

# Capital Availability for Viksit Bharat: A Strategic Framework for Attracting Global Capital

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**Abstract:** India is on a transformative journey toward becoming a developed nation under the vision of Viksit Bharat 2047. Achieving this objective will require sustained economic growth supported by substantial capital formation from both domestic and international sources. While India has emerged as one of the world's leading investment destinations, the scale of investment required for infrastructure, manufacturing, digital transformation, green energy, and innovation demands a comprehensive strategy for attracting and efficiently deploying capital. This study examines the current landscape of capital availability in India and explores mechanisms to enhance foreign capital inflows through Foreign Direct Investment (FDI), Foreign Portfolio Investment (FPI), External Commercial Borrowings (ECBs), and emerging financing instruments. It further evaluates the role of deepening financial markets, strengthening domestic savings, expanding the corporate bond market, and implementing regulatory reforms to facilitate seamless cross-border capital flows. The paper identifies key challenges affecting capital mobilization and proposes a strategic framework to position India as a globally competitive and trusted investment destination. The findings suggest that a combination of macroeconomic stability, policy consistency, financial sector reforms, and market innovation will be critical in ensuring adequate capital availability for achieving the vision of Viksit Bharat 2047.

**Keywords:** Viksit Bharat, Capital Formation, FDI, FPI, ECB, Corporate Bond Market, Financial Inclusion, Economic Growth, Global Capital.

## 1. Introduction

India has emerged as one of the fastest-growing major economies in the world. With aspirations to become a USD 5 trillion economy in the near future and a developed nation by 2047, the country requires unprecedented levels of investment across sectors such as infrastructure, manufacturing, renewable energy, digital technology, healthcare, education, and urban development. Capital availability therefore becomes a critical determinant of India's long-term economic success.

Historically, India has relied on a combination of domestic savings, banking sector credit, foreign direct investment, and public expenditure to finance economic growth. However, the investment requirements of Viksit Bharat are significantly larger and demand diversified sources of capital. The changing global financial landscape, technological advancements, sustainable finance initiatives, and increasing competition among emerging economies necessitate a fresh approach toward attracting and retaining global capital.

India has undertaken significant reforms in recent years, including the implementation of Goods and Services Tax (GST), Insolvency and Bankruptcy Code (IBC), Production Linked Incentive (PLI) schemes, digitization initiatives, and the development of GIFT City. While these reforms have improved investor confidence, challenges such as regulatory complexity, underdeveloped debt markets, infrastructure bottlenecks, and global economic uncertainties continue to affect capital inflows.

India's capital ecosystem has evolved significantly over the past decade, supported by strong macroeconomic fundamentals, regulatory reforms, digital transformation, and sustained investor confidence. However, achieving the country's long-term growth ambitions requires continued mobilization of both domestic and foreign capital. Strengthening foreign capital inflows through diverse financing channels remains a key policy priority.

The current landscape of capital availability in India is characterized by a well-developed banking sector, expanding capital markets, increasing participation by institutional investors, and growing alternative investment platforms. Nevertheless, financing requirements for infrastructure, manufacturing, green energy, technology, and MSMEs continue to exceed the availability of long-term domestic capital, underscoring the importance of attracting global investment.

Key mechanisms for enhancing foreign capital inflows include:

- **Foreign Direct Investment (FDI):** FDI provides stable, long-term capital that supports industrial development, technology transfer, employment generation, and integration into global value chains. Continued policy reforms, ease of doing business initiatives, and sectoral liberalization can further strengthen India's attractiveness as an investment destination.
- **Foreign Portfolio Investment (FPI):** FPIs contribute liquidity and depth to India's financial markets. Enhancing market transparency, maintaining macroeconomic stability, and ensuring a predictable regulatory framework are essential to sustaining foreign institutional investor participation.
- **External Commercial Borrowings (ECBs):** ECBs enable Indian companies to access cost-effective overseas financing for capital expenditure, infrastructure projects, and business expansion. Simplified regulatory norms, prudent risk management, and effective hedging mechanisms can encourage greater utilization of this funding source.
- **Emerging Financing Instruments:** Innovative financing mechanisms- including green bonds, sustainability-linked bonds, social bonds, Infrastructure Investment Trusts (InvITs), Real Estate Investment Trusts (REITs), blended finance, private credit, venture capital, private equity, sovereign wealth funds, and impact investment funds- are becoming increasingly important in mobilizing global capital. These instruments align with India's infrastructure

development, sustainability, digital economy, and climate transition objectives while broadening the investor base.

