

Insights Unwrapped

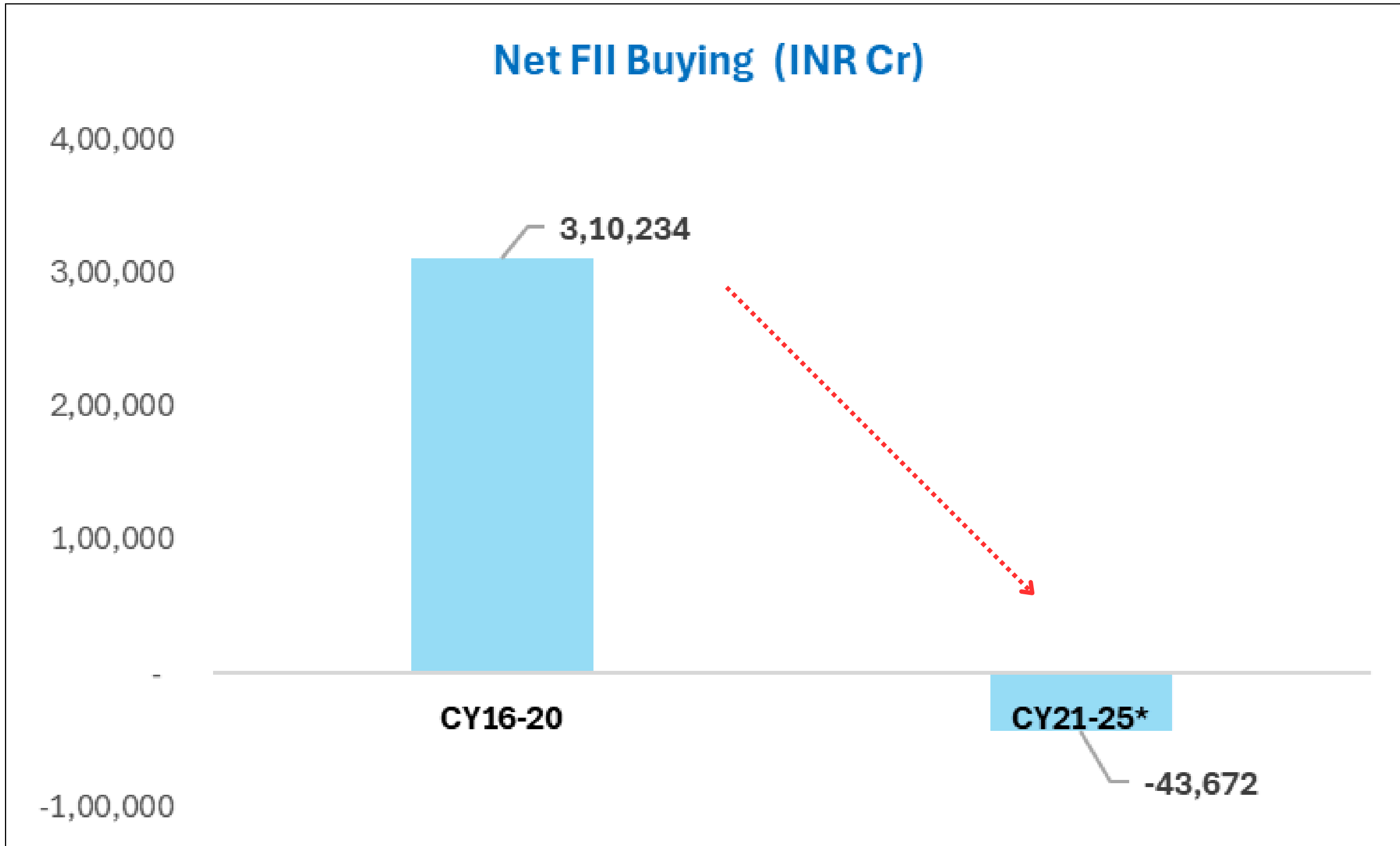
Reforms: The Key to Unlocking Foreign Capital?



