



Foreign Portfolio Investors in India: Insights into their Investment Trends and Outlook - Foxnangel



Foreign portfolio investors (FPIs) have been steadily increasing their investments in Indian equity markets in recent months. In April 2023, FPIs infused Rs 11,630 crore in Indian equities, driven by reasonable valuations and the appreciation of the rupee. While the outlook for FPI flow remains volatile due to the tight monetary policy of the US Federal Reserve, the stability of the Indian economy and reasonable valuations may continue to attract FPIs to Indian equities.

In the first half of April, FPIs showed strong buying activity, indicating a renewed sense of optimism in the [Indian equity market](#). However, this optimism was dampened in the third week of the month due to concerns about elevated interest rates and weak economic indicators in the US. Nevertheless, FPIs turned aggressive buyers once again in the last few days of April, and the inflow of foreign capital is likely to continue in the longer term.

Apart from equities, FPIs have also put in Rs 805 crore in the debt market during the period under review. As the rate hike stops, the money will start moving in from debt to equities to beat inflation. India is presenting a better opportunity among developed markets and other emerging markets.

The mid-April data on FPI inflows revealed that the financials, automobile components, and information technology sectors were particularly attractive to foreign investors. This highlights the increasing interest of FPIs in the Indian economy and the potential for sustained investment in India in these sectors.

India has been consistently attracting [foreign direct investment \(FDI\)](#) in recent years, driven by various factors such as political stability, economic reforms, and a growing consumer market. The Indian government has implemented several policies to encourage foreign investment in the country, such as easing restrictions on [FDI in India](#) in various sectors and simplifying procedures for setting up businesses.

In 2020-21, FPIs invested a record Rs 2.7 lakh crore in equities in India, indicating a strong investor sentiment towards the country. This was followed by a more challenging year in 2021-22, with FPIs pulling out a record Rs 1.4 lakh crore from Indian equities due to aggressive rate hikes by central banks globally. However, FPIs have been increasing their investments in India once again in 2023, demonstrating the resilience of the Indian economy and its attractiveness as an investment destination.

In addition to equity and debt markets, FDI has been flowing into India in various sectors such as manufacturing, services, and infrastructure. The government's focus on improving the ease of doing business and promoting the Make in India initiative has attracted significant [FDI in India](#) in the manufacturing sector. The services sector, particularly the technology industry, has also been a major recipient of **FDI in India** in recent years.

Overall, FPIs and FDI have been playing a significant role in the growth and development of the Indian economy. The sustained interest of foreign investors in Indian markets and the government's efforts to attract more investment bodes well for the country's future economic prospects.

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