

Indians' foreign investments jump 63.8% in 12 months

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Mumbai, 4 March

Indians spent more on foreign investments in the last 12 months than they did over a similar time frame since at least 2012, even as local exchanges have sought to make foreign offerings available at the Gujarat International Finance Tec (GIFT)-City.

The total amount of foreign investments is \$673.8 million, according to the latest available data till December. This is 63.8 per cent higher than the December 2020 figure. The numbers were \$411.3 million for December 2020 and \$452.1 million in December 2019, before the pandemic's outbreak.

There has been a sharp rising trend in recent times (see chart 1). The analysis looked at a 12-month rolling period. The Reserve Bank of India releases the data with a lag, and December numbers came out in February.

The National Stock Exchange announced a facility to trade in foreign stocks on March 3. The BSE made a similar announcement on March 2. Both operate through their arms at the GIFT International Financial Services Centre (GIFT IFSC), which is touted as an alternative for investors who come through jurisdictions like Singapore.

"Investors will be provided with



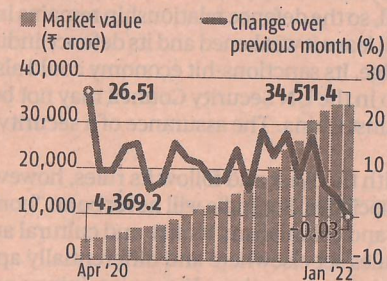
ILLUSTRATION: BINAY SINHA

INVESTMENTS BY INDIVIDUALS



Note: Based on data under the Liberalised Remittance Scheme (LRS)
Source: RBI, Business Standard calculations

MFS' FOREIGN EQUITY HOLDINGS ALSO UP



Source: primemfdatabase.com

an option to trade in fractional quantity... starting with US stocks, NSE IFSC will soon expand its offering to other global markets," said a statement from the NSE arm.

"The India International Exchange (IFSC) (India INX)....pro-

vides a platform for trading in international stocks, including shares from major US-listed companies... It offers stocks from the US, Canada, UK (United Kingdom), Europe, Australia, and Japan, covering about a significant percent

of the investing universe," according to the BSE arm.

The use of remittances to make foreign property purchases has also been rising. However, the rise is far sharper for non-property investments. Indians remitted \$3.9 million dollars for foreign investments for every \$1 million invested in foreign property as of March 2021. This rose to \$6.7 million for every \$1 million in foreign property investments by December 2021.

This surge has coincided with mutual funds holding more foreign securities. The total value of their investments rose to ₹34,511.4 crore as of January, shows data from primemfdatabase.com — a rise of over 7.9 times over April 2020 (see chart 2).

There has been a significant decline in the growth rate in the last few months. This is because MFs are nearing a ceiling on holdings.

"MFs can make overseas investments subject to a maximum of \$1 billion per mutual fund, within the overall industry limit of \$7 billion," said the Securities and Exchange Board of India circular dated June. The value of holdings has nearly doubled since then.

Reports have indicated that the industry has sought a higher ceiling. The month-on-month change was negative for January. This is the first such instance since at least April 2020.