सत्यमेव जयते

NITI Aayog

Investment Friendliness Index

2026

Disclaimer

Crisil has received financial assistance under the Research Scheme of NITI Aayog (RSNA) to prepare this report. While due care has been exercised to prepare this report using data from various sources, NITI Aayog does not confirm the authenticity of data and accuracy of the methodology used for research and preparation of this report. NITI Aayog shall not be held responsible for findings or opinions expressed in this document. That responsibility rests completely with Crisil.

NITI Aayog

Investment Friendliness Index

July 2026

Message from the Vice Chairman

Ashok Kumar Lahiri
Vice Chairman, NITI Aayog

India today stands at a pivotal moment in its development journey. Over the past three decades, sustained economic reforms have transformed the country into one of the world's fastest-growing major economies. As we aspire to realise the vision of Viksit Bharat @2047, our challenge is not only to sustain high rates of economic growth but also to ensure that such growth is broad-based, resilient and driven by productivity.

Achieving this ambition will require a significant acceleration in investments that expand productive capacity, strengthen manufacturing, create quality employment and foster innovation.

History demonstrates that nations have achieved developed economy status with sustained investment-led growth. Investment serves as the foundation of economic transformation by creating productive assets, modernising infrastructure, enabling technological advancement and improving competitiveness. It facilitates the movement of labour towards more productive sectors, strengthens supply chains and enhances the efficiency of markets. Most importantly, sustained investment creates the conditions necessary for higher incomes, greater exports and long-term prosperity.

NITI Aayog

For India, manufacturing occupies a central place in this transformation. A vibrant manufacturing sector generates large-scale employment, supports innovation, deepens domestic value chains and enhances the country's integration with global production networks. Manufacturing also creates strong multiplier effects across logistics, infrastructure, services, research and skill development. As global supply chains undergo structural realignment, India has a unique opportunity to emerge as a preferred destination for investment-led manufacturing. Realising this opportunity requires an enabling ecosystem that inspires confidence among domestic and international investors alike.

While the Government of India has undertaken significant reforms to improve the national investment climate, the next phase of India's growth will increasingly be shaped by the competitiveness of its states and Union Territories. Investors ultimately make location-specific decisions based on factors such as infrastructure quality, regulatory certainty, institutional effectiveness, availability of skilled human resources, logistics efficiency, financial stability, and the ease of establishing and operating businesses.

States therefore occupy the forefront of India's investment story, and strengthening their investment ecosystems will be critical to achieving the national vision of becoming a developed economy by 2047.

It is in this context that NITI Aayog has developed the Investment Friendliness Index (IFI). The index has been conceived as a comprehensive and evidence-based framework to assess the readiness of states and Union Territories to attract, facilitate and sustain investments. More than a comparative ranking, the IFI is intended to serve as a strategic reform instrument that enables governments to benchmark performance, identify policy gaps, learn from best practices and undertake continuous institutional improvement. By fostering healthy competition alongside cooperative federalism, the index seeks to accelerate reforms that strengthen India's overall investment ecosystem.

The report is founded upon a rigorous research methodology that combines quantitative indicators with extensive stakeholder engagement. The framework has been developed following detailed consultations with central ministries, state governments, industry associations, multilateral institutions, regulatory bodies, investors, financial institutions, consulting organisations, export promotion councils and subject matter experts. Their insights have helped shape an assessment framework that reflects both policy intent and the practical experiences of investors operating across diverse sectors and geographies.

The Investment Friendliness Index is intended to serve multiple stakeholders. For policymakers, it offers a structured roadmap for prioritising reforms and monitoring progress over time. For investors, it provides a transparent, comparable and evidence-based assessment of investment conditions across states and Union Territories, thereby reducing information asymmetry and supporting informed investment decisions.

For researchers and development practitioners, it offers an analytical framework for understanding the institutional determinants of investment competitiveness. India's aspiration to become a developed nation by 2047 will ultimately depend

NITI Aayog

on its ability to mobilise productive investment at an unprecedented scale. Such investment will not only expand manufacturing and industrial capacity but also accelerate innovation, strengthen exports, generate quality employment and improve living standards for millions of citizens. By helping states continuously strengthen their investment ecosystems, the Investment Friendliness Index seeks to contribute meaningfully towards this national endeavour.

I am confident that this report will serve as a valuable reference for governments, investors, industry and researchers alike. More importantly, I hope it will inspire a new generation of reforms that enhance India's competitiveness, deepen cooperative federalism and reinforce the country's position as one of the world's most attractive investment destinations. Together, these efforts will strengthen the foundations of a globally competitive manufacturing sector and help transform the vision of Viksit Bharat @2047 into reality.

Message from the former Vice Chairman

Suman Bery
Former Vice Chairman, NITI Aayog

Hon'ble Prime Minister during the 9th Governing Council meeting of NITI Aayog emphasized the need for an Investment Friendly Charter, which could involve modifying laws and reforms related to clearances, licensing, and ensuring the availability of land through land banks, electricity, and water, as well as offering appropriate incentives and support to attract investments.

In light of this guidance from the Hon'ble Prime Minister, an Investment Friendliness Index has been created to provide a structured approach for assessing and strengthening the investment reception of States. The index is designed to recognize individual strengths, identify areas that require improvement, and to encourage healthy and constructive competition among States. Through this approach, it supports state governments in consistently enhancing their investment ecosystems in line with evolving economic opportunities.

The Report titled "Investment Friendliness Index" for States is intended to serve as a guiding document for the domestic and global investor communities. It provides a clear and accessible reference on the strengths and areas for improvement of each State and Union Territory, enabling investors to make informed decisions and supporting the flow of investment in these regions.

NITI Aayog

This index has been developed with the objective of offering a comprehensive assessment of how effectively States foster an environment that supports investment. It provides a robust and data-driven mechanism for evaluating the extent to which States are able to aid, attract, and sustain investment activity.

The Index evaluates States on their performance across key pillars, including business climate, institutional environment, financial health and infrastructure. These pillars collectively comprise eighty-four indicators across eight broad areas. A dynamic and supportive investment environment across States is essential for accelerating India's economic transformation. At the same time, it is important that States balance economic ambition with administrative efficiency by attracting new enterprises and capital while ensuring a regulatory environment that is reliable, predictable and supportive of business activity.

The design and development of the Index has benefited from extensive consultations. The insights and feedback of industry associations, multilateral institutions, Central and State Governments, regulatory bodies, export promotion councils, consulting firms, investment banks, private equity and venture capital firms, and sovereign wealth funds have been fully incorporated.

The Index and accompanying report constitute an important step towards measuring, assessing, and tracking foreign investment across India's states through a transparent and objective set of indicators and pillars. They are intended to support policy makers and investors alike in advancing India's long-term investment and development goals.

Message from the former Member

Dr Arvind Virmani
Former Member, NITI Aayog

India's investment landscape is evolving rapidly, with States emerging as drivers of the country's economic dynamism. State governments today play an increasingly influential role in shaping the business climate through their policies, institutions and administrative practices. Their decisions have a direct bearing on entrepreneurial activity, industrial expansion, job creation, and the ability to integrate into both domestic and global value chains. Strengthening State-level investment ecosystems, job skilling and education quality is therefore crucial for sustaining high growth and ensuring that the benefits of development are widely shared.

One of the central challenges in investment promotion is achieving the right balance between economic ambition and operational efficiency. While States compete to attract new enterprises and capital, it is equally important that the regulatory environment remains reliable and predictable. A supportive investment environment cannot rely solely on incentives; it must rest on transparency, responsiveness, and a long-term commitment to reducing friction for businesses. A stable, investor-friendly ecosystem not only draws fresh investment but also encourages reinvestment by existing firms, which is a strong indicator of confidence in governance and institutions.

NITI Aayog

In recent years, many States have taken noteworthy steps to strengthen their investment architecture, including digital reforms for approvals and clearances, improvements in logistics and connectivity, and the creation of specialised agencies and facilitation cells. At the same time, the pace and depth of progress differ across States, making it valuable to document learnings and highlight effective practices that can be emulated.

The Investment Friendliness Index (IFI) has been developed with this intent. It provides a comprehensive, data-driven charter to evaluate how effectively States enable and support investment. By examining a wide spectrum of indicators, both quantitative and qualitative, through surveys, the IFI offers objective insights into the functioning of State-level investment ecosystems.

Ultimately, the IFI and this report shall serve as a guide to investors looking to invest in Indian States and Union Territories, while ensuring that States are able to track their performance in attracting foreign investment and take measures to improve the same.

Message from the former CEO

B. V. R. Subrahmanyam
Former CEO, NITI Aayog

India's economic progress over the last decade has been both decisive and transformative. The country has successfully steered its development journey through prudent policymaking, strategic infrastructure expansion, and a steadfast commitment to long-term sustainability. These efforts have strengthened the foundations of our economy and positioned India as one of the world's most dynamic investment destinations. As the nation advances toward the goal of Viksit Bharat 2047, outlined by Hon'ble Prime Minister, maintaining strong and steady investment flows will be essential to realising our shared national aspirations.

Investment plays a uniquely powerful role in shaping economic outcomes due to its far-reaching multiplier effects. A single investment unlocks value across multiple layers, creating employment, generating demand for goods and services, strengthening supply chains and stimulating innovation ecosystems. As capital flows into high-potential sectors such as infrastructure, manufacturing, digital services, energy transition and R&D, it directly contributes to increased productivity and improves the standard of living for millions. The pathway to a prosperous and future-ready India is therefore closely intertwined with the country's ability to consistently attract, retain and scale investments.

India's investment environment has undergone significant improvement in recent years. Encouragingly, both domestic

NITI Aayog

and international investors have responded by committing resources across emerging and traditional sectors alike.

While national-level interventions have significantly strengthened investor confidence, States remain at the core of India's growth story. Recognising the pivotal role of States in accelerating the nation's development, the concept of Viksit Rajya has emerged as an essential pillar of the Viksit Bharat vision. Each State contributes distinct strengths, priorities, and opportunities, shaping the national growth mosaic. Empowering States to enhance competitiveness, attract capital, and accelerate industrial and innovation-led growth will be key to realising the full economic potential of the country. Hon'ble Prime Minister has repeatedly underlined the role of States in promoting investment and had given a call to develop an Investment Friendliness Index.

The Investment Friendliness Index (IFI) has been developed with the purpose of providing a comprehensive assessment of how effectively States foster an investment-supportive environment. The index evaluates States based on their performance in key areas, including infrastructure, business climate, both natural and human resources, government incentives, regulatory ease, institutional environment, financial health and environment resilience. The assessment is conducted not only using data from secondary sources but also through surveys from relevant private sector stakeholders to capture the true on-the-ground picture of each State. This report is a comprehensive analysis of strengths and relative challenges of each State and UT.

I am confident that this report will empower States and UTs to formulate policies and strategies for attracting further investments and will lead them on the path to Viksit Bharat to achieve designated milestones.

Message from the Programme Director

Ishtiyaque Ahmed
Programme Director – Industry and Foreign Investment, NITI Aayog

India's economic progress over the past decade has been remarkable, positioning the nation among the most attractive destinations for global investors. As India aims to achieve its long-term growth objectives, the ability to attract stable and diversified investments will play a decisive role. The country's investment climate has benefited significantly from technology adoption, policy reforms, and infrastructure expansion. Yet, the varying pace of improvements across States underscores the need for a structured assessment of State-level investment readiness.

The Investment Friendliness Index has been developed against this backdrop. Over the last five years, India has seen substantial gains in its digital infrastructure, logistics development, and sector-specific incentives. At the same time, investors continue to highlight challenges related to approval timelines, land access and the availability of skilled labour in high-value sectors. A systematic index therefore becomes essential for understanding both the progress and the gaps. States that have improved investment facilitation mechanisms, such as single-window clearance systems, dedicated investor grievance redressal units and plug-and-play industrial facilities have reported higher capital commitments and improved project execution speed. These outcomes demonstrate that institutional responsiveness is just as important as industrial capacity.

The Investment Friendliness Index provides a data-backed lens to understand how each State is positioned in this evolving landscape. By identifying comparative strengths and areas requiring attention, the index complements national efforts to foster regionally balanced growth. It is expected that the insights presented in this report will support governments, industry associations and investors in making informed strategic decisions and in aligning resources toward productive outcomes.

The Index and the report shall ultimately serve as an important metric for measuring Indian States' capability to attract foreign investment which will allow States and UTs to develop frameworks and strategies for increasing investments and becoming investor friendly regions globally.

The work carried out in the index underscores our shared resolve to promote conducive business environments across India and ensure that the country's growth journey remains inclusive, competitive and resilient.

Advisory Committee

The development of the Investment Friendliness Index for States was supported by an Advisory Committee which provided strategic guidance throughout the design and conceptualization of the Index, contributing to indicator selection, methodological refinements, and ensuring alignment with investor perspectives and state-level economic priorities.

The following section highlights the composition, background and expertise of the Advisory Committee members:

Shri Pravin Srivastava, Indian Statistical Service (Retd.)

Shri Pravin Srivastava, a 1983-batch officer of the Indian Statistical Service, served as the Chief Statistician of India and Secretary, Ministry of Statistics and Programme Implementation (MoS&PI).

Shri Ashish Kumar, Indian Statistical Service (Retd.)

A 1977-batch officer of the Indian Statistical Service, Mr. Kumar served as Director of the UN Statistical Institute for Asia and the Pacific, he is also President of the Center of Data for Economic Development and Chief Statistician at Pahle India Foundation, New Delhi.

Dr. Shri Laveesh Bhandari, President CSEP

Dr. Laveesh Bhandari is President at the Centre for Social and Economic Progress (CSEP). Dr Bhandari has published widely on subjects related to sustainable livelihoods, industrial, economic, and social reforms in India, economic geography, and financial inclusion.

Shri Dhrijesh Kumar Tiwari, ISS

Shri Dhrijesh Kumar Tiwari is an Indian Statistical Service Officer of 1998 Batch. He is a Post Graduate in Statistics. Currently, he is working as Joint Secretary, Development Monitoring and Evaluation Office (DMEO), NITI Aayog.

Shri Upendra Kumar Gupta, NITI Aayog

Shri Upendra Kumar Gupta is serving as a Deputy Adviser (Industry and Foreign Investment) at NITI Aayog where he has been associated for over 12 years.

The committee's contributions were instrumental in:

- Shortlisting indicators to ensure comprehensive yet focused coverage of key drivers of investment friendliness.
- Refining the pillar structure and weightages, providing analytical balance and methodological clarity.
- Recommending statistical tests and validation techniques that enhanced the rigor, credibility, and practical applicability of the Index.
- Sharing field-based perspectives and nuanced insights, which encouraged the team to think in new directions and incorporate aspects that reflect actual investor concerns.

We extend our sincere gratitude to the esteemed members of the Advisory Committee for their invaluable guidance, constructive insights, and continuous support during the development of this Index. With their profound expertise and extensive experience, they significantly enhanced the index's robustness and relevance.

We deeply appreciate the time, effort, and thoughtful deliberations the committee invested across multiple rounds of review and discussion. Their guidance significantly shaped the quality of this work and ensured that the index stands on strong analytical foundations.

Acknowledgement

Hon'ble Prime Minister during 9th Governing Council meeting, encouraged States to provide an investor-friendly environment and tasked NITI Aayog to prepare an 'Investment-friendly Charter' of parameters which would include policies, programmes and processes to be put in place for attracting investments. Subsequently, during Union Budget for fiscal 2026, preparation of Investment Friendliness Index was announced to further the spirit of competitive and cooperative federalism.

The Report on Investment Friendliness Index is a collective effort. I am grateful to Hon'ble Vice Chairman, NITI Aayog for his insights and leadership anchoring this project. I am thankful to Dr. Arvind Virmani, Hon'ble former Member, NITI Aayog for giving his valued suggestions for the preparation of this report. Observations and guidance of CEO, NITI Aayog from time to time has been of immense value in the culmination of the report. I thank the senior leadership of NITI Aayog for providing necessary directions for this project.

Support extended by Shri Amardeep Singh Bhatia, Secretary, DPIIT, Ms. Himani Pande, Additional Secretary, DPIIT and Shri Bhuvnesh Pratap Singh, Deputy Secretary, DPIIT is acknowledged with gratitude. Nielsen, our survey agency engaged by DPIIT needs to be credited for conducting the physical survey in a proper and time-bound manner. The team from Nielsen under the guidance of DPIIT has been instrumental in collecting relevant data from the field across States and UTs.

This exercise involved rigorous analysis and identification of indicators from various sources. Those indicators were then analysed and finally an exhaustive list of around 953 indicators was compiled. In this regard, the efforts of internal Sub- Groups led by Ms. Neha Nautiyal, Shri Shoyab Ahmed Kalal, Shri Manoj Kumar Upadhyay, Shri Harshit Mishra and Shri Abhishek Agarwal respectively need special mention.

Advisory Committee chaired by Shri Pravin Srivastava, Former Secretary, MoSPI included Shri Ashish Kumar, Former, DG, CSO, Shri Laveesh Bhandari, President & Senior Fellow, CSEP and Shri Dhrijesh Tiwari, Joint Secretary, DMEO as members and Shri Upendra Kumar Gupta as member-secretary. This Committee provided guidance on the entire statistical framework which included identification of relevant indicators, method of survey, sample size, design of questionnaire for survey and interpretation of final outcomes. Their contributions have helped immensely to give this report its present shape.

Crisil has been the knowledge partner for this project. The team from Crisil particularly Mr. Pushan Sharma, Mr. Mohit Adnani, Mr. Jyotish Menon and Mr. Nishaan Patel supported NITI Aayog and helped in navigating complexities associated with this project.

Finally, this endeavour would not have been possible without the efforts of the team from Industry & Foreign Investment Division. Since the inception of this project, the efforts of the team led by Shri Abhishek Mukherjee and comprising of Shri Bhadraksh Bhargav, Ms. Pragya Bajpai, Shri Shahid Qayoom, Shri Karun Gupta and Ms. Vrushali Lokhande are acknowledged.

Ishtiyaque Ahmed
Programme Director (Industry & Foreign Investment)
NITI Aayog

List of abbreviations used in the report

AQI	Air Quality Index
Bcm	Billion cubic metre
CFS	Container freight stations
EOUs	Export-oriented units
FDI	Foreign direct investment
FY	Financial year
GDP	Gross domestic product
GII	Global Innovation Index
GSDP	Gross state domestic product
GSPI	Global Soft Power Index
GST	Goods and services tax
GVA	Gross value added
IBC	Insolvency and Bankruptcy Code
ICD	Inland container depot
ICOR	Incremental capital-output ratio
IILB	India Industrial Land Bank
IMF	International Monetary Fund
ITI	Industrial Training Institute
MoU	Memorandum of understanding
MSMEs	Micro, small and medium enterprises
NCAER	National Council of Applied Economic Research
NIMZs	National Investment and Manufacturing Zones
NIRF	National Institutional Ranking Framework
PCA	Principal component analysis
PE	Private equity
PLI	Production Linked Incentive
POL	Petrol, oil and lubricants
R&D	Research and development
RBI	Reserve Bank of India

SEZs	Special Economic Zones
STEM	Science, technology, engineering and mathematics
T&D	Transmission and distribution
USD	United States dollar
UTs	Union territories
VC	Venture capital
WIPO	World Intellectual Property Organization

List of figures

List of tables

NITI Aayog

Contents

Executive summary

India has clocked robust economic growth over the past three decades, with gross domestic product (GDP) growing an average 6.1% in real terms over fiscals 1992 to 2025. As the country strives to achieve the vision of Viksit Bharat by 2047, which emphasises self-reliance, innovation and citizen empowerment, growth needs to surpass the historical rate amid a challenging global landscape marked by increasing protectionism.

Achieving this ambitious goal will require a significant increase in India's investment rate. According to the World Bank, for India to become a high-income economy by 2047, the country must achieve an average real GDP growth of 7.8% over the next two decades. Notably, investments have accounted for over half of the growth seen since fiscal 1992, riding on the landmark economic reforms of the early 1990s. A sustained acceleration in investments will be crucial from here. While central reforms provide the framework for this vision, state-level initiatives will be vital in attracting private investments by enhancing ease of doing business, improving infrastructure and ensuring policy predictability.

The Investment Friendliness Index has been developed to understand how well Indian states are positioned to attract investments. The index covers all 28 states and eight union territories (UTs) and evaluates what makes a state attractive for investors, as well as the challenges investors face. The index focuses on eight pillars: infrastructure, business climate, resources, government policy, regulatory ease, institutional environment, financial health and environment resilience.

Formulation of the index began with a thorough review of the secondary literature to evaluate existing frameworks that assess a state's investment attractiveness. Then, key factors influencing investment decisions were identified and organised into broad pillars, with relevant parameters defined to capture specific performance areas. To ensure a comprehensive perspective from the investor's viewpoint, an exhaustive list of 953 indicators were compiled across eight critical pillars. The next phase focused on refining the list of indicators based on their significance within the pillars, emphasising those that directly influence decision-making and risk assessment. Key metrics included relevance, importance, measurability and availability. Each indicator was assessed to gauge its capacity for quantitative or qualitative evaluation, with reliable and current data being essential for accurate representation.

The framework was enhanced through top-down and bottom-up approaches, resulting in a streamlined set of indicators. The final pillar weights were established based on discussions with Advisory Committee and stakeholders. The committee offered strategic direction by shaping indicator selection, refining the index structure and weightages, and recommending statistical tests, thereby ensuring the Index's credibility and practical relevance. Inputs from 165 stakeholders across various sectors were incorporated to ensure the framework reflected ground realities and prioritised investor concerns.

The index uses a 100-point scale and serves as a benchmark for states to improve their investment environment. Each state was scored on different aspects using a mix of primary surveys and publicly available data. Major participants in the survey spanned across key sectors in India. Based on the scores, states were grouped into four categories: Top performers, frontrunners, emerging performers and aspiring states. Five states were identified as top performers: Gujarat, Maharashtra, Tamil Nadu, Goa and Odisha. Fifteen states were classified as frontrunners, including Delhi, Uttar Pradesh and Andhra Pradesh. Eight states/UTs fell into the emerging performers category, while an equal number fell into the aspiring states category.

To ensure the comparison between diverse states is meaningful, the assessment also groups them into three geographical categories: large states, hilly and northeastern states, and city states and UTs. This approach helps account for structural and contextual differences. Among large states, Gujarat is the best performer, followed by Maharashtra and Tamil Nadu. Among hilly and northeastern states, Uttarakhand, Assam and Himachal Pradesh are the leading performers, with others showing moderate scores in the mid-30s to mid-40s band. Among city states and UTs, Goa, Delhi and Chandigarh stand out on top.

Gujarat tops the list with a score of 56.6, based on its efficient port operations and competitive power sector that ensures reliable electricity and a favourable business climate. Maharashtra follows closely with a score of 53.7, excelling in attracting significant private equity/venture capital (PE/VC) investments, along with the highest number of Atal Tinkering Labs (ATLs), supported by strong economic indicators. Tamil Nadu, with a score of 53.3, ranks high in both infrastructure and business climate, driven by efficient port operations, a near 100% memorandum of understanding (MoU) conversion rate and impressive export performance.

The detailed state profiles included in the report will provide investors and states with a better understanding of the scores. These profiles present a snapshot of key macro-economic indicators for the state, highlight the state's key industries and provide a detailed view of a state's performance, highlighting what is working well, the indicators that are driving the scores, and how each state compares with the top performer and average score across different pillars.

Additionally, the state profiles capture voices from the ground, which are perspectives shared by over 1,850 investors spoken to as part of the primary research. Feedback from investors helps identify aspects about a state that they appreciate as well as areas that need improvement. These profiles will enable states to learn from one another and implement best practices to enhance their investment attractiveness.

Ultimately, the Investment Friendliness Index aims to encourage collaboration and informed decision-making. By acting on the insights from this index, states can foster a healthier business environment, thereby attracting more capital. This can enable stronger economic growth across states, percolate capital and, thereby, development across regions, strengthen investment attractiveness, and spur meaningful steps towards realising the Viksit Bharat vision.

NITI Aayog

Chapter 1:

Introduction

1.1 Investing for the next leg of growth

India has achieved healthy economic expansion over the past three decades, with its GDP growth averaging 6.1% in real terms between fiscals 1992 and 2025.

The run-up has been even stronger in recent past.

In the decade before the Covid-19 pandemic, GDP growth averaged 6.6%. After the pandemic, the pace exceeded expectations, partly because of the low base of fiscal 2021 and partly because of the government's emphasis on boosting infrastructure investments through budgetary spending.

This helped India remain one of the fastest-growing large economies.

The Hon'ble Prime Minister had, in his 2025 Independence Day speech[1], outlined the vision of Viksit Bharat by 2047, focussing on self-reliance, innovation and citizen empowerment. The government is now preparing the roadmap for it to mark the 100 years of Independence.

[1] Press Information Bureau of India, Prime Minister's Office (2025). 'PM Modi's 79th I-Day Address: A Vision for a Viksit Bharat 2047'.

To achieve that goal, the growth line needs to rise well above past trajectories.

And this must happen even as the global landscape is becoming more challenging. Major economies are shifting towards protectionism, contrasting with previous decades that emphasised lowering trade barriers and enhancing globalisation.

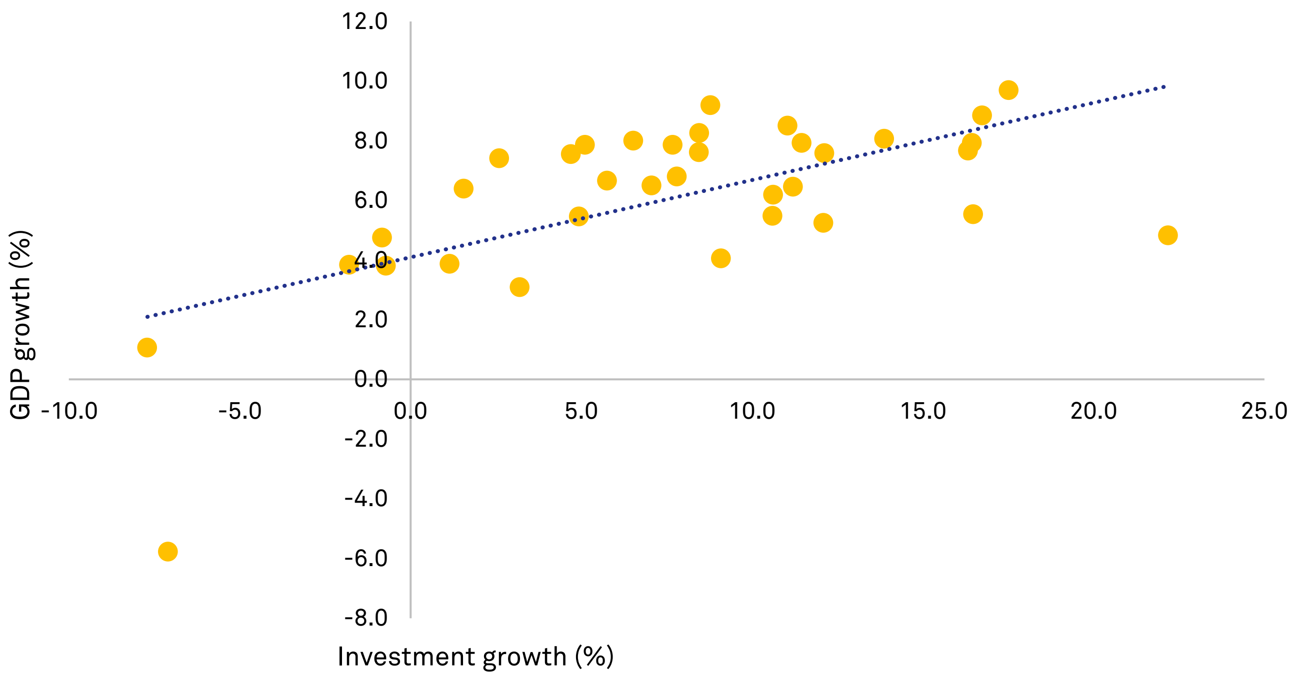
In this context, activating domestic growth drivers and relentlessly removing bottlenecks in the economy, as well as easing the way of doing business, are crucial.

Here, raising India's investment rate becomes paramount.

To be sure, investments have been a critical driver of growth since the seminal reforms of the early 1990s.

The chart below shows how India's GDP growth is positively correlated with increasing investments in the past 30 years.

Figure 1: India's GDP and investment trajectory in the past 30 years



Note: Investment growth is based on gross fixed capital formation; growth is in real terms
Source: National Statistics Office

1.2 The role of investments in growth

Long-term growth is driven by capital (built through investments), labour and productivity.

Using a growth accounting framework developed by the Nobel Prize-winning economist Robert Solow to analyse the drivers of growth in India highlights the importance of investments or capital.

Capital has been the primary driver of growth since the economic reforms of 1991. It accounts for a little over half of the growth seen since fiscal 1992, according to the KLEMS (acronym for capital, labour, energy, materials and services) database published by the Reserve Bank of India (RBI).

The next biggest contributor to growth has been gains in productivity from improved connectivity, the digitisation and digitalisation reforms, and improvement in processes.

A World Bank 2025 report[2] estimates capital deepening and high productivity growth contributed the most to overall GDP growth in India between calendar years 2000 and 2019.

Capital has been the key driver of post-pandemic growth as well. The central government's infrastructure push via budgetary capital expenditure (capex) has led to strong gross fixed capital formation (GFCF) growth. The central government increased its capex to 2.9% of GDP on average between fiscals 2022 and 2025, compared with 1.7% pre-pandemic (average for fiscals 2016-2020)

Investments are crucial to India's growth. The World Bank estimates that India needs to grow 7.8% on average in real terms over the next two decades to become a high-income economy by 2047—the central goal of Viksit Bharat. For this, the share of investments in GDP should rise by next decade.

According to the World Bank, countries which transitioned to a high-income status followed similar trajectories where investment and growth surges coincided, but the share of investments in GDP declined once the country crossed a certain high threshold level of per capita GDP. Therefore, for India's growth to accelerate, a sustained acceleration in investments will be crucial in its current stage of growth.

1.3 How investments deliver multiplier effects

Investments stimulate growth by enhancing the productive capacity of the economy. Investments could be in physical assets (machinery, production lines, roads and other infrastructure), in technological processes (driving innovation and better use of capital) or in human capital (building a skilled and educated workforce). Alongside a robust institutional framework, political stability and supportive policies bring resilience and sustainability to economic growth.

The Economic Survey 2022-23 estimated that economic output can increase by at least four times the amount of capex incurred[3].

The significance of investments in sustaining high growth is evident from the experiences of successful East Asian economies (refer to Box 1).

The government has been taking a similar approach to these economies, actively investing in rural roads, highways, airports and railways to improve physical connectivity, reduce logistics costs and enhance competitiveness. This kind of investment was crucial in fostering growth in East Asian economies.

Box 1: Pivotal role of investments in East Asian success

Japan's sustained growth after World War II was driven by a significant rise in investments, with the investment rate increasing from 26.7% in 1950-55 to 42.6% by 1973[4]. These investments, particularly in infrastructure, reduced logistics costs and supported manufacturing activity, leading to annual GDP growth exceeding 10% during 1955-60. This investment surge fostered a cycle of capital deepening, increased worker productivity and attracted foreign technology, establishing Japan as a global manufacturing leader by the 1970s.

[2]World Bank. 2025. India Country Economic Memorandum: Becoming a High-income Economy in a Generation. © World Bank.

[3]This is based on capex multiplier estimates by (1) NIPFP (2014). Fiscal Multipliers of India and RBI (2013). Size of Government Expenditure Multipliers in India: A Structural VAR Analysis. RBI Working Paper series

South Korea transitioned from a low-income, agrarian economy in the 1960s to an industrial powerhouse by 1990, with the investment-to-GDP ratio rising from 10.5% in 1960 to 41.2% by 1991. State-directed investments focused on sectors such as electronics and shipbuilding, boosting export capacity and employment. Infrastructure investments enhanced transport efficiency, supporting regional growth and elevating South Korea to high-income status within three decades.

China's growth since its economic reforms in 1978 was primarily investment-driven. The investment share in GDP rose from 34.5% in 1980 to 43.5% by 1993, resulting in China achieving double-digit GDP growth by early 1990s. The investment rate sustained above 40% in the early 2000s, helping China become a global manufacturing powerhouse. Investments were also the key driver of China's economic recovery after the 2008 financial crisis, with the investment rate peaking at 46.3% in 2011, driven by an infrastructure boom. This helped China achieve double-digit GDP growth (until 2010), transforming it into the world's second-largest economy.

1.4 Improving investment environment

India's investments picked up pace after the pandemic, growing faster than GDP since fiscal 2022. Investments stood at 29.9% of GDP in fiscal 2025, a tad higher than the decadal average of 29.1%.

The government and households have been the primary drivers of investment growth in the post-pandemic period. Investments by government and public sector enterprises together grew 13.9% (in real terms) between fiscals 2022 and 2024 (as per latest data available), followed by household capex (through real estate) at 13.4%. Private capex growth was slower at 8.7%.

Although uneven, private investment growth has improved, albeit at a slower rate compared with government and household investments. With strong balance sheets, corporations are well-positioned to take over the investment momentum from the government, aided by the Production Linked Incentive (PLI) scheme. Furthermore, the government is making steady progress in enhancing the investment environment through deregulation and the recent implementation of long-awaited labour reforms, which consolidate 29 labour laws into four codes.

As private corporate investments play a larger role and the government aims to persist with infrastructure development, though in a more selective manner, capital will continue to be a crucial factor in India's growth trajectory.

At this stage, equal participation from states is needed to improve the investment environment.

1.5 State-level initiatives: The key to unlocking private investments

While central reforms set the direction for the Viksit Bharat vision, private investors ultimately decide where to put their money based on state-level ease of doing business, infrastructure quality and policy predictability. States are not just implementers, they are active competitors for private capital, and evidence shows that proactive states capture a disproportionately large share of investments.

[4]Investment rate and GDP growth data is sourced from the World Bank database. For Japan, data before 1970 is not available on the World Bank database. Older data for Japan's investment ratio and GDP growth is sourced from research paper: Komiya, R (1966). Japan: "Foreign Tax Policies and Economic Growth". National Bureau of Economic Research and The Brookings Institution

States drive the investment race

The top five states—Maharashtra, Karnataka, Gujarat, Delhi and Tamil Nadu—attract ~85% of total foreign direct investment (FDI) inflows. In contrast, states in the northeast receive less than 1% combined, highlighting the widening regional divergence.

Why reforms at the state level matter for private capital investment flow

The incentives and policies of a state are critical in shaping the investment decisions of companies. These are:

- **Land and labour:** Private investors repeatedly cite land availability, labour law flexibility and power reliability—all under state control—as the top three factors dictating their investment decision
- **Speed of clearances:** States that have implemented single-window systems have cut approval times to under 30–60 days from 6–18 months, making those preferred investment destinations
- **Incentive competition:** Leading states offering customised packages (capital subsidies, power tariffs, state goods and services tax reimbursement) can swing where a Rs 10,000-crore project is set up. Gujarat's semiconductor policy and Tamil Nadu's electric vehicle policy are prime examples that directly influenced investments by Samsung, Tata Group and Foxconn
- **Infrastructure readiness:** Private players follow where roads, ports, power and industrial corridors already exist, or are under fast-track development (e.g., Gujarat's GIFT City, Maharashtra's Samruddhi Corridor and Karnataka's Chennai-Bengaluru Industrial Corridor)

It has been observed that states that lag in governance reforms or infrastructure readiness generally struggle for capital flows.

In this milieu, the Hon'ble Prime Minister has called for the preparation of **an Investment Friendliness Index**, recognising that companies and investors are interested in India, and that states should be encouraged to seize this opportunity and position themselves as competitive investment destinations.

The index is expected to bring about greater accountability and performance benchmarking among the states. It will highlight best practices that can be replicated across other states and encourage reforms that collectively enhance the country's investment attractiveness.

In doing so, the index will foster healthy competition among the states, motivating the states to improve, while also learning from each other's successes.

The index will go beyond merely ranking the states. It will enable states to track, monitor, and evaluate performance across multiple aspects that are important for investors, such as infrastructure, regulatory ease, business climate, financial health to name a few.

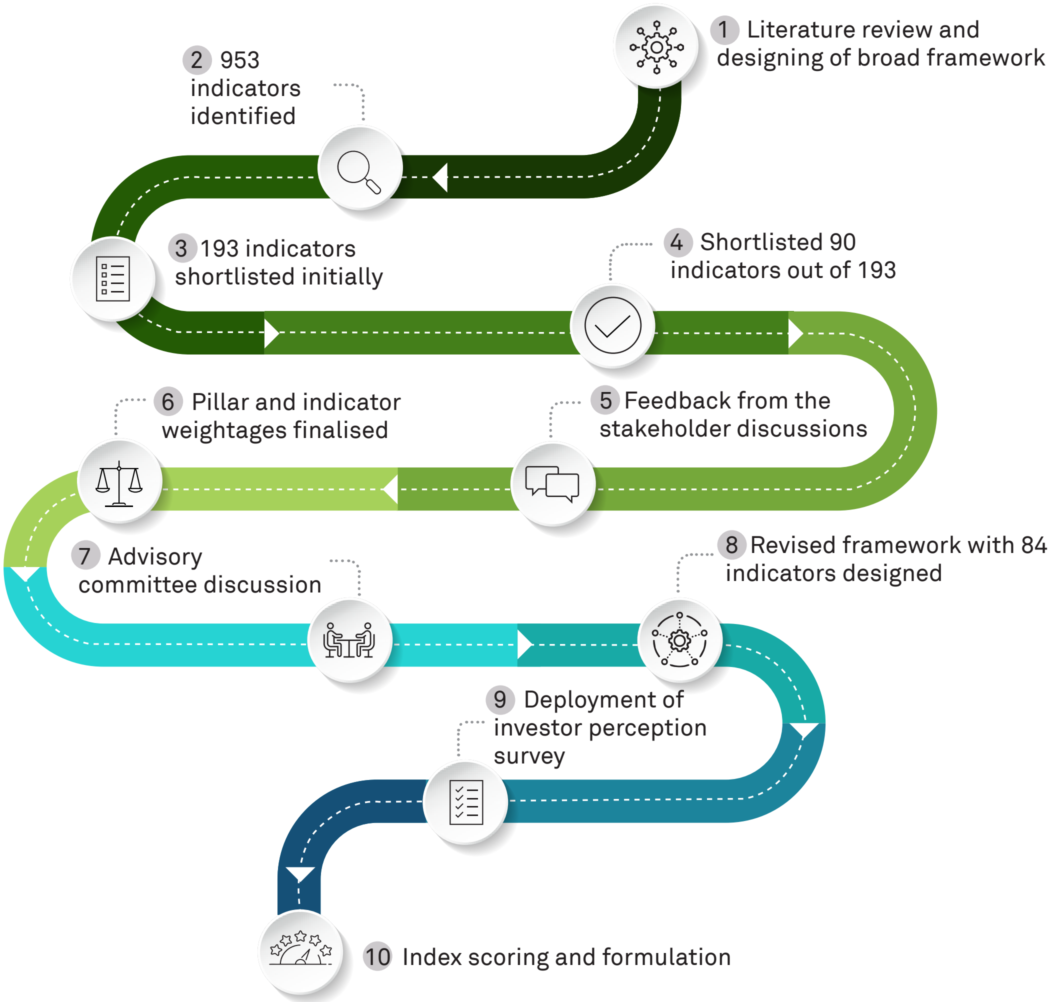
By assessing these parameters, the index aims to ensure that the reforms at the state level are not limited to policy announcements but also reflect in on-the-ground implementation. The index will also function as a repository of insights. Policymakers will gain access to reliable data on areas where states excel and those that require attention.

Chapter 2: Approach and methodology for index preparation

2.1 Roadmap

Figure 2 provides the process followed to develop the Investment Friendliness Index.

Figure 2: Roadmap



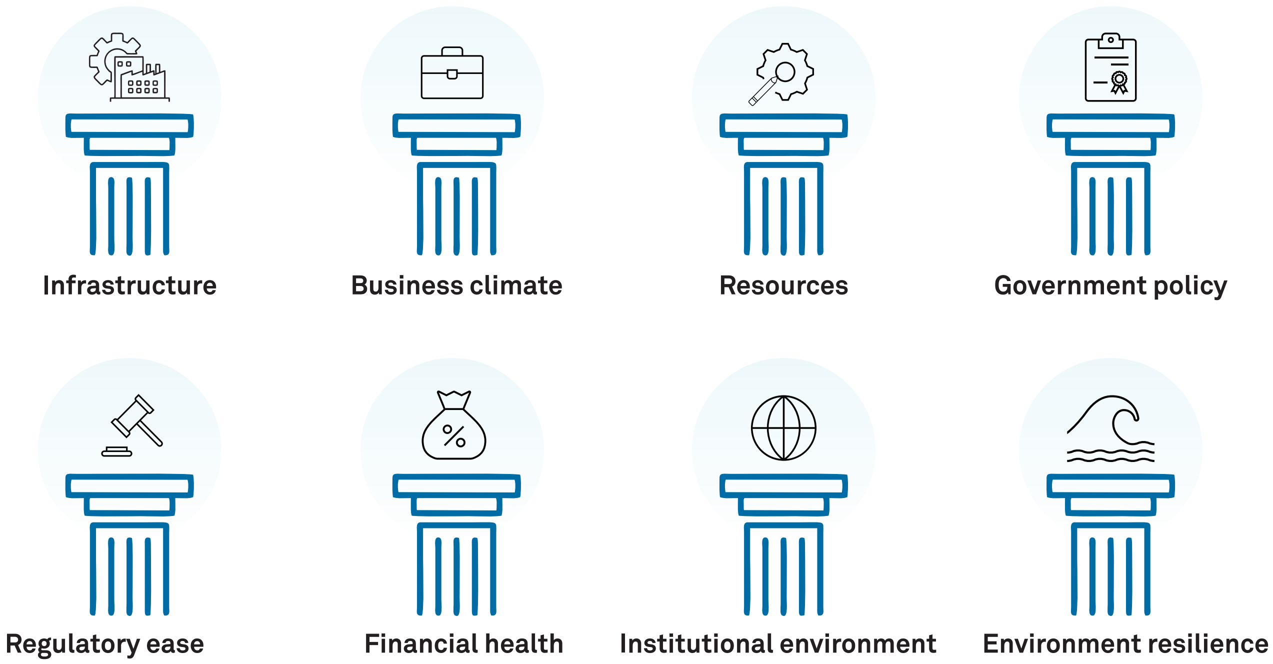
2.2 Framework development

The first step involved reviewing secondary literature to evaluate existing frameworks assessing a state's investment attractiveness. This included a comprehensive literature review of benchmarking frameworks such as Michel Henry Bouchet's Country Risk Assessment, the World Bank's Ease of Doing Business framework and the National Council of Applied Economic Research's State Investment Potential Index.

This was followed by assessing key factors that influence investment decisions, which were subsequently organised into broad pillars. Within each pillar, relevant parameters were defined to capture specific areas of performance. These parameters were further represented through measurable indicators.

An exhaustive list of **953 indicators was prepared,** encompassing all critical aspects from an investor's perspective, across eight pillars.

Figure 3: Eight pillars comprising the Investment Friendliness Index



2.3 Indicator refinement, assigning weights and stakeholder consultations

The list of indicators was whittled down by evaluating their significance in the pillars, i.e. those that could directly influence decision-making, risk assessment, or the overall attractiveness of a state for investors.

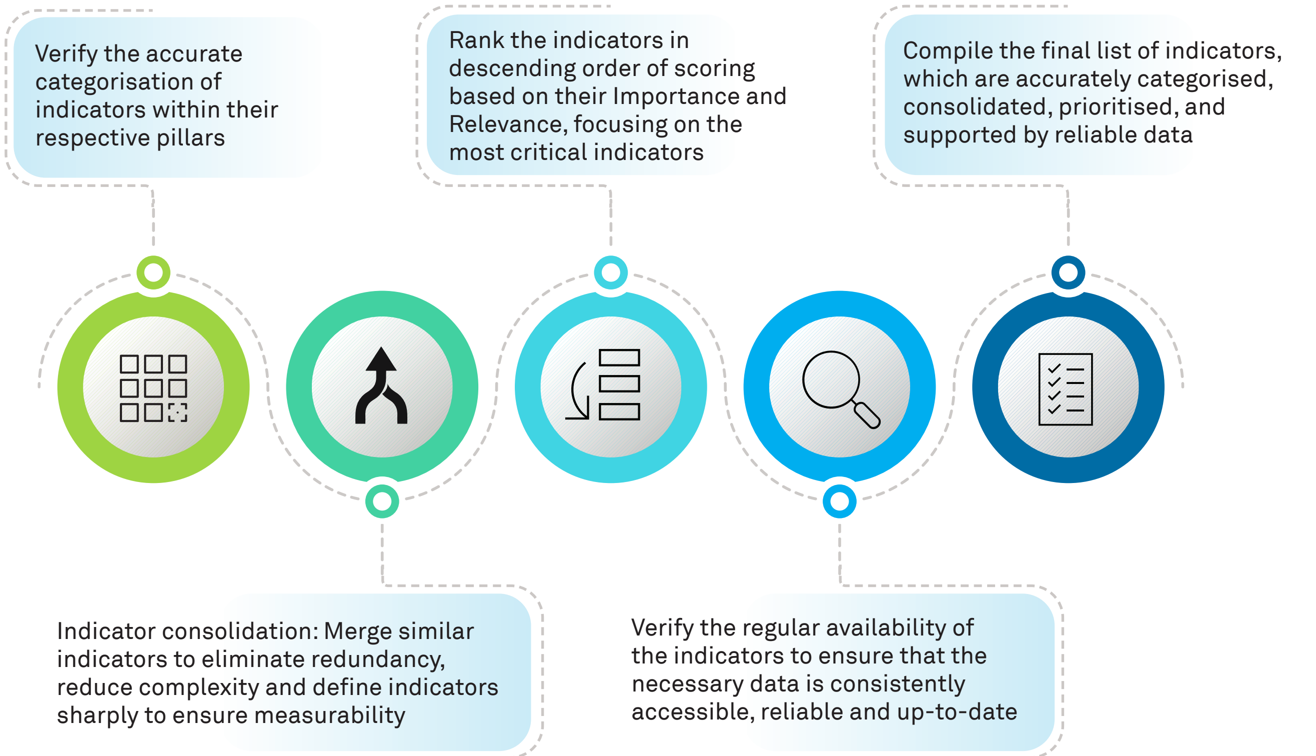
While streamlining the indicators for the Investment Friendliness Index, four key metrics were considered: Relevance, importance, measurability and availability.

An indicator's **relevance** was determined by its relationship in attracting investments to the state, whereas its **importance** was measured by the extent to which it influenced overall investment decisions. Each indicator also had to be **measurable**, allowing for either quantitative or qualitative assessment. Additionally, the availability of reliable and up-to-date data on a recurring basis through primary or secondary research was essential to ensure that the indicator provided an accurate and timely representation of the state's investment environment.

Take the case of state gross fiscal deficit indicator. It meets the criteria as follows:

Relevance	Importance	Measurability	Availability
Yes. It reflects the state's financial health and its ability to invest in infrastructure or offer incentives to businesses	Yes. A high fiscal deficit may indicate potential financial instability, which could affect a state's ability to attract long-term investments	Is quantifiable	The data is published annually in the secondary domain, such as the Reserve Bank of India's (RBI) Handbook of Statistics

Figure 4: Process followed for indicator selection/rejection



Parallelly, the framework and indicators were re-evaluated via **top-down** as well as **bottom-up approaches.**

In the top-down approach, the most critical indicators under each pillar were assessed to ensure that the framework was comprehensive and effective. In the bottom-up approach, the list of indicators was refined, based on stakeholder feedback, and those that captured similar outputs were merged.

