY 2026–27 provides an important counterbalance to the monthly deterioration.

India's long-term strategy should focus on regulatory stability, productive investment, technological innovation, domestic value addition, export competitiveness and macroeconomic resilience.

The objective should not merely be to maximise foreign investment inflows but to ensure that international capital contributes to sustainable and inclusive economic development.

> **Civil Service Gurukul – Final Takeaway**
>
> The strength of an economy's investment position cannot be measured through one monthly FDI statistic alone. Sustainable growth depends on the quality of investment, competitiveness of domestic enterprises, institutional stability and resilience of the external sector.

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Editorial Note: This article has been independently prepared for educational purposes and UPSC Civil Services Examination preparation. Current affairs figures reflect contemporary reporting of RBI investment statistics available as of 26 November 2026 and may be subject to subsequent revisions. Economic transmission frameworks and policy recommendations constitute educational analysis. Negative net FDI is not presented as proof of capital flight. Practice MCQs and model answers are original exercises and are not official UPSC examination questions.

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