Achieving the vision of **Viksit Bharat 2047**- transforming India into a developed nation by the centenary of its independence- will require sustained economic growth, large-scale infrastructure development, technological advancement, industrial expansion, and significant investment in human capital. Estimates suggest that India will require trillions of dollars of investment over the coming decades, making efficient capital mobilization a national priority. A comprehensive strategy that combines robust domestic capital formation with enhanced foreign capital inflows is therefore essential.

### 1) Deepening Financial Markets

Deep and resilient financial markets are fundamental to mobilizing savings, improving capital allocation, and attracting long-term domestic and international investors. A diversified financial ecosystem- including equity markets, debt markets, derivatives, alternative investment funds (AIFs), Infrastructure Investment Trusts (InvITs), Real Estate Investment Trusts (REITs), municipal bonds, and securitization markets- enables efficient price discovery and broadens financing options for businesses.

Deepening financial markets also enhances market liquidity, reduces the cost of capital, strengthens financial stability, and improves risk management. Continued development of digital financial infrastructure, fintech innovation, and greater participation by institutional investors will further enhance market efficiency and global competitiveness.

### 2) Strengthening Domestic Savings

Domestic savings constitute the foundation of sustainable investment-led growth. India's relatively high household savings rate provides a strong base for capital formation; however, increasing the proportion of financial savings relative to physical assets remains an important policy objective.

Strengthening domestic savings requires:

- Expanding financial inclusion and digital banking.
- Increasing participation in pension and insurance schemes.
- Encouraging systematic investment in mutual funds and capital markets.
- Enhancing financial literacy and investor awareness.
- Promoting long-term retirement and infrastructure savings products.

A larger pool of domestic financial savings reduces dependence on volatile external capital while providing stable long-term funding for infrastructure, manufacturing, and innovation.

### 3) Expanding the Corporate Bond Market

A vibrant corporate bond market is essential for diversifying sources of finance beyond traditional bank lending. Well-functioning bond markets enable companies to access long-term capital at competitive costs while reducing maturity mismatches within the financial system.

Key reforms to strengthen India's corporate bond market include:

- Broadening the issuer base, particularly for infrastructure and MSMEs.
- Expanding the domestic institutional investor base, including pension funds and insurance companies.
- Improving secondary market liquidity.
- Strengthening market-making mechanisms.
- Simplifying issuance procedures and disclosure requirements.
- Developing municipal and green bond markets.
- Encouraging greater participation by foreign portfolio investors within prudent risk parameters.

A deeper bond market will improve financial resilience and support financing for India's large infrastructure pipeline.

### 4) Regulatory Reforms for Seamless Cross-Border Capital Flows

A transparent, predictable, and globally competitive regulatory framework is critical to attracting long-term international capital. Regulatory reforms should balance investment facilitation with financial stability and macroeconomic prudence.

Priority reforms include:

- Simplifying approval processes for Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI).
- Rationalizing External Commercial Borrowing (ECB) regulations.
- Harmonizing tax and regulatory frameworks across financial products.
- Strengthening insolvency resolution and contract enforcement.
- Enhancing investor protection and corporate governance standards.
- Liberalizing capital market access while maintaining appropriate safeguards.
- Promoting the internationalization of the Indian financial sector.
- Expanding digital regulatory platforms for faster compliance and approvals.

Such reforms improve investor confidence, reduce transaction costs, and position India as a preferred destination for global capital.

### 5) Integrating Domestic and Foreign Capital

India's growth strategy should emphasize complementarity between domestic savings and foreign investment. While domestic capital provides stability and resilience, foreign capital contributes technology, global expertise, innovation, and access to international markets.

An integrated financing ecosystem should promote:

- Foreign Direct Investment (FDI) in manufacturing, infrastructure, renewable energy, logistics, and advanced technologies.
- Foreign Portfolio Investment (FPI) to deepen financial markets and enhance liquidity.
- External Commercial Borrowings (ECBs) for long-term infrastructure and industrial financing.

- Green bonds, sustainability-linked bonds, blended finance, sovereign wealth funds, private equity, venture capital, infrastructure funds, and impact investing to finance emerging sectors and climate-resilient development.

This study explores the strategic interventions required to ensure adequate capital availability for India's development aspirations and presents policy recommendations for enhancing both foreign and domestic investment flows.

## 2. Objectives of the Study

The study aims to:

- 1) Examine the importance of capital availability in achieving the vision of Viksit Bharat 2047.
- 2) Analyze the role of foreign capital inflows including FDI, FPI, ECBs, and emerging investment instruments.
- 3) Evaluate the significance of deepening financial markets, particularly the corporate bond market.
- 4) Identify challenges in attracting and retaining global capital.
- 5) Assess regulatory and procedural reforms required for seamless cross-border capital flows.
- 6) Examine strategies for strengthening domestic capital formation.
- 7) Suggest a strategic framework for enhancing capital availability and long-term economic growth.