This exercise streamlined the framework and reduced redundancy.

2.4 Stakeholder consultations

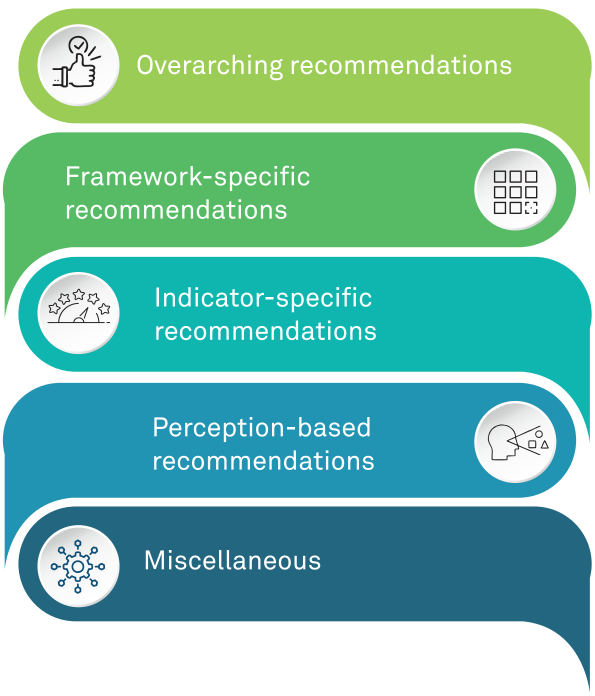
The stakeholder consultations helped ensure that the framework accurately reflected ground realities, prioritised investor concerns and identified the most crucial indicators for assessing a state's investment attractiveness, thereby minimising potential oversights.

During these sessions, **165 stakeholders** across **industry associations, regulatory bodies, central ministries, consultancy firms, sovereign wealth funds, multilateral institutions, investment banks** and private **equity firms** were consulted.

Based on feedback, 84 indicators were chosen. Through these interactions, valuable insights were also gathered across the investment ecosystem, ensuring that the framework was built on a broad spectrum of perspectives and expertise. Additionally, based on research, indicative weightages were assigned to the pillars and indicators, which were then vetted through these consultations.

Figure 5: Stakeholders

Figure 6: Stakeholder feedback



2.5 Stakeholder feedback evaluation

The stakeholder feedback evaluation process involved classifying the feedback into five distinct categories: overarching recommendations, framework-specific recommendations, indicator-specific recommendations, perception-based recommendations, and miscellaneous.

This categorisation enabled us to systematically analyse and address a diverse range of suggestions provided by stakeholders.

This approach ensured a balanced assessment, where quantitative data provided objective measurement and qualitative feedback captured on-ground perspectives that numbers alone may miss. Each recommendation was carefully evaluated and prioritised as high, medium or low.

The revised framework was developed based on the feedback and suggestions received from stakeholders. The iterative process ensured that the final framework was robust, relevant and effective in achieving its intended objectives.

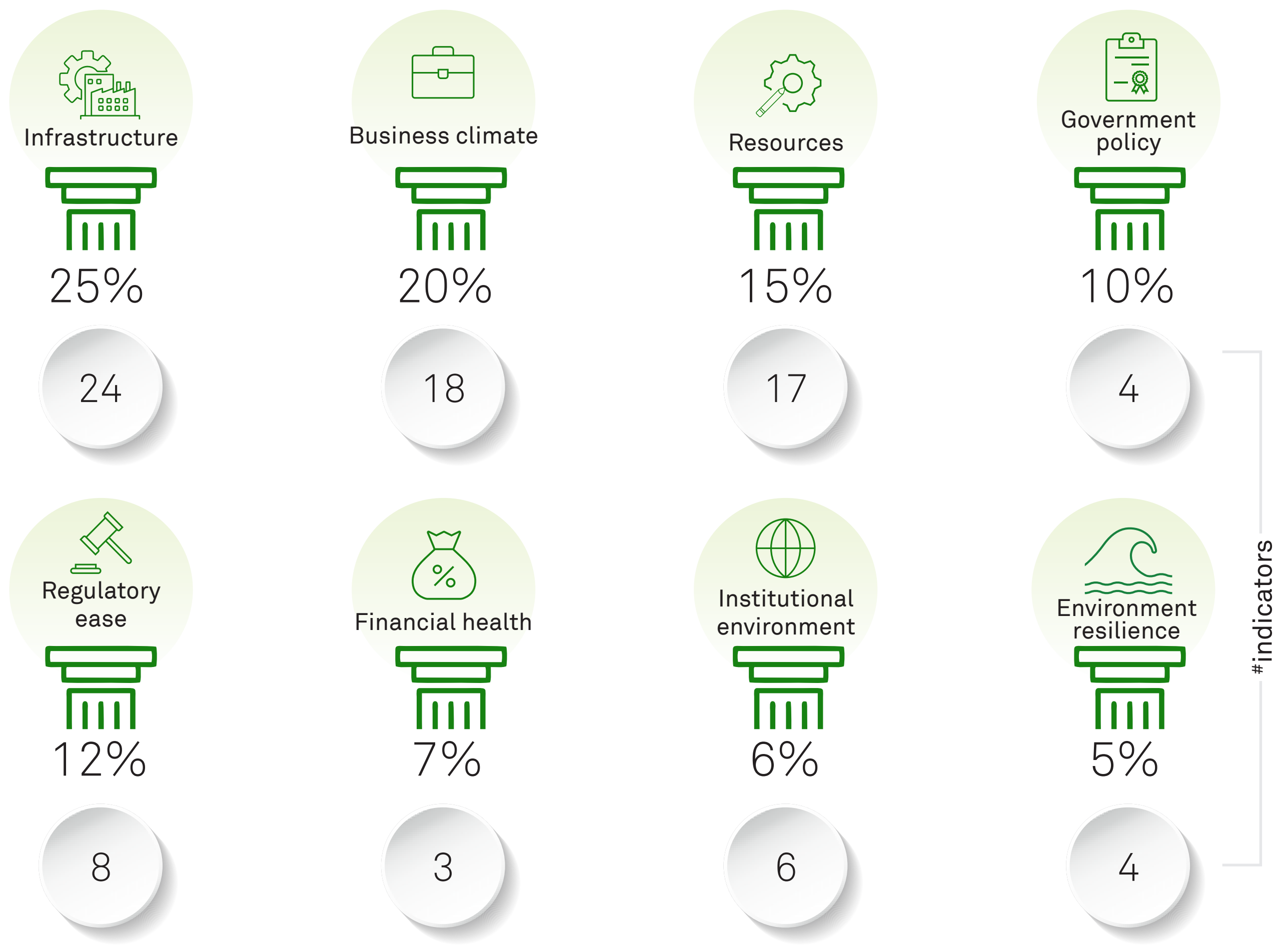
The framework was ultimately finalised around eight pillars and 84 indicators, comprising 62 secondary and 22 perception-based indicators.

Tentative weights were assigned to the pillars through a consultative and evidence-based approach to ensure robustness and stakeholder alignment.

This helped identify the relative importance of various dimensions that influence a state's overall investment attractiveness and industrial competitiveness, such as infrastructure, business climate and resources.

Following the review, an initial set of pillar weights was discussed with the Advisory Committee to align the framework with the study's objectives and strategic priorities. These proposed weights were subsequently validated through stakeholder consultations, and the final pillar weights were determined based on stakeholder feedback.

Figure 7: Pillar weights



Following finalisation of the pillar weights, indicator weights were assigned.

The weight assigned to each pillar was first divided equally among the indicators under the same pillar to establish a base weight. Under this, the indicators were classified into three priority tiers—**high, medium** and **low**—based on the relative influence of the pillar's overall performance and their relevance.

- High-priority indicators were assigned a weight higher than the base weight
- Medium-priority indicators retained the base weight
- Low-priority indicators were assigned a weight lower than the base weight

Figure 8: Indicators by priority

Indicators	Priority
Gross state domestic product (GSDP) per capita	H
Capital expenditure/GSDP	M
Presence of Atal Tinkering Labs in the state per capita	L

This tier-based differentiation allowed the index to better capture the nuanced importance of specific indicators within each pillar. The proposed indicator weights were then reviewed and validated by Advisory Committee to ensure methodology robustness and alignment with stakeholder expectations.

The draft framework was finalised after deliberations between NITI Aayog and Crisil.

Notably, this multi-stage, consultative process ensured that the final weighting structure was both data-driven and policy-aligned, enhancing the credibility and representativeness of the index outcomes.

2.6 Perception/primary surveys

The index comprises 22 indicators that capture on-ground realities across key pillars used to assess states.

The survey was conducted with 1,850 investors across 36 states and union territories. Some investors had experience operating in multiple states, resulting in a total of 2,503 responses.

While secondary data provided a reliable quantitative foundation, certain aspects critical to assessing investment attractiveness were either unavailable or did not fully capture on-ground realities. The perception/primary survey, therefore, helped bridge this gap by incorporating insights directly from stakeholders and investors familiar with state-level business environment.

Perception often influences where businesses choose to establish or expand operations. Hard data helps validate existing perceptions for each parameter within the framework, particularly those requiring investor verification or ground-level assessment, ensuring that the final index reflects not only statistical performance but also the perceived ease, reliability and overall investment climate of each state.

Multiple questions contributed to the formation of a single indicator, with the average score represented on a 10-point scale. This average was then scaled up to a 100-point scale for consistency across all indicators.

2.7 Framework

Figure 9 illustrates the framework that was arrived at post stakeholder consultations and literature surveys, with weightages assigned to each pillar.

NITI Aayog

Figure 9: Framework

Pillars	Weight	Parameters
Infrastructure	25%	Logistics | Energy | Digital infrastructure | Industrial infrastructure
Business climate	20%	Economic performance | Innovation ecosystem | Business facilitation
Resources	15%	Natural resources | Human resources
Government policy	10%	Incentives | Approvals
Regulatory ease	12%	Compliance | Legal
Financial health	7%	Fiscal position
Institutional environment	6%	Governance and rule of law
Environment resilience	5%	Geophysical | Weather-related

Shortlisted indicators: 84

Perception-based indicators: 22; secondary indicators: 62

Each pillar has been explained, highlighting the parameters it covers and some representative indicators it comprises. The entire list of pillar-wise indicators is provided in Annexures.

1. Infrastructure

This pillar evaluates hard as well as soft infrastructure essential for business operations and the seamless functioning of industries.

In terms of hard infrastructure, the focus is on storage and logistics, covering four key modes of transport: road, rail, air and ports.

For air transport, airport capacity, cargo handling relative to manufacturing output and the number of airports in the state with international operations are considered, as these factors indicate a state's capability to facilitate trade and global integration.

For road infrastructure, road density, connectivity and quality are assessed. Rail density is examined to evaluate the effectiveness of rail transport, whereas in ports, port capacity, along with turnaround times, is analysed to measure efficiency.

In soft infrastructure, indicators related to digital readiness, high-speed internet access and 5G penetration are included. These elements are crucial for supporting technology-driven industries and modern service sectors. The framework also incorporates investor perceptions of logistics infrastructure.

2. Business climate

This pillar evaluates a state's conduciveness for starting, sustaining and scaling businesses, focusing on three key components: Economic performance, innovation and business facilitation.

Economic performance reflects the overall health of a state's economy. Key indicators include gross state domestic product (GSDP) per capita, ratio of exports-to-GSDP and foreign direct investment (FDI) inflows. These indicators provide insight into the state's economic standing and its integration with global markets, highlighting its potential to attract investment.

Innovation is a critical component that showcases the state's capacity to foster new ideas and entrepreneurial ventures, enabling businesses to grow. Important indicators in this area are the presence of incubators, and the number of startups and patent applications. These metrics illustrate the vibrancy of the entrepreneurial ecosystem and the state's readiness to support innovation.

Business facilitation encompasses systems and infrastructure that support investors. This includes credit availability to industries and the number of bank branches, which together measures accessibility of capital for business expansion. Additionally, the efficiency of investor facilitation centres, assessed through investor satisfaction, reflects how easily investors can navigate the regulatory and administrative landscape.

3. Resources

This pillar focuses on natural and human resources, the two fundamental inputs that drive business and industry. States with abundant natural resources such as minerals, water and land have a competitive edge in sectors such as steel, cement, power and manufacturing.

Indicators such as the state's share in national production of metallic, non-metallic minerals, coal and annual extractable groundwater availability highlight the strength of this resource base. Renewable resource potential, including solar, wind, hydro and bioenergy, are also considered, recognising the growing importance of sustainable energy in attracting long-term investment.

Under human resources, indicators such as the percentage of students enrolled in science, technology, engineering and mathematics (STEM) education, and annual addition of new technical workforce and women workforce participation are assessed to measure the depth and inclusiveness of the labour pool.

The quality of higher education and employability is measured through indicators such as the proportion of colleges ranked among the top 100 nationally, state expenditure on education and employer satisfaction with the job readiness of graduates. These factors demonstrate a state's commitment to developing a workforce capable of supporting advanced industries and services.

Beyond economic considerations, quality-of-life factors such as availability of schools, healthcare and social infrastructure also influence investment attractiveness. States that combine a strong natural resource base with a skilled, healthy and productive workforce create an ecosystem in which industries can thrive. This balance ensures that the states remain competitive in both resource-intensive and knowledge-driven sectors.

4. Government policy

This pillar evaluates the incentives offered by states and also the investor perception about their on-ground implementation, as these factors significantly impact decisions on where to invest. Certain incentives, like those on capital expenditure and research and development, can reduce the cost of doing business and enhance companies' competitiveness.

The proportion of total industrial capex a state sets aside for disbursal as capex incentives annually is a key metric that reflects the importance the state accords for industrial growth. Similarly, the ratio of overall incentive allocations to a state's budget is an indication of its fiscal commitment towards investment facilitation. The R&D incentives disbursed, measured against a state's gross value added, is a measure of its support for innovation and technology-driven industries. These ratios enable a standardised comparison between states, accounting for differences in size and industrial base.

Beyond the numbers, stakeholder satisfaction scores provide insights into the effectiveness of state incentive schemes. Factors such as the design of policies, efficiency and transparency in the approval process and speed of incentive disbursement have a direct influence on investor perceptions. High satisfaction scores indicate that the incentive system not only exists but is accessible, reliable and responsive, reinforcing business confidence in the state's ability to support growth and operational stability. States excelling in these domains tend to foster an environment conducive to attracting new businesses and retaining existing ones.

5. Regulatory ease

This pillar examines the impact of state-level regulatory environment on investments by looking at compliance requirements and investors' on-ground perception of the regulatory landscape. It evaluates the burden, transparency and predictability of regulations, which are the factors potential investors often consider while deciding on new locations. States that maintain streamlined and stable regulatory frameworks, reduce operational uncertainty and lower time and cost barriers for new and existing businesses are widely viewed as attractive investment destinations.

A range of indicators has been used to assess regulatory ease. They include the number of licences required, time taken to start a business and the efficiency of approval processes for critical utilities such as electricity and water. Timeliness and reliability of land allotment procedures for industrial purposes and costs and clearances for environmental compliance are also vital metrics.

These data points quantify not only the direct regulatory burden but also the efficiency of government systems in facilitating business entry and expansion. States that score favourably tend to have higher investor satisfaction.

Qualitative aspects such as stakeholder perceptions are equally important in the analysis of investment attractiveness. Indicators such as investor satisfaction with the single-window system, perceived ease of environmental clearance and the speed of approvals offer insights into how regulations translate into day-to-day business experiences. The presence of efficient commercial courts and the average time required for exit processes (such as closing operations) further reinforce confidence in the state's legal and regulatory architecture. Investors regard easy exit mechanisms and strong contract enforcement as critical, especially when market or business conditions necessitate a change or termination of operations.

6. Financial health

The financial health of a state is a critical factor in investment decisions as it directly impacts the security and stability of investments. States with sound fiscal management foster greater investor confidence as they are better equipped to meet financial obligations and provide a stable business environment.

This pillar assesses the debt profile and fiscal balance of a state through indicators such as total outstanding liabilities as a percentage of GSDP, interest payments as a share of GSDP and gross fiscal deficit level. Elevated liabilities and interest outflows indicate fiscal stress, which has the potential to hinder a state's ability to deliver promised incentives. Additionally, persistent fiscal deficits can signal a heavy reliance on borrowing, potentially undermining the long-term capacity to fund public services and infrastructure.

Analysing these metrics enables investors to differentiate between fiscally prudent and risk-prone states, helping them make informed investment decisions. States with sound financial health can offer better incentives, reduce the cost of capital and serve as safer, more reliable destinations for large-scale investments. The financial health pillar ensures that state-level fiscal health is transparently embedded within broader assessments of investment potential.

7. Institutional environment

This pillar measures the efficiency, reliability and transparency of a state's governance system, as it directly impacts policy stability, business operations and dispute resolution. Strong institutions build investor confidence through consistent application of laws, swift grievance redressal and effective commercial dispute management, thereby enabling businesses to operate with minimal interference and risk.

The assessment criteria for this pillar encompasses the severity and frequency of labour disruptions, including strikes and crimes, especially economic offences, such as forgery and fraud. Additionally, perception-based indicators include interference by officials, satisfaction with transparency and governance, and accessibility and efficiency of grievance redressal systems. The assessment also tracks the number of cybercrimes, reflecting the growing importance of digital infrastructure.

States that perform well on these indicators have a high degree of predictability, policy continuity and procedural justice, which are essential for attracting and retaining investments. This pillar ensures that state rankings capture not only the economic potential but also the capacity to sustain it through stable, transparent and investor-friendly governance— the attribute that creates a favourable business environment that encourages long-term investments and collaborations, thereby contributing to a state's economic growth and development.

Moreover, a robust institutional framework can facilitate the implementation of policies and programmes that promote innovation, entrepreneurship and job creation, which are essential for a state's overall competitiveness. By prioritising institutional environment, states can position themselves as reliable and attractive hubs for investors, businesses and talent.

8. Environment resilience

This pillar examines the environmental and disaster-related vulnerabilities of a state, as they directly impact business continuity and asset security. Natural calamities, such as earthquakes, cyclones, floods and pollution, are increasingly influencing investor decisions, as exposure to these events can lead to operational interruptions, cost escalation and reduced value of fixed assets.

Indicators under the pillar include the proportion of high-risk earthquake zones in a state's total area, its air quality index (AQI) and comprehensive metrics on the frequency and severity of cyclones, flooding and landslides. Investing in states with poor AQI or frequent extreme weather events exposes businesses to higher insurance costs and losses from infrastructure damage or health-related disruptions. Notably, stakeholder perceptions of disaster preparedness are also factored in, revealing the effectiveness of state policies and response systems.

States with effective disaster risk management and robust environmental regulations are positioned as resilient destinations, attracting investors seeking to minimise operational disruptions and long-term risks. The environment resilience pillar provides essential clarity on the resilience and adaptability of a state's investment climate, helping investors devise risk-adjusted investment strategies.

By considering these factors, investors can make informed decisions that balance potential returns with environmental and disaster-related risks. A state's ability to mitigate and respond to natural disasters can influence its reputation and appeal to investors, talent and tourists. Thus, a strong performance of this pillar can be a key differentiator for states seeking to attract investment and drive sustainable economic growth.

2.8 Data homogenisation and scoring

Establishing a uniform framework to score states is crucial for consistent monitoring and assessment of their performance across key indicators of investment readiness. A standardised scoring mechanism enables comparability and helps identify areas that require targeted policy intervention. However, given the diverse nature of the data, which spans quantitative metrics and qualitative perceptions, data homogenisation is crucial for ensuring fairness and accuracy in evaluation. This process establishes a reliable foundation for ranking and benchmarking states, thereby promoting healthy competition and encouraging continuous improvement.

To score indicators on a common scale of 0-100, a scoring methodology was developed for states. The shortlisted indicators were categorised into two groups and scored accordingly:

1. **Secondary indicators:** Directly measurable and quantitative

2. **Perception-based indicators:** Qualitative and subjective

Secondary indicators

For secondary indicators, the min-max normalisation was adopted for scoring as shown below:

$$\text{Normalised score} = \frac{(S - Min)}{(Max - Min)}$$

Where S= state score

Using this formula, each state's score (S) was translated into a range between 0 and 100. A score equal to the minimum will become 0 and a score equal to the maximum will become 100, with scores in between scaled accordingly. For certain states exhibiting outlier data points, a trimmed min-max standardisation method was employed. This approach is further elaborated in the Annexure 2 section. For Union Territories such as Ladakh, Lakshadweep and Puducherry, the average of available scores across indicators is taken to compensate for the lack of data on certain indicators.

Unlike quantitative data, no minimum-maximum or trimmed minimum-maximum normalisation was applied to the perception-based indicators, as the scoring inherently reflected relative respondent sentiment within the defined scale.

Survey framework and statistics

- Indicator coverage: 22 perception-based indicators, each comprising one or more questions, resulting in a total of 41 questions across indicators
- Respondent base: 1,850 unique respondents across 36 states and union territories, amounting to 2,503 responses
- Stratified respondent sampling: Respondents are categorised into large and MSME segments as well as sectors to provide a nuanced understanding of state performance
- Multi-state perspectives: As some respondents possess knowledge of multiple states, the number of responses exceeds the number of unique respondents, reflecting the broader geographic insights captured in the survey

Figure 10: Geographical distribution of responses

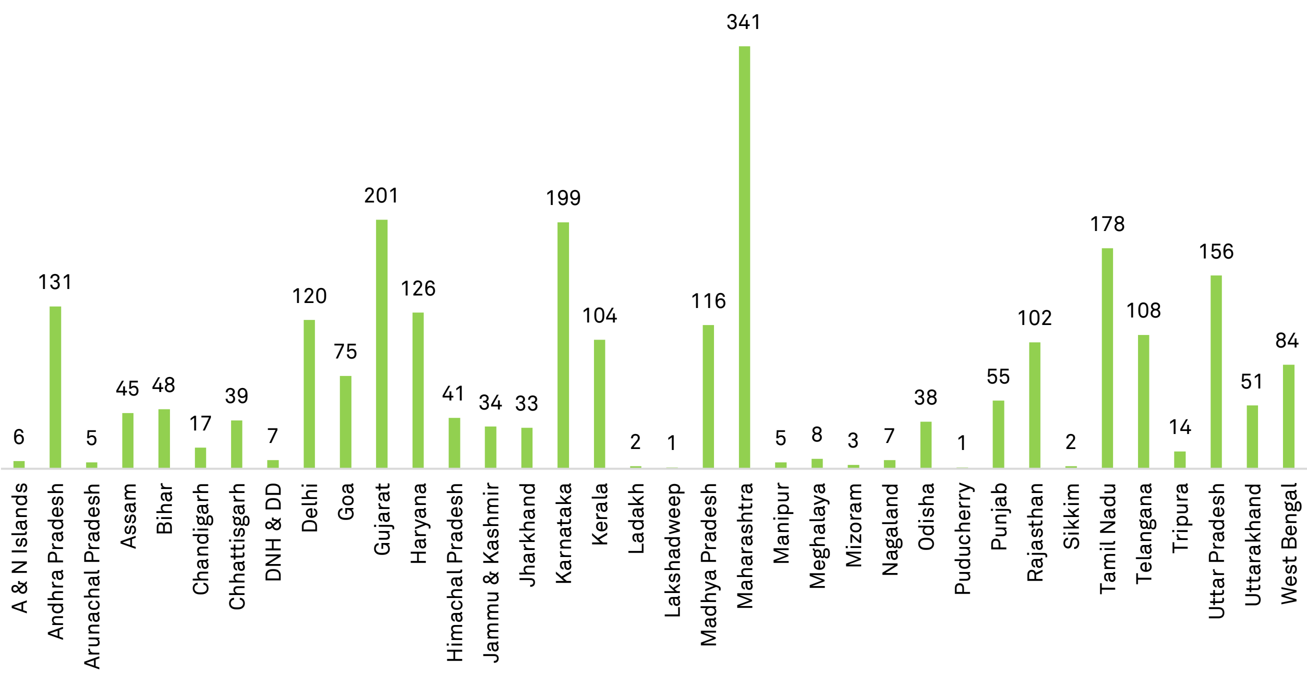


Figure 11: Categorisation of respondents based on revenue size

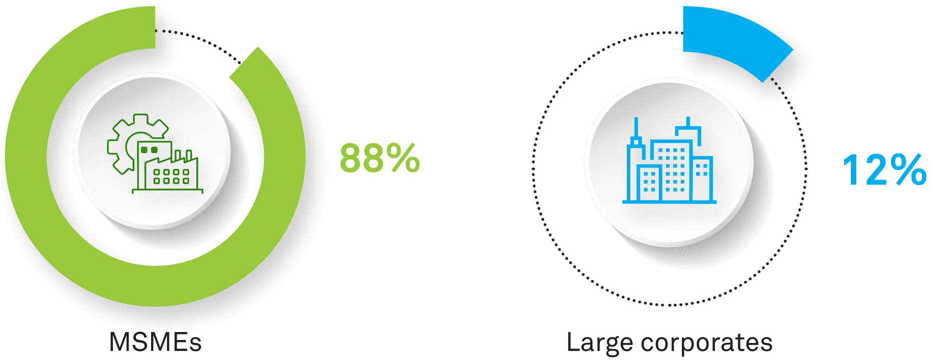
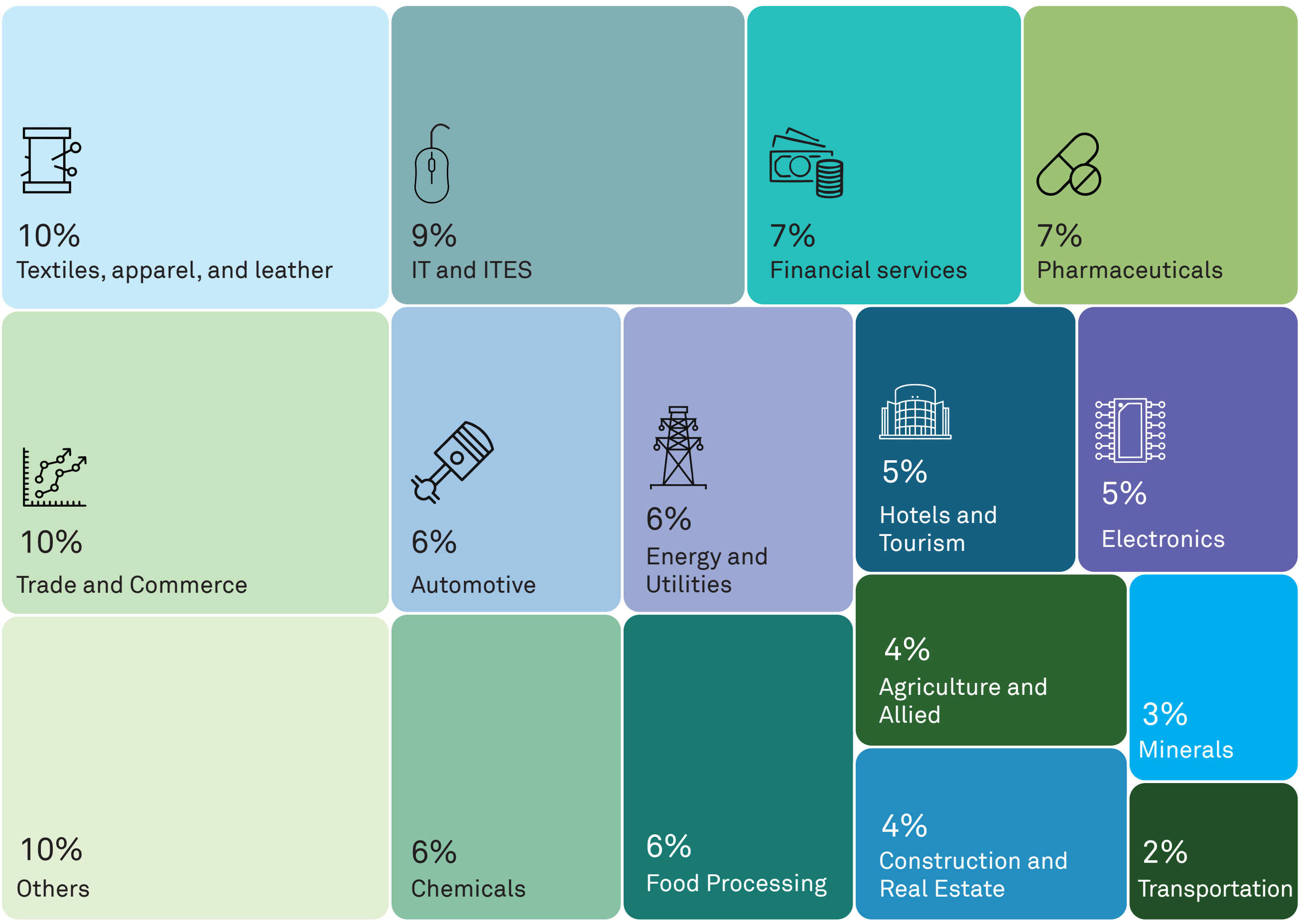


Figure 12: Distribution of respondents across industries



2.9 State categorisation

Given their vast diversity, comparing states and union territories on a uniform scale can overlook inherent structural and contextual differences. To ensure a more balanced and meaningful assessment, states were categorised into three groups: hilly and northeastern states, large states and city states/union territories.

This classification enables each state to be evaluated against peers that enjoy similar geographic, demographic and administrative characteristics. For instance, hilly and northeastern states often face terrain-related challenges, which can impact infrastructure development and access to resources. Meanwhile, larger states typically operate with complex governance systems and diverse regional dynamics. City states and union territories, on the other hand, have compact geographies and distinct administrative setups.

The framework adopted for this assessment accounts for these structural differences and ensures fairer and more accurate comparisons, revealing the true picture of a state's performance relative to peers with similar contextual realities.

To facilitate a more accurate assessment of relative performance, considering the inherent geographical advantages and disadvantages, the states have been grouped into the following categories:

Table 1: State categorisation

Group	No. of states	List of states
Large states	17	Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal
Union territories and city states	7	Andaman and Nicobar Islands, Chandigarh, Dadra & Nagar Haveli and Daman & Diu, Delhi, Goa, Lakshadweep and Puducherry
Hilly and northeastern states	12	Arunachal Pradesh, Assam, Himachal Pradesh, Jammu and Kashmir, Ladakh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand

The overall ranking is a comprehensive benchmarking of states, highlighting their relative attractiveness for investments and potential for economic growth. It will enable states to assess their strengths and weaknesses, pinpoint areas for improvement and develop targeted strategies to enhance their investment climate.

State profile report

A comprehensive state profile, as illustrated in Figure 13, has been developed for each state, providing a detailed snapshot of the state's performance across various pillars and key performance indicators. The profile highlights a state's strengths, showcasing the pillars and indicators that have contributed to its success. It also identifies areas where the state can improve, providing a clear roadmap for growth and development.

Figure 13: State profile

State/UT

Overall Rank –

Score –

Category rank C/L/N

Area: - sq km

GSDP per capita: Rs -

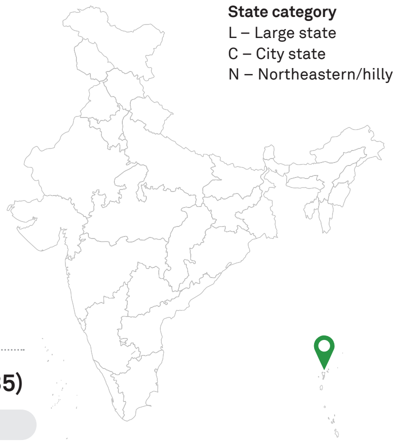
Agriculture share of GVA (FY23): -%

Industry share of GVA (FY23): -%

Services share of GVA (FY23): -%

FDI inflow (FY24): Not available*

Key industries: -



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65) 17.7

Survey score (35) 12.6

Key enablers

- Institutional environment
- Infrastructure

Key performance indicators

- GSDP per capita

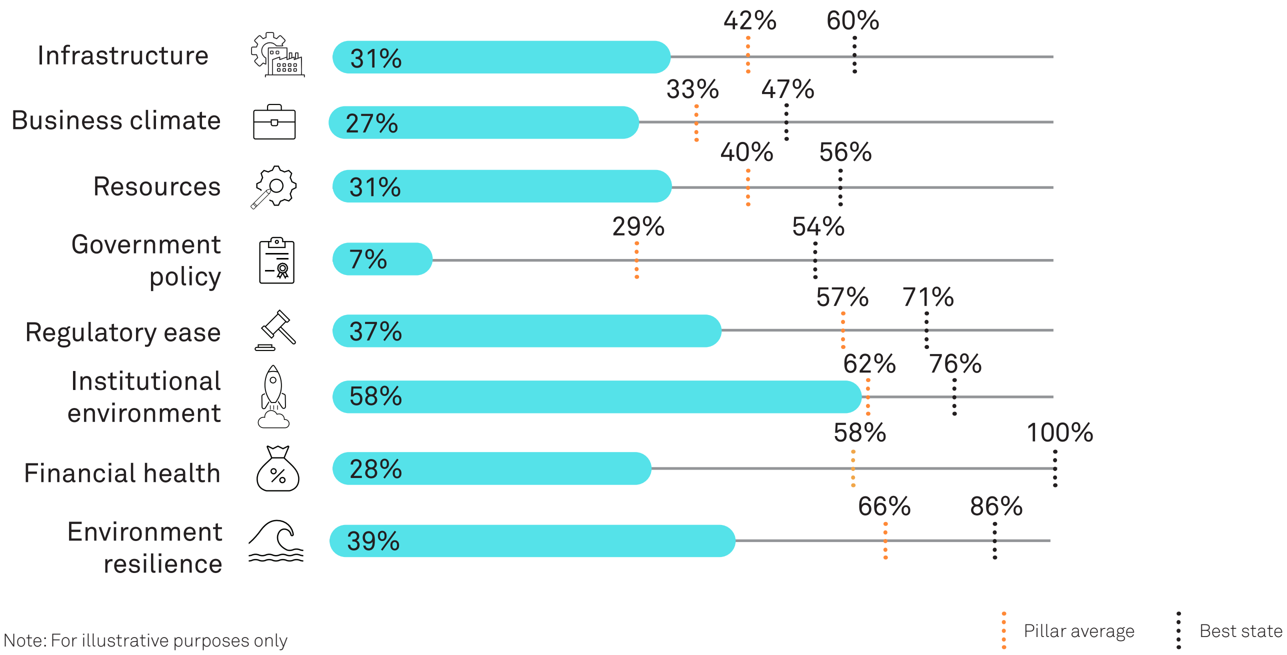
Areas needing improvement

- Government policy

Indicators for improvement

- Share of renewables in power generation capacity

Note: For illustrative purposes only



Note: For illustrative purposes only

Basic state information

Each profile begins with fundamental details about the state, including its category, i.e. whether it is a large state, or a city state, or a northeastern state, geographical area in sq km and GSDP per capita. The profile also outlines the sectoral composition of GVA across agriculture, industry and services, along with data on FDI inflow and key industries driving the state's economy.

Overall performance

This section presents a state's overall score and rank as derived from the composite index, providing a snapshot of its relative position among peer states.

Key enablers and areas requiring improvement

Under this section, a state's performance is examined across various pillars to identify key enablers, the parameters with strong outcomes and areas needing improvement, highlighting aspects that require further policy focus or developmental attention.

Key factors driving the state's score

This narrative section elaborates on the parameters and contextual factors behind a state's performance across broad pillars, such as infrastructure, resources, business climate, etc. It provides insights into the underlying drivers and enabling conditions behind the observed results.

Voices from the ground*

Based on primary survey feedback, this section captures the qualitative perspectives of stakeholders, including positive feedback, success stories, lived experiences and areas of focus in a state. These perceptions complement the quantitative findings and help present a more holistic picture of a state's performance.

Together, these sections provide a well-rounded picture of the performance of each state by combining numbers with real-world insights.

Hence, the state profile section brings together data, context and feedback to show both strengths and areas for improvement for each state, helping readers understand how and why states perform the way they do.

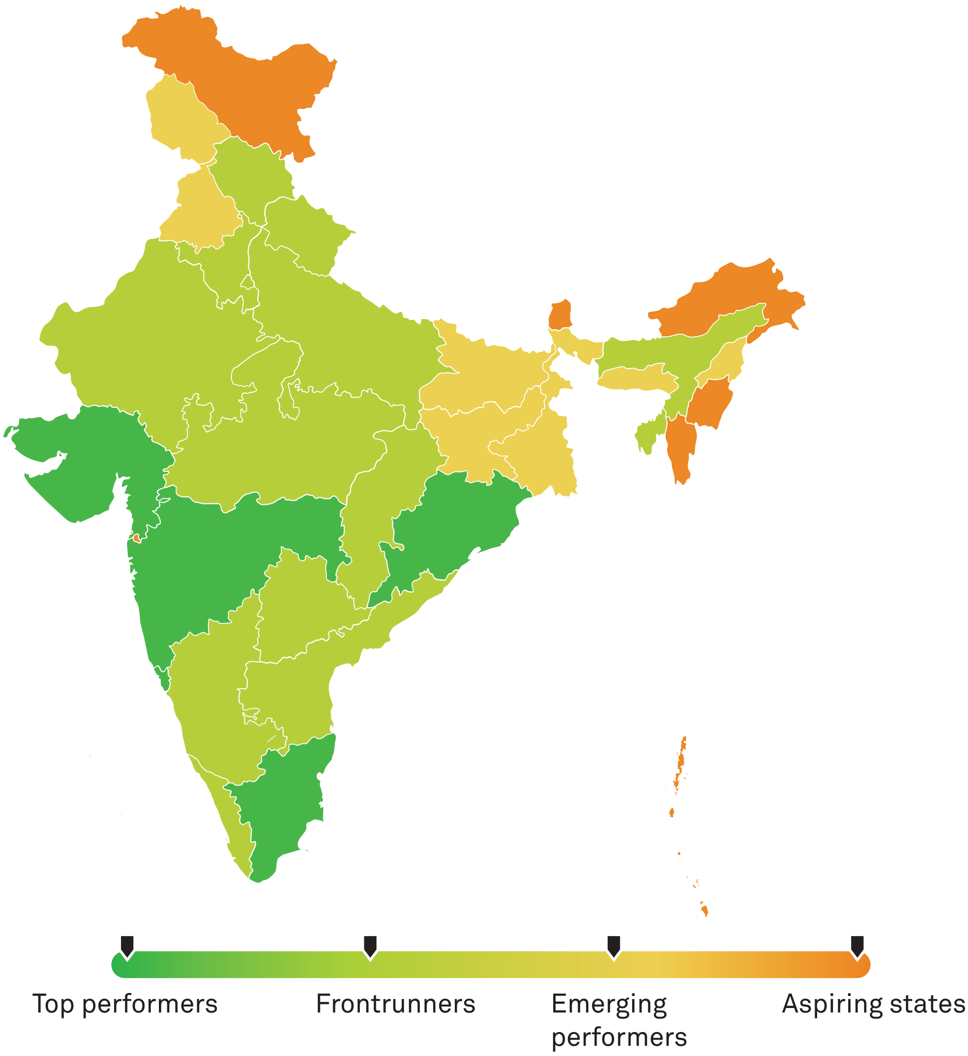
*Voices from the ground available for 33/36 states

Chapter 3:
Results

3.1 Overall performance of the states

The composite score of every state/Union Territory was computed by aggregating their performance across each of the indicators coalescing into pillars. The scores are computed out of 100.

Figure 14: Performance of states on Investment Friendliness Index



Based on the scoring methodology, states are categorised into four groups:

Top performers

States with scores greater than 50

Frontrunners

States with scores from 45 to 50

Emerging performers

States with scores equal to or greater than 40 but less than 45

Aspiring states

States with scores less than 40

In total, five states are top performers and 15 are frontrunners. Eight states/Union Territories each are categorised as emerging performers and aspiring states.

Category	States/Union Territories
Top performers	Goa, Gujarat, Maharashtra, Odisha, Tamil Nadu
Frontrunners	Andhra Pradesh, Assam, Chandigarh, Chhattisgarh, Delhi, Haryana, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Rajasthan, Telangana, Tripura, Uttarakhand, Uttar Pradesh
Emerging performers	Bihar, Jammu and Kashmir, Jharkhand, Meghalaya, Nagaland, Puducherry, Punjab, West Bengal
Aspiring states	Andaman and Nicobar Islands, Arunachal Pradesh, Dadra & Nagar Haveli and Daman & Diu, Ladakh, Lakshadweep, Manipur, Mizoram, Sikkim

Geographical categorisation of states

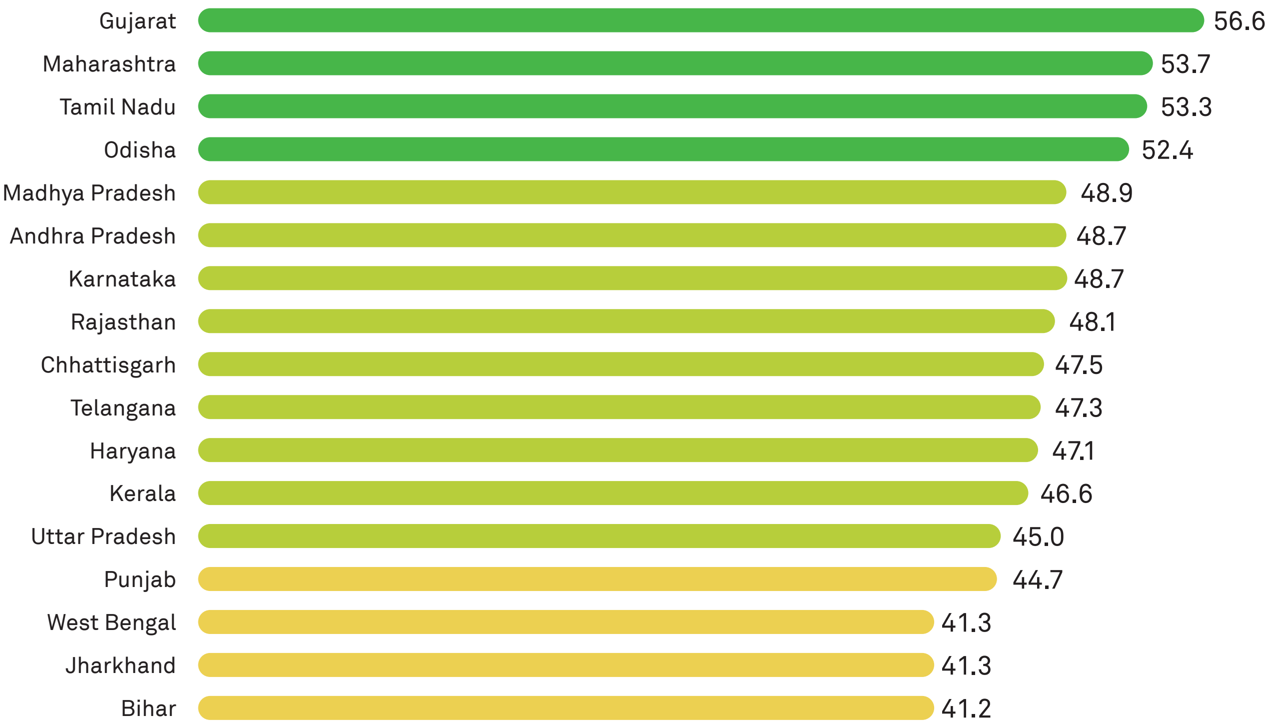
Given the diversity among Indian states and Union Territories, comparing these on a uniform scale can overlook the inherent structural and contextual differences. To make the assessment more balanced and meaningful, states were divided into three categories: large states (L), hilly and northeastern states (H), and City States/ Union Territories (C).

This classification allows each state to be evaluated against others that broadly share similar geographic, demographic and administrative characteristics. Hilly and northeastern states, for instance, often face terrain-related challenges, affecting infrastructure and resource access, whereas larger states operate with complex governance systems and varied regional dynamics. City States and Union Territories, on the other hand, have compact geographies and unique administrative setups.

By accounting for these structural differences, the framework ensures fairer and more accurate comparison, highlighting a state's performance relative to peers with similar contextual realities.

Performance across geographical categories

Figure 15: Performance of large states



Note: Scores are out of 100
Scores have been rounded to one decimal place, though calculations were carried out to three decimal places

Top three performers: Large states

Gujarat

Gujarat leads the ranking, with an overall score of 56.6. The state's score is driven by its strong performance across infrastructure, business climate, financial health, regulatory ease and government policy pillars, with areas of improvement in the resources, institutional environment and environment resilience pillars.

Gujarat's high rank in infrastructure is on account of its efficient port operations (lowest turnaround time weighted by capacity for major and non-major ports) and efficient power sector, driven by competitive industrial and commercial power costs and well-contained transmission and distribution (T&D) losses. The state offers power to industrial users at ~29% below the pan-India average. Electricity downtime in the state is also low, with an average power supply of 23.8 hours a day (4% higher than the large state average), thus providing reliable and uninterrupted power supply to businesses.

Gujarat ranks in the top five states in business climate, fuelled by high exports at ~31% of India's merchandise exports, nearly two times the next highest state, and a robust GSDP growth rate, ranking third overall during fiscal 2019-2024. Further, the business climate is bolstered by the presence of 614 ATLs as of fiscal 2025. The state has 1.24 ATLs per lakh population, which is ~19% higher than the average for the L category. A healthy presence of ATLs helps foster innovation and entrepreneurship across the state.

Gujarat also scores well on the financial health pillar because it has the lowest fiscal deficit as a percentage of GSDP (2.81%) among the states, as of fiscal 2024. Its sound financial health is also evidenced by its outstanding liabilities as a percentage of GSDP, which remains well-managed and sustainable at ~18%, ~40% below the average for the large states.

Maharashtra

Maharashtra records an overall score of 53.7, ranking second in both the L category and at the pan-India level. The state's score is driven by its leading performance in the business climate pillar. The score is further supported by a strong performance in the resources and financial health pillars, with infrastructure and regulatory ease areas for improvement.

Its business climate score is driven by the state attracting the highest share of PE/VC investments, i.e. 35% of the investments in the country, along with the highest number of ATLs at 1,033, i.e. 10% of the total ATLs in the country. Maharashtra's performance in the business climate pillar is driven by its economic indicators, featuring a GSDP per capita of Rs 216,710, which ranks 11th among 36 states and Union Territories.

Maharashtra is also in the top five states in resources on account of having the highest budget among the states for skilling, while ranking second in terms of renewable resource potential as well.

It scores in the top five in the financial health pillar because of its lowest fiscal deficit as a percentage of GSDP among the large states (3.94% in fiscal 2024).