30th August 2025

www.sproutresearch.in

Foreign Institutional Investing (FII)

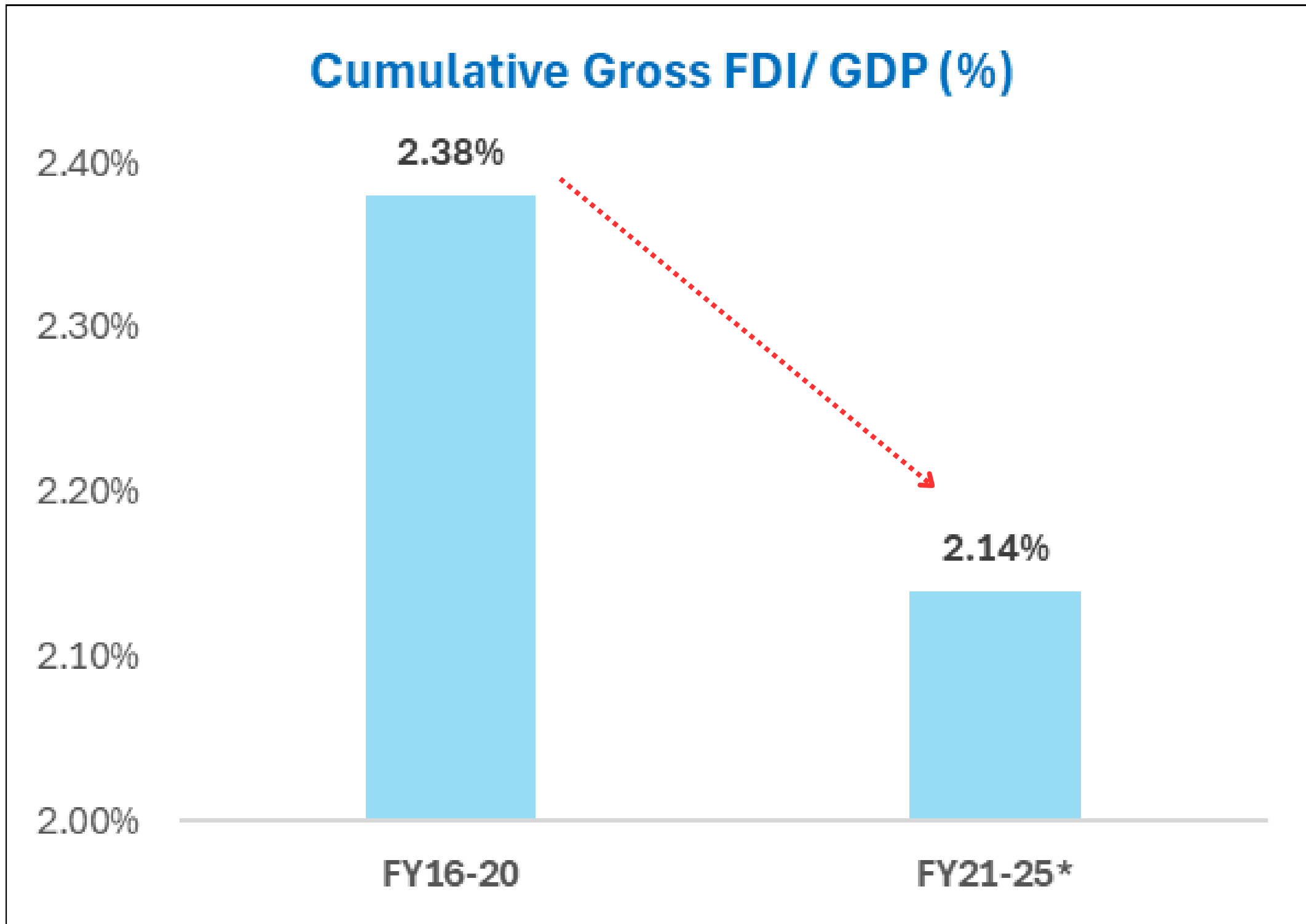


Over the five-year period from CY21 to YTD CY25, FII flows have remained largely flat, in stark contrast to the robust inflows of approx. INR 3 Lakh Cr (~USD 36–38 Bn) recorded between CY16 and CY20

