

Foreign investment

6.55 Foreign investment (net) receipts, as a proportion of total capital flows, rose steadily from 1.2 per cent in 1990-91 to reach a peak of 155.2 per cent in 1995-96 (all data for the capital account are on BoP basis unless stated otherwise). Thereafter, it declined to reach a low of 29.4 per cent in 1998-99. After some fluctuations in the interim, such investment (US\$17.2 billion) in 2005-06, as a proportion of total capital flows, stood at 71.1 per cent. As a proportion of GDP, foreign investment

remained at 0.2 per cent or less till 1992-93. It picked up with reforms to reach 1.6 per cent of GDP in 1996-97, and after some fluctuations in the interim, has remained at about 2 per cent in the latest three years. In the first half of 2006-07, foreign investment (net) declined to US\$5.8 billion from US\$7.5 billion in the first half of 2005-06. Foreign investment has two components: FDI, and portfolio, with the latter having two sub-components — FII, and Euro equities and others.