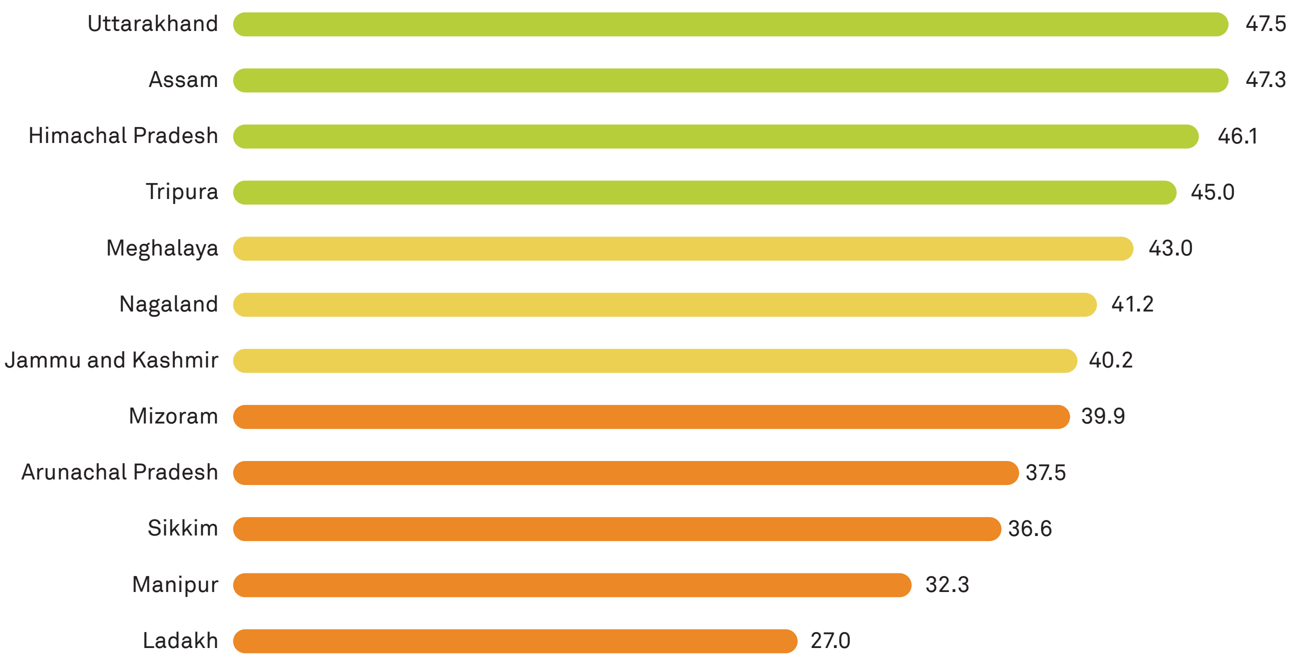
Tamil Nadu

Tamil Nadu records an overall score of 53.3, ranking third at the pan-India level and the L category. Tamil Nadu's score is driven by its strong performance in the infrastructure and business climate pillar, with financial health emerging as an area for improvement.

The state's first rank in the infrastructure pillar among large states can be explained by its efficient port infrastructure, with it ranking third in turnaround time at ports weighted by capacity, low electricity downtime (4% below the large state average) and contained T&D losses (~3% below large state average).

Its score in the business climate pillar is because the state has the second-highest number of ATLs in India and an MoU conversion rate of nearly 100%. Investors commended the state on its consistency in terms of policies. Tamil Nadu is also excelling in export performance, with its export-to-GSDP ratio 36% higher than the category average.

Figure 16: Performance of hilly and northeastern states



Note: Scores are out of 100
Scores have been rounded to one decimal place, though calculations were carried out to three decimal places

Top three performers: Hilly and northeastern states

Uttarakhand

Uttarakhand records an overall score of 47.5, ranking first among northeastern and hilly states and 11th overall. Its strengths include human resources, characterised by a strong inflow of graduates into the workforce. The state excels in the number of individuals entering the workforce as a percentage of the population, which is also the highest percentage of workforce entrants among the northeastern and hilly states. However, there is scope for improvement within the infrastructure pillar.

The state offers good banking facilities and financial availability, complemented by a favourable industrial environment. This is evidenced from the fact that the number of functioning offices of commercial banks per capita is 20% higher than the average for hilly and northeastern states. Further, the credit provided by banks to industry as a percentage of manufacturing GSDP is ~66% higher than the average for hilly and northeastern states. The state provides a seamless and efficient experience for businesses, with all government-related paperwork processed through a single-window online platform in a short timeframe.

Also, in 2024, the number of patents filed was 1,637, which was higher than the pan-India average by 28%. This indicates a robust environment for innovation and a commitment to fostering intellectual property development.

Assam

Assam records an overall score of 47.3, ranking second among northeastern and hilly states and 14th overall. The score is primarily driven by sound financial health and good institutional environment, with minimal impact from labour disruptions. However, there are areas for improvement within the resources pillar.

Assam's performance in institutional environment is driven by low severity of labour disruptions and perceived consistency in state policies. The state's focus on education is visible through an average of 18% allocation of its budget towards education between fiscals 2019 and 2024 compared with the hilly and northeastern states' average of ~12%.

Assam's financial health pillar is supported by a controlled level of interest payments at 2.8% of GSDP (24% lower than the average across hilly and northeastern states), reflecting prudent fiscal management and stability in the state's finances.

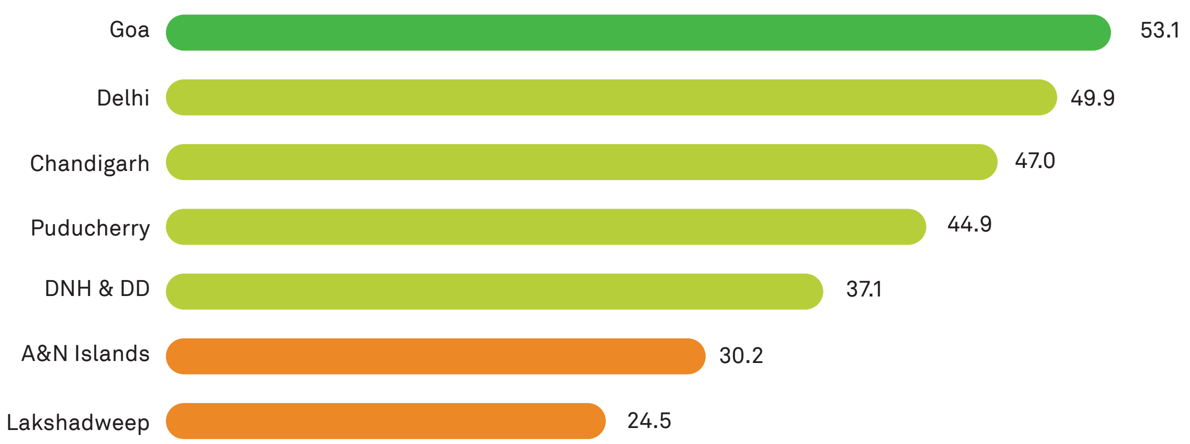
Himachal Pradesh

Himachal Pradesh achieves an overall score of 46.1, ranking third among northeastern and hilly states and 17th overall. This score is primarily driven by its performance in the resources pillar, bolstered by strong women workforce participation and effective institutional performance. However, there is scope for improvement within the environment resilience pillar.

Himachal Pradesh's strong performance in the resources pillar is driven by a notable proportion of people entering the workforce as a percentage of the population (1.1%), high women worker population share of 62.3% (18.0% higher than the average for hilly and northeastern states) and a robust overall labour force participation rate of 63.3%, which is comfortably above the category average of 48.0%.

The state's strength in institutional environment is supported by a low cybercrime rate of 1.12 offences per lakh population (~45% lower than the average crime rate for hilly and northeastern states), an effective grievance redressal mechanism and a conducive regulatory environment, all of which contribute to a stable and supportive climate for residents and businesses.

Figure 17: Performance of Union Territories and City States



DNH & DD – Dadra and Nagar Haveli and Daman and Diu; A&N – Andaman and Nicobar Islands
Note: Scores are out of 100
Scores have been rounded to one decimal place, though calculations were carried out to three decimal places

Top three performers: Union territories and city states

Goa

Goa records an overall score of 53.1, topping the rankings for City States and ranking fourth at the pan-India level. Goa's strong performance is driven by the highest scores in both resources and regulatory ease pillars, with a respectable performance in Infrastructure as well. However, institutional environment has emerged as an area for improvement.

Goa has the highest spending as a percentage of GSDP on skilling and healthcare investments, aiding its performance under the resources pillar. A high proportion of STEM enrolment (25% of higher education enrolment is in STEM courses), which supports a skilled and technology-oriented workforce, further aids its performance in resources. Goa secures the highest rank in the Union Territories and City States category with respect to STEM enrolment as a percentage of total enrolment in higher education. Additionally, it ranks well in vocational training capacity and secures 1st rank among Union Territories and City States on this indicator.

Its strong performance under the infrastructure pillar is on account of two international airports, which account for 3% of the capacity of all airports in India. Its port capacity is also 3% of the total in India, with dedicated terminals for handling containers, dry bulk and POL (petroleum, oil, and lubricants) products. This is despite Goa only accounting for 0.35% of India's GDP contribution.

The state has the highest share of renewables in its power mix across all states and Union Territories, and also scores well on the low share of T&D losses at just ~7%.

Delhi

Delhi achieves an overall score of 49.9, ranking second among City States and sixth overall. This score is primarily driven by its performance in the infrastructure pillar, supported by adequate cargo capacity as well as sound financial health. However, there are areas for improvement within the institutional environment pillar.

Delhi's infrastructure pillar is supported by its second rank in airport cargo capacity relative to manufacturing GVA, and a rail network of 84 km despite its small land area. T&D losses were ~12% in fiscal 2023 (13% lower than the City States and Union Territories average), and it maintained an average of 24 hours of power supply (ranks first among Union Territories and City States), indicating no downtime. These factors collectively ensure efficient connectivity and reliable power supply for businesses and residents.

In the financial health pillar, Delhi benefits from outstanding liabilities of just 5.2% of its GSDP (significantly lower than the Union Territories and City States average of ~9.4%) and a gross fiscal deficit of 0.7% of GSDP, 57% below the average for City States and Union Territories. This reflects prudent fiscal management and contributes to its overall financial stability.

Chandigarh

Chandigarh achieves an overall score of 47, ranking third among City States and 16th overall. This score is primarily driven by its performance in the infrastructure and resources pillars, supported by a high inflow of tech workforce. However, there are notable areas for improvement within the institutional environment pillar.

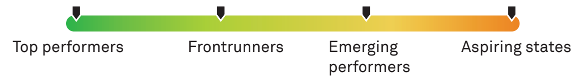
Chandigarh's top ranking in the infrastructure pillar is supported by it achieving the highest rail density across states and Union Territories. Its industrial power cost is also 11% lower than the Union Territories and City States average, enhancing its attractiveness for businesses. Additionally, strong 4G and 5G penetration is reflected in a high number of base transceiver stations (BTSs), with nearly 31 BTS per sq km (2.5 times the average for Union Territories and states category), ensuring robust digital connectivity.

Chandigarh's strong performance in the resources pillar is demonstrated by its first rank across all states/Union Territories in the addition of new technical workforce as a percentage of population (2.5 times the average for Union Territories and City States). Additionally, workforce participation is notable, with 2.42% of the population entering the workforce annually as graduates and postgraduates, which is 92% higher than the category average.

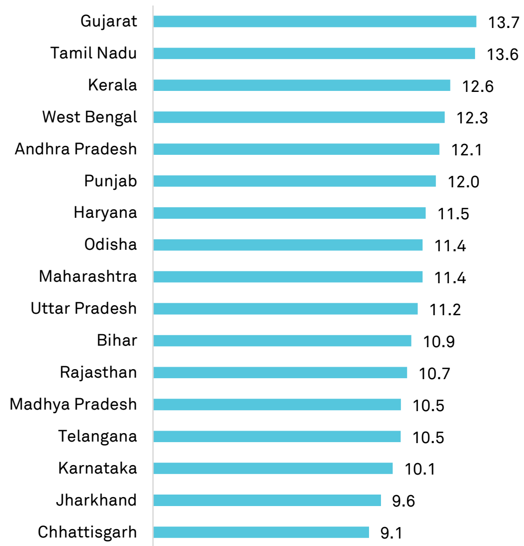
The charts below provide a scoring of all states across the eight pillars.

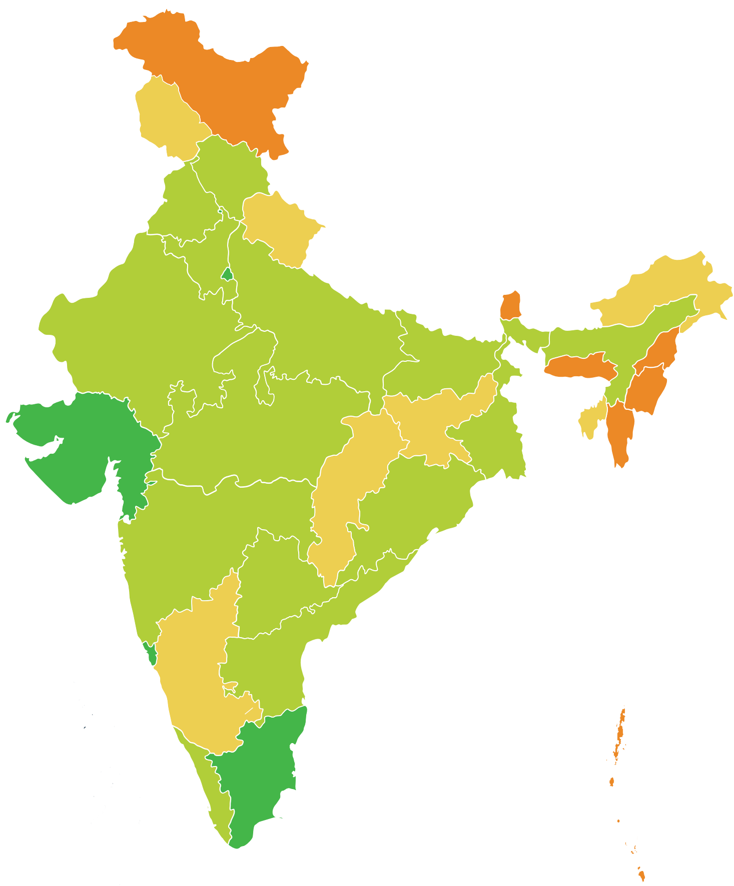
3.2 State scores: Across pillars and overall

Pillar - Infrastructure

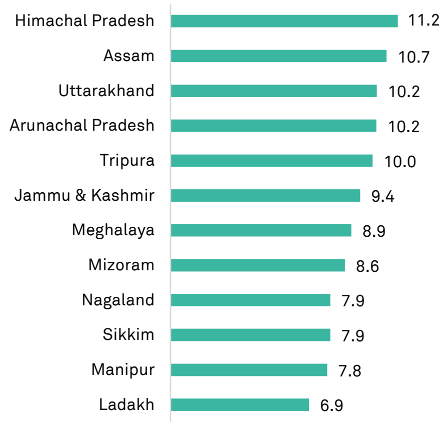


Large states

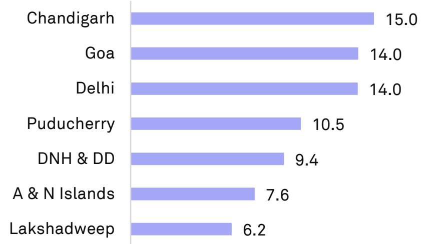




Northeastern and hilly states



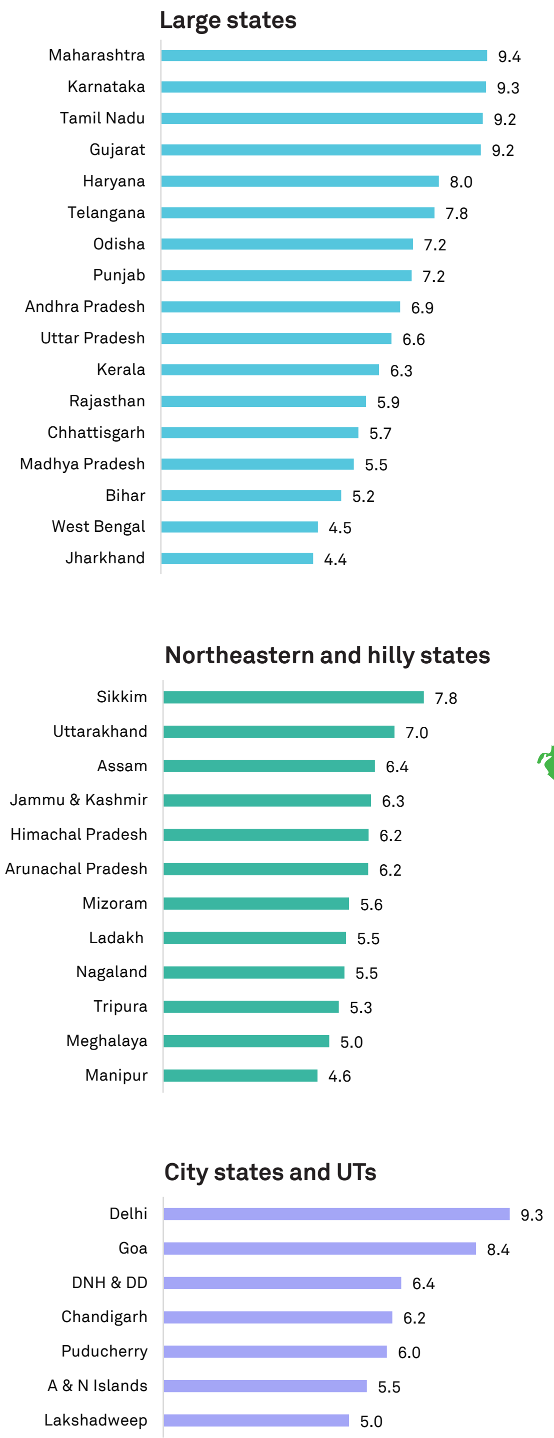
City states and UTs

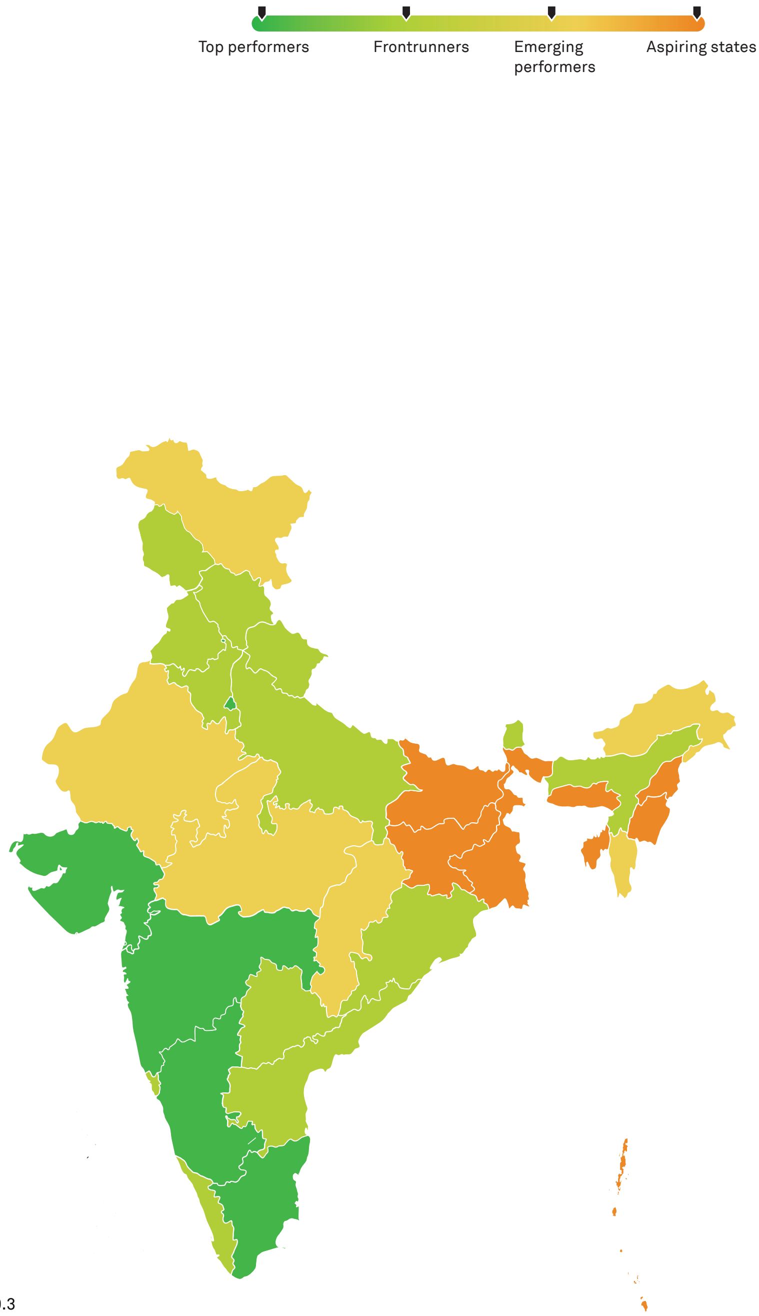


Note: Scores are out of 25 and states are scored relative to the performance of other states

NITI Aayog

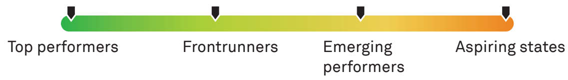
Pillar - Business climate



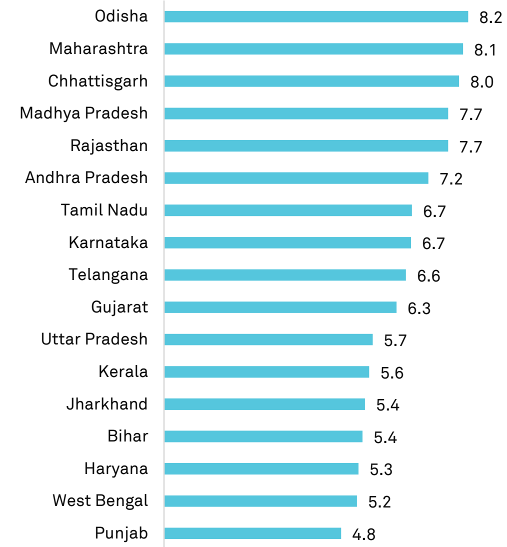


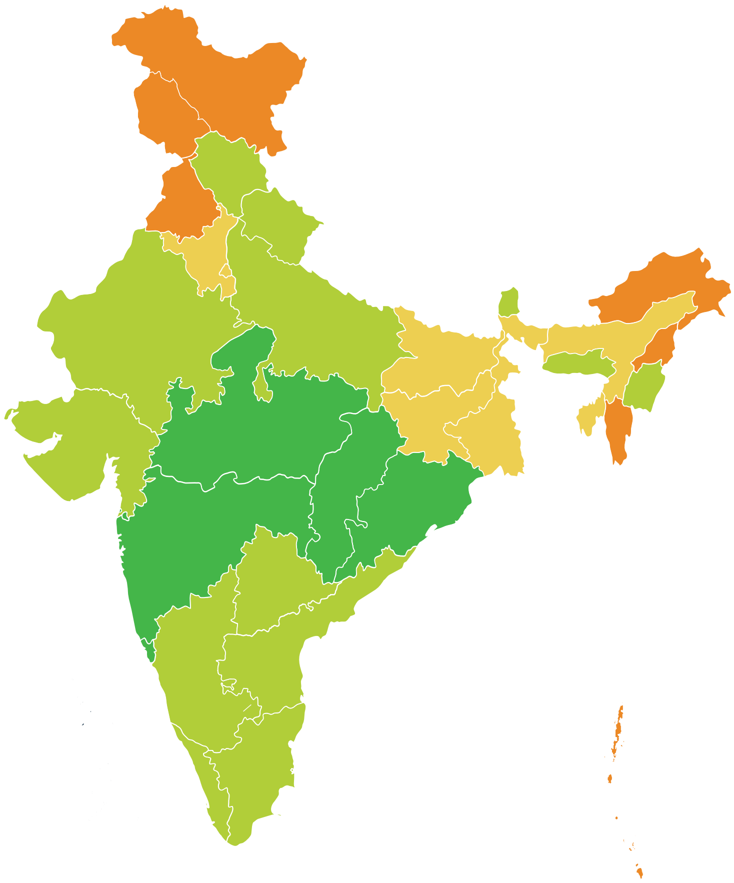
Note: Scores are out of 20 and states are scored relative to the performance of other states

Pillar - Resources

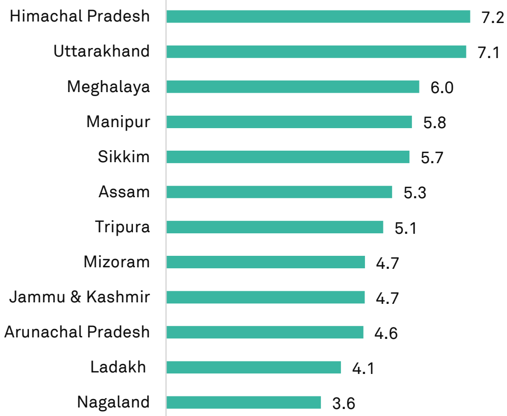


Large states

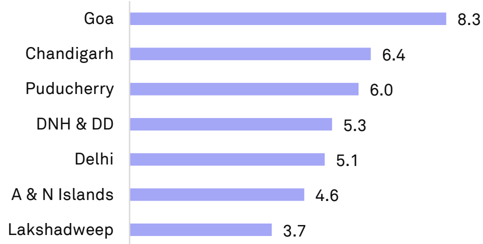




Northeastern and hilly states



City states and UTs

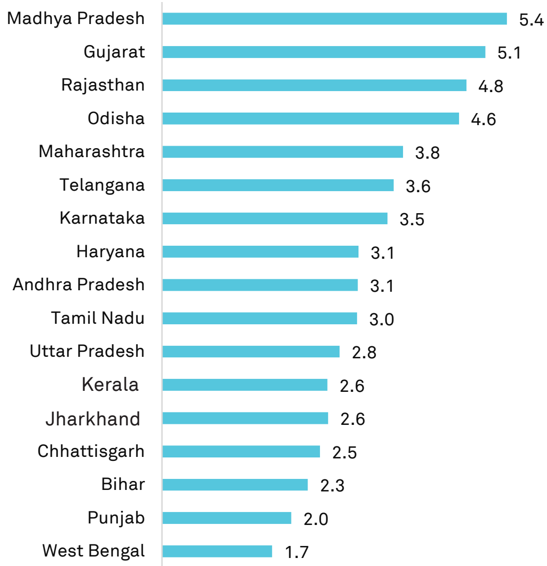


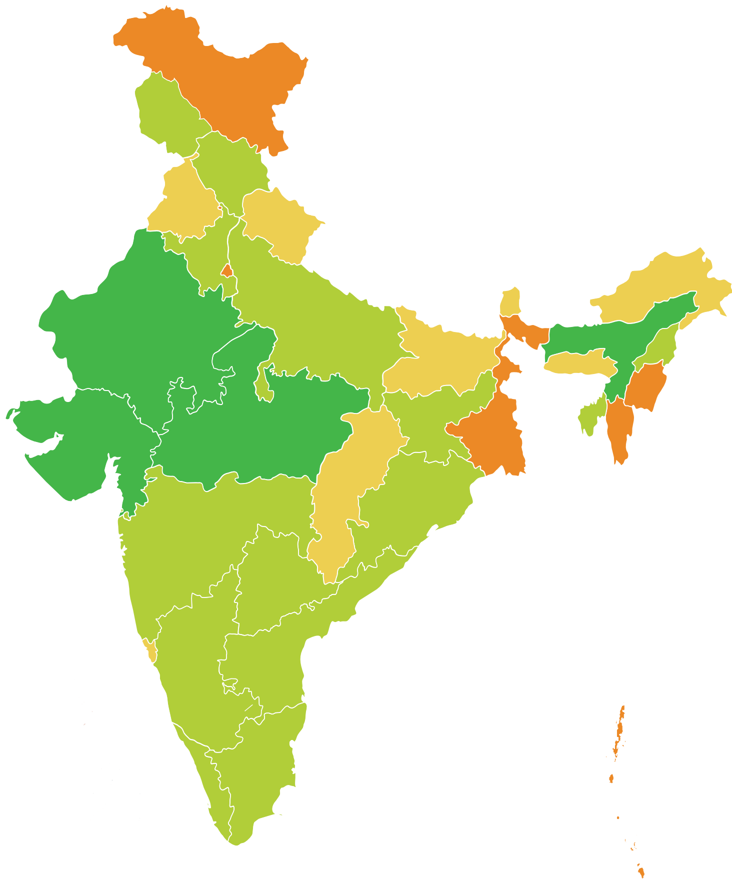
Note: Scores are out of 15 and states are scored relative to the performance of other states

NITI Aayog

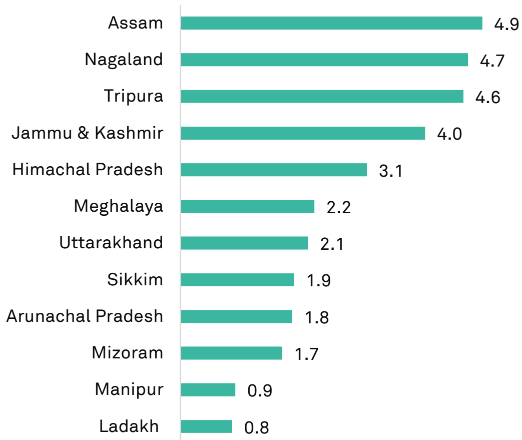
Pillar - Government policy

Large states

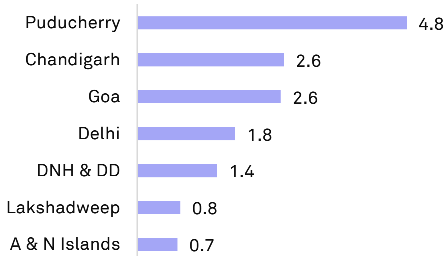




Northeastern and hilly states

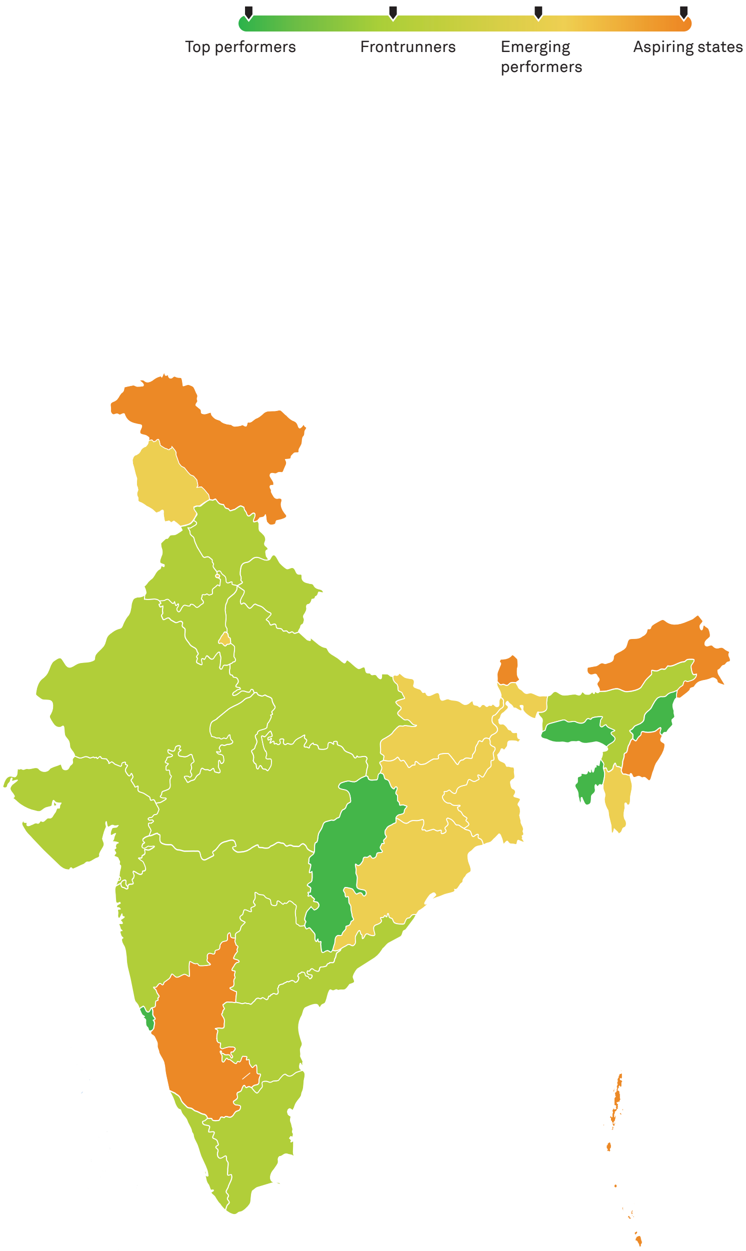


City states and UTs

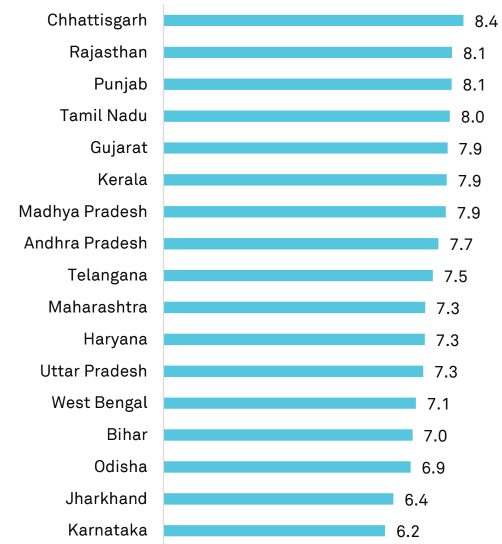


Note: Scores are out of 10 and states are scored relative to the performance of other states

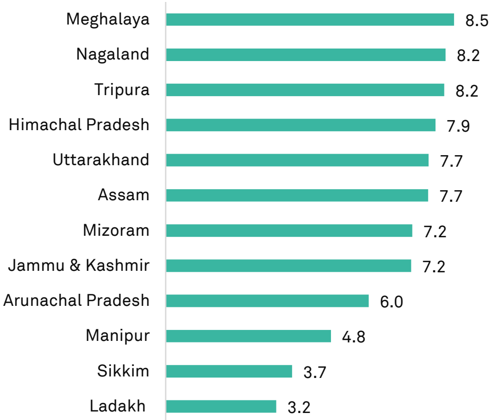
Pillar - Regulatory ease



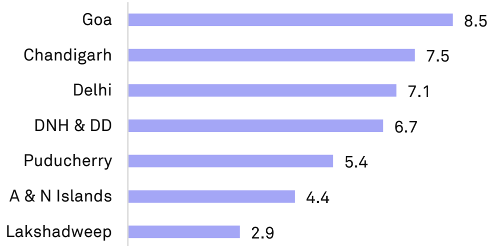
Large states



Northeastern and hilly states



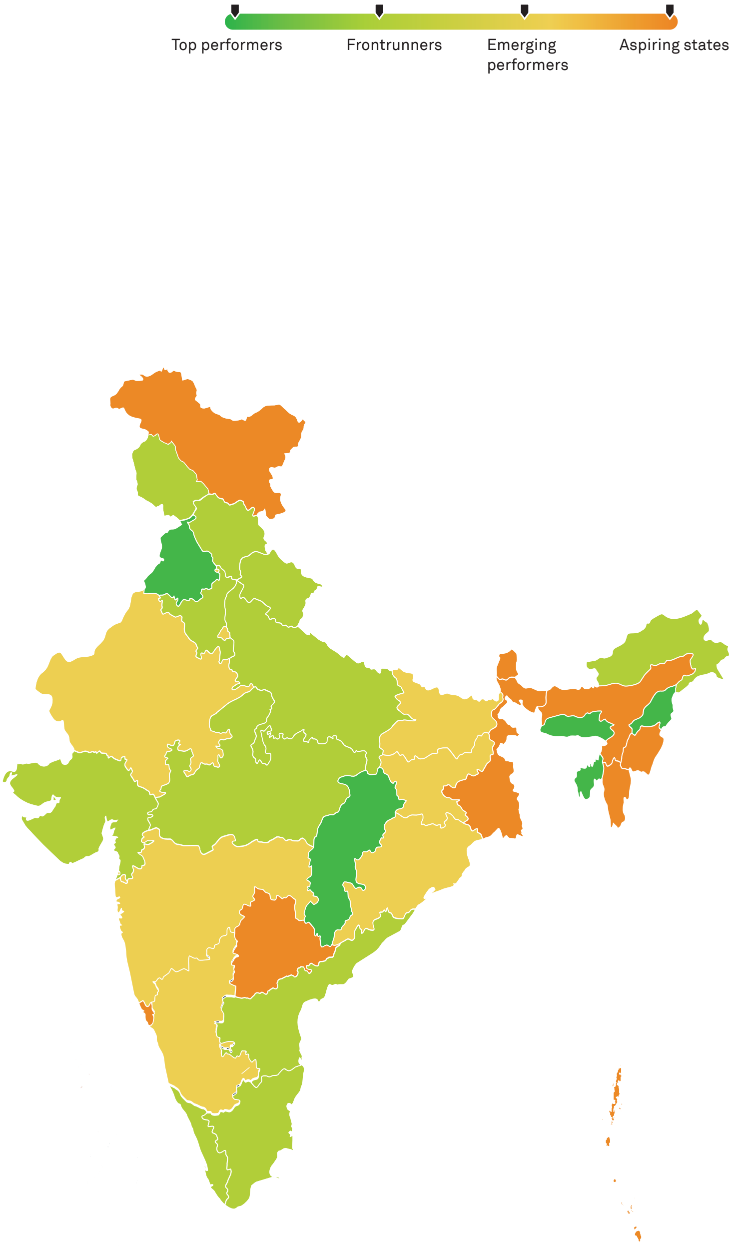
City states and UTs

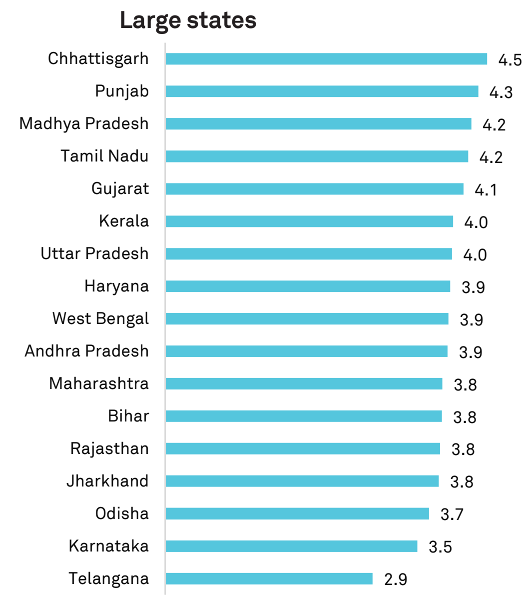


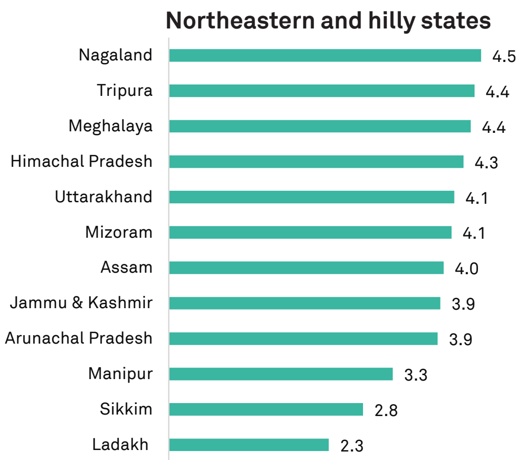
Note: Scores are out of 12 and states are scored relative to performance of other states.

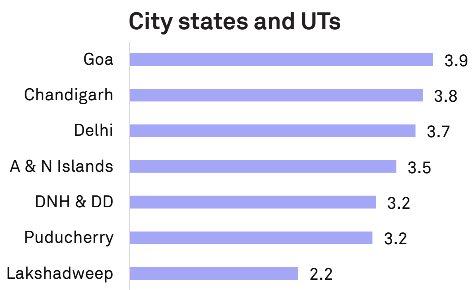
NITI Aayog

Pillar - Institutional environment



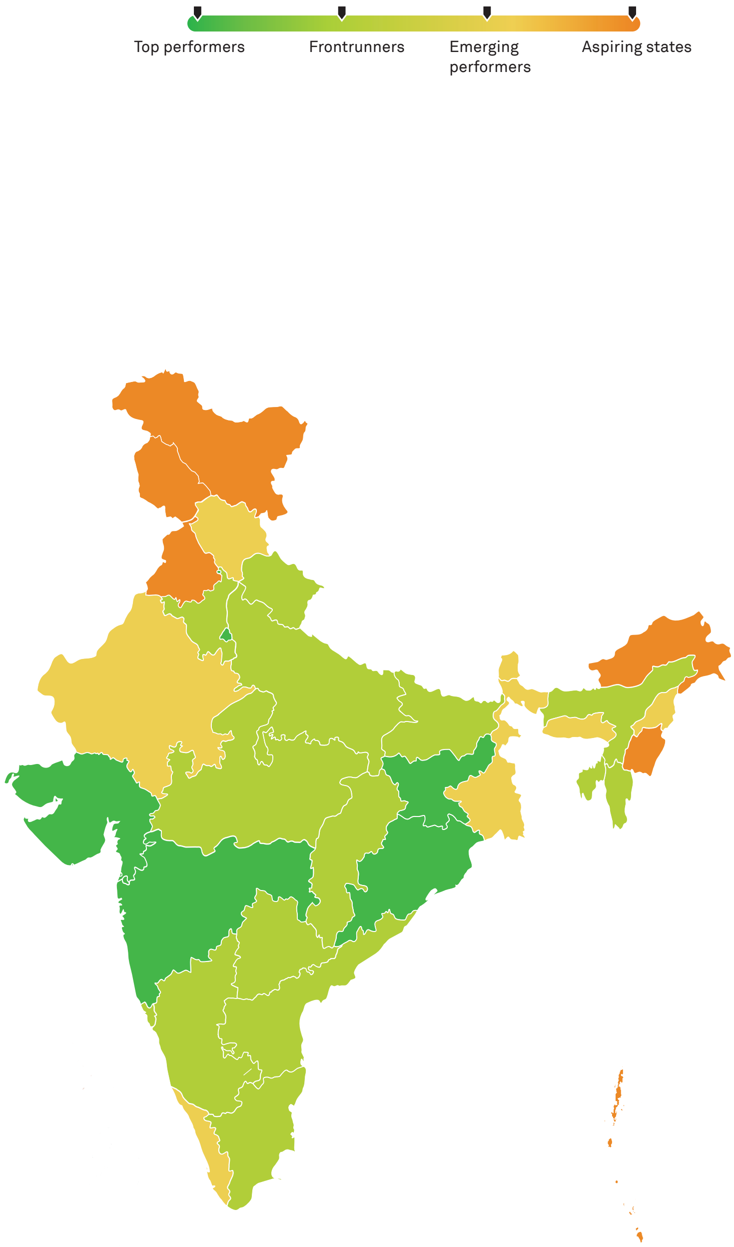




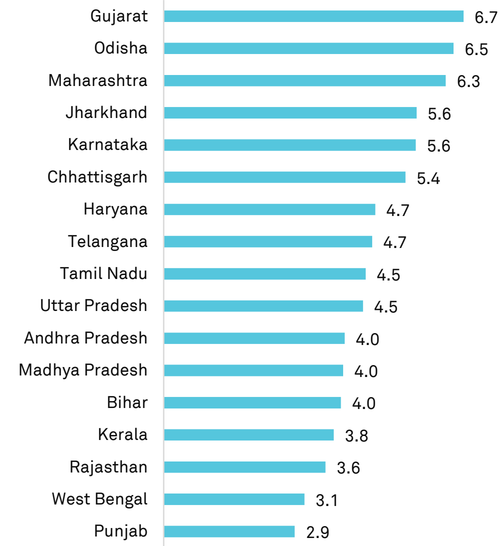


Note: Scores are out of 6 and states are scored relative to performance of other states.

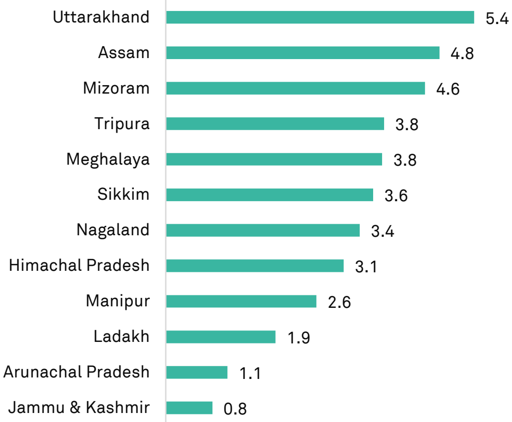
Pillar - Financial health



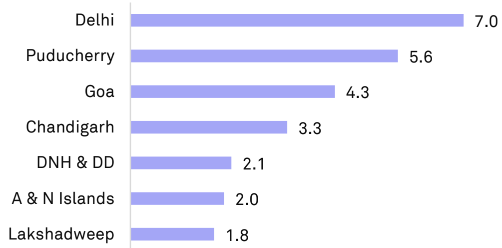
Large states



Northeastern and hilly states



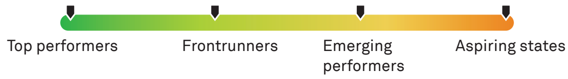
City states and UTs



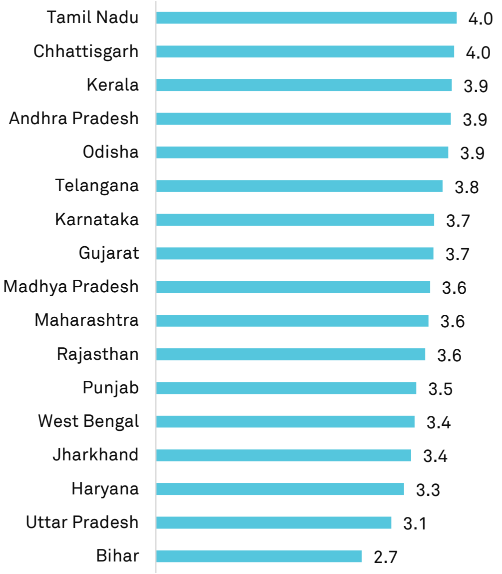
Note: Scores are out of 7 and states are scored relative to the performance of other states.

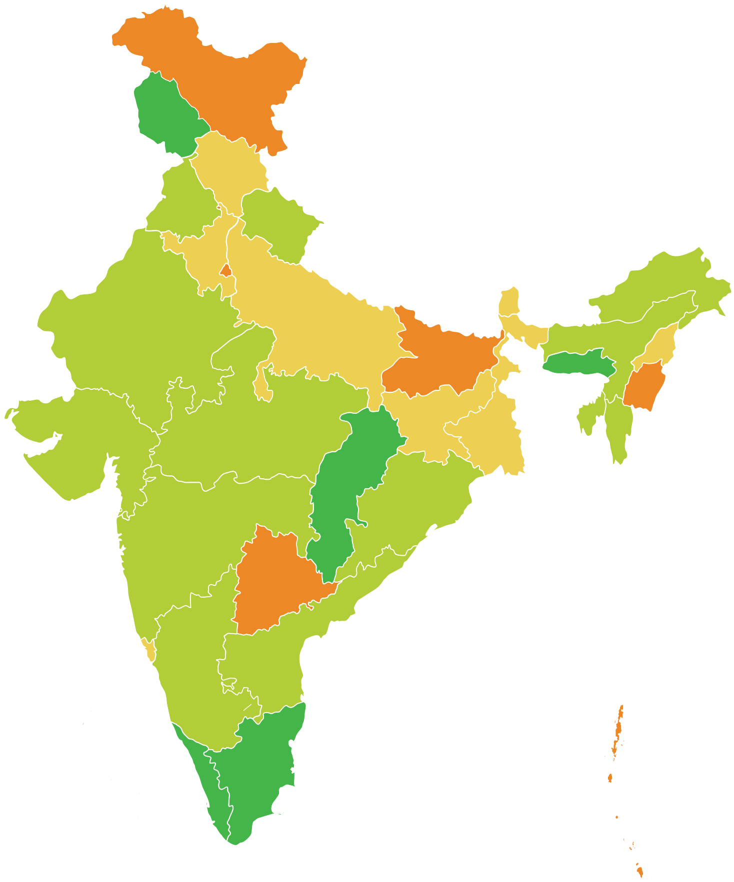
NITI Aayog

Pillar - Environment resilience

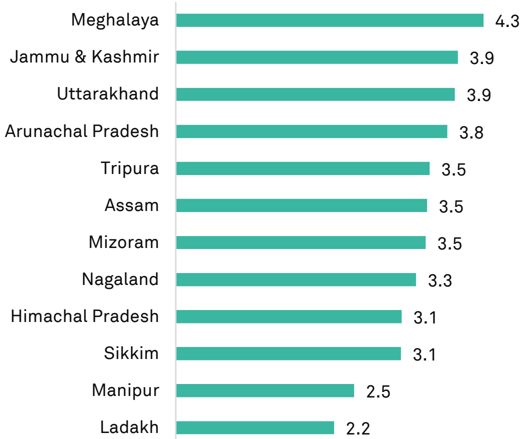


Large states

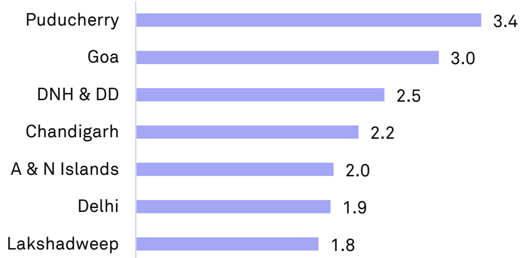




Northeastern and hilly states



City states and UTs



Note: Scores are out of 5 and states are scored relative to the performance of other states.