*CY25 till 25 Aug 2025; Includes both primary and secondary trades

Source: <https://web.stockedge.com/fii-activity?section=cm-sebi&time-span=yearly&capital-market-type=secondary%20market>

Slowing Foreign Direct Investments



- Cumulative Equity FDI from FY16-20 was USD 313 Bn, increasing to USD 390 Bn from FY21-25, reflecting a 24.7% growth. Meanwhile, cumulative GDP growth over the same period was 38.7% (in absolute value).
- Gross FDI/GDP fell from 2.4% to 2.1% during the period. (This ratio peaked at 3.5% in 2008-09, when in absolute terms Gross FDI stood at USD 41.9 Bn)

These are gross FDI; repatriations (money pulled out) have not been taken into account.

*: GDP Estimate used for FY25

Source: GDP (current US\$) <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2024&locations=IN&start=2010>

Major Financial and Economic Reforms

REFORMS	2015-2020	2021-2025
ECONOMIC	<ul style="list-style-type: none"> • GST unified taxes (2017) • IBC resolved NPAs (2016) • Demonetization (2016), which boosted digital economy • FDI liberalization in defense/insurance 	<ul style="list-style-type: none"> • Production Linked Incentive (PLI) schemes and Atmanirbhar for manufacturing • Gati Shakti for infra • Employment-linked Scheme • Fully privatize Air India
DIGITAL	<ul style="list-style-type: none"> • UPI Launch (2016) • Aadhaar- Direct Benefit transfer (DBT) integration • Digital India for e-governance • JAM Trinity (Jan Dhan-Adhaar- Mobile) 	<ul style="list-style-type: none"> • UPI Scaling • India Stack (Aadhaar, UPI, DigiLocker)

Highlighted only the main economic and financial reforms. Social/Welfare/Governance etc. are not considered yet

India's digital economy: *The share of India's core digital economy increased from 5.4% of GVA in 2014 to 8.5% in 2019. In USD terms, India's digital economy exhibited 2.4 times the growth of the Indian economy over the period 2014-19 (Source: RBI (Dec'2022), EY)*

It is evident from the last three slides that foreign capital is inherently fragile and is **currently shifting away due to uncertainties surrounding the country's growth trajectory and, consequently, its earnings potential.**

- In the period 2016-20, the country saw significant foreign investment inflows, around INR 3 lakh crore, and strong FDI, **driven by major digital reforms** (as noted in the previous slide).
- Despite recent tariff disruptions, India must pursue comprehensive economic reforms, **including trade liberalization and FTAs, digitized land records, and a revamped GST framework**, to boost growth and restore foreign investor confidence.

DISCLAIMER

This report has been prepared by Research Analyst and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice.

Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment.

The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. Research Analyst is not obliged to update this report for such changes. Research Analyst has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject Research Analyst or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with Research Analyst.

Research Analyst do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report.

Shikha Kapur Proprietor of Sprout Research

Trade Name: SPROUT RESEARCH

Registration No.: INH000019169

Registered office Address: A-35 FF CR Park, New Delhi 110019

Contact No: 9811744587 Email Id: shikhaa.kapur@gmail.com

Compliance Officer: Shikha Kapur Contact No: 9811744587 Email Id: shikhaa.kapur@gmail.com

Grievance Officer: Shikha Kapur Contact No: 9811744587

Email ID: shikhaa.kapur@gmail.com

Standard Warning

“Investment in securities market are subject to market risks. Read all the related documents carefully before investing.”

Disclaimers

“Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors”



Sign up for our weekly insights:

<https://www.sproutresearch.in/Insights>