

Unlocking Investment Potential

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Private Sector CAPEX Investment

GS Paper III - Indian Economy: Issues related to planning, mobilization of resources, growth, development, and employment.

Introduction

Capital expenditure (CAPEX) by the private sector plays a pivotal role in shaping the productive capacity and growth trajectory of an economy. It involves long-term investments in assets such as machinery, infrastructure, and technology, which are crucial for sustained economic development. Recognizing the growing importance of private sector investment in India's economic transformation, the Ministry of Statistics and Programme Implementation (MoSPI) has released its first-ever **Forward-Looking Survey on Private Sector CAPEX Investment Intentions**. This marks a significant step in institutionalizing data-driven insights into private capital formation.

MoSPI, through its statistical wing NSO, conducted the inaugural **Forward-Looking Survey on Private Sector CAPEX Investment Intentions** between November 2024 and January 2025. The survey aims to capture past trends and future intentions regarding capital investments by private corporate sector enterprises.

- 1) **The Parliamentary Standing Committee (2022-23) recommended a structured approach to collect CAPEX data from the private sector.**
- 2) **MoSPI responded by launching a comprehensive and technology-enabled survey model.**

Objectives

- To estimate CAPEX trends for financial years 2021-22 to 2023-24.
- To project anticipated investments for 2024-25 and 2025-26.
- To analyze capital allocation by asset type.

Methodology

- Conducted online through a self-administered platform.
 - Surveyed large-scale enterprises across sectors based on turnover thresholds.
 - Final survey frame: 16,025 enterprises.
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Significance of the Survey

1. **Reliable Data Asset** - A robust dataset for policymakers, researchers, and industry.
 2. **Evidence-Based Policy Formulation** - Enables targeted and informed government strategies.
 3. **Informed Decision-Making** - Helps private enterprises plan strategically.
 4. **Trend Analysis** - Helps identify sectoral and asset-specific investment patterns.
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Key Findings

1. Gross Fixed Assets Growth

- ₹3,151.9 crore (2021-22) → ₹4,183.3 crore (2023-24) → 27.5% growth.

2. CAPEX Per Enterprise

- Peaked at ₹148.8 crore in 2022-23, with variations across years.

3. Aggregate CAPEX Growth

- 66.3% increase (2021-22 to 2024-25) - signifying rising investment intentions.

4. Asset-wise Allocation (2024-25)

- Machinery & Equipment: 53.1%
- Capital Work-in-Progress: 22%
- Buildings & Structures: 9.7%

5. Strategic Focus

- 40.3% aim to invest in core assets.
- 28.4% target value addition to existing assets.

6. Sectoral Investment Share

- Manufacturing: 43.8%
- Information & Communication: 15.6%
- Transport & Storage: 14.0%

7. Investment Objectives

- 49.6% enterprises invested primarily for income generation.

Significance of Capital Expenditure (CAPEX)

- **Asset Creation** - Boosts national productive capacity.
- **Operational Efficiency** - Upgrades technology and reduces costs.
- **Economic Growth** - Acts as a multiplier through enhanced output.
- **Employment Generation** - Direct and indirect job creation.
- **Innovation and R&D** - Encourages new technologies and entrepreneurship.

- **Infrastructure Development** - Builds modern economic infrastructure.
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Challenges in Private Sector CAPEX

1. **Geopolitical Instability** - Trade wars, conflicts increase investment risk.
 2. **Financial Prudence** - Firms prioritize balance sheet strength post-crises.
 3. **Limited Access to Credit** - High interest rates, short-term lending, and limited venture funding.
 4. **Falling Household Savings** - Reduces domestic capital availability.
 5. **Market & Information Asymmetry** - Deters investment confidence.
 6. **Technological Barriers** - High cost and long gestation periods in tech-heavy sectors.
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Way Forward

To improve the investment climate and encourage private CAPEX:

1. Policy Reforms

- Expand **PLI schemes**, ensure **regulatory certainty**, and promote **ease of doing business**.

2. Improved Financial Access

- Encourage **long-term credit**, **lower interest rates**, and **venture capital**.

3. Enhanced Transparency

- Promote better **market data**, investment mapping, and public-private dialogues.

4. Targeted Incentives

- Sector-specific incentives (e.g., green energy, digital infrastructure) to align private CAPEX with national development goals.
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Conclusion

Private sector capital expenditure is a vital engine of India's economic growth, modernization, and competitiveness. The launch of the Forward-Looking Survey on CAPEX Investment Intentions by MoSPI marks a paradigm shift toward data-informed governance and private sector engagement. While investment trends remain promising, unlocking the full potential of private CAPEX will require a supportive policy framework, affordable finance, technological readiness, and reduced systemic risk. With the right reforms and incentives, private investment can become a cornerstone of India's journey toward a \$5 trillion economy.



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