Figure 18: Performance of states on Investment Friendliness Index

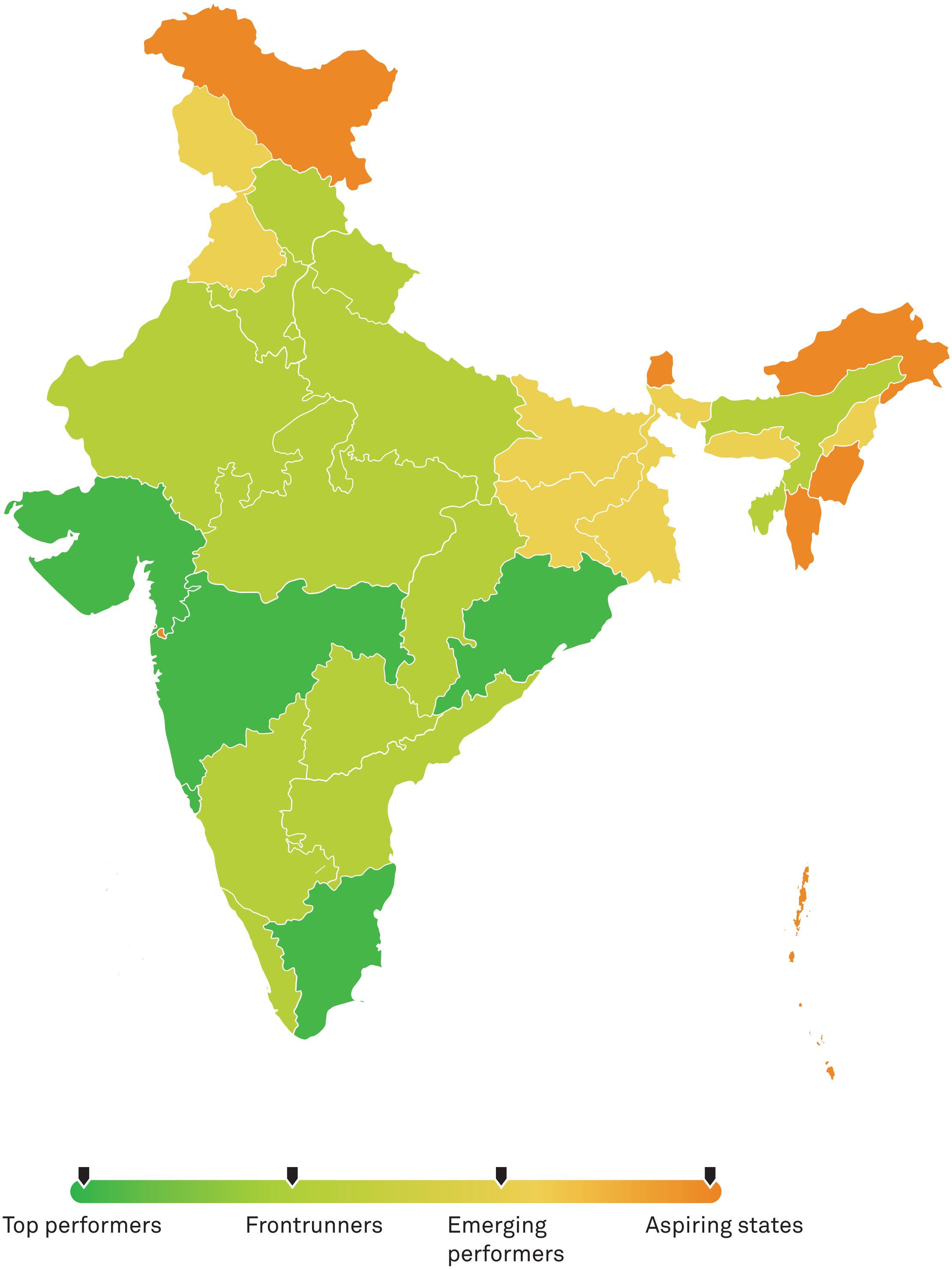


Table 2: Rank and score of states on Investment Friendliness Index

Rank	State/Union Territory	Overall score
1	Gujarat	56.6
2	Maharashtra	53.7
3	Tamil Nadu	53.3
4	Goa	53.1
5	Odisha	52.4
6	Delhi	49.9
7	Madhya Pradesh	48.9
8	Andhra Pradesh	48.7
9	Karnataka	48.7
10	Rajasthan	48.1
11	Uttarakhand	47.5
12	Chhattisgarh	47.5
13	Telangana	47.3
14	Assam	47.3
15	Haryana	47.1
16	Chandigarh	47.0
17	Kerala	46.6
18	Himachal Pradesh	46.1
19	Uttar Pradesh	45.0
20	Tripura	45.0
21	Puducherry	44.9
22	Punjab	44.7
23	Meghalaya	43.0
24	West Bengal	41.3
25	Jharkhand	41.3
26	Bihar	41.2
27	Nagaland	41.2
28	Jammu & Kashmir	40.2
29	Mizoram	39.9
30	Arunachal Pradesh	37.5
31	DNH & DD	37.1
32	Sikkim	36.6
33	Manipur	32.3
34	A & N Islands	30.2
35	Ladakh	27.0
36	Lakshadweep	24.5

Conclusion

The Government of India recognises the importance of creating a conducive business environment to attract investments and stimulate economic growth. States play a crucial role in driving such investments. To effectively monitor and evaluate the performance of states on this front, an index that combines publicly available data with investor perceptions is essential. It will help in assessing the investment attractiveness of the states, facilitating the creation of an Investment Friendliness Index. The index, thus conceived, includes measurable indicators and perception-based metrics that reflect the on-ground investment environment.

Based on this index, states can gain valuable insights into how they perform on parameters critical to investors, allowing them to identify areas of strength and weakness. Additionally, the index will enable states to understand best practices from their peers, fostering a culture of continuous improvement.

The index has a recurrent nature and is assessed at set intervals. This is intended to provide states with a clear understanding of how their actions translate into improvements in both data and investor perception.

By offering a fair and transparent assessment framework, this study will promote healthy competition among states, encouraging them to enhance their investment climate and attract more investments.

Chapter 4:

State profiles

Andaman and Nicobar Islands

Overall Rank 34/36

Score 30.2

Category rank C | 6/7

Area: 8,249 sq km

GSDP per capita: Rs 212,576

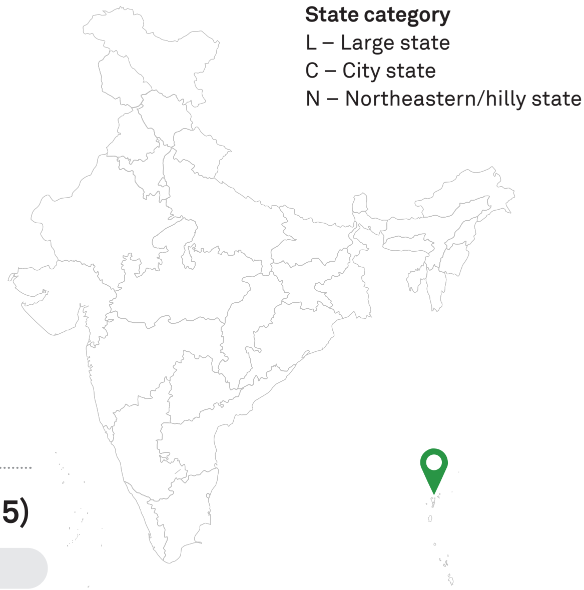
Agriculture share of GVA (FY23): 4.2%

Industry share of GVA (FY23): 19.6%

Services share of GVA (FY23): 76.2%

FDI inflow (FY24): Not available*

Key industries: Food processing



Data score (65): 17.6

Survey score (35): 12.6

Key enablers

- Institutional environment
- Infrastructure

Key performance indicators

- GSDP per capita

Areas needing improvement

- Government policy

Indicators for improvement

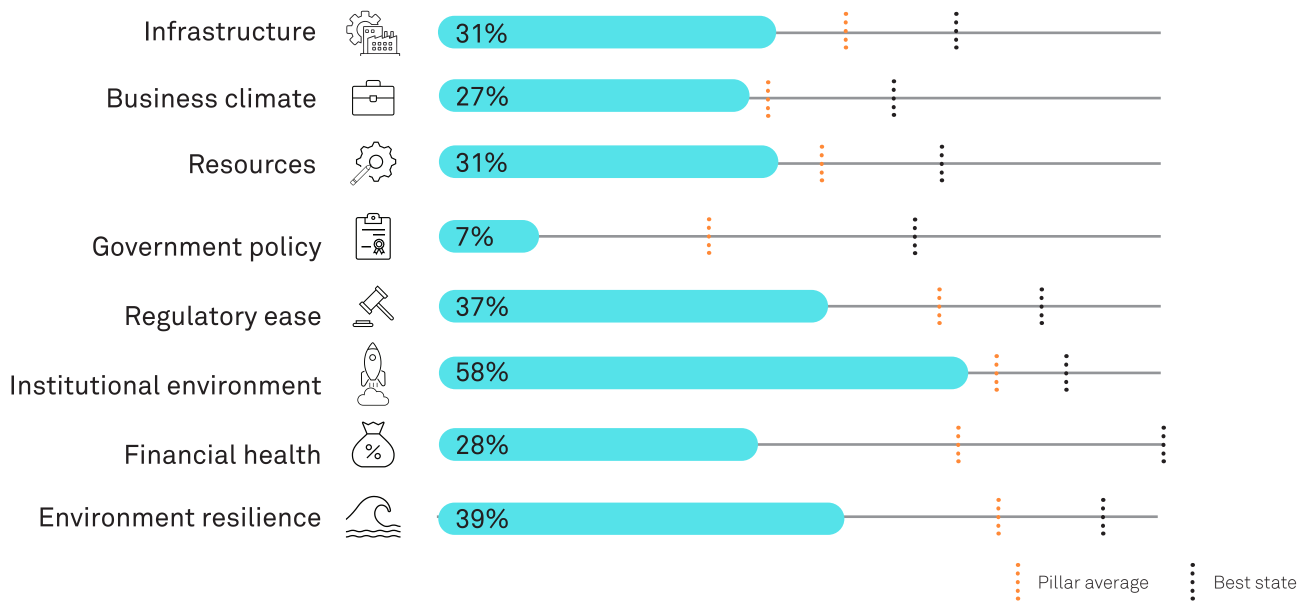
- Share of renewables in power generation capacity

* "Not available" indicates nonavailability of published data

NITI Aayog

Andaman and Nicobar Islands attain an overall score of 30.2, placing it sixth among City States/ Union Territories and 34th overall. The islands are renowned for their peaceful culture and low crime rate. However, there are notable opportunities for improvement within the government policy.

State's relative performance across pillars



Key factors driving the State score

- The score Andaman and Nicobar Islands is a function of its performance in the institutional environment pillar and infrastructure. However, its overall score is weighed down by its performance in the government policy pillar
- Andaman and Nicobar Island's performance in the institutional environment pillar is driven by a relatively low crime rate (~47% lower than the average crime rate for Union Territories and city states)
- In the infrastructure pillar, Andaman and Nicobar does well on account of its strong airport capacity. It scored 32 % higher than its category average in airport capacity per capita
- In the business climate pillar, Andaman and Nicobar Islands demonstrate commendable performance, with new companies registered in fiscal 2024 accounting for 15.7% of existing companies (~33% above the average for Union Territories and city states). Its GSDP per capita is Rs 212,576 compared with a category average of Rs 230,037
- Additionally, Andaman and Nicobar Islands has 79 commercial bank offices, resulting in 20.47 commercial bank offices per one lakh population compared with 31 for the category, supporting financial inclusion and economic activity despite its relatively low population
- In the government policy pillar, there is significant scope for improvement in indicators, such as MoU conversion rate and capex incentive disbursed, which is leading to a relatively lower score in this pillar
- Within the resources pillar, indicators that warrant improvement include vocational training capacity, where the region ranks 31st, and low STEM enrolment, which stands at just 14% of total higher education enrolment. Both aspects are essential for developing a skilled workforce and fostering innovation

Andhra Pradesh

Overall Rank **8/36**

Score **48.7**

Category rank **L | 6/17**

Area: 160,205 sq km

GSDP per capita: Rs 161,243

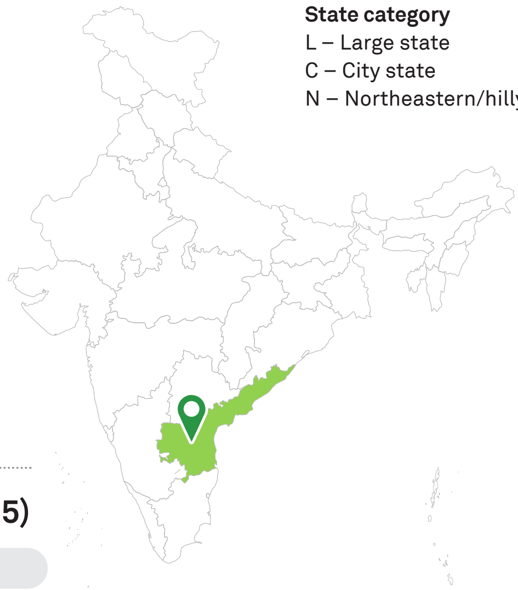
Agriculture share of GVA (FY23): 11.8%

Industry share of GVA (FY23): 29.6%

Services share of GVA (FY23): 58.6%

FDI inflow (FY24): $92.13 million

Key industries: Food processing, chemicals, pharmaceuticals



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 26.5

Survey score (35): 22.2

Key enablers

- Good infrastructure
- Abundance of resources

Key performance indicators

- Low electricity downtime
- High STEM enrollment

Areas needing improvement

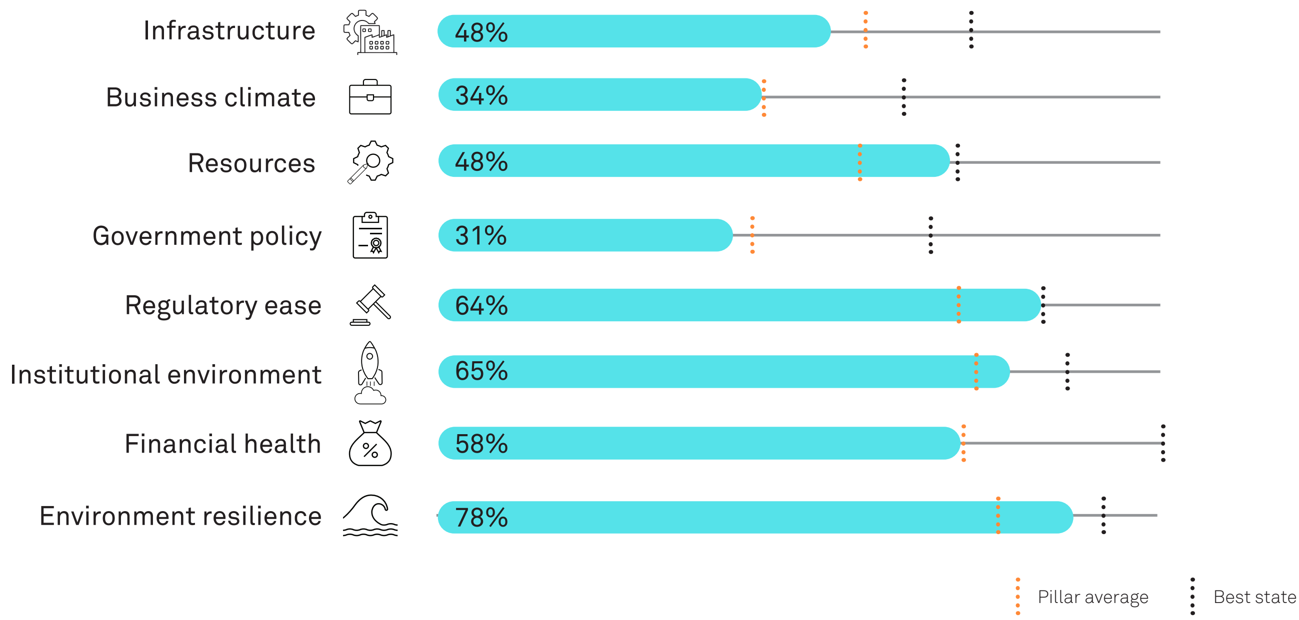
- Financial health

Indicators for improvement

- State's total outstanding liabilities/GSDP

Andhra Pradesh has an overall score of 48.7, ranking sixth in the large state category and eighth overall. Andhra Pradesh's score is driven by its performance in infrastructure, highest digital transactions per capita across all states and UTs, and the resources pillar, with further improvement to the score weighed down by a below-average score in the financial health pillar.

State's relative performance across pillars



Key factors driving the State score

- Andhra Pradesh ranks 6th in the large category of states on account of the strength of its infrastructure and resources, but weighed down by its low financial health where it scores lower than the pillar average
- Its strong digital infrastructure is evident in the highest digital transactions per capita (approximately 18, compared with the average of just 4.8 among the large states)
- Low electricity downtime, with an average power supply of 23.71 hours compared with the category average of 22.7 hours and T&D losses of 14% compared with ~18%, aids its performance in the infrastructure pillar
- Andhra Pradesh does well in both natural as well as human resources, accounting for a 10th of India's non-metallic production (by value) and the 5th highest renewable resource potential share (approximately 8%) among states. Notably, Andhra Pradesh has the highest share of STEM enrolments as a percentage of higher education enrolments (48% as of fiscal 2022)
- The State's institutional environment score aligns with the national average, indicating mixed performance in perception indicators. Scores related to the perception of the severity of labour disruptions and the regulatory environment are below the pan-India average, while scores relating to the consistency of state policies and grievance redressal mechanisms are above the pan-India average
- The score in the financial health pillar is impacted by the State's outstanding liabilities amounting to around 35% of its GSDP, 13% higher than the average of large states, and its fiscal deficit at more than twice the target set by the 15th finance commission

Voices from the ground

Areas of strength

- The Visakhapatnam port is an advantage for seafood exporters, offering efficient cargo handling and access to international routes, making it an attractive location for businesses in the sector.
- Andhra Pradesh's seaports are notable for their strong throughput and expansion plans, while the railway network provides solid freight support, despite some gaps in corridors and coverage.
- The State is home to a range of modern industrial parks, including Sri City, Jawaharlal Nehru Pharma City and APIIC estates, which offer ready-to-use infrastructure, reliable utilities and strong connectivity, making them prime destinations for high-value investments.
- Andhra Pradesh has well-developed cold storage and warehousing infrastructure, which is essential for the seafood industry, with good availability, although costs are slightly higher than in some other locations.

Areas of focus

- While major IT hubs like Vizag have good connectivity, the quality of internal roads in tier-2 and 3 locations could be improved, with more consistent maintenance and upgrades to ensure smooth transportation.
- Airports in the State may benefit from enhancements to their cargo facilities and route networks, as well as efforts to improve profitability, to provide more comprehensive transportation options for businesses.
- Although policies are generally clear and investor-friendly, the disbursement of financial incentives could be streamlined to reduce bureaucratic delays and enhance business confidence.
- The process of obtaining utility connections, such as power and water, could be made more efficient, with reduced requirements for multiple clearances and improved inter-departmental coordination.
- While Andhra Pradesh has measures in place for disaster management, further investments in infrastructure resilience, early warning systems, and business continuity planning could help mitigate the impact of natural disasters on businesses.
- Andhra Pradesh has stable pro-industry policies, with clear incentives and investment frameworks. However, changes with political cycles and gaps in implementation affect long-term predictability.

Arunachal Pradesh

Overall rank **30/36**

Score **37.5**

Category rank **N | 9/12**

Area: 83,743 sq km

GSDP per capita: Rs 148,056

Agriculture share of GVA (FY23): 10.8%

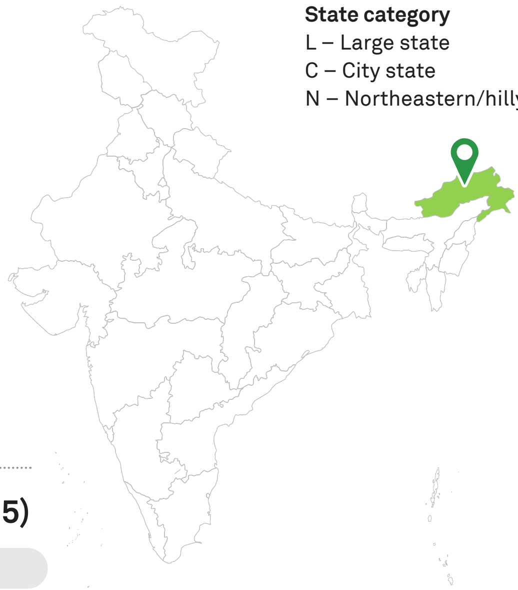
Industry share of GVA (FY23): 26.8%

Services share of GVA (FY23): 62.4%

FDI inflow (FY24): Not available*

Key industries: Beverages, basic metals

State category
L – Large state
C – City state
N – Northeastern/hilly state



Data score (65): 19

Survey score (35): 18.5

Key enablers

- Environment resilience
- Favourable institutional environment

Key performance indicators

- Ease of obtaining construction permits
- Perceived consistency in State policies

Areas needing improvement

- Business climate
- Financial health

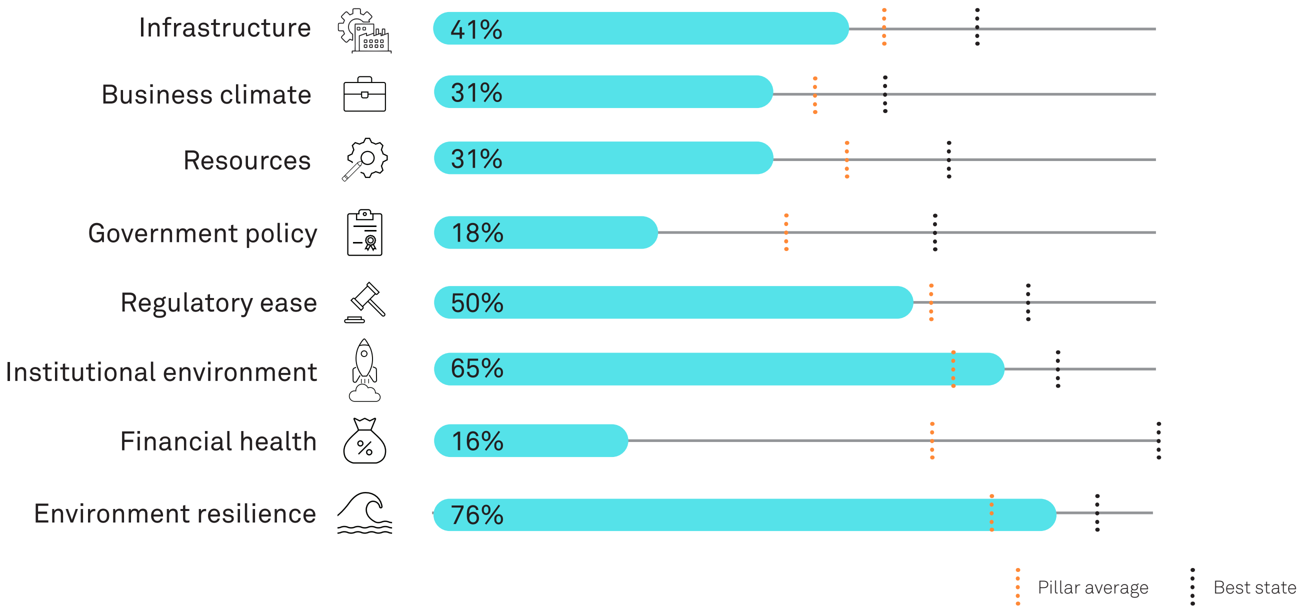
Indicators for improvement

- Exports as a % of GSDP

* Not available" indicates nonavailability of published data

Arunachal Pradesh achieves an overall score of 37.5, ranking 9th among northeastern/hilly States and 30th overall. This score is primarily driven by environment resilience within the State and effective institutional performance. However, there are significant areas for improvement within the business climate and financial health pillars.

State's relative performance across pillars



Key factors driving the State score

- Arunachal Pradesh's overall score is driven by a healthy performance in the institutional environment and regulatory ease pillars, while the financial health and business climate pillars present opportunities for improvement
- The State's performance in the institutional environment pillar is supported by a favourable regulatory environment (67 compared with the category average of 61) and a low cyber-crime rate of 1.01 offences per lakh population (~50% lower than the average for hilly and northeastern States), contributing to a secure and stable business setting
- The State demonstrates strong performance in the regulatory ease pillar, particularly in utility connections for electricity and water, achieving perception scores that are 9 points higher than the category average
- The State's performance in the financial health pillar presents scope for improvement. Its total outstanding liabilities as a percentage of GSDP was approximately 56% in fiscal 2024 (~84% higher than the average for hilly and northeastern States). Further, the State's gross fiscal deficit as a percentage of GSDP was 72% higher than the average in its category.
- The State can enhance its business climate pillar by improving GSDP per capita, which stands at Rs 148,056 and ranks 19th among all States and UTs by focusing on tourism, agriculture and food processing. It can improve bank credit to industry, which is only at 3.7% of GSDP (below the ~5% average for hilly and northeastern States)

Voices from the ground

Areas of strength

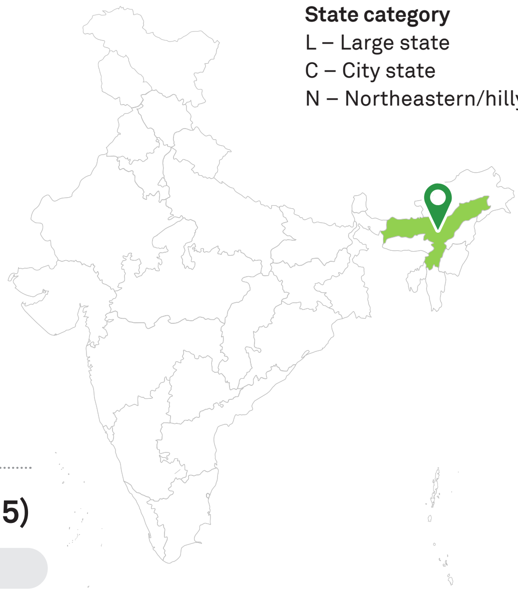
- The frequency of voltage fluctuation is remarkably low, and power outages are rare, ensuring a reliable and stable power supply
- Vast pool of skilled and unskilled labour with a diverse range of skills, readily available in various industrial sectors

Assam

Overall Rank 14/36

Score 47.3

Category rank N | 2/12



State category
L – Large state
C – City state
N – Northeastern/hilly state

Area: 78,438 sq km

GSDP per capita: Rs 100,322

Agriculture share of GVA (FY23): 8.8%

Industry share of GVA (FY23): 47.6%

Services share of GVA (FY23): 43.6%

FDI inflow (FY24): $0.23 million

Key industries: Coke and refined petroleum products, chemicals

Data score (65) 25.9

Survey score (35) 21.4

Key enablers

- Strong government policy
- Favourable institutional environment

Key performance indicators

- Low interest burden
- Minimal impact of labour disruptions

Areas needing improvement

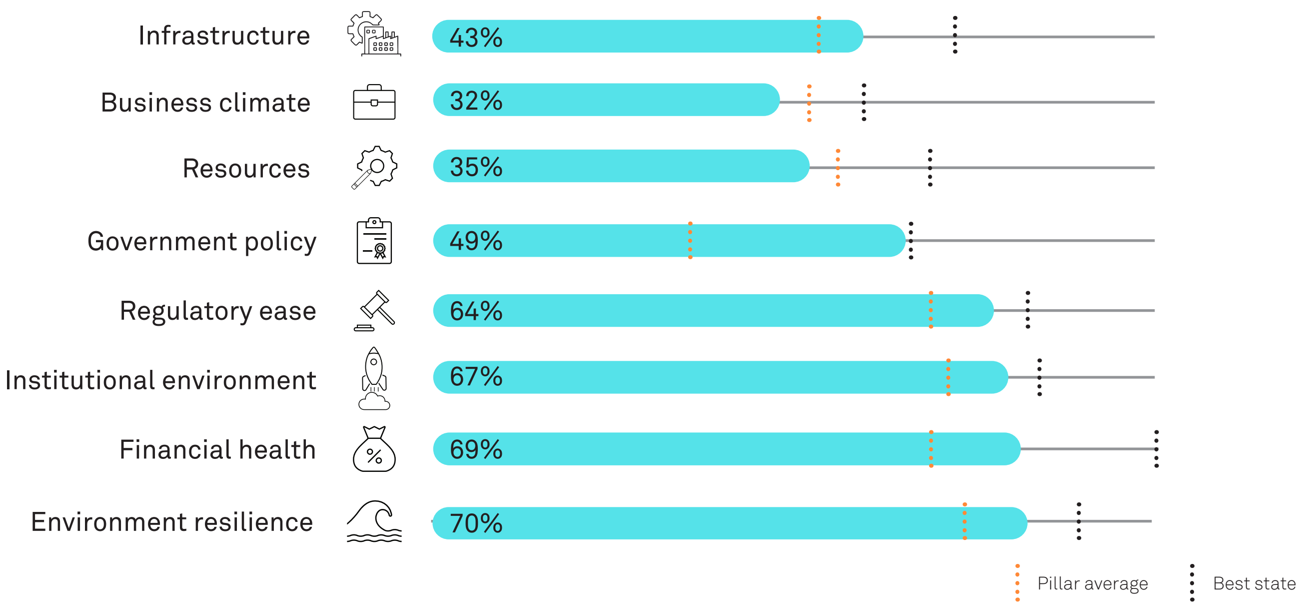
- Business climate
- Resources

Indicators for improvement

- Exports as a percentage of GSDP
- Incubators per lakh population

With an overall score of 47.3, Assam ranks second among northeastern and hilly states and 14th overall. This score is largely driven by strong government policy and a favourable institutional environment, with minimal impact from labour disruptions. However, there is scope for improvement within the business climate and resources pillar.

State's relative performance across pillars



Key factors driving the State score

- Assam has performed well on the government policy and institutional environment parameters, and maintained a respectable position within the financial health pillar. However, its overall investment appeal is limited by its weak performance on the resources climate and business parameters, highlighting areas of potential growth
- The government policy outperformance can be attributed to the strong capex incentives disbursed as a percentage of its total industrial capex in fiscal 2024 (nearly five times the average for hilly and northeastern states)
- Assam also scores well on its focus on improving road infrastructure, with the State allocating an average of 8% of its annual expenditure to roads between fiscals 2019 and 2024, compared with a pan-India average of 3%
- Assam's focus on education is evident from an average of 18% allocation of its budget to education over fiscals 2019-2024, compared with the average of ~12% for hilly and northeastern States. Despite the allocation to education, scope for improvement exists in its ability to produce technical workforce, as new technical workforce added as a percentage of population is only 0.01%, compared with a pan-India average of 0.014%
- Assam's financial health pillar is supported by a controlled level of interest payments, at 2.8% of GSDP (24% lower than the average across hilly and northeastern states), reflecting prudent fiscal management and stability in the State's public finances
- Institutional environment is another pillar in which Assam performs well, driven by low severity of labour disruptions and perceived consistency in State policies

- The State can further strengthen its infrastructure pillar by increasing the number of international airports, as it currently has just one with international operations. Assam also ranked 21st among all States and UTs in cold storage capacity relative to manufacturing GVA, indicating scope for improvement in supply chain support. Additionally, the State ranked 35th (second last) in the availability of industrial area for allotment as a share of total land, as per the India Industrial Land Bank (IILB) database, highlighting a significant lost opportunity to attract new investments and industries
- Business climate presents opportunities for enhancement, with GSDP per capita at approximately Rs 1 lakh (33% lower than average GSDP per capita for hilly and northeastern states), indicating scope for increased economic output. Exports as a percentage of GSDP stood at 1.2% in fiscal 2024, suggesting potential to strengthen the State's global market integration. The presence of only two incubators per lakh population points to room for further development in entrepreneurship and innovation infrastructure. Additionally, private equity and venture capital inflows stood at Rs 158.4 million in fiscal 2024 (PE and VC inflows as a percentage of GSDP are ~42% lower than the average for hilly and northeastern states), underscoring the need to attract greater investment to support business growth

Voices from the ground

Areas of strength

- The State has strong transportation and digital infrastructure, supporting industrial operations. Road construction quality is good, and rail connectivity along with freight-carrying capacity is robust, enabling efficient movement of goods across regions. The digital infrastructure is also reliable, allowing industries to operate with modern, technology-driven processes
- The region has attracted several large companies, along with cooperatives that have established successful manufacturing operations. The presence of these enterprises underscores the region's growing industrial ecosystem. Their investments signal confidence in the business environment and contribute to broader economic activity and employment generation
- The State's policy framework is welcoming and provides attractive incentives for new and expanding industries. Consistently pro-investment policies have supported the establishment of multiple units, offering competitive advantages to businesses looking to scale operations
- Key regulatory processes such as land allotment, environmental clearances, and construction permits are transparent and efficient. The land allotment process is viewed as highly transparent, while environmental clearances are processed in a timely manner. The construction permit process also operates with clarity, helping industries achieve quicker project execution

Areas of focus

- Road quality in certain areas can be further improved. Strengthening road conditions across more regions would enhance connectivity and support smoother logistics and workforce movement
- Air connectivity to tier-II and tier-III cities offers room for improvement. Expanding flight routes and improving airport infrastructure in these locations would make travel and cargo movement more efficient, benefiting businesses operating beyond major urban centres
- Power supply reliability needs to be strengthened. Frequent interruptions affect overall development, not just industrial operations. More consistent and resilient power infrastructure would support long-term growth across sectors
- Industrial parks can be upgraded further to improve their functionality. Enhancements around infrastructure, utilities, and facilities within industrial parks would help create a more competitive and industry-ready environment
- Additional warehousing capacity would benefit businesses across sectors. Expanding storage infrastructure, particularly in key industrial clusters, would support smoother supply chain management and reduce logistical bottlenecks

- Availability of skilled workers can be improved through targeted, industry-relevant skilling initiatives. Developing focused programs that align with industry needs would help address labour shortages and ensure a steady pipeline of trained talent.
- The single-window system can be made more efficient. Streamlining processes, improving digital responsiveness, and easing procedural requirements would make approvals more seamless for investors.
- Utility connections can be more easily accessible and faster to obtain. Reducing the time taken for electricity, water, and other essential connections would facilitate quicker project initiation and improve ease of doing business.

NITI Aayog

Bihar

Overall Rank **26/36**

Score **41.2**

Category rank **L | 17/17**

Area: 94,163 sq km

GSDP per capita: Rs 44,705

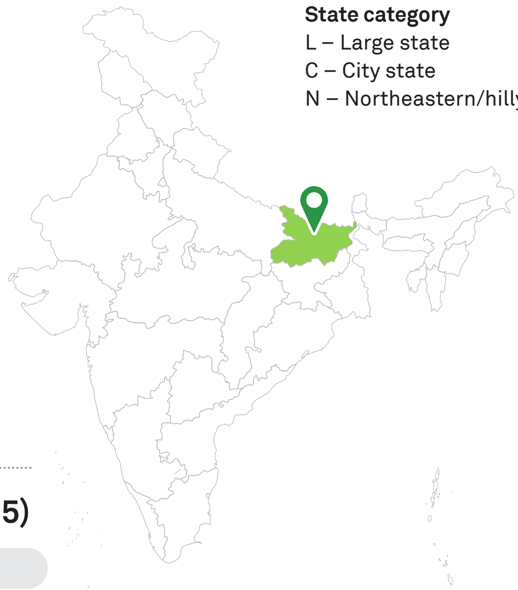
Agriculture share of GVA (FY23): 10.4%

Industry share of GVA (FY23): 22.1%

Services share of GVA (FY23): 67.5%

FDI inflow (FY24): $0.16 million

Key industries: Coke and refined petroleum products, food processing



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 21.8

Survey score (35): 19.4

Key enablers

- Good infrastructure
- Abundance of resources

Key performance indicators

- High railway density
- Strong spending on education

Areas needing improvement

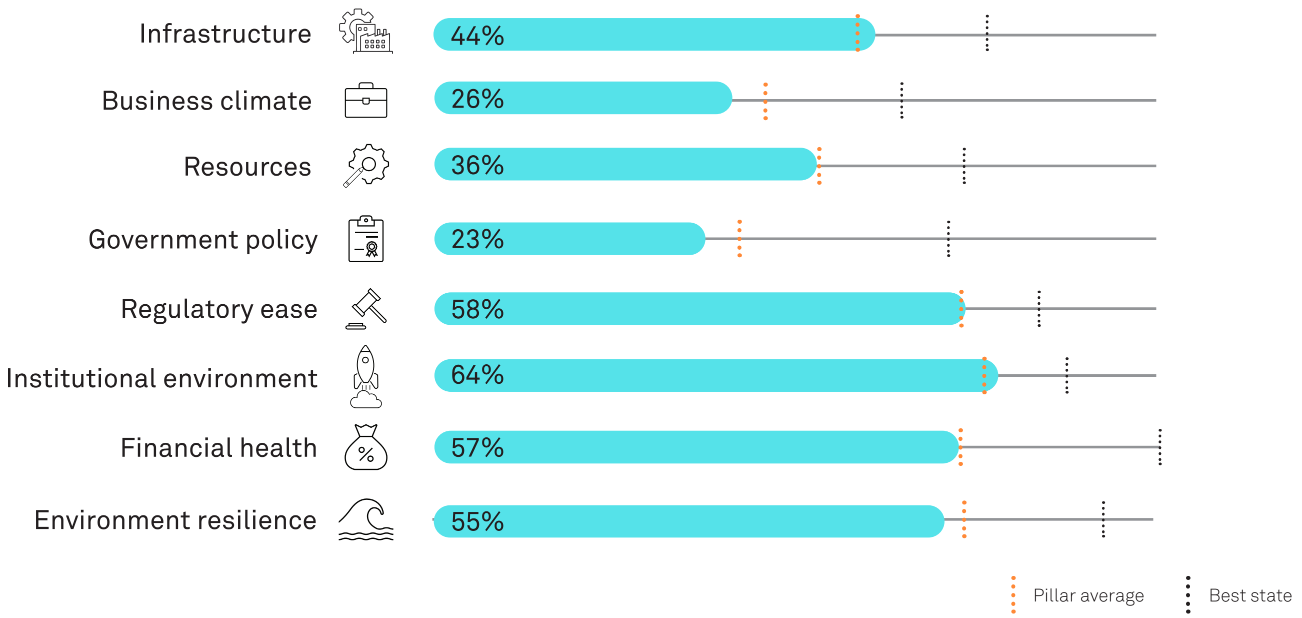
- Business climate

Indicators for improvement

- Patent applications filed

Bihar has an overall score of 41.2, ranking 17th among large states and 26th overall. This score is primarily driven by its performance in the infrastructure and resources pillars. However, there is significant scope for improvement within the business climate and financial health pillar.

State's relative performance across pillars



Key factors driving the State score

- Bihar is an emerging performer state, with good performance on the infrastructure and resources parameters, and scope for improvement within business climate and financial health
- It is among the top performers on road density and rail density. Despite occupying only 2.9% of the country's land mass, Bihar accounts for 4% of national highways, 8% of rural roads and 5.7% of the rail track length of the country
- Bihar also performs well on cold storage capacity, scoring 23% above the category average
- In the resources pillar, Bihar's performance is driven by strong government spending on education as a percent of its GSDP (46% higher than the average for large states)
- There are significant opportunities for improvement in Bihar's business climate, with GSDP per capita at just Rs 44,000 (~72% lower than the average for large states), indicating scope for greater economic output. Patent applications filed as a percentage of active companies stood at just 0.48% in fiscal 2023 (average for large states was ~3.6%), highlighting potential to foster innovation
- Bank credit to industry stands at about 6.7% of GSDP, suggesting room to enhance financial support for businesses. Additionally, Bihar ranks 32nd in the share of medium and small enterprises within its MSME base, indicating the need to develop a more dynamic and resilient industrial ecosystem
- A near 500 bps higher than the average total outstanding liabilities/GSDP across the 36 states and UTs indicates an area for improvement in the financial health pillar

Voices from the ground

Areas of strength

- Bihar has made significant strides in improving its electricity and water infrastructure, with a notable enhancement in the availability and reliability of these essential services.
- Bihar has simplified its environmental clearance process, reducing bureaucratic hurdles and enabling faster project approvals.

Areas of focus

- Bihar lacks air connectivity to Tier 2 & 3 cities, hindering accessibility.
- While the condition of electricity in Bihar is satisfactory, there is still a need for further improvement to ensure reliable and uninterrupted 24/7 power availability.
- Bihar currently lacks a dedicated industrial park or a well-established industrial infrastructure, which is a significant deterrent to attracting large-scale investments, fostering entrepreneurship, and driving economic growth in the State. The absence of a robust industrial ecosystem hinders the development of key sectors, such as manufacturing, logistics, and exports, thereby limiting the State's economic potential.
- Bihar's digital infrastructure can be strengthened to improve connectivity, communication, and overall digital ecosystem.
- Investor confidence in Bihar is hindered by concerns over safety and security, which deters potential investors from committing investments in the State. The perception of inadequate law and order, coupled with instances of crime and unrest, creates a risk-averse environment that makes it challenging for Bihar.
- The limited job opportunities in Bihar have a notable impact on the overall quality of life for its residents.
- The land allotment process in Bihar is often complex and challenging, involving lengthy procedures and bureaucratic hurdles

Chandigarh

Overall Rank 16/36

Score 47

Category rank C | 3/7

Area: 114 sq km

GSDP per capita: Rs 338,816

Agriculture share of GVA (FY23): 0.0%

Industry share of GVA (FY23): 9.1%

Services share of GVA (FY23): 90.9%

FDI inflow (FY24): $30.88 million

State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65) 24.9

Survey score (35) 22.1

Key enablers

- Good infrastructure
- Abundance of resources

Key performance indicators

- Low power cost
- High technical workforce inflow

Areas needing improvement

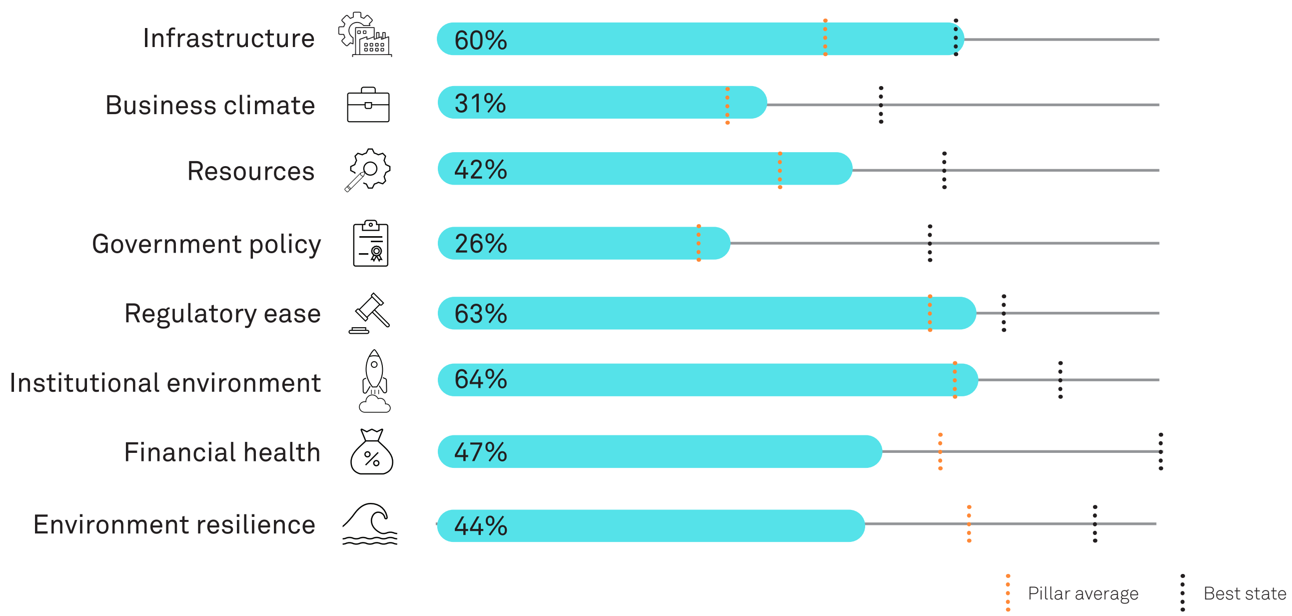
- Institutional environment
- Business climate

Indicators for improvement

- Crime rate – Economic crimes

With an overall score of 47, Chandigarh ranks third among City States/Union Territories and 16th overall. This score is largely driven by its strong performance in the infrastructure and resources pillars, supported by a high inflow of tech workforce. However, there is notable scope for improvement within the institutional environment and business climate pillar.

State's relative performance across pillars



Key factors driving the State score

- Chandigarh excels in the infrastructure pillar, ranking first among all states and UTs, and demonstrates strong performance in resources. However, its overall score is weighed down by comparatively weak performance in business climate and institutional environment
- Chandigarh's top ranking in the infrastructure pillar is supported by it topping rail density across states and UTs. The city also offers a low industrial power cost (11% lower than the average for UTs and city-states), enhancing its attractiveness for businesses. Additionally, strong 4G and 5G penetration is reflected in a high number of BTS, with nearly 31 BTS per square km (2.5 times the average for UTs and states), ensuring robust digital connectivity
- The city's strong performance in the resources pillar is demonstrated by its first rank across all states/UTs in the addition of new technical workforce as a percentage of population (2.5 times the average for UTs and city-states)
- Workforce participation is notable, with 2.42% of the population entering the workforce annually as graduates and postgraduates, which is 92% higher than the average for UTs and city-states
- In the business climate pillar, Chandigarh ranks 29th on the ATL indicator with just 22 labs, and new companies registered in fiscal 2024 accounted for only 7% of total businesses in the State (vs the UT and city-state average of 11.75%). Additionally, Chandigarh ranks 33rd on the startups registered indicator, reflecting a modest number of startups compared with the total number of companies. These areas present scope for improvement in fostering innovation and new business growth

- In the institutional environment pillar, the city faces challenges with a crime rate of 29 economic offences per lakh population (37% higher than the average for UTs and city-states) and issues within the regulatory environment, both of which present opportunities for improvement

Voices from the ground

Areas of strength

- Chandigarh boasts a workforce that is notably skilled, with both unskilled and skilled labour being better than in many other cities across India
- The law enforcement agencies in Chandigarh are well-positioned, demonstrating a strong presence
- The power supply in Chandigarh is commendable. The electricity department operates efficiently, ensuring reliable service for residents and businesses alike

Areas of focus

- Connectivity between old and new airport terminals can be improved
- To improve the airport experience, it is recommended that the government reopen the old terminal for domestic flights without delay. This action would help decongest the current facility and restore efficient service for travellers. Furthermore, the new terminal should be dedicated solely to international operations, which would enhance immigration and customs services to align with global standards.