## 3. Research Questions

- 1) How can India enhance foreign capital inflows to support the Viksit Bharat vision?
- 2) What reforms are necessary to deepen India's financial markets and improve capital mobilization?
- 3) Which sectors offer the greatest potential for attracting long-term foreign investment?
- 4) What are the major barriers faced by foreign investors in India?
- 5) How can domestic savings and institutional capital be strengthened?
- 6) What policy measures can improve India's global competitiveness as an investment destination?

## Scope of the Study

The scope of this study is confined to analyzing the availability and mobilization of capital required to achieve India's long-term development goals under the Viksit Bharat 2047 vision. The study covers both foreign and domestic sources of capital and examines policy, regulatory, financial market, and sector-specific dimensions. It focuses on recent reforms and emerging opportunities in sustainable finance, digital finance, corporate bond markets, and global investment trends.

## 4. Data Analysis and Discussion

The analysis indicates that India possesses strong macroeconomic fundamentals, a large domestic market, and a favorable demographic profile. However, achieving the investment requirements of Viksit Bharat will necessitate a significant increase in capital formation.

## Enhance foreign capital inflows to support the Viksit Bharat vision 2027

Enhancing foreign capital inflows to support the Viksit Bharat vision 2027, Government and regulator should take several initiative like Reduction in withholding tax on ECB- loans and bonds , Easing compliance burden to attract investors engaging in offshore trade to come onshore, Liberalizing Bond Market to allow foreign long-term funds to enter, operate and raise funds for lending or investing in India, Domestic Banks and Infra Companies be allowed to raise tax-free long-term bonds, Setting up more GIFT Cities, Deregulation and reforms in ease of doing business, strongness of rupees and more liberalization includes fiscal consolidation, inflation targeting, financial sector reforms and the maintenance of strong foreign exchange buffers, Manage Exchange Rate Stability and Capital Flows; An adaptive monetary policy framework that mitigates volatility and clearly communicates policy intent will ensure stability in capital flows and reinforce India's macroeconomic credibility, Promote a favorable investment environment: The government should implement policies that attract foreign investors, such as tax incentives, streamlined regulatory frameworks, and access to international capital markets, Boost manufacturing ecosystems by Expand Production Linked Incentive (PLI) schemes in electronics, EVs, semiconductors and Land & labor reforms by Streamline land acquisition and make labor laws more flexible; Deepening Foreign Portfolio Investment) through stable macroeconomic environment and develop corporate bond markets by rationalization of capital gains tax; Improve External Commercial Borrowings (ECBs) by Lower cost ceilings, Promote infrastructure financing and more Flexibilities in ECB norms; Deepen and Liberalize Capital Markets; Reforms to increase market participation like raising FPI limits, permitting hybrid instruments and reclassifying certain inv Single-ministry Approach to deal with Foreign Investments; Swift clearances and approval windows for foreign investment e.g. Tatkal and more on the latest theme: Vande-Investam; Knowledgeable and Skilled HR Pool be created to ensure 'Ease of entering and venturing in India' in true and experiential manner; Market diversification and product development; - Market diversification, including the expansion of the corporate bond market and the development of new financial products, will be required to cater to the diverse needs of investors and promote a more dynamic market environment; Encouraging sustainable finance to support environmental and social initiatives; - Encouraging the issuance of green bonds and other sustainable investment products will support environmental and social initiatives. Integrating ESG criteria into mainstream investment strategies will attract long-term investments and promote responsible business practices and Build a more informed and confident investor base; Enhancing corporate governance, promoting innovation, expanding global integration, and ensuring policy support and collaboration.

## Reforms Enhancing Foreign Capital Inflows

Foreign capital remains a vital source of investment for infrastructure, manufacturing, technology, and innovation. Measures such as tax rationalization, regulatory simplification, expansion of GIFT City, and greater capital

account liberalization can substantially improve investor confidence and attract long-term capital.

### Deepening Financial Markets

A robust corporate bond market is essential to reduce dependence on bank financing. Increased participation by pension funds, insurance companies, sovereign wealth funds, and global institutional investors can improve market depth and liquidity. Expansion of municipal bonds, REITs, InvITs, and sustainable finance instruments can further diversify funding sources.

### Sectoral Growth Opportunities

Manufacturing, renewable energy, semiconductors, digital infrastructure, defence production, logistics, and green hydrogen are expected to emerge as major destinations for global capital. Government initiatives such as PLI schemes and PM Gati Shakti can serve as catalysts for investment growth.

