

INDIA'S GROWTH AND INVESTMENT TRENDS – ECONOMY

NEWS: As per the report by Crisil, titled 'The Road Ahead for Investments India's real investments grew 6.9% on an average annually during FY21–25, outpacing GDP growth of 5.4%, during the same period reflecting strong domestic and external confidence in the economy.

Key Findings of Crisil's Report: *"The Road Ahead for Investments"*

Public Sector Investments

Government and PSU investments recorded an average 13.9% growth (FY22–24), serving as the primary driver of overall investment momentum in India.

Household Contributions

Households, particularly through real estate investments, grew by 13.4%, making them the largest contributors to total investment.

Private Corporate Capex

Corporate capital expenditure lagged at 8.7% growth, constrained by global trade frictions, tariffs, and supply chain disruptions.

Outlook & Recommendations

Fiscal consolidation may slow public investments. Crisil recommends regulatory reforms, affordable land and power, better contract enforcement, and expansion of Free Trade Agreements (FTAs) to sustain long-term growth.

India's Growth and Investment Trends

Strong GDP Performance

Nominal GDP in FY25 reached ₹33.10 lakh crore (US\$ 3.8 trillion), growing 9.9%, while real GDP grew 6.5%, making India the fastest-growing major economy.

Expanding Domestic Consumption

The middle class (~400 million) drives private consumption; India's consumer market is projected to quadruple by 2025.

Retail Investor Participation

Retail investors exceed 11 crore, holding nearly 10% of listed equity; SIPs reached ₹26,688 crore in May 2025.

Rising Foreign and Private Capital

Venture Capital (VC) funding: ₹1.18 lakh crore (US\$ 13.7 billion) in 2024. Cumulative FDI inflows since 2000: US\$ 1.07 trillion, showing strong global confidence.

Growth Enablers in India

Government Capital Expenditure

Infrastructure-led growth through National Monetization Pipeline (NMP) and Production Linked Incentive (PLI) schemes.

FY25 first-half allocation

₹1,596 crore (US\$ 184.33 million) across six PLI sectors.

Policy Reforms

Simplified FDI policy, GST rollout, and corporate tax reductions (22%, 15% for new manufacturing). Digital ease-of-doing-business measures, online approvals, and single-window clearances reduce regulatory bottlenecks.

Financial Market Depth

Mutual fund AUM reached ₹72.19 lakh crore (US\$ 836 billion) in May 2025.

FDI Liberalization

100% FDI permitted in single-brand retail, Brownfield airports, insurance, defence, encouraging global firms to establish local operations.

Technology & Green Transition

Investments in AI, renewable energy, ESG infrastructure driving structural transformation; FDI in renewable energy: US\$ 6.1 billion since 2020.

Types of Investments in India (2023–25)

Government Capex

Infrastructure, defence, roads, railways, renewable energy; PLI schemes across 14 sectors aiming for ₹30 lakh crore output and 60 lakh jobs.

Private Corporate Investment

Expansion in manufacturing, IT, logistics, real estate, EVs, automobiles; PE in real estate peaked at US\$ 2.5 bn.

Household Investments

Housing, bank deposits, mutual funds, insurance, gold; SIP inflows reached ₹26,688 crore in May 2025.

FDI & FPI

Long-term FDI: cumulative US\$ 1.07 trillion; FPI net inflow ₹1.4 trillion in FY25.

External Commercial Borrowings (ECB)

1,379 ECBs totaling \$61.2 billion in FY25.

Venture Capital & Private Equity

VC: ₹1.18 lakh crore; PE supports mature firms and buyouts.

NRI & OCI Deposits

US\$ 7.82 billion inflows (Apr–Aug 2024); total outstanding: US\$ 158.94 billion.

Assistance/Loans

World Bank, ADB, and bilateral loans supporting infrastructure, renewables, and smart cities; e.g., \$1.5 bn loan for green energy in 2023.

Reasons for Rising Investments

Youth Demographic Dividend

Over 65% population below 35 years, ensuring strong labour force and expanding consumer demand.

Growing Middle Class

Rising disposable incomes fuel consumption in housing, retail, healthcare, and digital services; expected to constitute 45% of households by 2030.

Government Reforms

PLI schemes, National Logistics Policy, and liberalized FDI norms boost investor confidence and reduce costs.

Foreign Capital Inflows

Investments from Mauritius, Singapore, USA, EU, Japan, and West Asia strengthen capital access.

Domestic Financial Savings

Mutual fund SIP inflows exceed ₹20,000 crore monthly in 2025, providing stable long-term funding.

Sectoral Opportunities

Expansion in renewables, defence, electronics, AI attracts global and domestic investors.

Significance of the Rise in Investment

Boost to GDP Growth

Investment growth outpaces GDP expansion, strengthening long-term productive capacity.

Job Creation

PLI schemes projected to generate 60 lakh jobs across electronics, pharma, textiles, and renewable energy.

Global Competitiveness

Diversified exports and high-demand sectors enhance India's role in global trade.

Wealth Distribution

Retail participation in financial markets ensures wider access to investment opportunities, promoting financial inclusion.

Macroeconomic Stability

Forex reserves ~USD 695 billion, CAD at 0.6% of GDP, ensuring resilience against global shocks.

Challenges to Investment

Sectoral Concentration

FDI heavily concentrated in services (16%) and IT hardware (15%), while agriculture and MSMEs lag.

Geographic Skew

Karnataka attracted ₹3.28 lakh crore (US\$ 38 billion) VC funding (2020–24), leaving other states underfunded.

Dependence on Few Sources

Mauritius and Singapore account for nearly 50% of FDI inflows, making India vulnerable to policy changes.

Real Estate Risks

Private equity concentrated in warehousing and industrial hubs; sustainability concerns remain.

Regulatory Uncertainty

Delays in ESG norms and taxation ambiguities affect long-term investment.

Infrastructure Bottlenecks

Logistics costs (13–14% of GDP) remain above global benchmarks; target to reduce to 8%.

Way Forward

Address Sectoral Imbalance

Incentivize investments in agriculture, MSMEs, and green industries.

Correct Geographic Skew

Promote industrial corridors and logistics hubs in eastern and northeastern states.

Diversify Investment Sources

Reduce dependence on Mauritius and Singapore; attract EU, Japan, and West Asia investors.

Stabilize Real Estate Investments

Encourage diversified investments in affordable housing and smart cities.

Enhance Regulatory Clarity

Predictable ESG norms, transparent taxation, and faster compliance for investor confidence.

Strengthen Infrastructure & Logistics

Implement Gati Shakti and NIP to reduce logistics costs and improve trade competitiveness.

Conclusion

India's investment surge marks a structural transformation, driven by domestic reforms, consumption, and foreign capital. Sustaining momentum requires:

1. Sectoral diversification
2. Regional participation
3. Policy stability

If executed effectively, India is positioned to consolidate its role as a global investment hub.

Source: <https://zeenews.india.com/economy/india-s-investments-outpace-gdp-growth-at-6-9-over-fy21-25-report-2951447.html>