NITI Aayog

Chhattisgarh

Overall Rank 12/36

Score 47.5

Category rank L | 9/17

Area: 135,192 sq km

GSDP per capita: Rs 120,067

Agriculture share of GVA (FY23): 9.0%

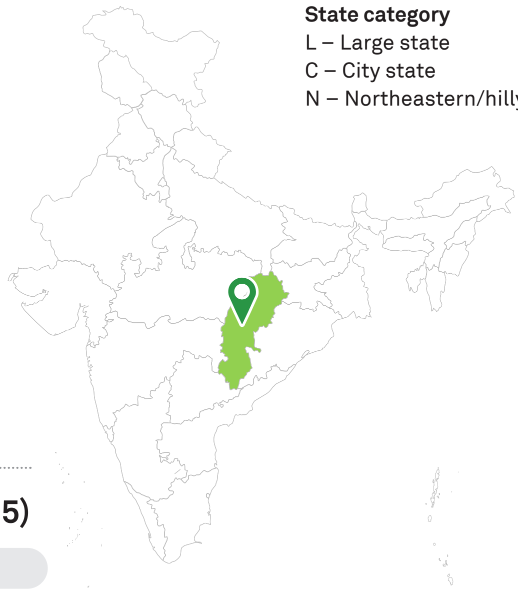
Industry share of GVA (FY23): 52.8%

Services share of GVA (FY23): 38.2%

FDI inflow (FY24): $50.5 million

Key industries: Basic metals, non-metallic mineral products

State category
L – Large state
C – City state
N – Northeastern/hilly state



Data score (65): 23.7

Survey score (35): 23.8

Key enablers

- Abundance of resources
- Environment resilience

Key performance indicators

- High share in coal and lignite production
- Low seismic threat

Areas needing improvement

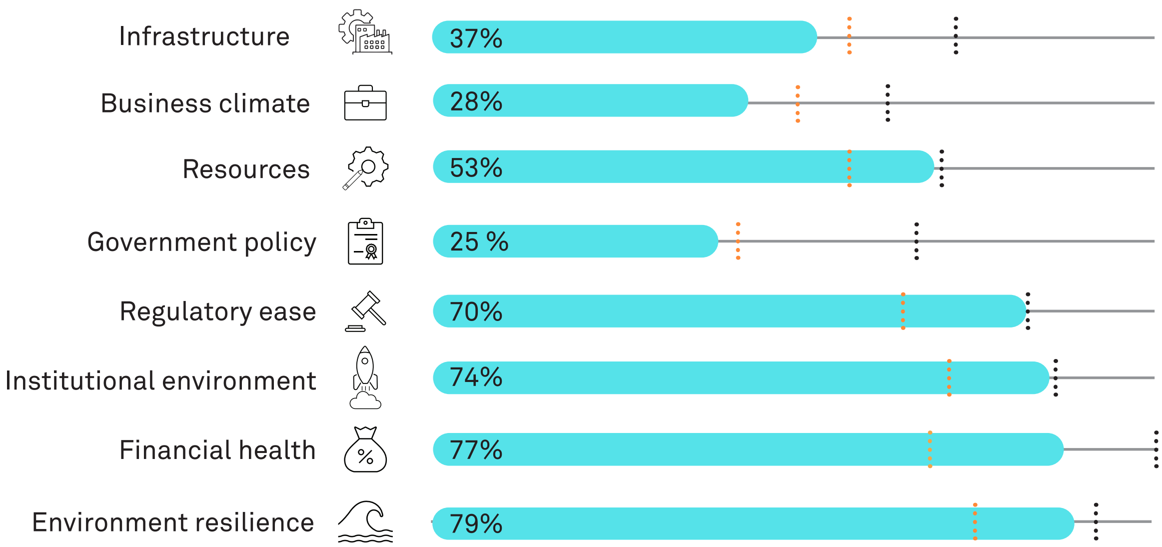
- Infrastructure
- Business climate

Indicators for improvement

- Digital transactions per capita

Chhattisgarh attains an overall score of 47.5, ranking 9th among large states and 12th overall. Key strengths include an abundance of natural resources, such as coal and lignite, and environment resilience. It has opportunities to improve in the infrastructure pillar, particularly in digital infrastructure, and business climate pillar

State's relative performance across pillars



Key factors driving the State score

- Chhattisgarh records a strong performance in the resources and environment resilience pillars. However, there is scope for improvement in the infrastructure and business climate pillars, which could further enhance its overall development and investment attractiveness

- Its strong performance in the resources pillar is driven by its 14% share in the production of metallic mineral and 11.2% in non-metallic (both by value) for fiscal 2024, ranking second and third, respectively. It constitutes 20% of India's coal and lignite production and ranks second

- The female worker population ratio stands at 58.1% (~41% higher than the average for large states), positively impacting workforce dynamics

- The State demonstrates strength in the environment resilience pillar with a favourable perception of its disaster preparedness, scoring nine points higher than large state average, which enhances its overall safety and stability

- Chhattisgarh lagged in the infrastructure pillar, ranking 23rd in airport capacity per capita as of fiscal 2023, pointing to the need of an upgrade in the segment. Its rail network accounts for just 2% of India's total rail length despite comprising 4% of the country's land area. Additionally, digital transactions lag at 0.42 per capita (~92% below the average for large states), indicating scope for improvement in connectivity and need for digitalisation of services

- In the business climate pillar, GSDP per capita is ~Rs 1.2 lakh (~24% lower than the average for large states), with the State ranking 24th. Exports remained modest at ~5.5% of the GSDP in fiscal 2024 (~68% below the average for large states). Chhattisgarh ranks 22nd in incubators per capita. Private equity and venture capital investment inflow was just 0.02% of the all-India PE/VC capital inflow. These indicators highlight opportunities to stimulate economic growth, improve the innovation ecosystem and attract investments

Voices from the ground

Areas of strength

- The legal and associated costs for closing a business in Chhattisgarh are competitive, which can provide reassurance to investors and entrepreneurs considering their exit strategies
- From a power supply perspective, Chhattisgarh benefits from a surplus of electricity, which is available to industries at reasonable prices. This reliable energy supply is a significant advantage for businesses operating in the State

Areas of focus

- The single-window clearance facility faces challenges, which may hinder the efficiency of business operations in the State
- Despite approval from the Centre, the implementation of e-documentation has not yet materialised, which if done, could streamline processes for businesses
- The condition of roads along the borders of Chhattisgarh with neighbouring states, including Jharkhand, may pose challenges for the transport system and affect logistics for industries
- The digital infrastructure requires enhancement, as it currently does not meet the needs of businesses reliant on digital capabilities. The absence of a no objection certificate (NOC) for trunk internet capability could become a significant bottleneck for industries operating in the digital space
- While Chhattisgarh is emerging as a developing hub, there is a need for improved skill development and workforce training initiatives. Although efforts are underway to train the workforce, additional support structures will be essential to facilitate the growth and expansion of this hub

Dadra and Nagar Haveli and Daman and Diu

Overall Rank 31/36

Score 37.1

Category rank C | 5/7

Area: 602 sq km

GSDP per capita: Not available*

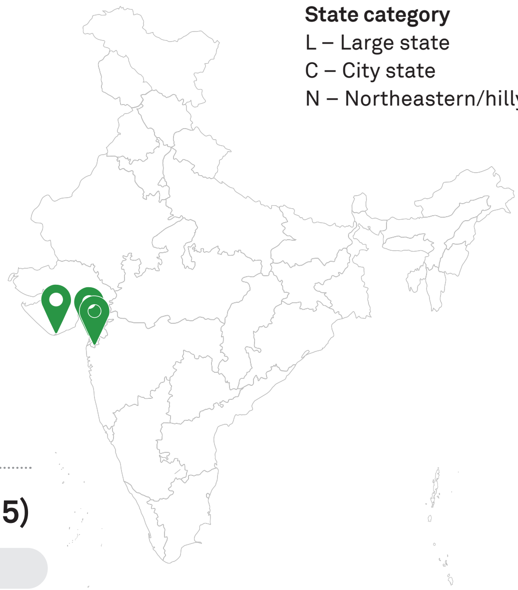
Agriculture share of GVA (FY23): Not available*

Industry share of GVA (FY23): Not available*

Services share of GVA (FY23): Not available*

FDI inflow (FY24): $9.24 million

Key industries: Rubber and plastics products, chemicals, electrical equipment



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65) 18.8

Survey score (35) 18.3

Key enablers

- Supportive business climate
- Regulatory ease

Key performance indicators

- High share of medium and small MSMEs

Areas needing improvement

- Infrastructure
- Financial health

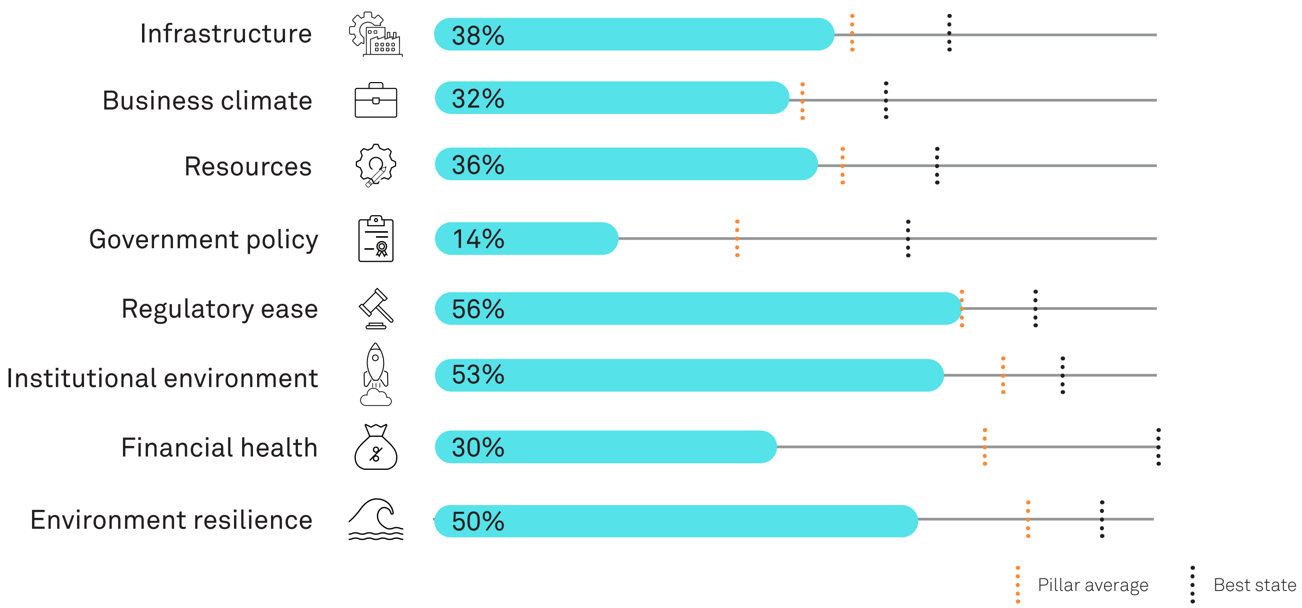
Indicators for improvement

- Road density

* 'Not available' indicates nonavailability of published data

Dadra and Nagar Haveli and Daman and Diu have attained an overall score of 37.1, ranking fifth among City States/Union Territories and 31st overall. Strengths include regulatory ease and a supportive business climate, as indicated by a high share of MSMEs. However, there are significant opportunities for improvement within the infrastructure and financial health pillars.

State's relative performance across pillars



Key factors driving the State score

- The score is driven by the business climate and regulatory ease pillars but weighed down by the infrastructure pillar
- In the business climate pillar, it performs strongly in the proportion of MSEs within the total MSME base, ranking first among all states and UTs in this indicator
- Dadra and Nagar Haveli and Daman and Diu does well in the regulatory ease pillar on account of ease of obtaining utility connections where it performs better than its category average. The UT also demonstrates good performance with respect to ease of contract enforcement and access to commercial courts and scores ~ 4 points above its category average
- The UT also demonstrates strength in the resources pillar, with a labour force participation rate of 61%
- STEM enrolment as a percentage of higher education enrolment was 20% in fiscal 2022, ~30% higher than the average for UTs and city states
- The UT can improve its performance in the financial health pillar by managing its interest expenses and fiscal liabilities more prudently
- Under the infrastructure pillar, there is scope for improvement in road density, where the UT ranks 34th overall. Additionally, 31% of the UT's area is available for allotment as industrial area according to the IILB, 8%higher than the category average

Voices from the ground

Areas of focus

- A single window clearance policy must be introduced as the current process is fragmented and time-consuming in providing approvals for businesses and investors
- A shortage of skilled and unskilled labour is prevalent

Delhi

Overall Rank 6/36

Score 49.9

Category rank C | 2/7

Area: 1,483 sq km

GSDP per capita: Rs 399,013

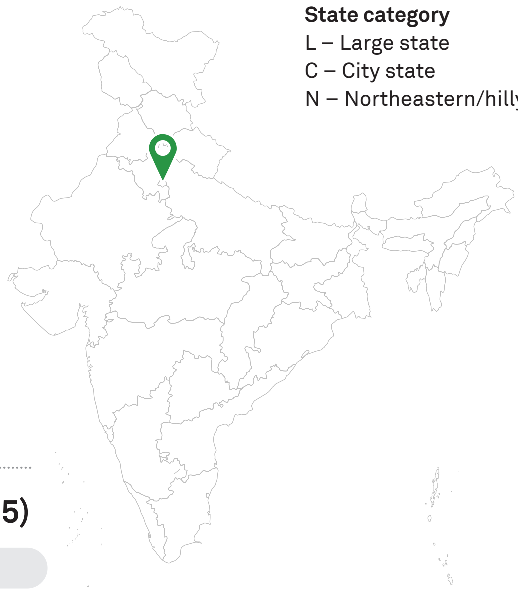
Agriculture share of GVA (FY23): 0.0%

Industry share of GVA (FY23): 15.5%

Services share of GVA (FY23): 84.5%

FDI inflow (FY24): $6,523.43 million

Key industries: Food processing, RMG



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 29.0

Survey score (35): 20.9

Key enablers

- Infrastructure
- Sound financial health

Key performance indicators

- Airport cargo capacity
- Controlled fiscal deficit

Areas needing improvement

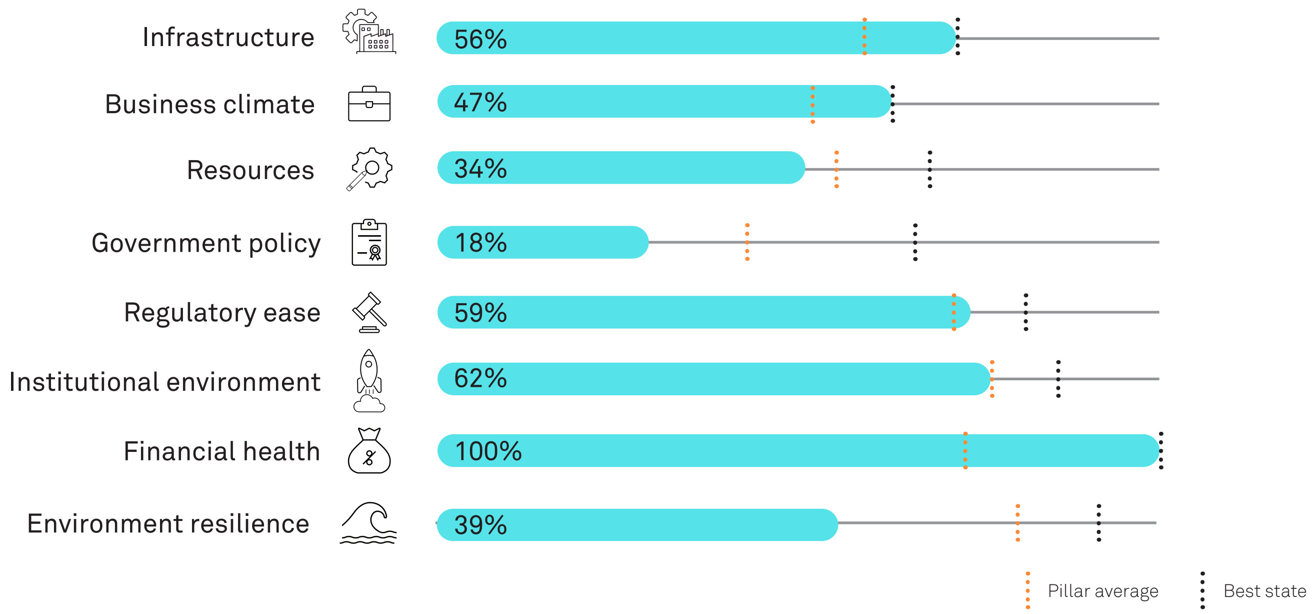
- Environment resilience
- Government policy

Indicators for improvement

- Crime rate
- Air quality index (AQI)

Delhi has an overall score of 49.9, ranking second among City States/Union Territories and sixth overall. The score is driven by its strong performance in the infrastructure pillar, supported by an adequate cargo capacity and sound financial health. However, there is room for improvement within the environment resilience and government policy pillars.

State's relative performance across pillars



Key factors driving the State score

- Delhi demonstrates a strong performance in the infrastructure and financial health pillars, with scope for improvement the environment resilience and government policy pillars, which could enhance its overall competitiveness
- Delhi's infrastructure pillar is supported by its second rank on airport cargo capacity relative to manufacturing GVA, and an extensive rail route network of 184 km despite its small land area
- T&D losses stood at ~12% in fiscal 2023 (13%lower than the average for city states and UTs). Delhi maintained an average of 24 hours of power supply (ranking first among UTs and city states), indicating virtually no downtime. These factors ensure efficient connectivity and reliable power supply for businesses and residents
- In the financial health pillar, Delhi benefits from outstanding liabilities at just 5.2% of its GSDP (significantly lower than the average of 9.4% for UTs and city states) and a gross fiscal deficit of only 0.7% of GDP (57% below the average for city states and UTs). This reflects prudent fiscal management and contributes to overall financial stability
- Delhi's performance in the government policy pillar is weighed down by its underperformance in indicators such as incentive allocation and capex incentive disbursed
- In the institutional environment pillar, Delhi faces challenges pertaining to a crime rate of 30 offences per lakh population (43% above the average of UTs and city states of 21)
- Delhi shows significant scope for improvement in the environment resilience pillar. The city's AQI fell in the poor range (201-300) for 130 days and in the very poor range (301-400) for 66 days during 2022

- Additionally, there are concerns regarding regulatory environment and perceptions of the effectiveness of its grievance redressal mechanisms, where its perception scores are equal to the category average for both indicators. Strengthening these areas can enhance governance and the overall investment environment

Voices from the ground

Areas of strength

- The railway network has undergone significant improvements, making it a reliable option for transporting containers. Earlier, wagons would often get stuck at intermediate stations for extended periods, causing disruptions. The current system allows for smooth transportation. The online platform has also added transparency and efficiency
- Power supply is stable with no major outages and the digital infrastructure is robust, offering high-speed connectivity and wide coverage

Areas of focus

- Delhi NCR's road network is well-developed, with most roads well-maintained by the government. However, certain stretches, particularly in outer Delhi, require improvement. Waterlogging on highways and roads during monsoon remains a significant concern
- Creation of industrial parks often focused on securing grants rather than functionality remains a concern. Many remain non-operational. A better approach would be for the government to provide land parcels with basic infrastructure, allowing industries to build customised facilities. This issue needs attention to support industrial growth in the region

NITI Aayog

Goa

Overall Rank 4/36

Score 53.1

Category rank C | 1/7

Area: 3,702 sq km

GSDP per capita: Rs 439,596

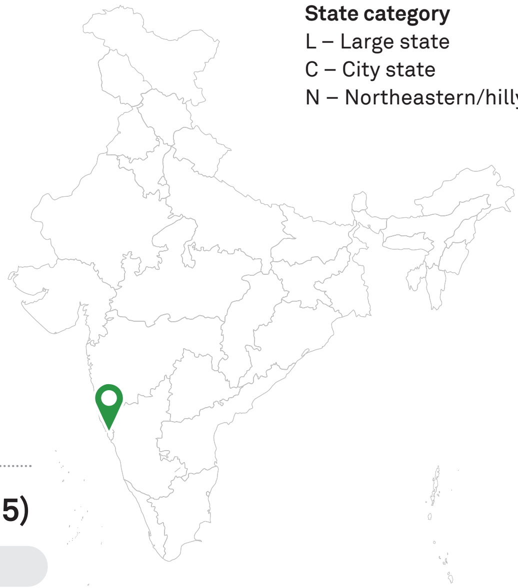
Agriculture share of GVA (FY23): 2.1%

Industry share of GVA (FY23): 53.3%

Services share of GVA (FY23): 44.6%

FDI inflow (FY24): $35.1 million

Key industries: Pharmaceuticals, medicinal, chemical and botanical products



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 28.8

Survey score (35): 24.3

Key enablers

- Good infrastructure
- Abundance of resources

Key performance indicators

- High airport capacity
- Significant budget for skilling

Areas needing improvement

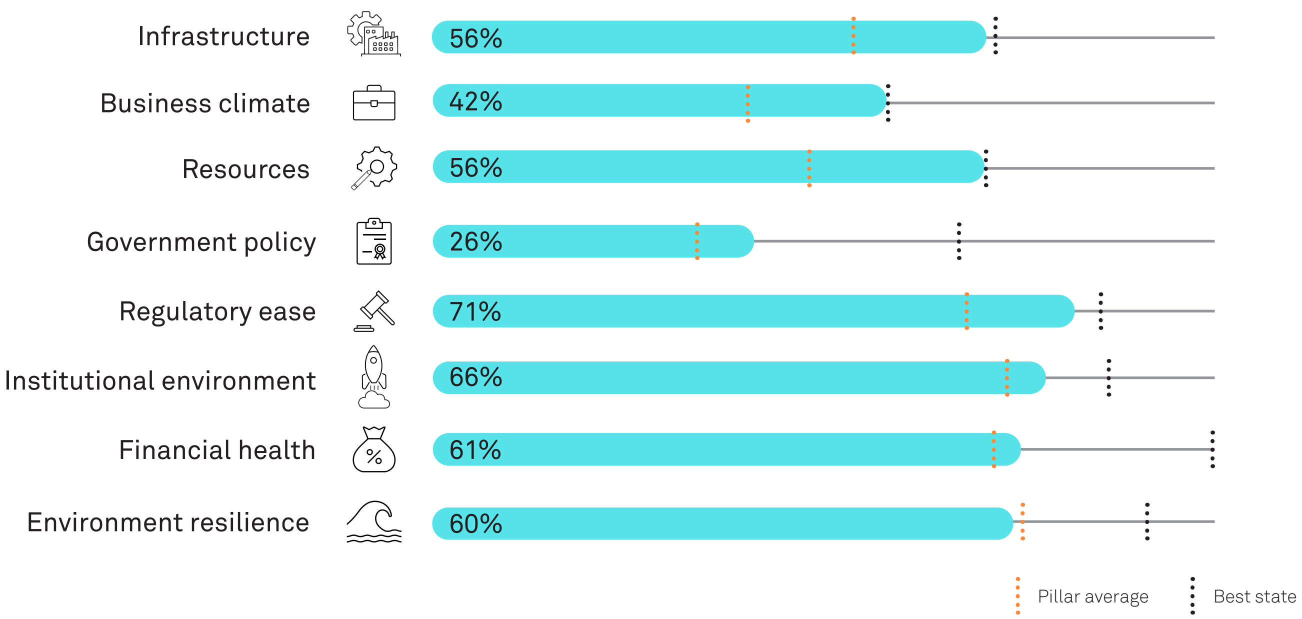
- Institutional environment

Indicators for improvement

- Fiscal liabilities

Goa has an overall score of 53.1, topping City States/Union Territories and ranking fourth overall. Goa's strong performance is driven by its highest scores in the resources and regulatory ease pillars, with institutional environment being an area of improvement.

State's relative performance across pillars



Key factors driving the State score

- Ranked first in the city/UT category and fourth overall, Goa stands out as the top performer under the resources and regulatory ease pillar and second under the infrastructure pillar
- It has the highest spending as a percentage of GSDP on skilling and healthcare investments, aiding its performance under the resources pillar. A high proportion of STEM enrolment (25% of higher education enrolment is in STEM courses), which supports a skilled and technology-oriented workforce, further aids its performance in resources
- Goa secured the highest rank in the UTs and city states category in STEM enrolment as a percentage of total enrolment in higher education Additionally, Goa ranks high in vocational training capacity and secured the first rank among UTs and city states in this indicator
- Its strong performance under the infrastructure pillar can be attributed to its two international airports, accounting for 3% capacity of all airports in India. Its port capacity is 3% of the total in India, along with dedicated terminals for handling containers, dry bulk and POL. This is despite Goa accounting for only 0.35% of India's GDP. The State has the highest share of renewables in its power mix across all states and UTs, while also displaying only 7% of T&D losses
- Goa can enhance its institutional environment by addressing the impact of labour disruptions, which should help create a more stable and predictable business environment
- There is scope for improving the fiscal deficit, with Goa's deficit at 6.7% of GDP in fiscal 2024, higher than that of its peers in the same category and more than double the range provided by the 15th Finance Commission

- Additionally, strengthening the regulatory environment could streamline processes and improve the overall ease of doing business
- Goa offers a readily available workforce with a diverse range of skills and expertise, providing a strong foundation for businesses to tap into and leverage for their operational needs

Voices from the ground

Areas of strength

- Goa boasts of robust transportation network, with well-connected roads and an efficient railway system that enables seamless and reliable movement of goods
- Its power supply is reliable, with minimal outages and manageable voltage fluctuations, providing a stable and consistent energy infrastructure that supports the needs of industries
- It offers ample warehouse storage capacity, strategically located with excellent transportation connectivity, facilitating efficient logistics and supply chain management

Areas of focus

- Although labour strikes are relatively rare, there is still room for enhancement in labour law compliance, particularly through the implementation of more efficient online systems and streamlined dispute resolution processes, which can minimise disruptions and promote a smoother operating environment
- The environmental clearance process is currently hampered by lengthy timelines, cumbersome paperwork and a lack of transparency in costs, highlighting the need for a more streamlined and efficient system, including a simpler online process and faster approval timelines

Gujarat

Overall Rank 1/36

Score 56.6

Category rank L | 1/17

Area: 196,244 sq km

GSDP per capita: Rs 264,232

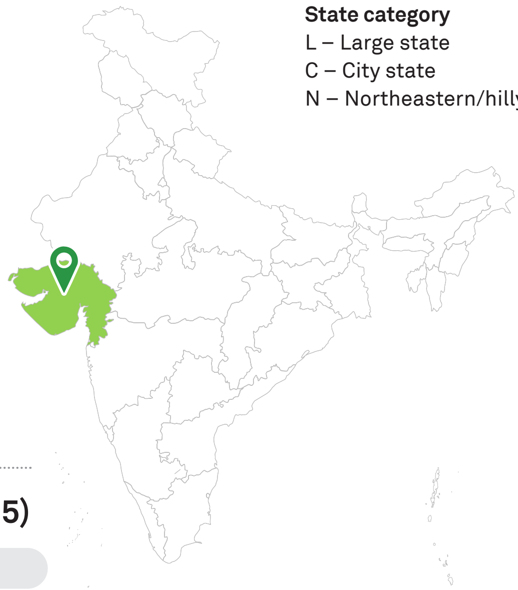
Agriculture share of GVA (FY23): 8.5%

Industry share of GVA (FY23): 50.5%

Services share of GVA (FY23): 41.0%

FDI inflow (FY24): $7,300 million

Key industries: Coke and refined petroleum products, chemicals, food processing



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65) 33.2

Survey score (35) 23.4

Key enablers

- Good infrastructure
- Sound financial health

Key performance indicators

- Low turnaround time for ports
- Low debt obligations

Areas needing improvement

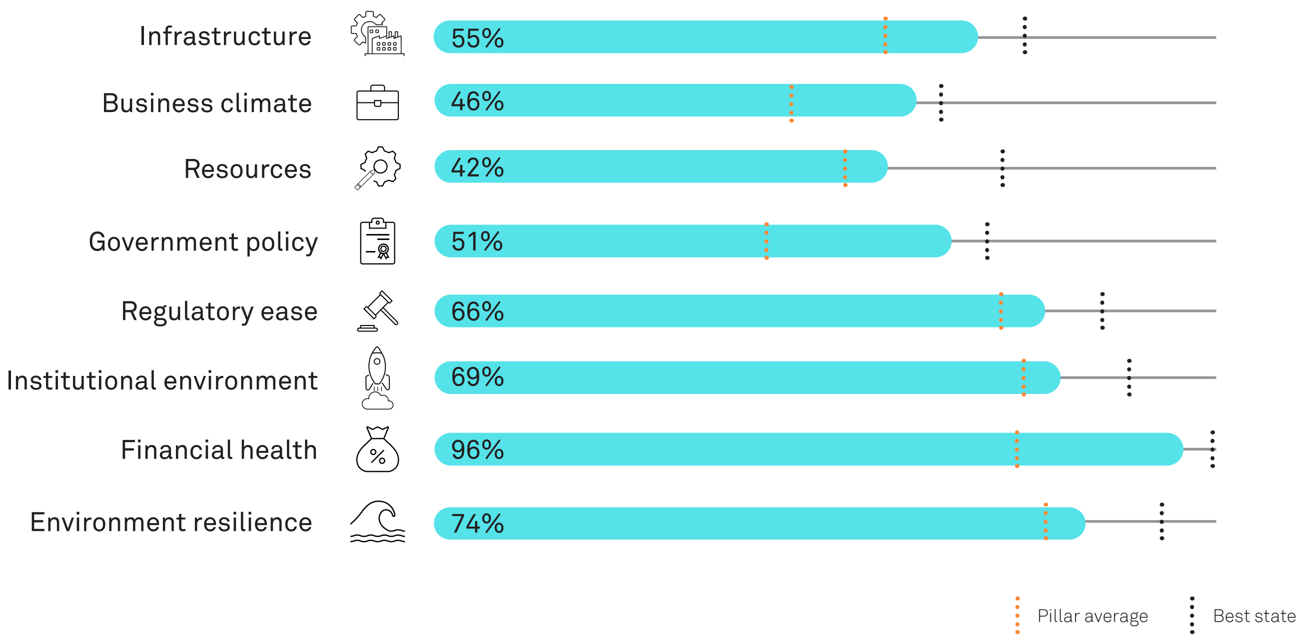
- Resources

Indicators for improvement

- New technical workforce added each year as a % of population

Gujarat has an overall score of 56.6, topping the ranking for the index. Gujarat's score is driven by its strong performance across infrastructure, business climate, financial health, regulatory ease and government policy pillars, with the areas of improvement being resources, institutional environment and environment resilience pillars.

State's relative performance across pillars



Key factors driving the State score

- Gujarat tops the overall rankings, given its strong performance in infrastructure, business climate, financial health, regulatory ease and government policies
- Gujarat's high rank in infrastructure is driven by its efficient port operations (lowest turnaround time weighted by capacity for major and non-major ports) and an efficient power sector, aided by competitive industrial and commercial power costs and well-contained T&D losses. The State offers consistently low power costs for industrial users at ~29% below the pan-India average. Electricity downtime is low, with an average power supply of 23.8 hours a day (4% higher than the large states' average), providing reliable and uninterrupted power supply for businesses
- Gujarat's performance in the infrastructure pillar is driven by its good road density, accounting for 10% of the total length of state highways in India (nearly four times the pan-India average) and the highest envisaged length of national expressways (635 km). Rail density is also high, comprising 7% of the country's total rail network, which is 2.5 times the pan-India average, supporting robust freight and passenger movement. This is despite the State accounting for ~6% of the land area
- Gujarat ranks among the top five states in business climate, fuelled by high exports at 31% of India's merchandise exports, nearly two times the next highest state, and a robust GSDP growth rate ranking third overall over fiscals 2019-2024. Further, the business climate was bolstered by the presence of 614 ATLs as of fiscal 2025. The State has 1.24 ATLs per lakh population, which is ~19% higher than the average of the large states category. A healthy number of ATLs helps foster innovation and entrepreneurship across the State

- The State maintains a GSDP per capita of Rs 2,64,232 (67% higher than the average of the large states) and is ranked fifth among 36 states and UTs, reflecting robust economic output and prosperity. Additionally, Gujarat has a healthy proportion of MSEs within its MSME base (ranking fourth in this indicator), contributing to a dynamic and resilient industrial ecosystem
- Gujarat stands out as one of the top states for its sound financial health because it had the lowest fiscal deficit as a percentage of GSDP (2.81%) among states as of fiscal 2024. Its sound financial health is also evidenced by its outstanding liabilities as a percentage of GSDP that remains well-managed and sustainable at just around the 18% mark, ~40% below the average of the large states
- Gujarat has opportunities to enhance its resources pillar by expanding the technical workforce added each year as a percentage of population, which stood at 0.012% as of fiscal 2023. This will support innovation and advanced manufacturing
- Expenditure on healthcare stands at 5.9% of total capital expenditure, compared with the best-performing state at 8.7%, indicating there is scope to prioritise healthcare investments for broader development

Voices from the ground

Areas of strength

- Gujarat's ICDs are well-connected facilitating the smooth movement of goods
- The State has developed several high-quality industrial parks, such as Sanand, Dholera SIR and GIFT City, which offer plug-and-play infrastructure, excellent utility access, and seamless connectivity to ports and highways, making it easy for businesses to set up and operate
- Gujarat promotes plug-and-play facilities, enabling quick setup of operations with well-developed accommodation and common amenities, as seen in parks such as Dahej, Jhagadia and Saykha
- The biannual Vibrant Gujarat Summit has been successful in attracting many investment commitments from domestic and international investors, demonstrating the State's strong institutional support and efficient investor-friendly clearance systems
- The iNDEXTb is highly proactive and investor-friendly, offering single-window clearance, end-to-end facilitation and aftercare support, with a strong reputation among global investors for quick responsiveness and efficient coordination with other departments
- Gujarat is widely recognised for its policy continuity and long-term stability, with industrial and sectoral policies designed with clear multi-year horizons and minimal mid-term changes, providing a predictable environment for businesses
- The State offers a streamlined and transparent process for obtaining NOCs with reasonable costs and timely approvals, facilitating ease of doing business
- Labour disruptions have a low-to-moderate impact on business operations, partly due to government-imposed strike bans on essential services, ensuring a relatively stable labour environment

Areas of focus

- Although private ports operate efficiently, there is a noticeable disparity in the maintenance and management of state-run Gujarat Maritime Board ports, reflecting scope for improvement to ensure seamless cargo handling and transportation
- Gujarat's workforce productivity and satisfaction with technical skills remain moderate, with scope for improvement through better alignment of training with real-time industry needs, to enhance the overall quality of the workforce.

- Providing sector-specific certification and tools exposure, particularly for the pharmaceutical, electronics and automotive industries, can help upskill workers and improve their proficiency in domain-specific software and technical tools
- While Gujarat's national highways are well-maintained, the internal roads managed by municipal authorities require improvement as they cause delays, affecting commute times and overall productivity

Haryana

Overall Rank 15/36

Score 47.1

Category rank L | 11/17

Area: 44,212 sq km

GSDP per capita: Rs 248,310

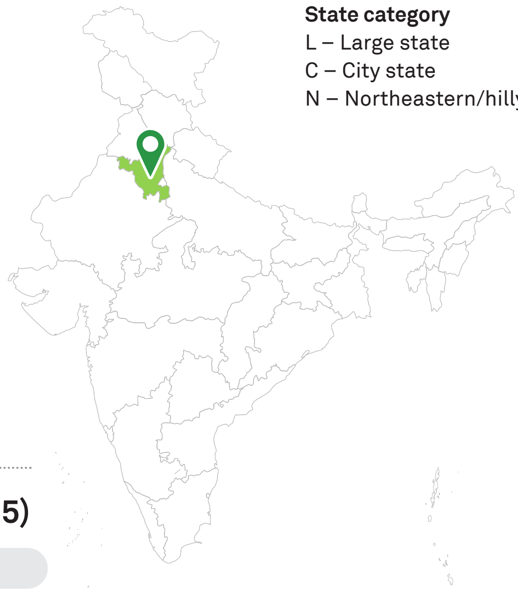
Agriculture share of GVA (FY23): 7.9%

Industry share of GVA (FY23): 33.2%

Services share of GVA (FY23): 58.9%

FDI inflow (FY24): $1,907.79 million

Key industries: Automobile



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 26.0

Survey score (35): 21.1

Key enablers

- Good infrastructure
- Supportive business climate

Key performance indicators

- Ample industrial land availability
- Strong PE and VC inflows

Areas needing improvement

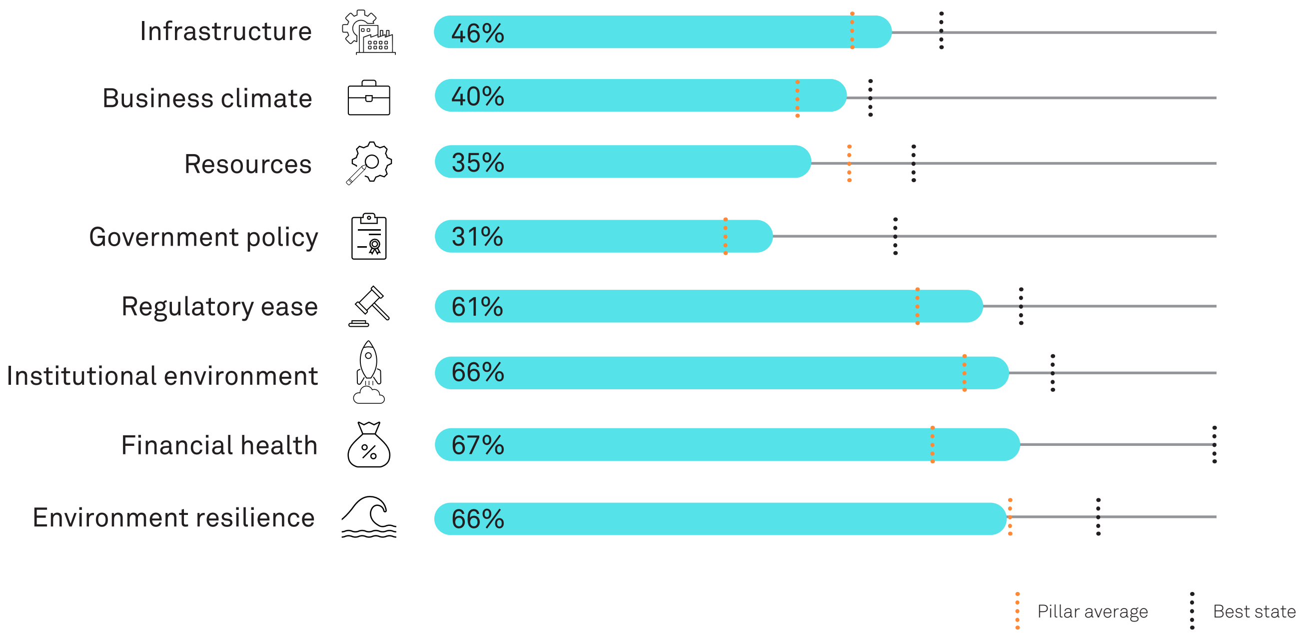
- Resources

Indicators for improvement

- Share of renewables in power generation

Haryana has an overall score of 47.1, ranking 11th in the large state category and 15th overall. The score is driven by its performance in the business climate and infrastructure pillars, with areas of improvement in the resources pillar.

State's relative performance across pillars



Key factors driving the State score

- Haryana has performed strongly in both the business climate and infrastructure pillars. However, its overall score is weighed down by comparatively weak performance in the resources, regulatory ease and environment resilience pillars, indicating areas where focused improvements could further enhance Haryana's investment appeal
- The State's infrastructure pillar performance is bolstered by high rail density, ranking seventh in this metric. The State also performs well in digital transactions (12.42 digital transactions per capita, ~ 2.4x the pan-India average), reflecting widespread adoption of digital financial services
- Haryana leads in terms of industrial area available for allotment/total land area of state. The availability of industrial land for allotment supports new investments and industrial expansion
- The State has the highest private equity/ venture capital investments as a percentage of GSDP among all states and UTs, which underscores its attractiveness to investors and startups. It also demonstrates strong own tax revenue collection, which accounts for 12% of its GSDP, higher than the pan-India average of 9.8% in fiscal 2024, supporting fiscal stability and public investment
- Haryana can further strengthen its resources pillar by improving the female workforce participation rate, which stood at 23.6% as of fiscal 2024, below the pan-India level of ~40%. Additionally, increasing state expenditure on education, which was 10.3% of GSDP in fiscal 2023 and ranked 26th among the 36 states and UTs, would help build a more skilled and competitive workforce for future growth
- There is room for improvement in the share of renewable energy in the State power mix, which is ~4% below the category average

Voices from the ground

Areas of strength

- The State's transport ecosystem supports industry through regional connectivity. Rail corridors operate smoothly with consistent freight capacity.
- The State has a well-developed logistics ecosystem, supported by cold storage, warehousing, and efficient digital infrastructure. Cold storage and warehousing facilities are readily available, supporting sectors that depend on temperature-controlled supply chains and organised storage capacity
- Internet connectivity and the broader digital infrastructure are strong, enabling modern, technology-driven operations
- Utility connections—such as electricity and water—are generally easy to obtain, contributing to a smoother setup process for new and expanding businesses

Areas of focus

- Road quality and overall connectivity can be strengthened further. Improving road conditions and enhancing linkages to key industrial areas would support smoother logistics movement and improve accessibility for businesses operating across the State
- There is scope to upgrade storage infrastructure and improve maintenance around train stations. Additional loading/unloading areas and expanded storage capacity would benefit industries with significant freight requirements. Better upkeep of railway stations would also help streamline cargo handling and multimodal logistics
- Power supply reliability varies across locations, creating room for more consistent service. While some areas receive stable power, others experience frequent outages. Enhancing grid reliability across all industrial pockets would provide a uniform operating environment for businesses
- Connectivity from industrial parks to major transportation hubs can be improved. Strengthening linkages to airports, ports and major railway junctions would reduce transit time and improve overall logistics efficiency for industries located within these parks
- Greater clarity and communication around the Investment Promotion Agency (IPA) would be beneficial. Improved awareness and easier access to information on available schemes and incentives would help businesses make more informed investment decisions and increase scheme utilisation
- Availability of skilled labour can be enhanced through targeted skilling and industry development initiatives. Some sectors face challenges in sourcing skilled workers, partly due to workforce migration to other states. Focused skilling programmes, along with developing sector-specific infrastructure and opportunities, would help retain talent and support industry growth
- The single-window system can be made more efficient, even though some processes such as construction permits remain transparent. Optimising workflows and improving responsiveness would help streamline approvals and make the overall process more seamless for investors
- Flood-related challenges require long-term mitigation measures. Addressing drainage and water management issues would enhance resilience during heavy rainfall and create a more reliable operating environment for industries

NITI Aayog

Himachal Pradesh

Overall Rank **18/36**

Score **46.1**

Category rank **N | 3/12**

Area: 55,673 sq km

GSDP per capita: Rs 200,030

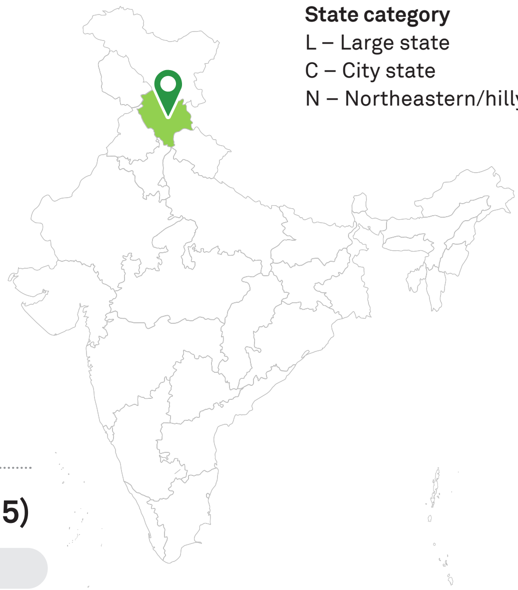
Agriculture share of GVA (FY23): 7.3%

Industry share of GVA (FY23): 46.4%

Services share of GVA (FY23): 46.3 %

FDI inflow (FY24): $56 million

Key industries: Pharmaceuticals, medicinalchemical and botanical products



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 23.4

Survey score (35): 22.7

Key enablers

- Favourable institutional environment
- Abundance of resources

Key performance indicators

- Low crime rate – economic and cyber
- Strong female workforce participation

Areas needing improvement

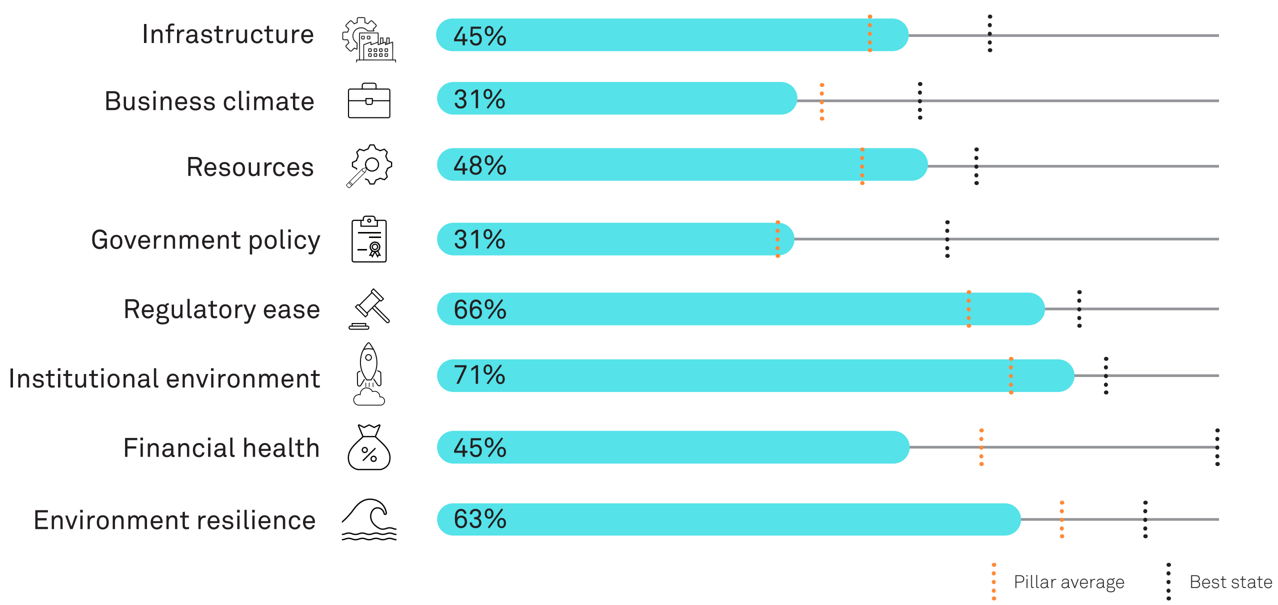
- Environment resilience
- Business climate

Indicators for improvement

- Number of landslide events

With an overall score of 46.1, Himachal Pradesh ranks third among northeastern and hilly states and 18th overall. The score is largely driven by its strong performance in the resources pillar, bolstered by high female workforce participation and robust institutional performance. However, there is scope for improvement within the environment resilience and business climate pillars.