### Domestic Capital Formation

Domestic savings remain the backbone of India's investment ecosystem. Expanding pension coverage, increasing mutual fund participation, strengthening insurance penetration, and promoting financial literacy can create a larger pool of long-term domestic capital.

### Sector-specific ideas to attract long-term foreign investment

**Sector-specific ideas to attract long-term foreign investment with the initiative to** Express clearance for Critical Sectors/Industries e.g. Semi-conductors, Rare-earth, Energy Transition, Climate Change vis a vis Green Investment, Revitalizing FDI will require structural reforms that enhance the ease of doing business and provide clearer, more consistent policies, particularly in key sectors, such as telecommunications, insurance, agriculture and renewable energy; Enhance Domestic Savings and Investment: Strengthening the corporate sector will further support investment and savings, reinforcing a self-sustaining growth cycle and Strengthening the Corporate Bond Market;- A deep corporate bond market is crucial for domestic capital mobilization. Key reforms to attract long-term institutional investors and ease the burden on bank-led financing

### Challenges and barriers faced by foreign Investors in India

- Rate of return; -India must focus on attracting savings from the global market, which necessitates a further opening of the capital account, but also creating a more conducive environment for foreign investment.
- Regulatory complexity & policy uncertainty; - India's legal and compliance framework is often seen as complex, time-consuming, and unpredictable. Delayed in approvals and unclear rules can put investors in a "wait-and-watch" mode.
- Weakness in financial markets (especially debt markets)- India's corporate bond market is underdeveloped with low liquidity and limited participation.
- Ease of doing business issues- Land acquisition, labor laws, and Approval delayed still pose challenges, Infrastructure and logistics gaps; Despite improvements, transport, power, and logistics infrastructure still lag

behind global standards and the cost of logistics is too High.

- India's underdeveloped inland transportation and power infrastructure pose significant challenges.

### Reforms Necessary to Deepen India's Financial Markets and Improve Capital Mobilization

Achieving the vision of **Viksit Bharat 2047** requires a robust, resilient, and globally competitive financial system capable of mobilizing substantial domestic and international capital. India's financial markets have undergone significant transformation over the past decade; however, further structural reforms are necessary to enhance capital efficiency, reduce financing costs, and support sustained economic growth.

#### 1) Deepen the Corporate Bond Market

India remains heavily dependent on bank financing, while the corporate bond market accounts for a relatively small share of GDP compared with advanced and several emerging economies. Policy reforms should focus on:

- Simplifying issuance procedures and reducing compliance costs.
- Enhancing secondary market liquidity through market makers.
- Expanding the investor base by encouraging greater participation from pension funds, insurance companies, mutual funds, and foreign institutional investors.
- Developing municipal bonds and infrastructure bonds to finance urban development and public infrastructure.
- Promoting green, social, sustainability-linked, and transition bonds to support climate finance.

#### 2) Strengthen Domestic Institutional Investors

Long-term institutional investors provide stable capital for productive investments. Reforms should include:

- Expanding pension and insurance coverage.
- Encouraging systematic long-term household investments in financial assets.
- Promoting wider participation in mutual funds and exchange-traded funds (ETFs).
- Strengthening governance standards for institutional investors.

#### 3) Promote Financial Inclusion and Household Financial Savings

Increasing financial inclusion enhances capital formation and broadens the investor base. Key measures include:

- Expanding digital financial services.
- Improving financial literacy.
- Encouraging retirement savings and long-term investment products.
- Facilitating easier access to formal financial markets for households and MSMEs.

#### 4) Develop Alternative Sources of Finance

Diversifying financing channels reduces dependence on traditional bank credit. Priority areas include:

- Private equity and venture capital.
- Alternative Investment Funds (AIFs).
- Infrastructure Investment Trusts (InvITs).
- Real Estate Investment Trusts (REITs).
- Asset securitization and blended finance.

- Development finance institutions for strategic sectors.

### 5) Strengthen Market Infrastructure

Efficient market infrastructure improves investor confidence and reduces transaction costs through:

- Digital trading and settlement systems.
- Wider adoption of artificial intelligence and fintech solutions.
- Improved credit information systems.
- Faster dispute resolution and contract enforcement.
- Enhanced cybersecurity and operational resilience.

### 6) Enhance Regulatory Coordination

Greater coordination among financial regulators can improve market efficiency by:

- Harmonizing regulations across banking, securities, insurance, and pension sectors.
- Simplifying compliance requirements.
- Introducing risk-based supervision.
- Promoting regulatory certainty and transparency.