State's relative performance across pillars



Key factors driving the State score

- The performance of Himachal Pradesh in the resources and institutional environment pillars is strong, with scope for improvement in the business climate and environment resilience pillars. This could further enhance the State's overall investment environment
- The State's strong performance in the resources pillar is driven by a notable proportion of people entering the workforce as a percentage of the population (1.1% against a category average of 0.8%), a high female worker population ratio of 62.3% (18% higher than the average for hilly and northeastern states), and a robust labour force participation rate of 63.3%, which is comfortably above the average 48% for hilly and northeastern states
- The State's strength in institutional environment is supported by a low cybercrime rate of 1.12 offences per one lakh population (~45% lower than the average crime rate for hilly and northeastern states), an effective grievance redressal mechanism (65 points compared with the category average of 61), and a conducive regulatory environment (68 against 59), all of which contribute to a stable and supportive climate for residents and businesses
- In the business climate pillar, Himachal Pradesh can enhance its performance by increasing capital expenditure, which was 7.6% of GSDP in fiscal 2024 (~56% lower than the average for hilly and northeastern states). FDI inflows were modest at $56 million in fiscal 2024, ranking the highest in its category. The share of medium and small enterprises within the MSME base was only 0.9%, indicating significant scope for improvement in investment and industrial diversification
- In the environment resilience pillar, ~16%of Himachal Pradesh's land area falls within earthquake zones IV and V. The State experienced 1,561 landslides between 2000 and 2017. These factors highlight the need for enhanced risk mitigation, disaster preparation and management and resilience strategies

Voices from the ground

Areas of strength

- The workforce in Himachal Pradesh exhibits a strong willingness to engage in the wellness tourism sector, particularly catering to seniors. This commitment is complemented by the availability of training facilities, ensuring that the workforce is well-equipped with the necessary skills to provide quality services in this growing industry
- The State has made significant strides in improving its infrastructure to enhance disaster preparedness. Despite the recent tragedies, the authorities demonstrated readiness and resilience in managing these situations effectively

Areas of focus

- Investors pointed out that the rail network needs improvement. Currently, the rail transport system does not fully meet the needs for business logistics. There is a significant need to enhance last-mile connectivity, which is essential for ensuring efficient transport solutions
- Investors also pointed out the absence of well-defined land laws

Jammu and Kashmir

Overall Rank **28/36**

Score **40.2**

Category rank **N | 7/12**

Area: 222,236 sq km

GSDP per capita: Rs 110,122

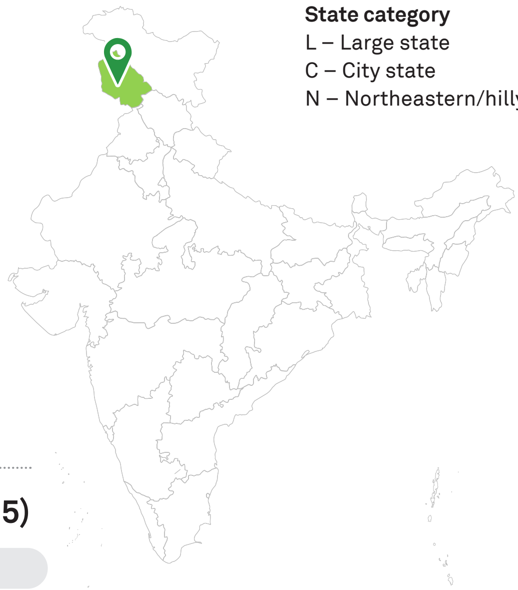
Agriculture share of GVA (FY23): 8.1%

Industry share of GVA (FY23): 26.4%

Services share of GVA (FY23): 65.5%

FDI inflow (FY24): $0.25 million

Key industries: Chemicals, pharmaceuticals, medicinal and botanical products



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65)
19.7

Survey score (35)
20.5

Key enablers

- Government policy
- Favourable institutional environment

Key performance indicators

- Strong pace of new business registrations

Areas needing improvement

- Infrastructure
- Financial health

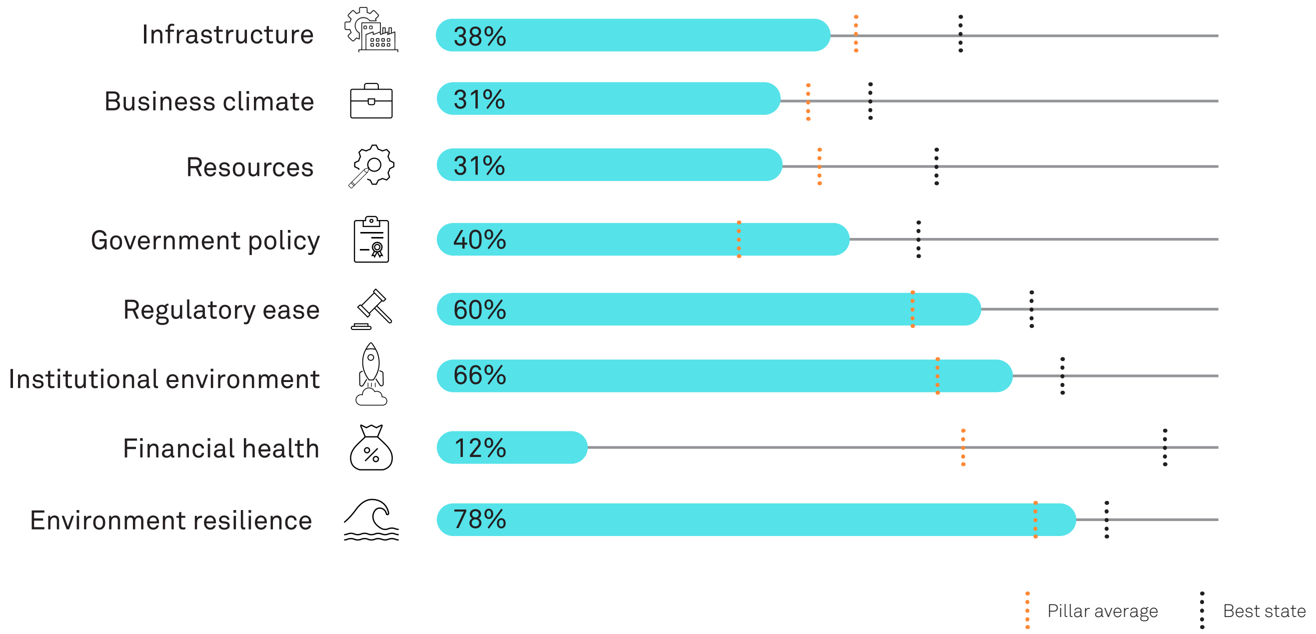
Indicators for improvement

- Electricity downtime

NITI Aayog

Jammu and Kashmir records an overall score of 40.2, ranking seventh among northeastern and hilly states and 28th overall. Strengths include a favourable institutional environment and government policy, with infrastructure and financial health emerging as areas for improvement.

State's relative performance across pillars



Key factors driving the State score

- Jammu and Kashmir's score is driven by its institutional environment and government policy pillars. However, its overall score is weighed down by weaker performance in the financial health and infrastructure pillars
- In the business climate pillar, Jammu and Kashmir's score is driven by the State's own tax revenue at 15% of GSDP in fiscal 2024, ~70% above the average for hilly and northeastern states
- New companies registered accounted for 21% of existing companies in fiscal 2024, placing Jammu and Kashmir 34% above the average for the hilly and northeastern states category
- J&K performs well in the government policy pillar due to healthy incentive allocations and disbursement. Incentive allocation as a percentage of its annual state budget was 5.5 times above the average for hilly and northeastern states. J&K ranks first in its category in terms of capex incentive allocation as a percentage of total industrial capex
- In the financial health pillar, interest payments stand at 7.13% of GSDP, nearly double the average for hilly and northeastern states. The gross fiscal deficit is nearly 9% of GSDP, the State ranking 29th overall. These figures highlight the need for improvement in fiscal management
- As part of the infrastructure pillar, average daily power supply stands at 19.9 hours, indicating notable electricity downtime compared with states having near-continuous supply. 4G/5G penetration remains low with a BTS density of 0.82 per sq km, highlighting opportunities to enhance connectivity and service reliability

Voices from the ground

Areas of strength

- Rail connectivity, along with freight carrying capacity is robust, enabling efficient movement of goods across regions. The digital infrastructure is also reliable, allowing industries to operate with modern, technology-driven processes

Areas of focus

- Obtaining good road conditions has been one of the more challenging aspects of doing business in Kashmir. While some improvements have been made, the experience remains mixed. Frequent damage to roads, poor maintenance and inadequate connectivity to rural areas hinder smooth transportation, leading to inconvenience
- The region faces a significant shortage of skilled labour, hindering productivity and growth. The workforce in J&K lacks specialised skills, relying heavily on traditional methods. This scarcity of skilled labour is a major challenge, impacting various industries and sectors
- The single window system, designed to streamline processes and facilitate ease of doing business, is not functioning optimally in Jammu and Kashmir. Despite its intended benefits, the system is often circumvented, with manual complaint registration being the norm

NITI Aayog

Jharkhand

Overall Rank 25/36

Score 41.3

Category rank L | 16/17

Area: 79,716 sq km

GSDP per capita: Rs 86,416

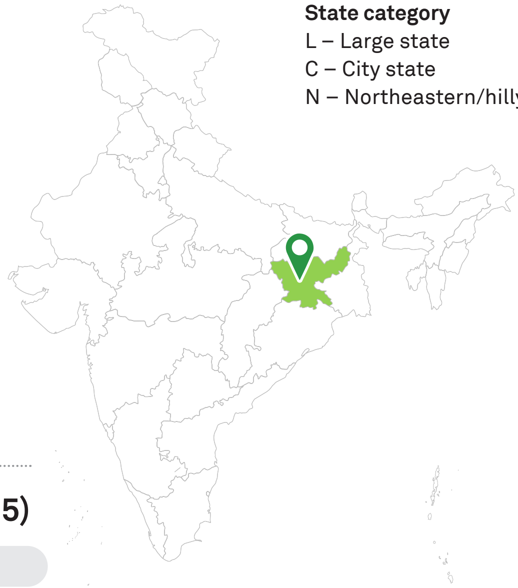
Agriculture share of GVA (FY23): 5.3%

Industry share of GVA (FY23): 44.7%

Services share of GVA (FY23): 50.0%

FDI inflow (FY24): $0.06mn

Key industries: Basic metals, coke and refined petroleum products



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65) 22.6

Survey score (35) 18.7

Key enablers

- Abundance of resources
- Sound financial health

Key performance indicators

- High coal and lignite production
- Low interest burden

Areas needing improvement

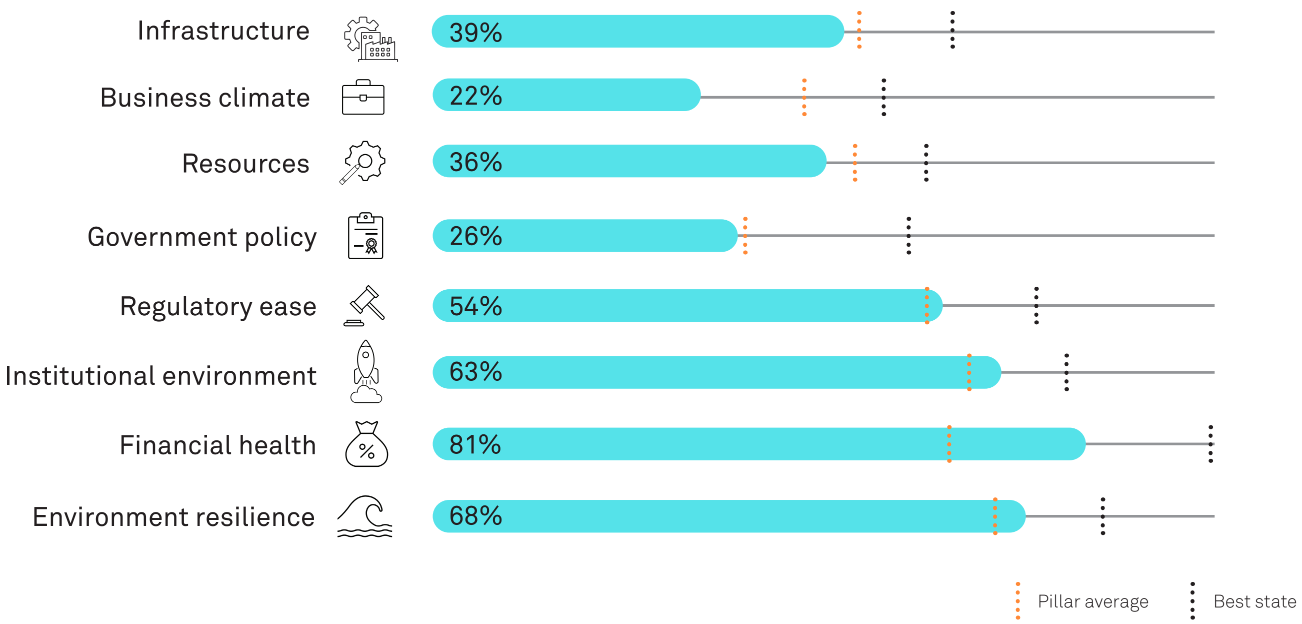
- Business climate

Indicators for improvement

- FDI inflows

Jharkhand attains an overall score of 41.3, ranking 16th among large states and 25th overall. Strengths include an abundance of natural resources, particularly in coal and lignite production with opportunities for improvement in the business climate pillar, especially in terms of attracting FDI.

State's relative performance across pillars



Key factors driving the State score

- Jharkhand performs well in the resources and financial health pillars, while its scores in the business climate and regulatory pillars present areas for improvement
- In the resources pillar, the score is driven by the State accounting for 18.4% of total coal and lignite production in India as of fiscal 2024, ranking third, while also contributing 5% of national metallic mineral production by value in the period, ranking 5th across all states and UTs
- In the financial health pillar, the State maintains contained interest payments at 2.4% of GSDP (below the category average of 3.1%) and a gross fiscal deficit at 4% of GSDP (1.7% lower than the category average but above the 15th Financial Commission limit), reflecting prudent fiscal management
- FDI equity inflow has been low in Jharkhand, which is ranked 14th among 17 states on this parameter in the large state category

Voices from the ground

Areas of strength

- The intracity roadways managed by the Tata Group ease are well-maintained, whereas those maintained by the National Highways Authority of India and Jharkhand government need improvement
- Mobile network coverage remains inadequate in suburban and rural areas of Jharkhand, with BSNL being the only reliable service provider in many of these locations, highlighting a significant gap in telecom infrastructure

NITI Aayog

Karnataka

Overall Rank **9/36**

Score **48.7**

Category rank **L | 7/17**

Area: 1,91,791 sq km

GSDP per capita: Rs 2,39,394

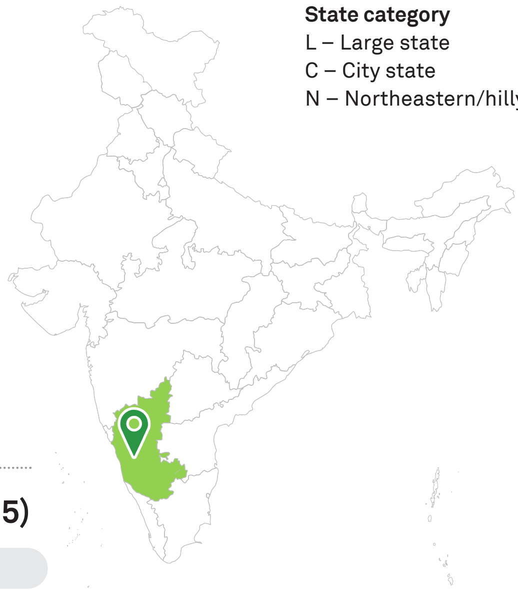
Agriculture share of GVA (FY23): 6.3%

Industry share of GVA (FY23): 24.8%

Services share of GVA (FY23): 68.9%

FDI inflow (FY24): $6,571 mn

Key industries: Basic metals, food processing, coke and refined petroleum products



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65) 29.8

Survey score (35) 18.9

Key enablers

- Sound financial health
- Supportive business climate

Key performance indicators

- Low interest burden
- Strong PE and VC inflows

Areas needing improvement

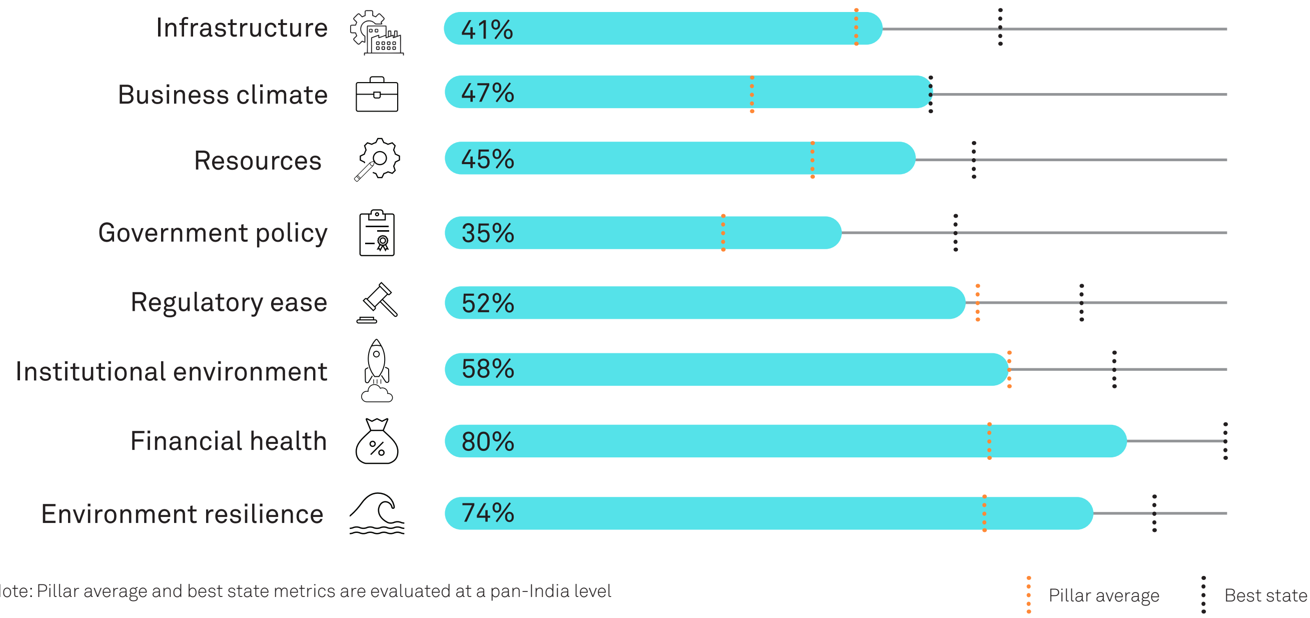
- Regulatory ease

Indicators for improvement

- Land allotment process

Karnataka has an overall score of 48.7, ranking 7th out of 17 states in the large state (L) category and 9th out of 36 overall. Karnataka's score is driven by its strong performance in the business climate pillar, driven by strong PE/VC inflows consistent with it being the home to India's Silicon Valley. Its score is dragged down by its below-average score in regulatory ease and institutional environment.

State's relative performance across pillars



Note: Pillar average and best state metrics are evaluated at a pan-India level

Key factors driving the State score

- Karnataka shows strong performance in business and has sound financial health. However, institutional environment andregulatory ease pillars weigh on its overall score.

- Karnataka's strong performance in the business climate pillar cements its position as a dynamic and innovation-driven economy. The State shows solid economic performance, with a five-year CAGR of 6.1%, compared with India's ~4.8%and a GSDP per capita of ~Rs 240,000, ranking 7th among states. Karnataka has substantial export volume as a percentage of GSDP, with its export base totalling $30,481 million (fiscal 2025), accounting for 7.8% of India's export for the fiscal. The state ranks fourth among large states in terms of total export value.

- The innovation ecosystem is driven by a robust network of 798 ATLs across the State, ranking 4th among all states and UTs, and hence the climate State continues to attract technologydriven enterprises and startups. Additionally, Karnataka's business facilitation environment is reflected in its strong FDI inflows, amounting to $6,571 million (almost three times the average value of $2,217 million for large states as of fiscal 2024), and an impressive MoU conversion rate of 99.93% for calendar 2022— establishing a strong foundation for continued investment and enterprise growth.

- The robust performance in the business climate pillar is attributed to strong PE/VC investments, as Karnataka is home to India's Silicon Valley, with investments of Rs 1.29 lakh crore, accounting for ~22% of total PE/VC investments in India for 2024. This further solidifies its status as one of the country's foremost innovation and startup hubs. The State's vibrant entrepreneurial

- ecosystem, supported by technology clusters, skilled talent and enabling policy framework has made it a preferred destination for investors seeking high-growth opportunities.

- The State's sound financial health is due to its well-managed debt, interest and fiscal deficit. Karnataka sustains a low interest burden, with interest payments constituting 2.33% of its GSDP (fiscal 2024), which is lower than that of 25 other states. Further, Karnataka's gross fiscal deficit was at 4.5% of GSDP as of fiscal 2024, still higher than the target laid out by the 15th Finance Commission, and its total outstanding liabilities at 26.5% of its GSDP, comfortably lower than the large states' average of 30.3%. This reflects sound fiscal management and disciplined borrowing practices. The State's ability to contain interest obligations allows greater flexibility in allocating resources toward developmental priorities, strengthening its overall financial position and long-term fiscal sustainability.

- On the regulatory front, investors identified scope for improvement in construction permits, land allotment and use, ease of contract enforcement and access to commercial courts, and business closure. Karnataka, despite being one of India's leading investment destinations, faces low regulatory ease that could hinder smoother business operations and faster project implementation. There is scope to streamline land allotment and land-use change approvals and to implement time-bound clearances, enabling smoother industrial expansion and new investments.

- Enhancing the efficiency of construction and environmental clearances should support timely execution of large and infrastructure-heavy projects. Complementary improvements in contract enforcement and access to commercial courts can further bolster investor confidence.

- Investors also highlighted the need for improvement in grievance-redressal mechanisms. Where grievance resolution is still evolving toward end-to-end visibility and time-bound closure, projects may experience schedule variability, additional coordination effort, and extended working-capital cycles, which can moderate momentum and investor onboarding.

Key factors driving the State score

Areas of strength

- The State has consistently implemented policies that support industries, giving investors the confidence to invest long-term

- The stability of these policies allows investors to plan investments for 10-15 years, ensuring a secure and predictable business environment

- The transparency in the land allotment process within the Karnataka Industrial Areas Development Board (KIADB) zones has improved significantly, enabling investors to plan expansions with greater confidence

- The government's clear zoning policies have reduced ambiguity in land usage for manufacturing and warehousing, making it easier to operate

- Karnataka has a track record of stable labour relations, providing a favourable environment for our businesses to thrive

- Karnataka's digital infrastructure, including the rollout of 5G and fibre connectivity, is strengthening its position as a leader in the IT sector

- The State's focus on digital infrastructure is expected to further enhance its IT dominance, making it an attractive destination for businesses and investments

Areas of focus

- Bengaluru's traffic situation, while challenging, can be addressed through targeted infrastructure development and traffic management strategies to improve the overall quality of life and business operations. There is a need for speedy development of the Peripheral Ring Road (PRR) and Metro connectivity to the airport. They have also suggested that the sub-urban rail project, which has not taken off, should be prioritised to reduce traffic on roads and improve overall connectivity

- Despite having strong airports, air cargo handling can be beefed up reducing existing delays for exporters and improving the growth of international trade
- Enhancing the city's infrastructure can also positively impact the perception of global companies and visitors, potentially attracting more investment and talent to the region
- Encouraging the development of industrial parks across various cities in Karnataka can promote regional growth and balance, rather than concentrating development in a single city
- Expanding the availability of plug-and-play facilities beyond select regions can support business growth and development across the State
- The single window clearance system, although a positive step, can be optimised to reduce processing times, which currently average at 30 days
- Land acquisition and permits: The companies have suggested that the process of acquiring land and necessary permits can be streamlined to reduce delays and costs associated with repeated requests and prohibitive fees
- The average time to get subsidies from application to disbursement is eight to 10 months, which can be optimised to provide timely support to businesses

NITI Aayog

Kerala

Overall Rank 17/36

Score 46.6

Category rank L | 12/17

Area: 38,852 sq km

GSDP per capita: Rs 1,90,059

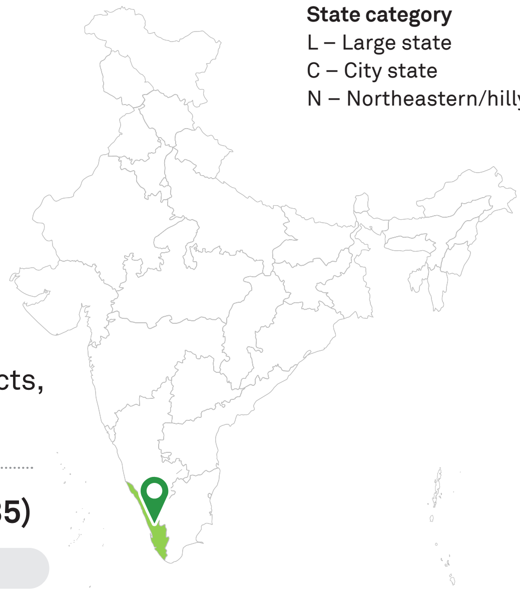
Agriculture share of GVA (FY23): 4.6%

Industry share of GVA (FY23): 28.3%

Services share of GVA (FY23): 67.1%

FDI inflow (FY24): $196 mn

Key industries: Coke and refined petroleum products, food processing, rubber and plastics products



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 23.8

Survey score (35): 22.8

Key enablers

- Good infrastructure
- Environment resilience

Key performance indicators

- Large share of renewables
- Low seismic risk

Areas needing improvement

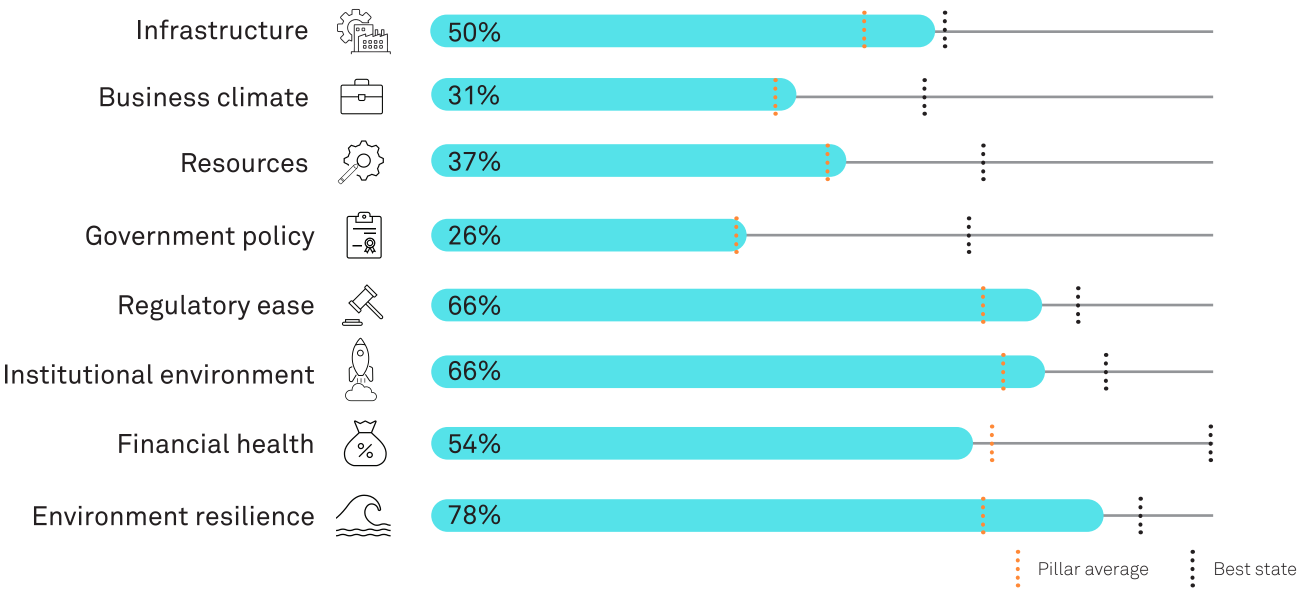
- Resources

Indicators for improvement

- Total outstanding liabilities

Kerala has an overall score of 46.6, ranking 12th in the large state category and 17th overall. Kerala's score is driven by its performance in infrastructure, driven by the 2nd highest share of renewables among all 36 states and UTs and environment resilience pillars, with room for improvement in business climate and resources.

State's relative performance across pillars



Key factors driving the State score

- Kerala's 12th rank among large states is driven by its performance in the infrastructure and environment resilience pillars, with room for improvement in business climate and financial health

- Kerala's score in the infrastructure pillar is driven by its second highest share of renewables in power generation capacity, low transmission and distribution (T&D) losses of 14% compared with an average of 18.2% for large states and a stable electricity supply of 23 hours a day compared with the large states' average of 22.7 hours

- Kerala has a favourable environment resilience among states, supported by a good air quality index (AQI) in cities such as Kochi, Kollam and Kozhikode that maintain satisfactory-to-good AQI levels (51–100 and 0–50, respectively) for most days throughout the year, ensuring a healthy urban environment. Additionally, the absence of any area in earthquake zones V or IV reduces the State's exposure to seismic risks, enhancing its overall safety and investment appeal

- Kerala can further strengthen its business climate by increasing capex, which was at 6% of GSDP as of fiscal 2024. This would support infrastructure and economic growth. Supporting and enhancing the innovation ecosystem would aid in improving the number of patent applications that was 1% of the total number of companies registered in fiscal 2023, compared with the large states' average of 3.6%. Additionally, attracting higher FDI inflows compared with fiscal 2024 levels of $197 million (0.4% of India's FDI) would help boost investment and diversify Kerala's economic landscape

- The resource pillar shows scope for improvement Improving the labour force participation rate, which stood at 41% as of 2024 (lower than the pan-India average of 47%), can unlock greater economic potential and inclusivity

Voices from the ground

Areas of strength

- Kerala's roads are clean with good connectivity, and the wide roads make transportation easy
- The closure procedure for business is relatively easy to complete, with no hidden charges applicable at the time of exit
- The single window system is fast and transparent and is less time-consuming with a highly responsive system, providing good overall user experience
- The available digital infrastructure and IT parks are good
- The State has four international airports that cater to the requirements of the people, with the State-promoted CIAL being exemplary in several traits, including low carbon emissions

Areas of focus

- Labour strikes have an impact on the operational stability and goodwill of business operations
- The availability of storage facilities is limited, which can affect the State's agricultural sector, particularly for perishable goods like spices and fruits. In the food processing industry, the lack of proper storage facilities results in a significant amount of fruit decay, with ~40% of the State's fruit production being affected
- There is a need for cold warehouses to store the State's agricultural produce and processed/ semi-processed foods, as well as addressing logistic constraints
- Underutilised facilities owned by the State or Central public sector enterprises (PSEs) could be retrofitted or revamped to supplement the storage requirements
- The State faces a brain drain, with many skilled workers migrating to other regions such as Dubai or other Gulf countries, or to larger Indian cities like Mumbai
- While plug-and-play facilities are available for IT start-ups, the infrastructure for other industries is less developed
- There is a need to establish a hassle-free environment for starting new initiatives, with improved interdepartmental coordination and a more supportive ecosystem for entrepreneurs
- The success of existing ventures and the effectiveness of efforts to attract new investments are closely linked, and addressing the challenges faced by existing businesses is crucial to attracting new investors

Ladakh

Overall Rank 35/36

Score 27

Category rank N | 12/12

Area: 59,146 sq km

GSDP per capita: Not available*

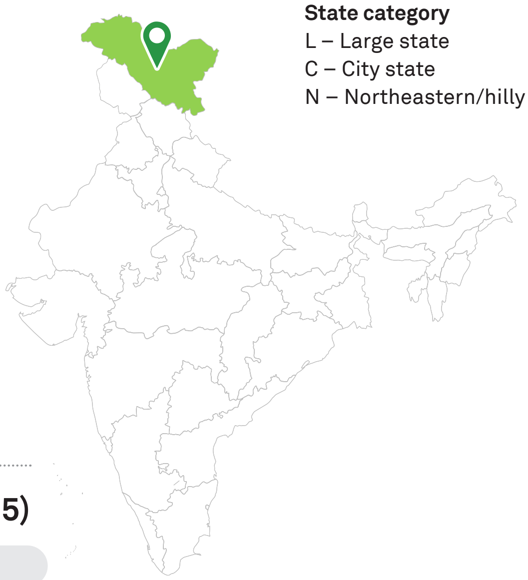
Agriculture share of GVA (FY23): Not available*

Industry share of GVA (FY23): Not available*

Services share of GVA (FY23): Not available*

FDI inflow (FY24): Not available*

Key industries: Not available*



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65) 17.7

Survey score (35) 9.3

Key enablers

- Resources

Key performance indicators

- Female workforce participation rate

Areas needing improvement

- Infrastructure

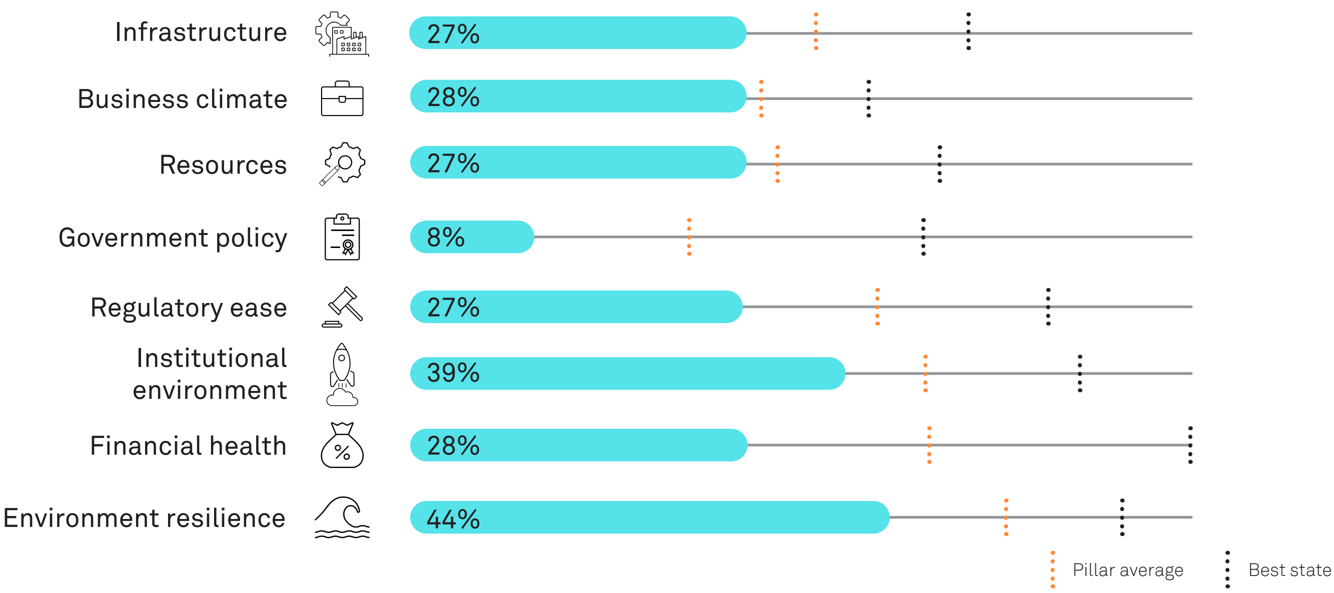
Indicators for improvement

- Road density

* Not available" indicates nonavailability of published data

Ladakh has an overall score of 27, ranking 12th among the northeastern and hilly states and 35th overall. Its strengths include human resources, such as the percentage of students enrolled in STEM fields and female workforce participation. However, there are significant opportunities for improvement within the infrastructure pillar, particularly in road development.

State's relative performance across pillars



Key factors driving the State score

- Ladakh is an emerging state, aided by its performance in human resources; however, it has significant scope to improve in the infrastructure pillar, which is essential for supporting its growth and development
- Ladakh boasts a female workforce participation rate of 47% in 2024, surpassing the pan-India average of 40%
- In the business climate pillar, Ladakh performs well with respect to the number of functioning commercial bank offices per capita and ranks first in this metric among hilly and northeastern states. It ranks fourth across all states and UTs in the number of startups relative to the number of active companies, reflecting a positive entrepreneurial environment and financial inclusion
- Within the infrastructure pillar, Ladakh ranks 35th in road density. Despite accounting for 2% of India's land area, its contribution to the total road network is just 0.12%, signifying an area of improvement, given its geopolitical standing. Additionally, the region ranks 30th in area available for industrial allotment, indicating key opportunities for enhancing connectivity and industrial development

Voices from the ground

Areas of strength

- Labour availability is not a concern, as Ladakh attracts a significant number of migrant workers from other states who are willing to work for competitive wages

Areas of focus

- Road infrastructure can be strengthened further to improve overall connectivity. Enhancing the quality and reach of road networks should support smoother logistics movement and improve accessibility

Lakshadweep

Overall Rank **36/36**

Score **24.5**

Category rank **C | 7/ 7**

Area: 32 sq km

GSDP per capita: Not available*

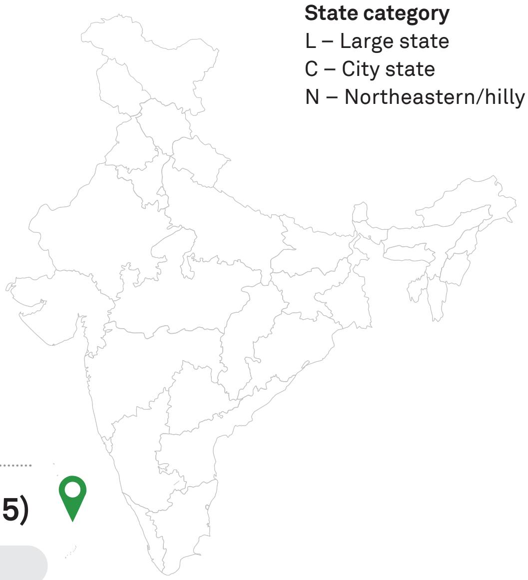
Agriculture share of GVA (FY23): Not available*

Industry share of GVA (FY23): Not available*

Services share of GVA (FY23): Not available*

FDI inflow (FY24): Not available*

Key industries: Not available*



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 16

Survey score (35): 8.5

Key enablers

- Supportive business climate

Key performance indicators

- Commercial bank branches per capita

Areas needing improvement

- Infrastructure

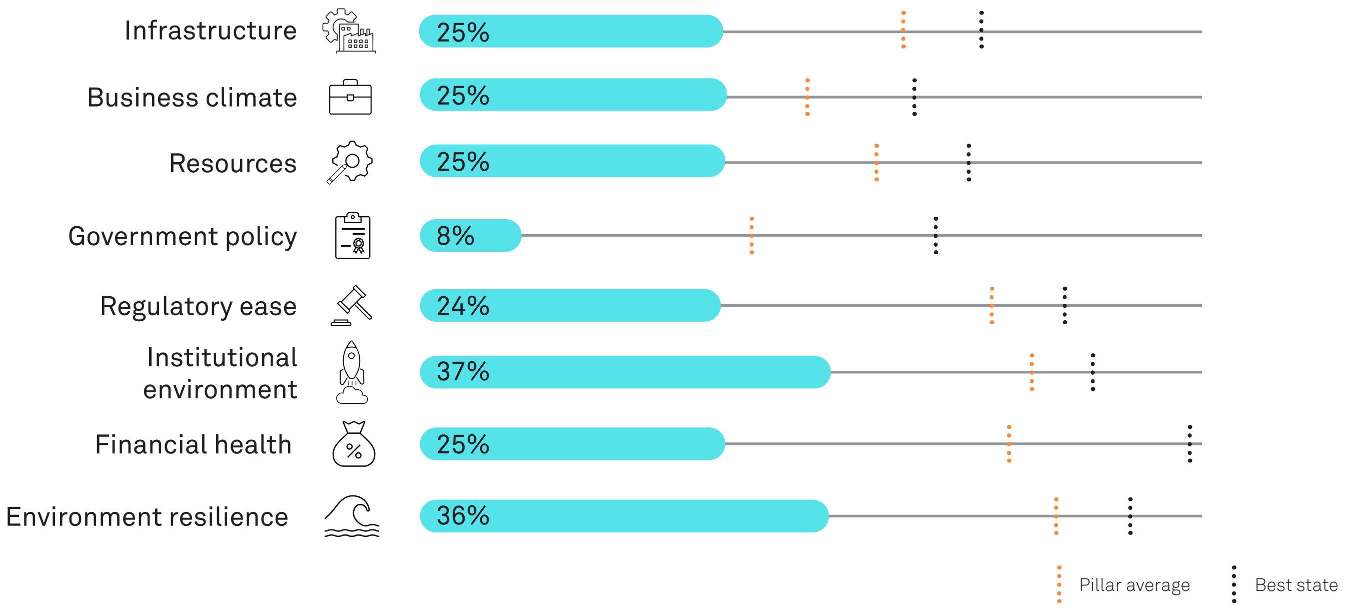
Indicators for improvement

- Share of renewables in power generation

* Not available" indicates nonavailability of published data

With an overall score of 24.5, Lakshadweep ranks seventh among City States/Union Territories and 36th overall. The islands are known for their peaceful culture and quality of life. However, there is scope for improvement within the infrastructure pillar.

State's relative performance across pillars



Key factors driving the State score

- Lakshadweep demonstrates a satisfactory performance in the business climate pillar; however, there is scope for improvement in the infrastructure pillar
- The business climate pillar is supported by a 24% higher-than-category average of functioning offices of scheduled commercial banks per lakh population
- It is a tourism-focused island with a low crime rate, reporting state-wise crime incidents at 6 per lakh population, significantly below the average of 16 across states
- The State-wise count of 4G and 5G BTS increased to 50 in fiscal 2025 from 15 in fiscal 2023, reflecting improved mobile network coverage and connectivity for residents and visitors, which is crucial for communication and accessing digital services
- The share of renewable energy in power generation is lower than that of four out of the six other city-states

Voices from the ground

Areas of strength

- People in Lakshadweep enjoy a good quality of life, characterised by the peaceful and serene environment in the islands
- The disaster management systems in Lakshadweep are satisfactory

Areas of focus

- One of the significant challenges encountered is the frequent refusal from domestic port authorities when seeking space for loading barges. Often, these requests are denied on the grounds that permission is required from Kavaratti and the barge authorities, leading to delays and operational inefficiencies
- There is a pressing need for the implementation of 5G facilities at Kalpeni

Madhya Pradesh

Overall Rank **7/36**

Score **48.9**

Category rank **L | 5/ 17**

Area: 308,252 sq km

GSDP per capita: Rs 92,477

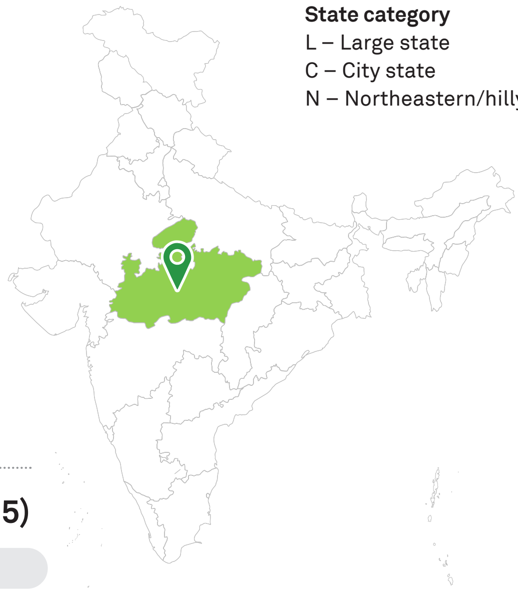
Agriculture share of GVA (FY23): 25.4%

Industry share of GVA (FY23): 26.4%

Services share of GVA (FY23): 48.2%

FDI inflow (FY24): $23.59 mn

Key industries: Food products, coke and refined petroleum products



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 26.3

Survey score (35): 22.6

Key enablers

- Abundance of resources
- Government policy

Key performance indicators

- High share in mineral production
- Consistency in state policies

Areas needing improvement

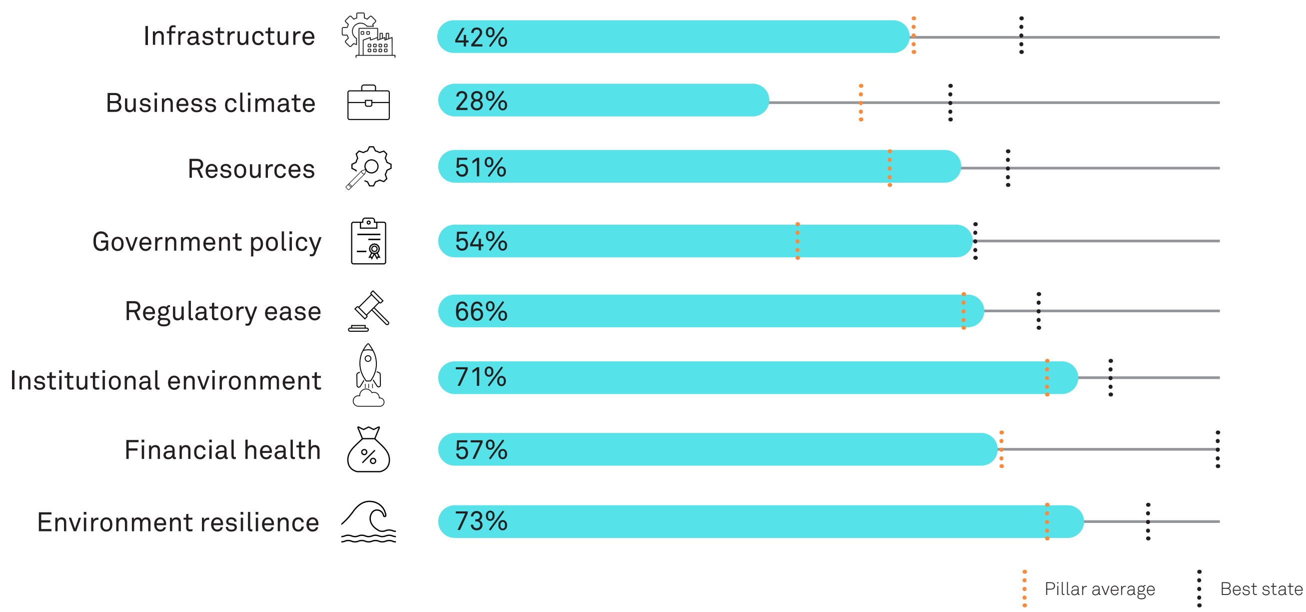
- Business climate

Indicators for improvement

- Number of commercial bank branches per capita

Madhya Pradesh has an overall score of 48.9, ranking fifth in the large-state category and seventh overall. Located in the heart of India, Madhya Pradesh serves as a strategic link between the northern and southern regions of the country. It has made notable progress in industrial development and infrastructure creation, positioning itself as an emerging destination for investment. The State's score is driven by strong performance in the resources and government policy pillars, with business climate being an area of improvement.

State's relative performance across pillars



Key factors driving the State score

- Madhya Pradesh benefits from a strong foundation of natural and human resources, which has been a key enabler of its economic growth. The State is rich in minerals such as coal, limestone and manganese, providing a critical raw-material base for industries such as cement, steel and energy
- Madhya Pradesh's contribution to India's overall mineral output highlights its importance as a mining hub as it accounts for 15.6% of the production of non-metallic minerals in India, ranking second in the country in 2024
- On human resources, the State has been focusing on skill development and technical training to expand its industrial workforce. In 2023, the State added 12,819 new technical workers, compared with an average of around 4,000 across states. This combination of natural-resource availability and an improving talent base positions Madhya Pradesh well for sustained investment and industrial activity
- Madhya Pradesh has demonstrated a favourable institutional environment by prioritising administrative efficiency, maintaining law and order, and facilitating smooth business operations. The State's governance framework is marked by relatively low labour disruptions and positive perception scores regarding effective grievance redressal mechanisms
- Madhya Pradesh scored 6 points higher than the category average on perception around consistency in state policies, which is critical for attracting long-term investments
- The number of startups increased to 1,264 in fiscal 2023 from 540 in 2021. However, the count of incubators per lakh population was 53% lower than the average across large states in fiscal 2023. Additionally, the relatively low number of patent applications filed per enterprise (~48% lower than the average across large states) suggests the State's innovation ecosystem is still in the development phase and could be improved with focused interventions

- Madhya Pradesh has 11 commercial bank branches per population, compared with the average of 19 across states in 2024. This has implications for financial inclusion and access to credit, which are essential components of a robust business environment

Voices from the ground

Areas of strength

- Promotion agencies in Madhya Pradesh are responsive to inquiries and provide accurate information proactively, which enhances the overall experience of businesses
- The single-window system in the State is characterised by its speed, effectiveness and transparency, resulting in a positive user experience for entrepreneurs
- The Government of Madhya Pradesh has implemented a commendable policy of allocating industrial land to actual users, ensuring that land is either utilised for industry setup or surrendered. This policy emphasises that industrial land should be non-transferable

Areas of focus

- There is an opportunity to enhance the industrial park facilities in Bhopal to better support businesses and attract investment
- The condition of roads in the region requires attention, as many are poorly maintained and lack proper drainage planning. This oversight leads to early erosion of the road surfaces. Additionally, uncoordinated repairs for plumbing, electrical and fibre optic lines are frequently conducted shortly after road repairs, resulting in a lack of synchronisation
- Improved airport infrastructure is necessary, with good connectivity to project locations. Establishing airports every 100-150 kilometres would facilitate faster access to these areas. Currently, many states face challenges with airport infrastructure and connecting flights
- The law and order situation in Madhya Pradesh is average, with a notable concern regarding the police force's adequacy. The State has approximately 138 police officers per 100,000 people, which falls below the national average of 194. Addressing this issue could contribute to improved law and order in the State

Maharashtra

Overall Rank **2/36**

Score **53.7**

Category rank **L | 2/17**

Area: 3,07,713 sq km

GSDP per capita: Rs 2,16,710

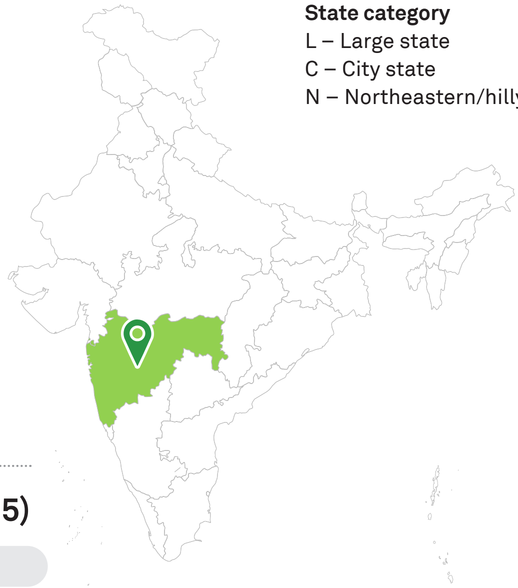
Agriculture share of GVA (FY23): 6.7%

Industry share of GVA (FY23): 30.0%

Services share of GVA (FY23): 63.3%

FDI inflow (FY24): $15,116 mn

Key industries: Automobile, chemicals, machinery and equipment



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 32.0

Survey score (35): 21.7

Key enablers

- Sound financial health
- Supportive business climate

Key performance indicators

- Low outstanding liabilities as a percentage of GSDP
- Strong PE and VC inflows

Areas needing improvement

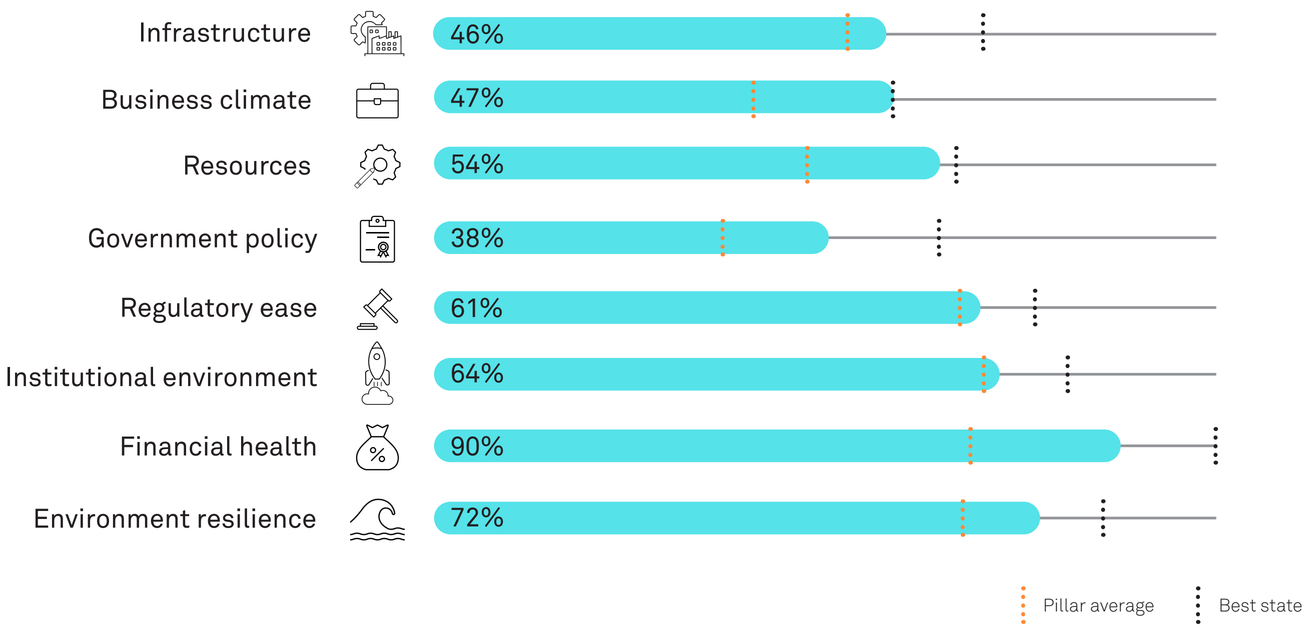
- Regulatory ease

Indicators for improvement

- Number of cyber crimes

Maharashtra has an overall score of 53.7, ranking second in both the large-state (L) category and at the pan-India level. The State's score is driven by its leading performance in the business climate pillar, driven by it being ranked the highest for attracting PE/VC share of investments and in the number of ATLs. Its score is also supported by its strong performance in the resources and financial health pillars, with the infrastructure and regulatory ease being an area of improvement.

State's relative performance across pillars



Key factors driving the State score

- Maharashtra is the top performer under the business climate pillar and ranks among the top five for resources and financial health pillars. However, infrastructure and low regulatory ease weighs down its overall score
- The business climate score is driven by the State attracting the highest share of PE/VC investments (35% of the investments in the country), while also having the highest number of ATLs at 1,033, accounting for 10% of the total ATLs in India. Maharashtra's performance in the business climate pillar is driven by its economic indicators, featuring a GSDP per capita of Rs 216,710, which ranks 11th among 36 states and UTs
- It is among the top five states in resources as it has the highest budget among states for skilling, while also ranking second in terms of renewable resource potential
- It ranks among the top five in the financial health pillar due to its lowest fiscal deficit as a percentage of GSDP among the large states (3.94% in 2024)
- There is a need for improvement in airport capacity relative to the population, as well as in the airport's cargo capacity, which currently stands at 55,200 MT, ranking 13th among all states. Additionally, the number of international airports (three) can be improved when considered in relation to the size of the State
- The industrial power cost in Maharashtra is ~10.4% higher than the average of all other states and UTs
- Ease of exit, contract enforcement, access to dedicated commercial courts and disaster preparedness are other areas of focus for Maharashtra

Voices from the ground

Areas of strength

- The State's railway network provides excellent connectivity for cargo, linking major industrial hubs to ports and facilitating the efficient transportation of goods
- Maharashtra's well-developed industrial parks, equipped with good utilities and easy access to transport hubs, make it relatively easy for businesses to set up and operate quickly
- The State boasts strong storage infrastructure, with well-established warehousing and logistics hubs, particularly near ports and industrial corridors, supporting the growth of industries
- Maharashtra's extensive higher education network, industrial hubs and presence of reputed technical institutes contribute to a strong talent pool, providing businesses with access to skilled and qualified personnel
- The State has demonstrated strong capabilities in workforce availability for wind and solar energy project deployment, construction and operations, with technical institutes focused on clean energy, making it an attractive location for companies in the renewable energy sector
- Maharashtra offers a good quality of life, with a diverse range of cultural and recreational options, making it an attractive destination for businesses and their employees

Areas of focus

- The construction permit process, although facilitated by systems such as AutoDCR, can be complex and time-consuming due to the need for numerous approvals from various departments, which may hinder timely project execution
- While Maharashtra has a functional single-window system, occasional delays and less streamlined processes can be improved to provide a more efficient experience for businesses
- The quality of roads, particularly in urban areas such as Mumbai, can be improved through investments in maintenance and upgrades, which would aid connectivity and transportation
- Although Maharashtra has good airports in major urban centres, there is a need to enhance connectivity and expand airport infrastructure in smaller cities and towns to support regional economic development
- The development of new seaports and improvement of existing ones can enhance good transportation and support the growth of industries
- The lack of train routes between important industrial cities such as Nashik and Pune can be addressed to improve connectivity and facilitate the transportation of goods
- Maharashtra's industrial power rates are among the highest in the country, which can be a disincentive for businesses, particularly when compared with other states
- Maharashtra experiences more frequent policy shifts and inconsistent enforcement, which can cause uncertainties and challenges for businesses

Manipur

Overall rank **33/36**

Score **32.3**

Category rank **N | 11/12**

Area: 22,327 sq km

GSDP per capita: Rs 85,414

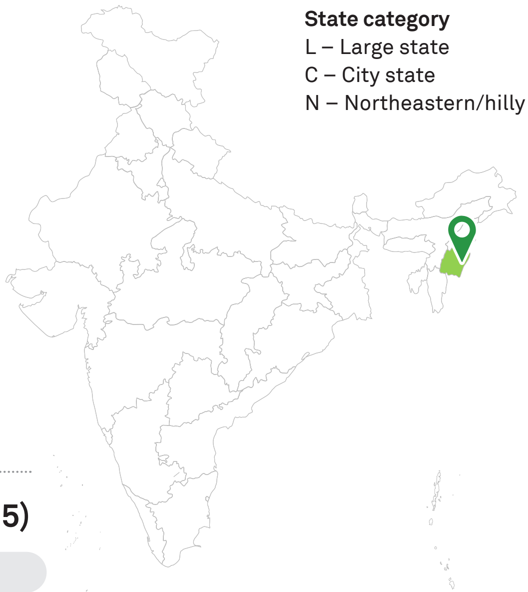
Agriculture share of GVA (FY23): 11.8%

Industry share of GVA (FY23): 11.2%

Services share of GVA (FY23): 77.0%

FDI inflow (FY24): Not available*

Key industries: Non-metallic mineral products, food processing



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65) 18.4

Survey score (35) 13.9

Key enablers

- Abundance of resources

Key performance indicators

- Adequate vocational training capacity

Areas needing improvement

- Financial health
- Government policy

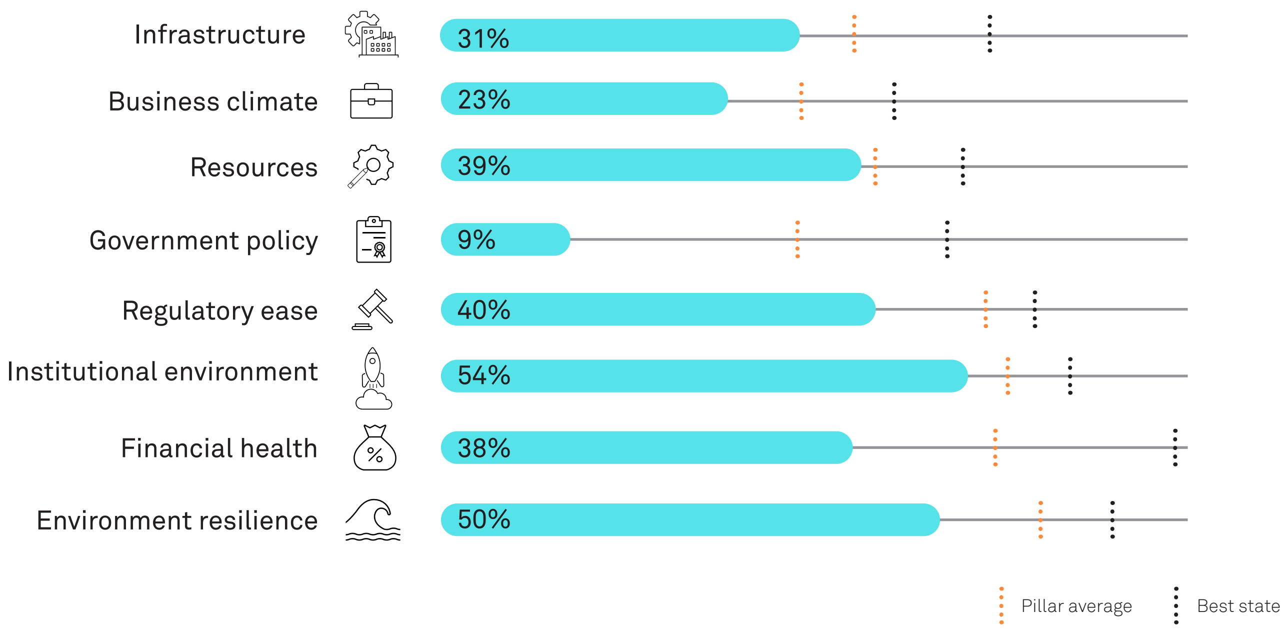
Indicators for improvement

- Exports as a percentage of GSDP

* Not available" indicates nonavailability of published data

Manipur has an overall score of 32.3, ranking 11th among northeastern and hilly states and 33rd overall. This score is driven by its performance in the resources pillar. However, there are significant areas for improvement in the government policy and financial health.

State's relative performance across pillars



Key factors driving the state's score

- Manipur demonstrates strong performance in the resources pillar. However, it displays below-average performance across multiple pillars, highlighting opportunities for targeted enhancements to bolster investor confidence and economic resilience
- In human resources, the state performs well in terms of number of people entering the workforce as a percentage of population (graduates plus post-graduates)—22% above the category average. Its vocational training capacity was 31% above the category average in 2025 through ITIs and skill programmes, supporting a growing talent pool
- With respect to infrastructure, Manipur performed well in road density (~37% above the pillar average for fiscal 2024). Average availability of power supply was 22.7 hours a day for fiscal 2024 (the average of hilly and northeastern states was 21.9 hours)
- Manipur also performed well in investor satisfaction with a single window policy, with the perception score being 6 points above the category average
- There are areas for improvement in the government policy and financial health pillars. The state's gross fiscal deficit stood at ~11.3% of GSDP in fiscal 2024, ~4% above the category average and ~7% above the limit set by the 15th Finance Commission

- Low R&D incentives disbursed relative to state GVA and limited incentive allocations in the state budget contributed to a subdued score in the government policy pillar, indicating potential for expanded support in innovation and industry promotion
- There is a need to strengthen the business climate pillar, as the state lags in certain aspects, such as exports

Voices from the ground

- Road infrastructure can be strengthened further to improve overall connectivity. Enhancing the quality and reach of road networks would support smoother logistics movement and improve accessibility for industries and local communities across the state
- Sociopolitical stability can be improved to create a more predictable environment for long-term investments. Greater consistency and stability in the sociopolitical landscape would help reinforce investor confidence and support sustained economic development
- Additional flight connectivity across the northeast, along with new international routes, would boost economic activity. Expanding domestic connectivity and opening international flights to neighbouring countries such as Bangladesh, Myanmar and Thailand would enhance trade opportunities and significantly support sectors such as medical tourism and cross-border commerce
- Power supply reliability can be improved by reducing load shedding. Minimising load shedding and strengthening the power distribution system would ensure more consistent electricity availability, benefiting industries and households alike

NITI Aayog

Meghalaya

Overall rank 23/36

Score 43

Category rank N | 5/12

Area: 22,429 sq km

GSDP per capita: Rs 95,525

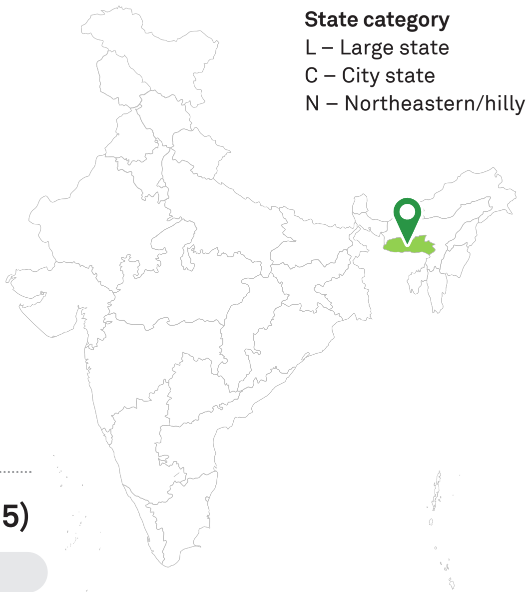
Agriculture share of GVA (FY23): 9.0%

Industry share of GVA (FY23): 20.6%

Services share of GVA (FY23): 70.4%

FDI inflow (FY24): Not available*

Key industries: Non-metallic mineral products, basic metals



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65) 19.5

Survey score (35) 23.5

Key enablers

- High regulatory ease
- Favourable institutional environment

Key performance indicators

- Ease of obtaining construction permits
- Perceived consistency in state policies

Areas needing improvement

- Business climate
- Government policy

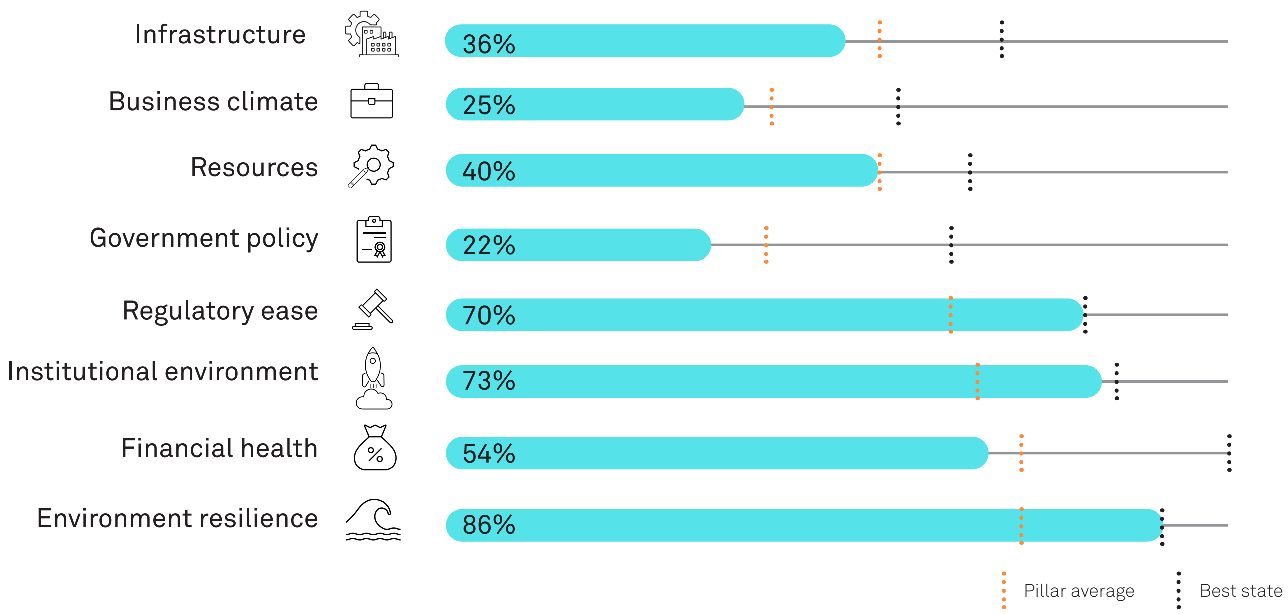
Indicators for improvement

- FDI inflows

* Not available" indicates nonavailability of published data

Meghalaya has an overall score of 43, ranking fifth among northeastern and hilly states and 23rd overall. This score is driven by significant regulatory ease and a favourable institutional environment. However, there are significant areas for improvement in the business climate and government policy pillars.

State's relative performance across pillars



Key factors driving the state's score

- Meghalaya's score is driven by its performance in the institutional environment and regulatory ease pillars. However, there are areas of improvement in the business climate and government policy pillars
- Meghalaya performs strongly in the environment resilience pillar, as no cities fall within Seismic Zones IV or V, and the state has a relatively low exposure to cyclones
- The state maintains moderate air quality, with a weighted average AQI of ~85 (better than the national urban average of more than 100 in 2024)
- The institutional environment pillar is strengthened by a low overall crime rate and low incidence of economic offences (forgery, cheating and fraud) at ~13 cases per lakh population in 2023 (below the national average of 16)
- High investor satisfaction was reported on single-window clearances, environmental approvals, construction permits, and utility connections (electricity and water), supported by the Meghalaya Industrial and Investment Promotion Policy 2024
- The business climate is affected by a low GSDP growth rate of ~3.6% over the last five years, compared with the average of 4.8% across states
- Additionally, the number of active commercial bank branches per lakh population at 13 was below the category average of 19 in fiscal 2024. Exports have remained modest, ranging between $9 million and $11 million annually from fiscal 2021 to fiscal 2024, driven by agricultural products. Meanwhile, FDI equity flow has remained minimal, even when compared with the category average of 0.63% of GSDP
- Airport infrastructure can be improved. Meghalaya lacks an airport with international operations

Voices from the ground

Areas of strength

- The state offers strong highway and railway connectivity, supporting efficient movement of goods. Highway networks are well-developed, and railway schedules, along with cargo-handling capacity function effectively. Together, they provide reliable multimodal transport options for industries and help streamline freight operations
- Power supply is consistent and reliable, with no significant outages reported. Stable electricity availability supports uninterrupted business operations, particularly for industries requiring continuous production cycles
- Digital connectivity is strong, with good internet speeds and wide mobile network coverage. This robust digital environment facilitates modern business operations, ensuring smoother communication, data transfer and technology-led processes
- Utility connections are easy to obtain, contributing to smoother project initiation. Access to essential utilities such as electricity and water is manageable and timely, reducing delays during the setup phase for new and expanding units
- Key approval processes—such as construction permits and land allotment—are transparent and predictable. Both the construction permit process and the land allotment framework operate with clear procedures, offering businesses greater certainty and improving ease of doing business

Areas of focus

- Road conditions in certain areas can be improved. Enhancing internal road quality would support smoother transportation and strengthen last-mile connectivity for industries.
- Industrial park infrastructure offers scope for further development. Upgrading facilities, utilities and internal infrastructure within industrial parks would enhance their effectiveness and better support tenant industries
- Logistics and supply-chain systems can be strengthened. Improvements in storage, transportation links and handling facilities would help reduce operational bottlenecks and improve overall efficiency
- The single-window system can be made more efficient. Streamlining processes, improving responsiveness and enhancing coordination across departments would further ease the approval experience for businesses
- State-level grievance redressal mechanisms can be improved with additional reforms. More structured, timely and transparent mechanisms for addressing industry concerns would help create a smoother operational environment and strengthen investor confidence

Mizoram

Overall rank **29/36**

Score **39.9**

Category rank **N | 8/12**

Area: 21,081 sq km

GSDP per capita: Rs 202,980

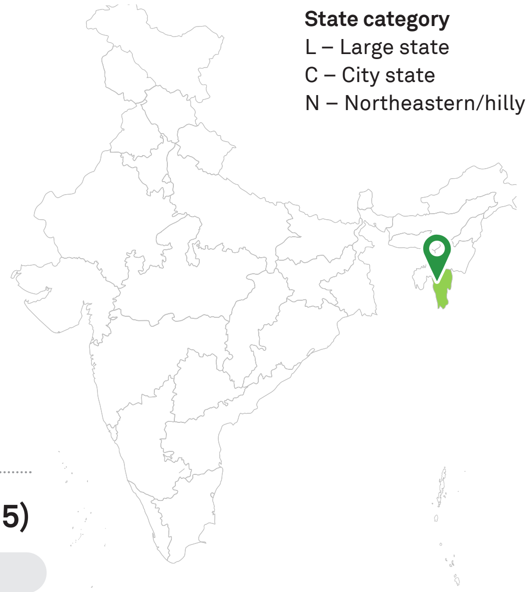
Agriculture share of GVA (FY23): 5.1%

Industry share of GVA (FY23): 30.2%

Services share of GVA (FY23): 64.7%

FDI inflow (FY24): Not available*

Key industries: Food processing, textiles



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65) 20.6

Survey score (35) 19.3

Key enablers

- Favourable institutional environment
- Sound financial health

Key performance indicators

- Low cyber crime rate
- Controlled fiscal deficit

Areas needing improvement

- Government policy
- Business climate

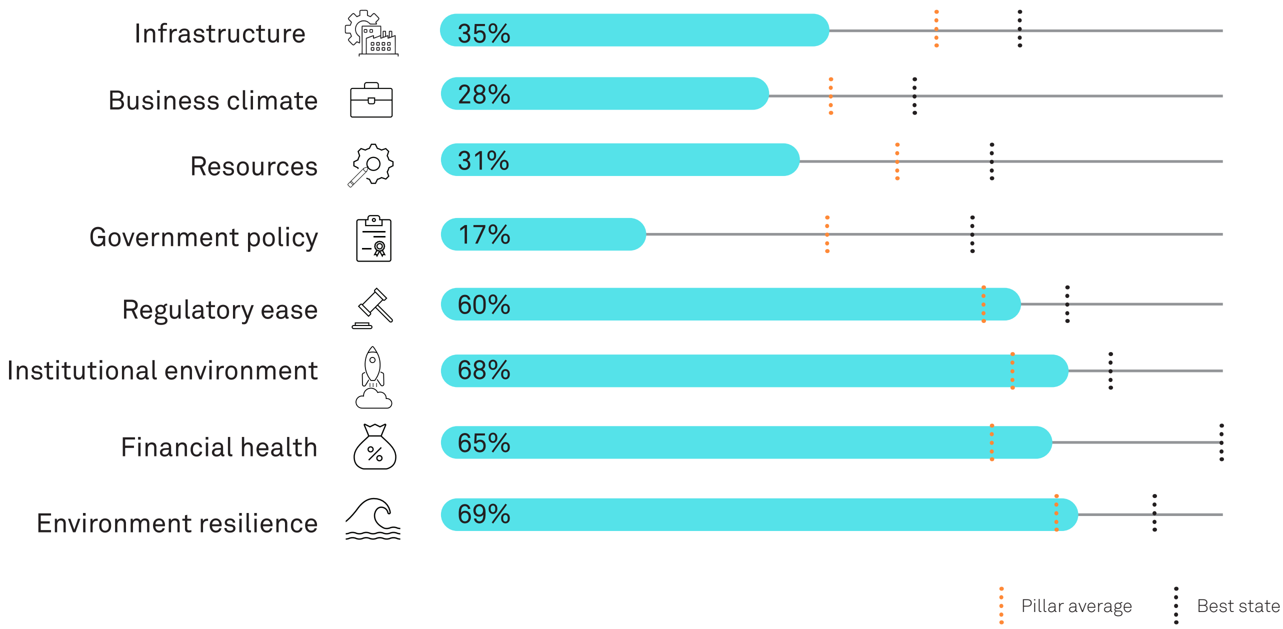
Indicators for improvement

- Power cost

* Not available" indicates nonavailability of published data

Mizoram has an overall score of 39.9, ranking eighth among northeastern and hilly states and 29th overall. This score is driven by sound financial health and effective institutional performance. However, there are areas for improvement in the government policy and business climate pillars.

State's relative performance across pillars



Key factors driving the state's score

- Mizoram's score is driven by its performance in the institutional environment and financial health pillars. However, there are areas for improvement in the infrastructure pillar
- The state's sound financial health is on account of interest payments of ~2.9% of GSDP in fiscal 2024, compared with the peer average of 3.7%, and a gross fiscal deficit of 5.6% of GSDP, compared with the peer average of 7.1% but still higher than the range laid out by the 15th Finance Commission
- High perception scores in land allotment and use (10 points above the category average) and permissions/NOCs to start a business (three points higher than the category average), which drove the score for the regulatory ease pillar, are supported by streamlined processes under the Mizoram Industrial Policy
- In institutional environment, Mizoram performed well in perception around consistency of state policies, scoring nine points higher than the category average, with positive feedback on environmental clearances and utility connections via single-window systems
- In terms of policyholder satisfaction with state policies, Mizoram scored six points below the category average, which led to a low score in the government policy pillar—this is an area for improvement
- In the business climate pillar, investment promotion agencies emerged as an area for improvement as investors rated satisfaction with Mizoram's IPA at ~40% below the category average

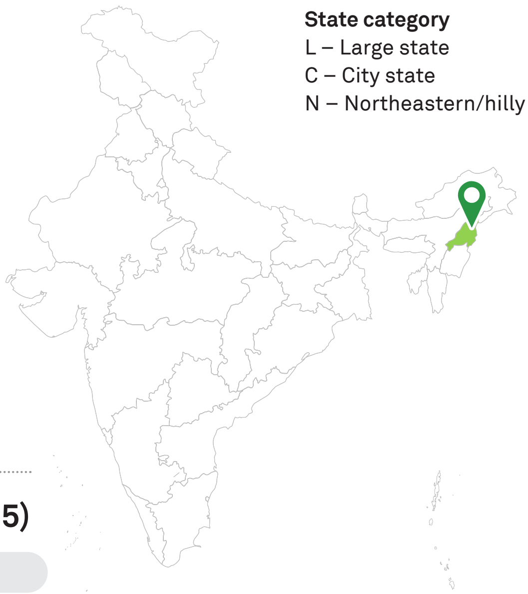
- Infrastructure could be improved. Mizoram has a low rail density and lacks an airport with international operations. The state's railway routes have measured only 1 to 2 km over the past five years, and the current airport, Lengpui, only offers domestic flights

Nagaland

Overall rank 27/36

Score 41.2

Category rank N | 6/12



State category
L – Large state
C – City state
N – Northeastern/hilly state

Area: 16,579 sq km

GSDP per capita: Rs 107,960

Agriculture share of GVA (FY23): 13.2%

Industry share of GVA (FY23): 12%

Services share of GVA (FY23): 74.8%

FDI inflow (FY24): Not available*

Key industries: Wood and products of wood and cork, food products

Data score (65) 19.8

Survey score (35) 21.4

Key enablers

- High regulatory ease
- Favourable institutional environment

Key performance indicators

- Simplified business approval process
- Low crime rate

Areas needing improvement

- Resources
- Infrastructure

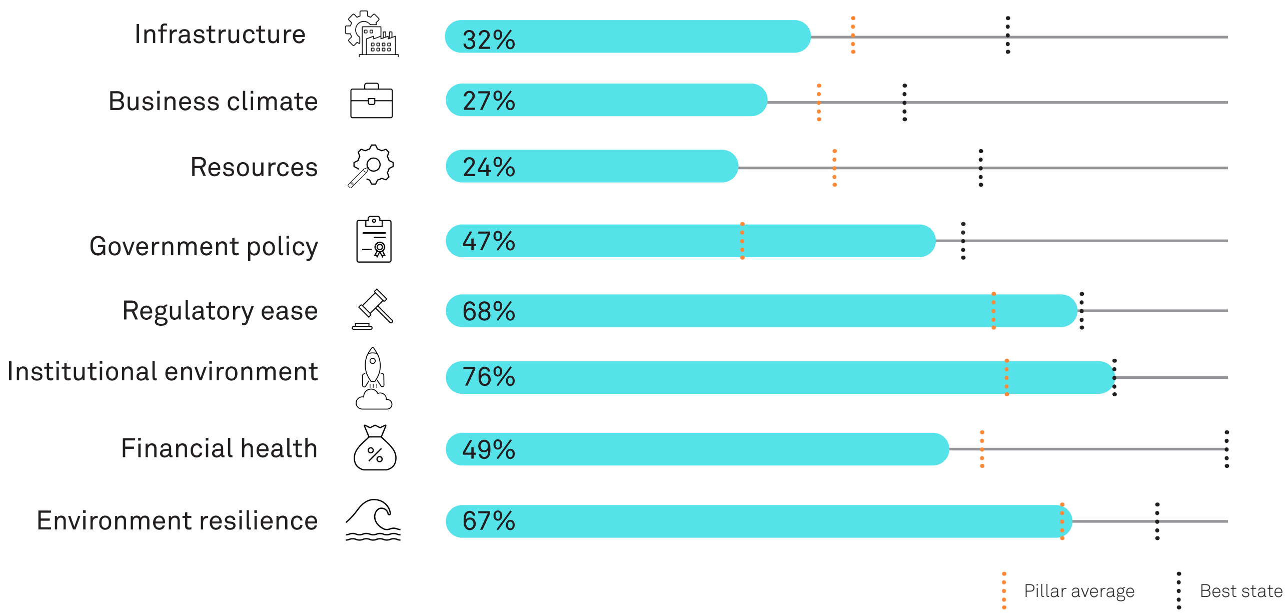
Indicators for improvement

- New technical workforce added

* Not available" indicates nonavailability of published data

Nagaland has an overall score of 41.2, ranking sixth among northeastern and hilly states and 27th overall. This score is driven by significant regulatory ease and strong institutional environment. However, there are notable areas for improvement in the resources and infrastructure pillars, particularly in the human resources aspect.

State's relative performance across pillars



Key factors driving the state's score

- Nagaland's score is driven by its strong performance in the government policy, regulatory ease and institutional environment pillars, reflecting consistent reform efforts and stable governance
- For Nagaland, the five-year GSDP growth rate between fiscals 2019 and 2024 was 4.84%, surpassing the national average of 4.8%. The state achieved a high score in capital expenditure (capex) incentive disbursement relative to total industrial capex, with 18%, compared with the national average of 11% and category average of 17%. This, in conjunction with a high female workforce participation rate (59% in fiscal 2024 compared with the category average of 13% and the national average of 40%), highlight the inclusive growth momentum
- The regulatory ease pillar benefits from strong perception scores in land allotment and use (nine points above the category average), environmental clearance (eight points above the category average), and ease of exit—average time to close a business (10 points above the category average)
- Areas for improvement include increasing airport capacity at Dimapur Airport (currently accommodates 0.5 million passengers per annum), enhancing cargo-handling capabilities and addressing low rail density (lower than six states in the same category)
- With regard to digital infrastructure indicators, 5G/4G penetration (BTS per sq km area) is 26% lower than that of other states in the same category, and per capita digital payment transactions are 0.5x the category average.
- These present opportunities for further enhancements to support a more connected business ecosystem

Voices from the ground

Areas of strength:

- Road construction quality is strong, with regular maintenance supporting reliable connectivity. The state maintains its road network well, ensuring smooth travel and dependable movement of goods. Periodic maintenance helps preserve road quality and supports efficient logistics operations. Industrial power supply is stable, with no major outages or interruptions
- The Investment Promotion Agency functions effectively, providing meaningful support to investors. The agency plays an active role in facilitating investments, offering guidance and assistance that help businesses navigate processes more smoothly
- Law and order conditions are strong, with a low crime rate, contributing to a secure business environment. A stable security environment enhances investor confidence and supports an atmosphere conducive to long-term industrial growth
- The state's industrial policy and broader economic framework are transparent and supportive. Clear and predictable policies enable businesses to plan with confidence and understand the regulatory landscape without ambiguity
- Key regulatory processes such as land allotment and construction permits are highly transparent. These procedures follow well-defined steps, helping investors secure land and approvals more easily and reducing uncertainty during project setup

Areas of focus:

- Availability of skilled workers can be enhanced through targeted skilling initiatives. Introducing more industry-relevant training programmes would help address workforce gaps and support growing sectors more effectively
- The single-window system can be strengthened for greater efficiency. Although the system is in place, businesses often still need to visit multiple offices. Streamlining workflows and improving digital integration would help make the process more seamless
- Water connection processes offer room for improvement. While electricity connections are smooth, obtaining water connections can be time-consuming. Faster and more predictable procedures would support quicker project initiation

Odisha

Overall rank 5/36

Score 52.4

Category rank L | 4/17

Area: 155,707 sq km

GSDP per capita: Rs 125,282

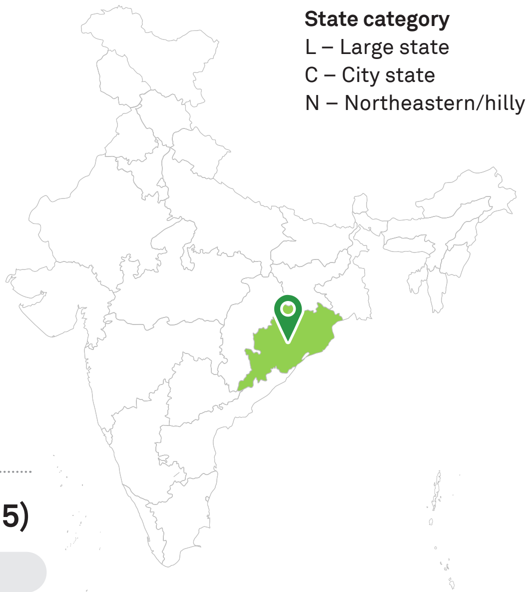
Agriculture share of GVA (FY23): 8.6%

Industry share of GVA (FY23): 50.8%

Services share of GVA (FY23): 40.6%

FDI inflow (FY24): $8.79 million

Key industries: Basic metals, coke and refined petroleum products



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65) 32.0

Survey score (35) 20.4

Key enablers

- Sound financial health
- Abundance of resources

Key performance indicators

- Interest payments as percentage of GSDP
- Metallic minerals production

Areas needing improvement

- Regulatory ease

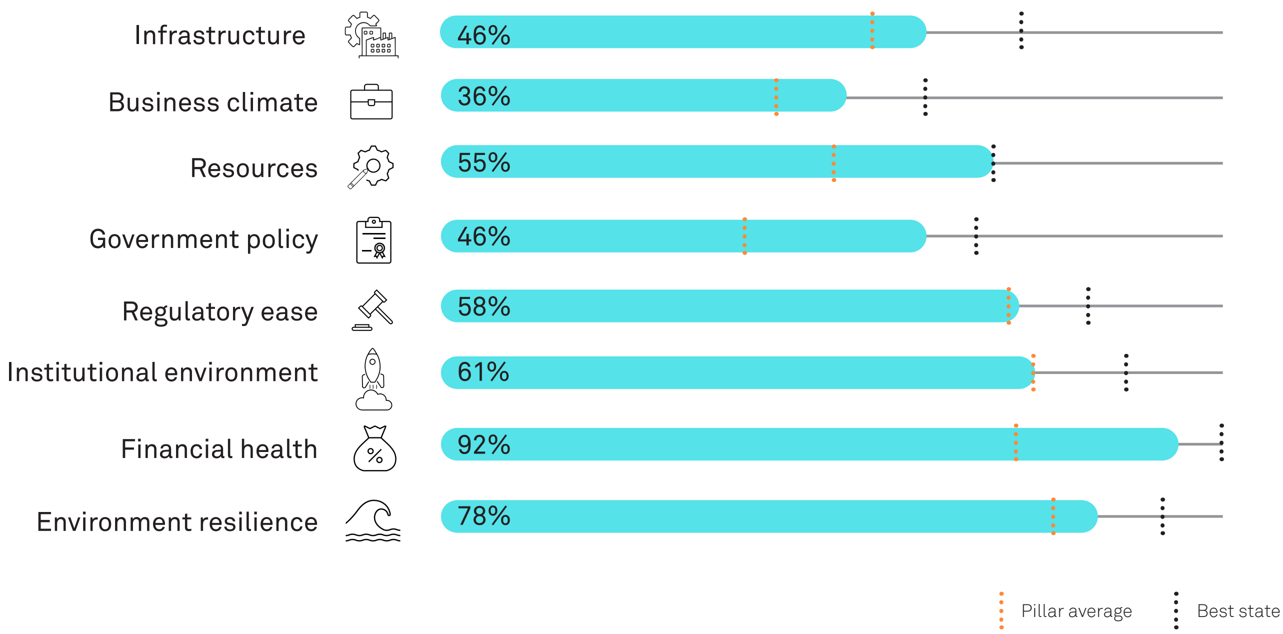
Indicators for improvement

- Contract enforcement and access to commercial courts

NITI Aayog

Odisha has an overall score of 52.4, ranking fourth in the large-state (L) category and fifth overall. This score is driven by the state's strong performance in resources, government policy and financial health pillars due to its leading performance in metallic mineral and coal production, with institutional environment and regulatory ease being the areas for improvement.

State's relative performance across pillars



Key factors driving the state's score

- The state shows strong performance in the resources and financial health pillars. Areas for improvement are institutional environment and regulatory ease
- The high score in resources is attributable to Odisha ranking first in metallic mineral production and coal production, at 50% and 23%, respectively, of India's production as of fiscal 2024
- Total outstanding liabilities at 16% of GSDP and its interest payments at 1.38% of the state GSDP as of fiscal 2024—both the lowest among states—helped it secure the third position in the financial health pillar
- In terms of infrastructure, Odisha's performance in container freight station (CFS) and inland container depot (ICD) capacity, as well as warehousing capacity, indicate areas for improvement. The state's warehousing capacity is 98,000 MT, below the average of 4.7 lakh MT across states
- Foreign direct investment (FDI) equity inflows have remained stagnant over the years, dropping to $9 million in 2024, ~81% lower than the state's average FDI inflow over the previous three years. Investors expressed a need for improvement in the single-window policy, time taken for environmental clearances and ease of ceasing business operations

- Investors outlined the scope for improvement in the ease of contract enforcement and access to dedicated commercial courts as Odisha scored six points lower than the category average

Voices from the ground

Areas of strength:

- The process for initiating a business in Odisha is streamlined and adheres to the established timeframe, contributing positively to the investment climate. The registration process with the Registrar of Companies (ROC) has been notably efficient, with no significant obstacles faced, which fosters a supportive environment for entrepreneurs
- The law and order situation in Odisha is comparatively more favourable than in other states, enhancing the overall business environment and providing a sense of security for investors and stakeholders

Areas of focus:

- There is an opportunity to enhance mobile network coverage in Odisha's suburban and rural regions, where Bharat Sanchar Nigam Ltd currently serves as the primary service provider. Improving connectivity in these areas could significantly benefit local businesses and residents
- The state's industrial landscape could be enriched by introducing a more diverse array of industrial parks and establishing competitive land pricing. This diversification would attract a broader range of industries and support economic growth
- The availability of industrial park facilities in Bhubaneswar is limited and relatively costly, which may present challenges for startups. There is a strong opportunity for improved basic infrastructure and more affordable options to foster a supportive environment for emerging businesses
- North Odisha, particularly around Bhadrak, faces several critical challenges that impact industrial and trade activities. One issue is the limited rail connectivity, with only one daily train service and certain areas lacking direct rail networks. Additionally, the road infrastructure is underdeveloped, which can create bottlenecks in the movement of goods
- The absence of a commercial airport in Bhadrak complicates both passenger and cargo movement for industries across several districts, including those bordering West Bengal. Further, the Bhubaneswar airport is experiencing congestion, and its expansion into Khorda has not fully alleviated access issues from North Odisha due to traffic congestion in Cuttack. Developing an international airport in Bhadrak could serve the northern districts and help ease pressure on Bhubaneswar
- Port accessibility remains a concern, as Dhamra Port is currently restricted from handling general commercial imports and exports, leading to operational challenges for businesses
- Customs and regulatory processes also present challenges, as each port requires separate registration for trade, which can lead to duplicated efforts. Implementing a single-window system for air and sea cargo through ICEGATE could streamline processes and reduce paperwork
- The current single-window system could benefit from enhancements, and there is a strong need for government support, including grants, SIDBI loans and IDCO land, to fulfil incoming orders. Timely clearance through the single-window process would greatly assist operations, as businesses currently approach each department individually. While SIDBI is willing to provide loans due to the potential impact of innovations, delays in acquiring IDCO land remain a hurdle

NITI Aayog

Puducherry

Overall rank 21/36

Score 44.9

Category rank C | 4/7

Area: 490 sq km

GSDP per capita: Rs 219,259

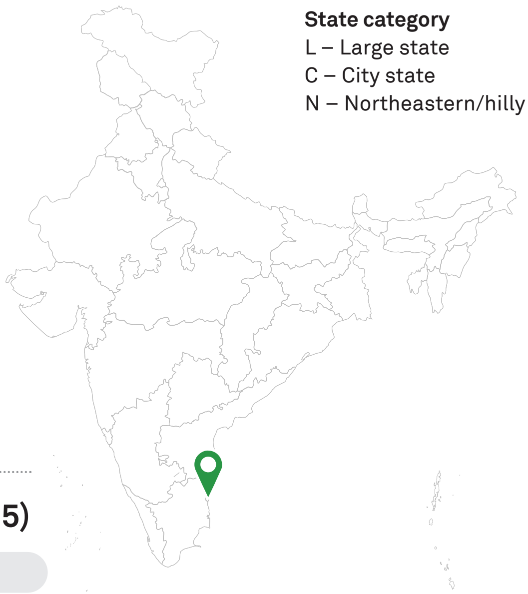
Agriculture share of GVA (FY23): 1.0%

Industry share of GVA (FY23): 50.2%

Services share of GVA (FY23): 48.8%

FDI inflow (FY24): $4.76 million

Key industries: Electronics and chemicals



Data score (65) 28.9

Survey score (35) 16.0

Key enablers

- Sound financial health
- Abundance of resources

Key performance indicators

- Controlled fiscal deficit
- Strong healthcare investments

Areas needing improvement

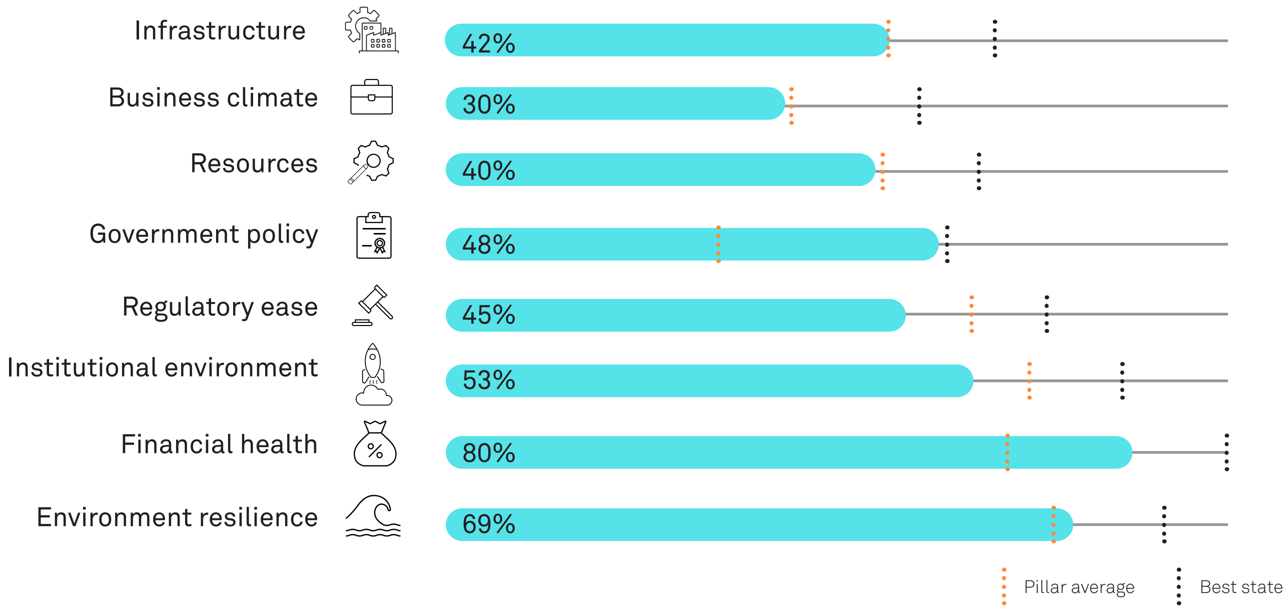
- Infrastructure

Indicators for improvement

- Capacity of cold storage facilities

Puducherry achieves an overall score of 44.9, placing it fourth among City States/Union Territories and 21st overall. This score is driven by sound financial health and performance in the resources pillar. However, there are significant areas for improvement within the infrastructure pillar.