### 7) Facilitate Innovation in Financial Products

Encouraging innovative financing instruments can mobilize new pools of capital through:

- Green and blue bonds.
- Sustainability-linked finance.
- Infrastructure debt funds.
- Social impact bonds.
- Digital assets within an appropriate regulatory framework.
- ESG-focused investment products.

Collectively, these reforms would deepen India's financial markets, improve capital allocation, reduce the cost of financing, and support long-term economic growth.

## Policy Measures to Improve India's Global Competitiveness as an Investment Destination

To position India as one of the world's leading investment destinations and realize the vision of **Viksit Bharat 2047**, policymakers must create a transparent, predictable, and globally competitive investment ecosystem.

### 1) Ensure Stable and Predictable Policy Frameworks

Investor confidence depends upon:

- Policy consistency.
- Transparent regulatory processes.
- Reduced policy uncertainty.
- Stable taxation and dispute-resolution mechanisms.

### 2) Further Liberalize Foreign Investment

India can attract larger foreign capital inflows by:

- Rationalizing sectoral FDI limits where appropriate.
- Simplifying approval mechanisms.
- Expanding automatic approval routes.
- Streamlining compliance requirements for foreign investors.

### 3) Improve the Ease of Doing Business

Reforms should continue to:

- Simplify business registration.
- Digitize regulatory approvals.
- Reduce compliance burdens.

- Accelerate land acquisition and environmental clearances.
- Strengthen contract enforcement and commercial dispute resolution.

### 4) Expand World-Class Infrastructure

High-quality infrastructure significantly improves investment attractiveness by:

- Accelerating multimodal logistics development.
- Strengthening industrial corridors.
- Expanding renewable energy infrastructure.
- Modernizing ports, airports, railways, and digital infrastructure.
- Supporting smart cities and integrated manufacturing clusters.

### 5) Strengthen Human Capital

A globally competitive workforce requires:

- Skill development aligned with industry needs.
- Higher investment in education and research.
- Industry-academia collaboration.
- Promotion of innovation and entrepreneurship.

### 6) Deepen Capital Markets

Competitive financial markets require:

- Larger and more liquid corporate bond markets.
- Greater participation by global institutional investors.
- Development of derivatives and hedging markets.
- Expanded infrastructure financing platforms.

### 7) Strengthen Governance and Legal Institutions

Investor confidence improves through:

- Strong corporate governance standards.
- Effective insolvency resolution.
- Protection of minority shareholders.
- Efficient judicial processes.
- Robust intellectual property rights protection.

### 8) Promote Sustainable and Green Finance

India can emerge as a global leader in sustainable investment by:

- Developing green finance taxonomies.
- Expanding sustainable bond markets.
- Supporting climate finance initiatives.
- Encouraging ESG disclosure standards.

### 9) Leverage Digital Public Infrastructure

India's globally recognized digital ecosystem- including digital identity, digital payments, and interoperable digital platforms-can further reduce transaction costs, improve financial inclusion, and enhance investor confidence through efficient service delivery and transparent governance.

### 10) Strengthen International Economic Integration

India should continue to:

- Expand bilateral investment treaties.
- Negotiate high-quality free trade agreements.
- Enhance cross-border financial connectivity.
- Promote integration with global value chains.
- Position international financial centres as gateways for global investment.

## 5. Findings

The study reveals that:

- India continues to be an attractive destination for global investors.
- Policy stability and regulatory certainty remain critical determinants of investment decisions.
- The corporate bond market remains underdeveloped compared to global peers.
- Infrastructure financing requires innovative funding mechanisms and greater private participation.
- Sustainable finance and green investment opportunities are becoming increasingly important.
- Domestic institutional investors can play a significant role in long-term capital formation.
- Ease of doing business reforms continue to influence investor sentiment.

## 6. Conclusion

The vision of Viksit Bharat 2047 requires massive investments across infrastructure, manufacturing, technology, innovation, and social development sectors. Ensuring adequate capital availability will therefore be one of the most important policy priorities over the coming decades. India's strengths- its large market, demographic dividend, digital infrastructure, and improving policy framework- provide a solid foundation for attracting global and domestic capital.

However, sustaining investment momentum will require continuous reforms aimed at improving ease of doing business, deepening financial markets, strengthening the corporate bond market, promoting sustainable finance, and enhancing investor confidence. A coordinated strategy involving government, regulators, financial institutions, industry, and global investors will be essential.

With policy consistency, institutional credibility, financial innovation, and execution excellence, India can position itself as one of the world's most trusted and competitive destinations for capital deployment, thereby accelerating its journey toward becoming a developed nation by 2047.

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