State's relative performance across pillars



Key factors driving the state's score

- Puducherry performs well in the financial health and resources pillar, but there are areas for improvement in the infrastructure pillar
- Puducherry's score in the financial health pillar is driven by a low gross fiscal deficit as a percentage of GSDP, estimated at 2.88% for fiscal 2024, which is below the national average of 6.1% and the guideline laid out by the 15th Finance Commission of 3% over fiscals 2023-26
- In fiscal 2025, expenditure on medical and public health and family welfare in Puducherry accounted for 9% of the aggregate expenditure, surpassing the national average of 6%
- Another indicator contributing to Puducherry's overall score is its robust own tax revenue as a percentage of GSDP, which stood at 14.9%, compared with 5.1% for peer states
- Puducherry has lower cold-storage capacity by manufacturing GVA than four out of the six other states in the same category—this is an area for improvement

Punjab

Overall rank 22/36

Score 44.7

Category rank L |14/17

Area: 50,362 sq km

GSDP per capita: Rs 178,433

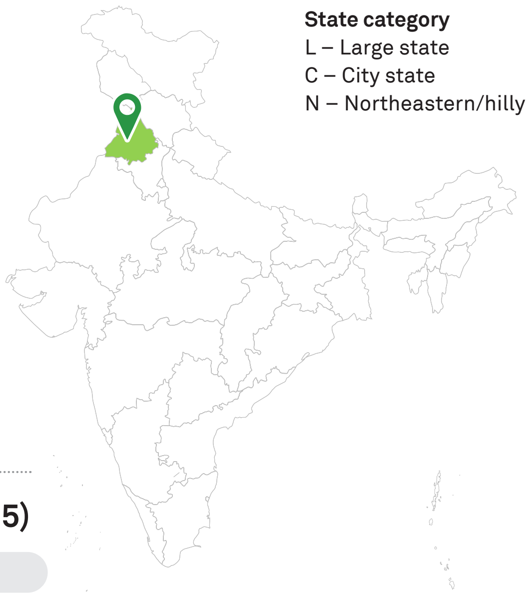
Agriculture share of GVA (FY23): 12.7%

Industry share of GVA (FY23): 27.2%

Services share of GVA (FY23): 60.1%

FDI inflow (FY24) : $180.08 million

Key industries: Food processing, basic metals, coke and refined petroleum products



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65) 21.4

Survey score (35) 23.3

Key enablers

- Good infrastructure
- Favourable institutional environment

Key performance indicators

- High rail density
- Effective grievance redressal mechanism

Areas needing improvement

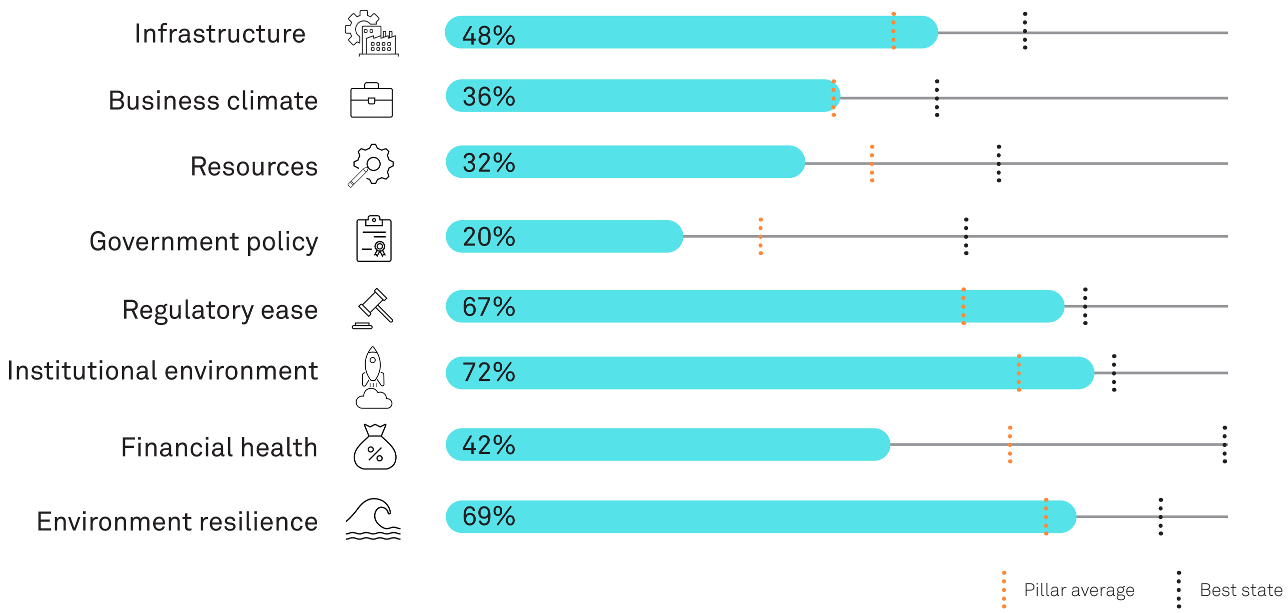
- Financial health

Indicators for improvement

- Total outstanding liabilities

Punjab has attained an overall score of 44.7, ranking 14th among large states and 22nd overall. Strengths include infrastructure, driven by its rail density, with opportunities for improvement within the financial health pillar since the state has high total outstanding liabilities.

State's relative performance across pillars



Key factors driving the state's score

- Punjab's score can be attributed to its strong performance in the regulatory ease and institutional environment pillars, supported by healthy performance in the infrastructure and business climate pillars
- Resources and financial health have been identified as pillars for improvement for the state
- Punjab's high score in institutional environment can be attributed to its low cybercrime rate of ~4%, which is lower than the category average, controlled economic crime rate at ~5%, again lower than its category average, and favourable perception scores in the grievance redressal mechanism (highest among large states)
- Punjab's strong score in regulatory ease can be explained by investor satisfaction in the time taken for availing construction permits (scoring seven points higher than the category average) as well as utility connections (four points higher than the category average)
- The state's strong railway density, among the top five in Indian states, transmission and distribution losses (4%), which are lower than the category average, help it score well in the infrastructure pillar
- Punjab's high proportion of patent applications as a percentage of number of registered enterprises, which is ~12% higher than the category average, drives its strong business climate scores
- Punjab's consistently high share of outstanding liabilities, 46% of GSDP over the past five years and 16% higher than the category average in fiscal 2024, coupled with interest payments of 4-5% of GSDP (compared with the ~3.1% category

average) highlight areas for improvement within the financial health pillar and the need for stronger financial controls

- Punjab could also focus on improving its allocation to education expenditure, currently 4% lower than the category average, which would help improve the technical workforce and STEM enrolment.

Voices from the ground

Areas of strength:

- The state benefits from a strong and accessible railway network that enhances overall industrial connectivity. The reliability and reach of the rail system provides an efficient option for freight movement, supporting multimodal logistics and helping businesses manage transportation costs and timelines more effectively
- The industrial policy framework, along with the rules and regulations in place, is transparent and flexible. This clarity in policy and regulatory processes enables smoother planning and execution for businesses. The flexibility offered allows companies to adapt quickly to market needs
- The single-window system is efficient, offering timely clearances and a smoother approval experience. The portal is streamlined and responsive, and the NOC process functions effectively. This reduces administrative delays and enhances ease of doing business for both new and expanding enterprises
- Regulatory processes such as environmental clearances, construction permits and commercial contract approvals operate smoothly, supported by transparent labour laws. The predictability and clarity across these processes contribute to faster project implementation and create a more conducive operating environment for businesses

Areas of focus:

- There is scope to enhance road quality across certain regions to improve overall connectivity. Improving road conditions would support smoother movement of goods and people and strengthen last-mile logistics efficiency
- Power supply reliability can be further improved by reducing outages and interruptions. More consistent power availability through grid strengthening or better backup mechanisms would help industries operate without disruption, particularly those with continuous production requirements
- Land allotment processes offer room for additional transparency and procedural clarity. More streamlined and clearly communicated steps in land allocation would help businesses plan projects with greater predictability and reduce administrative uncertainty
- Disaster management systems can be strengthened by adopting more advanced technologies and quicker response mechanisms. Enhancing preparedness, real-time monitoring and response capabilities would boost overall resilience and create a more secure operating environment for industries

Rajasthan

Overall rank **10/36**

Score **48.1**

Category rank **L | 8/17**

Area: 342,239 sq km

GSDP per capita: Rs 122,629

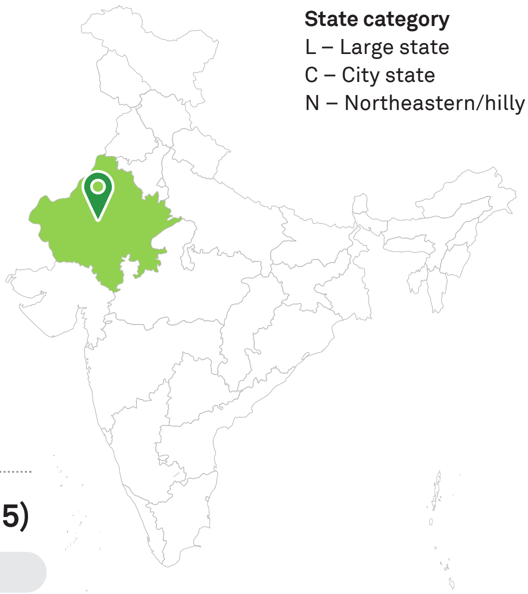
Agriculture share of GVA (FY23): 12.7%

Industry share of GVA (FY23): 28.4%

Services share of GVA (FY23): 58.9%

FDI inflow (FY24) : $265.43 million

Key industries: Basic metals, food processing and chemicals



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65) 25.2

Survey score (35) 22.9

Key enablers

- Abundance of resources
- High regulatory ease

Key performance indicators

- High share in mineral production
- Ease of obtaining construction permits

Areas needing improvement

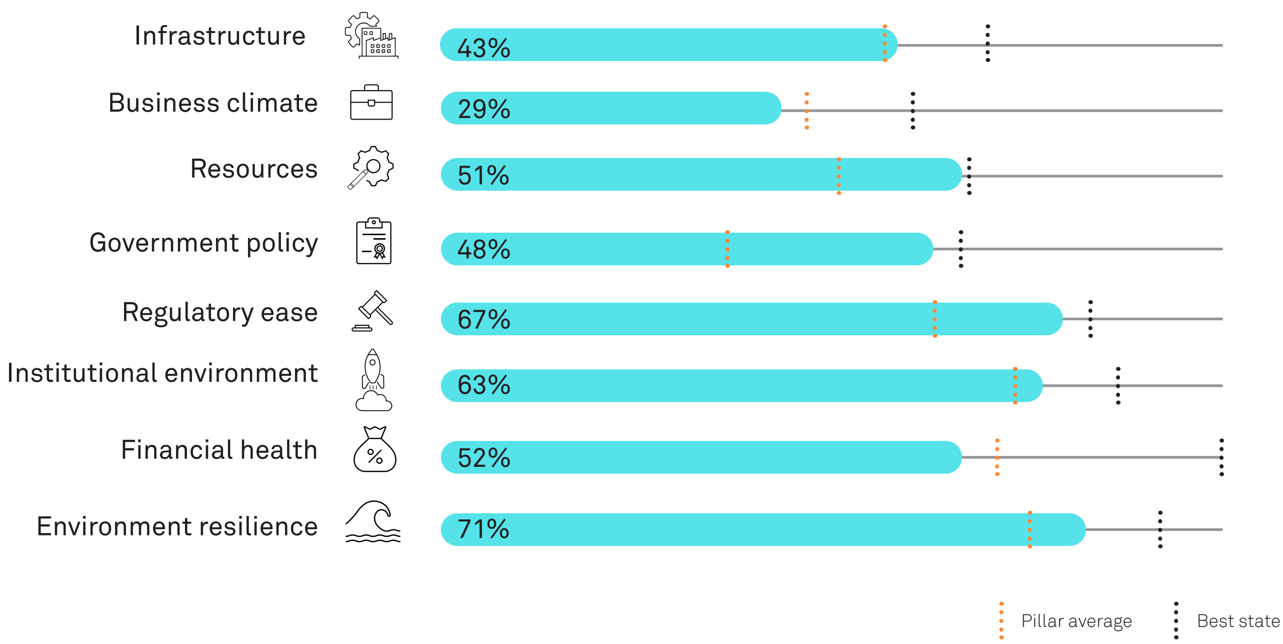
- Business climate

Indicators for improvement

- Credit to industries by banks

Rajasthan has attained a score of 48.1, ranking eighth among large states and 10th overall. Strengths include an abundance of natural resources driven by a high share in mineral production with opportunities for improvement in the business climate pillar.

State's relative performance across pillars



Key factors driving the state's score

- Rajasthan is among the top-performing states in resources, regulatory ease and government policy, with areas for improvement in the business climate, institutional environment and financial health pillars
- Rajasthan's strong performance in resources is driven by it accounting for 33% of the non-metallic mineral production of India, 14% of the metallic mineral production and a strong renewable resource potential ranking first, third and first, respectively, across the three indicators
- Rajasthan does consistently well across all indicators in the regulatory ease pillar
- In perception scores for construction permits, Rajasthan ranks among the top three states in the large state category, scoring six points above the category average
- In the infrastructure pillar, Rajasthan is a top performer in warehousing capacity, ranking third
- Areas for improvement in business climate are improving FDI inflows, currently 12% below category average, and focusing on improving MoU conversion of announced investments from the current ranking of 11th among large states
- The state can also improve its bank credit to industry since it is 4% lower than the category average when measured against the manufacturing GSDP

Voices from the ground

Areas of strength

- The state offers well-developed road networks and smooth inter-state connectivity. This not only facilitates seamless movement of goods but also improves vehicle efficiency and mileage, contributing to lower operating costs for businesses. The railway network is similarly reliable, providing an efficient alternative for freight movement and enhancing multimodal logistics capabilities
- Industrial parks across the state are equipped with modern, well-maintained facilities. The availability of reliable utilities—power, water, and waste management—and strong connectivity within these zones help efficiency. Many parks also offer startup-friendly plug-and-play infrastructure, enabling faster setup times and reducing initial capital hurdles. Continuous upgrades in these parks indicate a proactive approach toward expanding industrial capabilities
- The state provides stable and high-speed internet connectivity, which is increasingly essential for modern manufacturing and service operations. In addition, logistics and warehousing infrastructure is well-developed, enabling efficient storage, distribution and supply chain management. This strong digital and physical backbone significantly improves ease of doing business for companies operating in the region

Areas of focus:

- While major highways are strong, there is scope to further enhance road conditions in interior regions. Targeted improvements in these areas would significantly boost last-mile connectivity and support smoother movement of goods and workforce
- Intermittent power cuts and seasonal fluctuations can be improved. Addressing these through grid strengthening or alternative power backup solutions could create a more stable environment for industries with continuous production needs
- Greater communication and information dissemination around available schemes such as the Investment Promotion Agency (IPA) would help more businesses benefit from them. Proactive outreach and simplified guidance could improve scheme utilisation
- Additional efforts in workforce skilling, job creation, and entrepreneurship development, particularly targeted at startups and MSMEs, would further strengthen the state's talent ecosystem and industrial competitiveness
- While the system is in place and helpful, businesses indicated that additional streamlining could make approvals and clearances even more seamless. Continued digital integration and process optimisation would enhance ease of doing business

Sikkim

Overall rank **32/36**

Score **36.6**

Category rank **N |10/12**

Area: 7,096 sq km

GSDP per capita: Rs 407,567

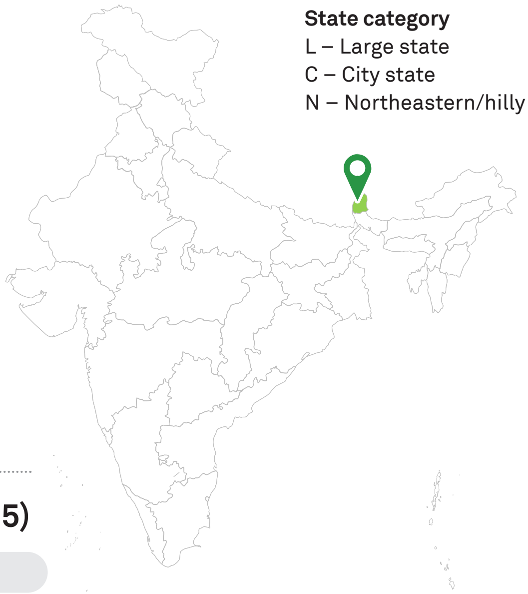
Agriculture share of GVA (FY23): 5.5%

Industry share of GVA (FY23): 63.8%

Services share of GVA (FY23): 30.7%

FDI inflow (FY24): Not available*

Key industries: Pharmaceuticals, medicinal chemicals and botanical products



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 24.3

Survey score (35): 12.3

Key enablers

- Supportive business climate
- Abundance of resources

Key performance indicators

- GSDP per capita
- High female workforce participation rate

Areas needing improvement

- Institutional environment
- Regulatory ease

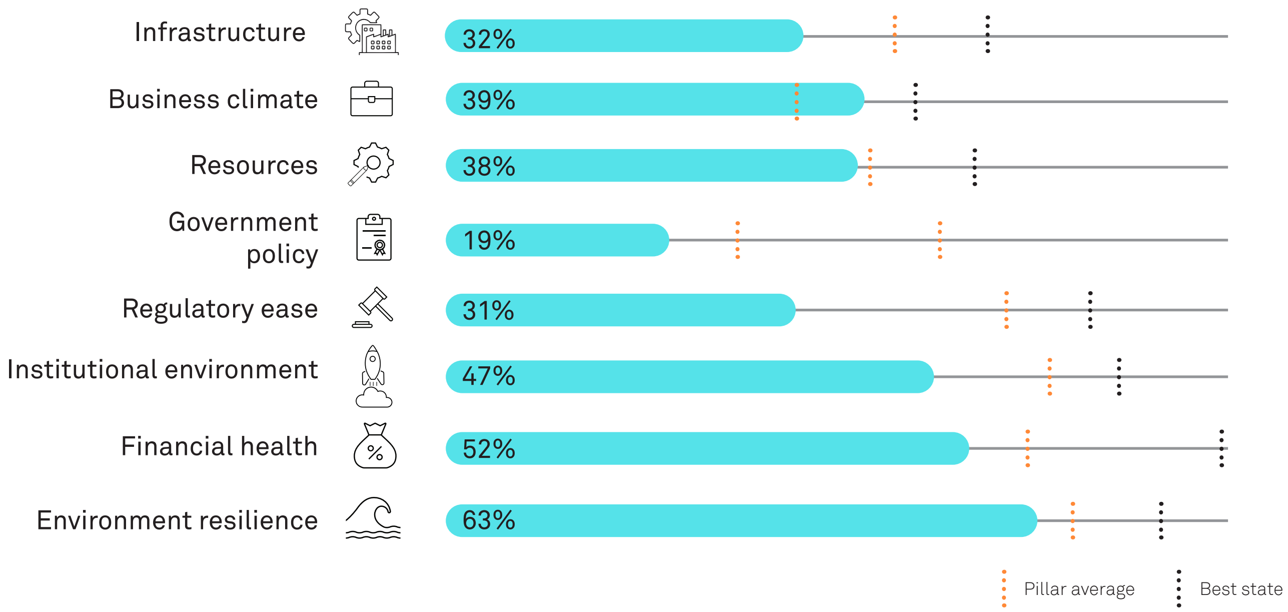
Indicators for improvement

- Grievance redressal mechanism

* Not available" indicates nonavailability of published data

Sikkim has an overall score of 36.6, ranking 10th among northeastern and hilly states and 32nd overall. This score is driven by its performance in the business climate and resources pillars. However, there are significant areas for improvement in the institutional environment, regulatory ease and infrastructure pillars.

State's relative performance across pillars



Key factors driving the state's score

- Sikkim's strong performance in the business climate pillar is driven by a high per capita GSDP of approximately Rs 4.07 lakh for fiscal 2024, the second-highest among states. Further, Sikkim's five-year GSDP growth rate (fiscals 2019-2024) stood at ~5.9%, compared with India's 4.8%. The state also performs strongly in terms of number of incubators per capita, nearly four times the average for hilly and northeastern states
- Sikkim's human resources indicators are favourable, with a high labour force participation rate of 57% (above the national average of 47%) and a healthy female workforce participation rate of 66% (highest nationally) in fiscal 2024
- The state faces challenges in infrastructure and regulatory aspects, with investor satisfaction regarding single-window permissions and NOCs for starting businesses being relatively low. This has impacted performance in the regulatory challenge pillar, even with the integration into the National Single Window System
- Investor perception score of Sikkim's grievance redressal mechanism is ~40% lower than the average perception score among northeastern and hilly states
- Investor perception of transport infrastructure is less favourable, particularly due to the Pakyong greenfield airport (Sikkim's first greenfield airport), which becomes non-operational at times due to weather and technical issues. This situation has constrained air connectivity and adversely affected the region's economic potential

Voices from the ground

Areas of focus:

- Investors pointed out the need for an operational airport as that would significantly improve connectivity, ease of travel and accessibility for resi-

NITI Aayog

dents and businesses. Improved air connectivity would support economic activity, tourism, medical access, and overall mobility

- Road infrastructure can be strengthened to better withstand weather-related disruptions. During the monsoon, road stretches, including the key highway link, often become non-operational, causing challenges in transportation and essential services. Enhancing weatherproofing and resilience of these routes would help ensure uninterrupted movement and support economic, health, and education activities in the region

Tamil Nadu

Overall rank **3/36**

Score **53.3**

Category rank **L | 3/17**

Area: 130,060 sq km

GSDP per capita: Rs 217,801

Agriculture share of GVA (FY23): 4.6%

Industry share of GVA (FY23): 37.8%

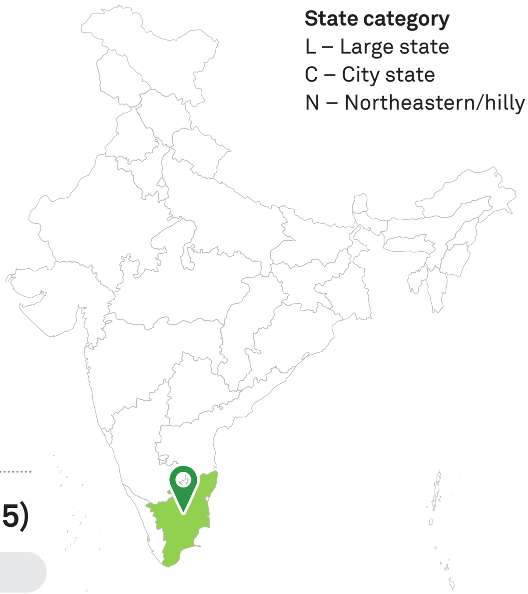
Services share of GVA (FY23): 57.6%

FDI inflow (FY24): $2,436 million

Key industries: Automobile, machinery and equipment, and electronics

Data score (65) 29.7

Survey score (35) 23.6



State category
L – Large state
C – City state
N – Northeastern/hilly state

Key enablers

- Good infrastructure
- Supportive business climate

Key performance indicators

- Low turnaround time for ports
- Strong export performance

Areas needing improvement

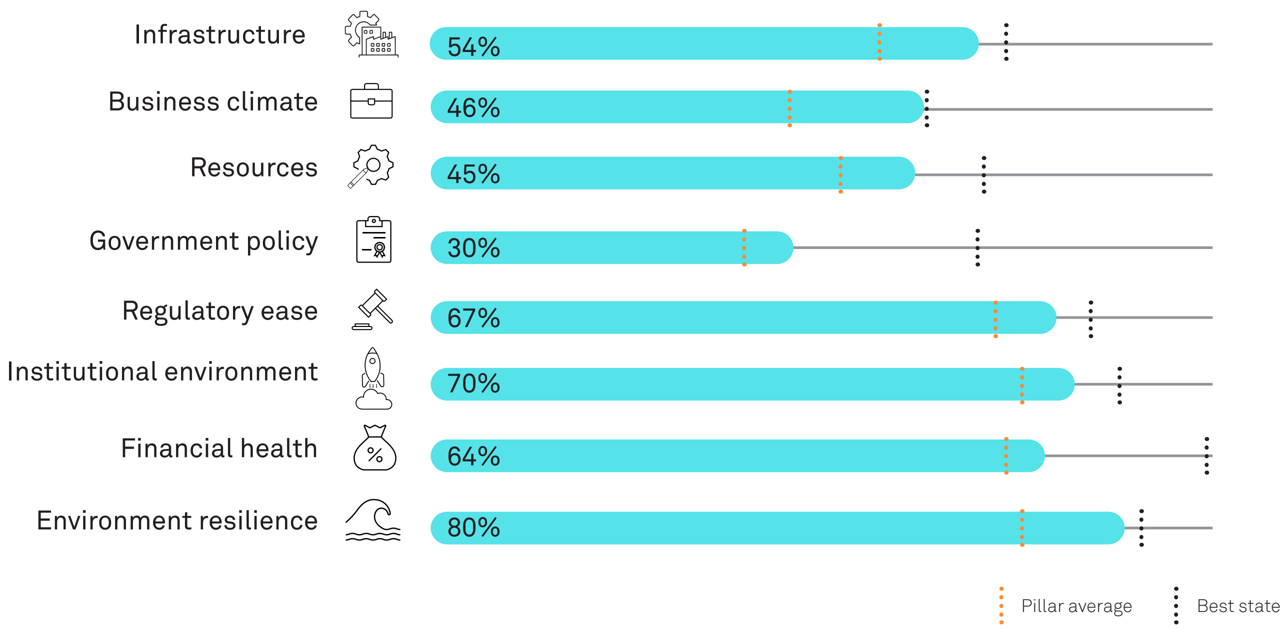
- Financial health

Indicators for improvement

- Interest payments as a percentage of GSDP

Tamil Nadu has an overall score of 53.3, ranking 3rd in both the overall and the large-state category. Tamil Nadu's score is driven by its strong performance in the infrastructure and business climate pillars, with financial health being an area of improvement.

State's relative performance across pillars



Key factors driving the state's score

- Tamil Nadu is ranked third overall, with a good score in the infrastructure and business climate pillar
- Tamil Nadu's 1st rank in the infrastructure pillar among large states can be explained by its efficient port infrastructure, with the state ranking 3rd in turnaround time at ports weighed by capacity, low electricity downtime, 4% below the large-state average and contained T&D losses ~3% below the large-state average
- Tamil Nadu also excels in export performance, with its 36% export-to-GSDP ratio being higher than the category average
- Tamil Nadu has room for improvement in logistics infrastructure, with low CFS and ICD capacity, 33% below the large-state average, relative to its manufacturing GVA
- The scores in the business climate pillar were driven by the state having the second highest number of ATLs in India and a high MoU conversion rate. Investors commended the state on its consistency in policies
- In the government policy pillar, Tamil Nadu's stakeholder satisfaction score with state policies is good, reflecting positively on the state's policy formulation and implementation processes
- Tamil Nadu also excels in the environment resilience pillar, boasting 22% better-than-average air quality index (AQI) levels compared with its category average, as well as high perception scores regarding the state's disaster preparedness

- Tamil Nadu's financial health score is marginally below average due to higher interest payments (3.4% of GSDP) and high debt burden (total outstanding liabilities at 31% of GSDP, close to the pan-India average)

Voices from the ground

Areas of strength:

- Tamil Nadu's road connectivity is exceptional, with well-maintained roads connecting villages and cities, as well as high-quality state highways linking major industrial cities such as Chennai, Coimbatore, and Hosur
- The state has a dense rail network that connects all major industrial cities and ports, including Chennai, Ennore, and Thoothukudi, facilitating efficient cargo movement for industries such as automobiles, cement, and textiles
- Tamil Nadu's power grid is reliable, with a renewable energy base, particularly wind and solar power, ensuring a consistent supply for industrial clusters such as Sriperumbudur, Hosur, and Coimbatore
- The state's industrial parks, such as those developed by SIDCO and SIPCOT, are well-planned, with amenities such as utilities, power, and road connectivity, making them attractive to global players in the auto and electronics sectors
- Tamil Nadu boasts one of India's strongest talent pools, with a large network of engineering colleges, ITIs, and polytechnics, providing industries with access to disciplined, semi-skilled, and skilled workers at competitive costs
- The state has a well-structured investor facilitation framework, including the Biz Buddy and Guidance Tamil Nadu Investor Facilitation Portal, which provides a fully digital, time-bound, and closely monitored grievance redressal system, with issues typically resolved within 30 days

Areas of focus:

- Chennai's airport may benefit from expansion to better serve the city's growing population and business needs, particularly in terms of international connectivity, with currently limited direct flights to Europe despite the presence of many European MNCs
- Water availability is a challenge in certain areas of Tamil Nadu, with difficulties in accessing water for industrial use, as well as limited availability of sewage water for treatment and reuse, particularly in land-locked areas and rain shadow zones
- The road infrastructure surrounding Chennai Port could be improved, with current congestion and delays causing significant inefficiencies, including lengthy wait times of up to 36 hours for trucks to enter and exit the port, which can impact the viability of trucking operations

Telangana

Overall rank 13/36

Score 47.3

Category rank L |10/17

Area: 112,077 sq km

GSDP per capita: Rs 217,801

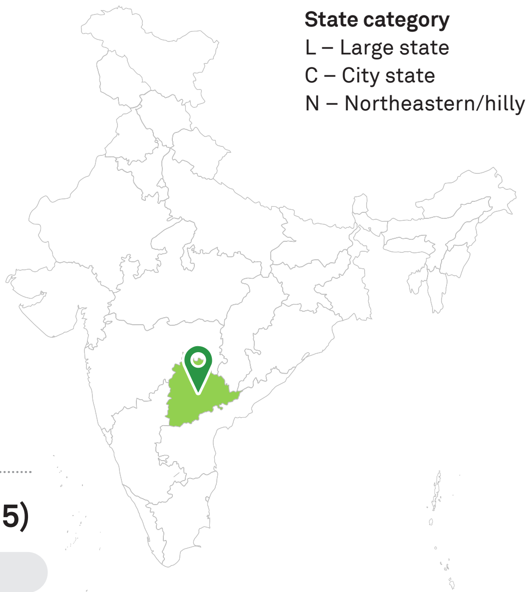
Agriculture share of GVA (FY23): 8.2%

Industry share of GVA (FY23): 22.5%

Services share of GVA (FY23): 69.3%

FDI inflow (FY24): $3,029.07 million

Key industries: Pharmaceuticals, medicinal chemicals and botanical products



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 25.3

Survey score (35): 22.0

Key enablers

- Regulatory ease
- Supportive business climate

Key performance indicators

- Strong STEM enrolment
- High tax revenue

Areas needing improvement

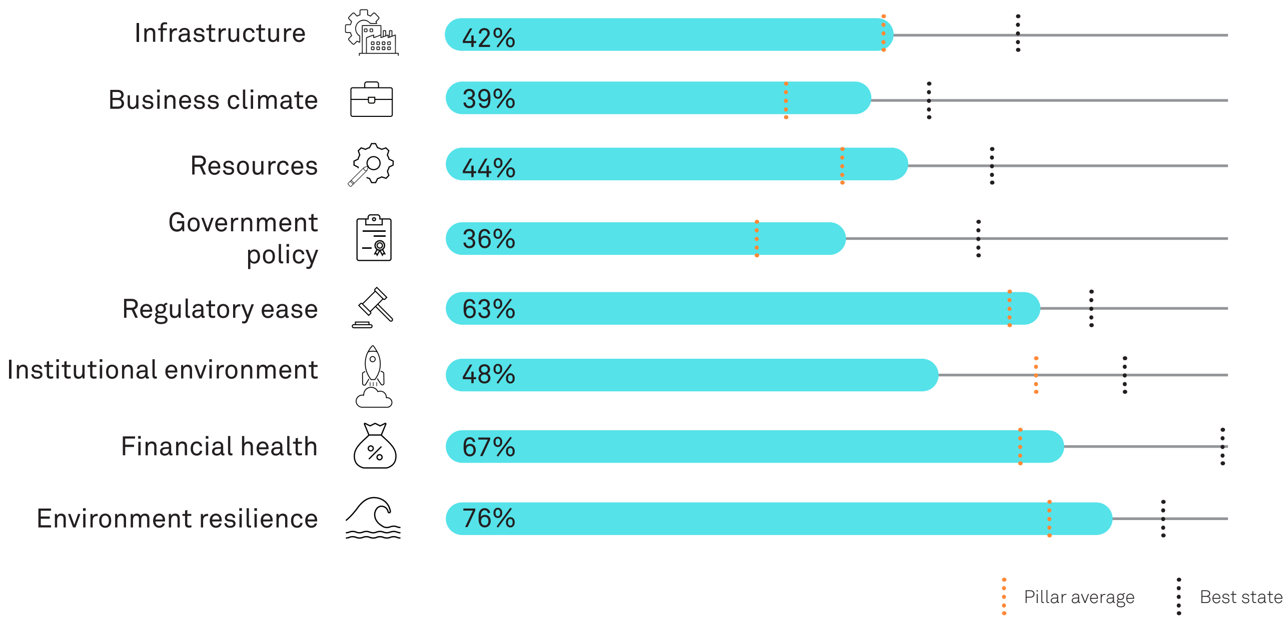
- Institutional environment

Indicators for improvement

- Crime rate – economic and cyber

Telangana has an overall score of 47.3, ranking 10th in the large state category and 13th overall. The state's score is driven by its performance in the business climate and regulatory ease pillars. However, there are areas for improvement in the institutional environment pillar.

State's relative performance across pillars



Key factors driving the state's score

- Telangana demonstrates strong performance in the business climate and regulatory ease pillars. A key driver of the high score in the regulatory ease pillar is the Telangana State Industrial Project Approval and Self-Certification System (TS-iPASS), which has digitised and streamlined construction permits
- The business climate pillar is influenced by various indicators, including land availability. Telangana has one of the largest land areas available for allotment among states, with its available land as a percentage of state area being three times that of the category average
- Further, the state's high own-tax revenue as a percentage of GSDP, standing at 17% in fiscal 2024, surpassing the pan-India average of 9.8%, indicates robust state tax collection, allowing flexibility in spends
- In Telangana, the percentage of students enrolled in STEM against the total enrolment in higher education was twice the national average in fiscal 2022
- The state hosts well-functioning commercial courts equipped with modern e-filing systems, enhancing judicial efficiency for business disputes
- The state scores low on the institutional environment pillar, primarily due to elevated crime rates, particularly in economic offences and cybercrimes
- Telangana has one of the highest crime rates in India, particularly in economic offences, which reached 75 per lakh population in 2022, compared with an average of 16 per lakh population across the states. Additionally, cybercrimes were recorded at 43 per lakh population in 2022, significantly exceeding the pan-India average of 5 per lakh population

Voices from the ground

Areas of strength:

- Hyderabad's strategic location at the centre of the South-Central Railway zone provides excellent passenger connectivity, while the expansion of freight capacity through new industrial sidings and cargo terminals at Kazipet and Sanathnagar enhancing the state's logistics infrastructure
- The TS-iPASS is widely regarded as one of India's most efficient single-window mechanisms, offering fully online, time-bound approvals with automatic clearances, making it exceptionally easy for investors and industries to operate in the state
- The state benefits from a clear policy framework for industries to exit smoothly, ensuring that the interests of investors, employees, and financial institutions are protected, and providing a stable and predictable environment for businesses
- Hyderabad is consistently ranked as one of the best cities to live in India, offering a high quality of life, affordability, excellent education, and healthcare facilities, as well as a low crime rate and minimal destruction factors, making it an attractive destination for talent and businesses
- Telangana's power supply is highly reliable, with high utilisation and minimal power outages, which are typically short in duration, and minimal load-shedding for industrial feeders, ensuring a stable and uninterrupted supply of power to industries and businesses

Areas of focus:

- While Telangana has made progress in ease of doing business, there is still room for improvement in terms of reducing costs and timelines for setting up and operating a business, particularly when compared with other business-friendly states
- While the TS-bPASS system has streamlined the process for obtaining construction permits for residential and small commercial projects, there is still scope for improvement in terms of timelines and inter-departmental coordination for larger industrial or commercial projects
- The automobile industry faces challenges in Telangana due to high taxes and a complex RTO system, which can make it difficult to operate a viable business in the state
- There may be opportunities for improvement in terms of accountability and efficiency in the issuance of NOCs and power supply, as well as in the coordination between agencies, to ensure a smoother experience for businesses
- First-time entrepreneurs and MSMEs require additional support and guidance to navigate the documentation requirements, which can be complex and time-consuming, and may benefit from more streamlined and accessible processes

Tripura

Overall rank **20/36**

Score **45.0**

Category rank **N | 4/12**

Area: 10,486 sq km

GSDP per capita: Rs 125,352

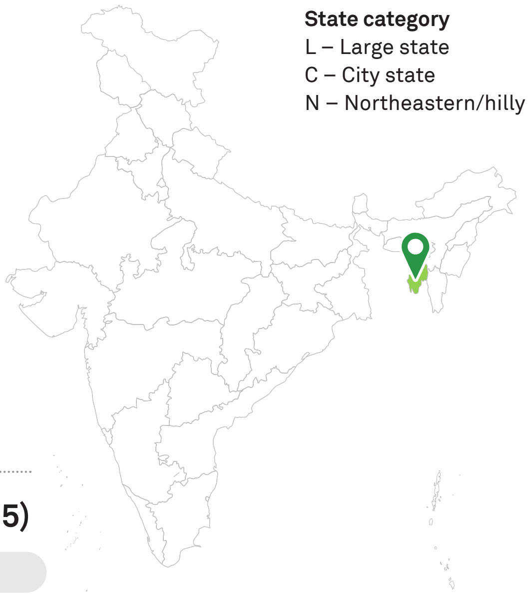
Agriculture share of GVA (FY23): 13.6%

Industry share of GVA (FY23): 27.3%

Services share of GVA (FY23): 59.1%

FDI inflow (FY24): $0.19 million

Key industries: Rubber and plastics, and food processing



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65)
22.4

Survey score (35)
22.6

Key enablers

- High regulatory ease
- Favourable institutional environment

Key performance indicators

- Ease of business closure
- Effective grievance redressal mechanism

Areas needing improvement

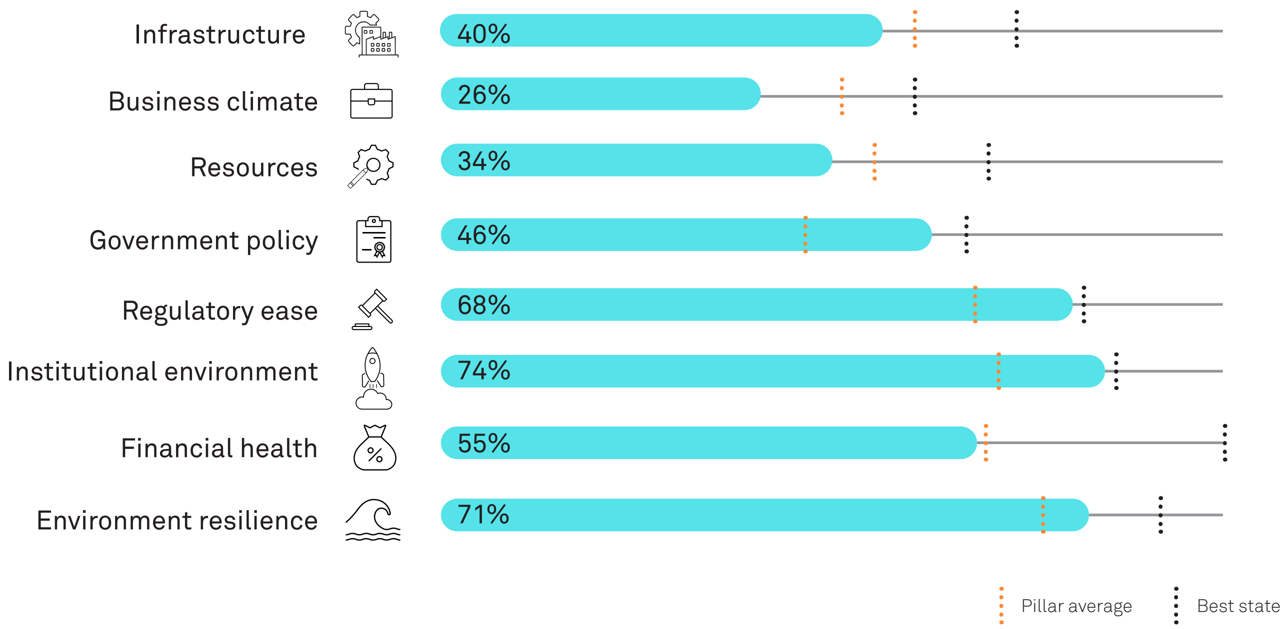
- Business climate

Indicators for improvement

- Industrial area available for allotment

Tripura has a score of 45.0, ranking 4th among northeastern and hilly states and 20th overall. This score is primarily driven by significant regulatory ease and strong institutional environment. However, there are notable areas for improvement within the business climate pillar.

State's relative performance across pillars



Key factors driving the state's score

- Tripura excels in the regulatory challenge and institutional environment pillars. However, there are areas for improvement in the infrastructure pillar
- Tripura performs well in agri-logistics infrastructure, boasting a cold-storage capacity of ~51,140 MT. This translates to a cold-storage capacity as a proportion of manufacturing GVA that is 2.3 times the peer average. Additionally, the cold-storage capacity as a percentage of manufacturing GVA at about 39% is the highest among northeastern states and 23% above the pan-India average
- Tripura also performs strongly on regulatory perception indicators, particularly speed of land allotment, construction permits, and grievance redressal mechanisms (where it scored highest in its category). This places it among the better-performing northeastern states in institutional transparency
- In the ease of exit indicator, Tripura scores 10 points more than the category average. Meanwhile, in terms of perception of the grievance redressal mechanism, the state has achieved the highest score among northeastern and hilly states
- The business climate pillar has areas for improvement, as the number of ATLs per capita stands at 5.4%, compared with the category average of ~15%

- Tripura's strategic location on the eastern border provides access to Bangladesh and Bay of Bengal ports. Yet, its export share remains negligible (<0.01% of India's total; ~$15 million in fiscal 2023) due to limited product diversification and trade facilitation gaps
- Key challenges in starting a business in the state include poor last-mile connectivity and lack of internet access in rural areas, slow documentation and approval processes, and relatively high compliance costs
- Tripura's availability of industrial land for allotment as a percentage of the total state area stands at ~2.6%, compared with the category average of about 21%

Voices from the ground

Areas of strength:

- The state offers strong transportation connectivity through roads. Road connectivity is good, and the railway network functions effectively, supporting reliable movement of goods
- Power supply is stable with no major outages, and the state's digital infrastructure is robust, offering high-speed connectivity and wide network coverage
- Land approval processes are efficient, and construction permit procedures are transparent. The state offers a smooth and predictable experience for land allocation, and the construction permit process follows clear and transparent guidelines, improving ease of doing business for new and expanding industries

Areas of focus:

- The state has significant potential to serve international markets on the eastern side, but growth has been slower than its strategic location suggests. Leveraging its position more effectively through infrastructure expansion and stronger trade linkages would help unlock broader economic opportunities
- Road conditions in several areas can be improved to enhance internal connectivity. Strengthening road quality would support smoother logistics movement and improve access across the state
- Air connectivity can be expanded beyond the current single airline operating in the state. Stronger regional air links connecting Tripura with Assam, Meghalaya, Mizoram, Nagaland, and Arunachal Pradesh would position the state more effectively as a gateway to the Northeast and support both business and tourism
- Greater clarity and accuracy in the functioning of the Investment Promotion Agency would be beneficial. More consistent communication, streamlined information, and better guidance on schemes and incentives would help investors engage with the agency more effectively
- Availability of skilled workforce can be improved through targeted training initiatives. Focused skilling programmes aligned with industry needs would help address talent gaps and support sectors with growing manpower requirements
- Quality of life indicators can be improved to attract and retain talent. Enhancements in urban amenities, social infrastructure, and public services would help create a more attractive living environment for the workforce
- The single-window system offers scope for greater efficiency. Strengthening digital integration and reducing procedural steps would help streamline approvals and improve ease of doing business
- Disaster management systems can be strengthened with the use of advanced technologies. Adopting real-time monitoring, predictive tools, and faster response frameworks would enhance resilience and improve preparedness during natural events

NITI Aayog

Uttar Pradesh

Overall rank 19/36

Score 45.0

Category rank L |13/17

Area: 240,928 sq km

GSDP per capita: Rs 70,661

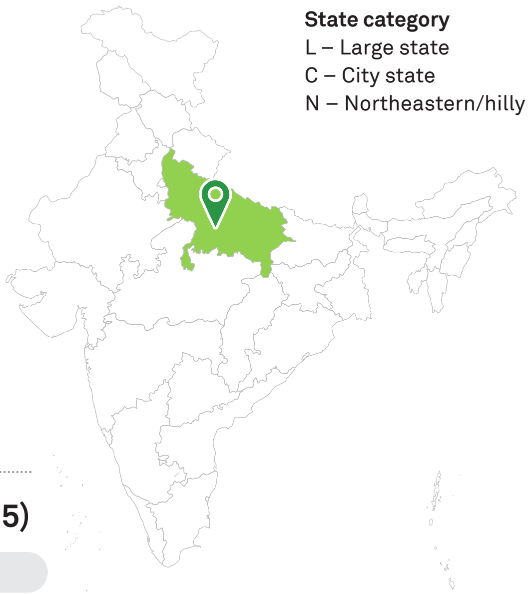
Agriculture share of GVA (FY23): 14.7%

Industry share of GVA (FY23): 28.8%

Services share of GVA (FY23): 56.5%

FDI inflow (FY24) : $333.61 million

Key industries: Food processing and electronics



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 23.4

Survey score (35): 21.6

Key enablers

- Supportive business climate
- Favourable institutional environment

Key performance indicators

- Extensive ATL presence
- Consistency in state policies

Areas needing improvement

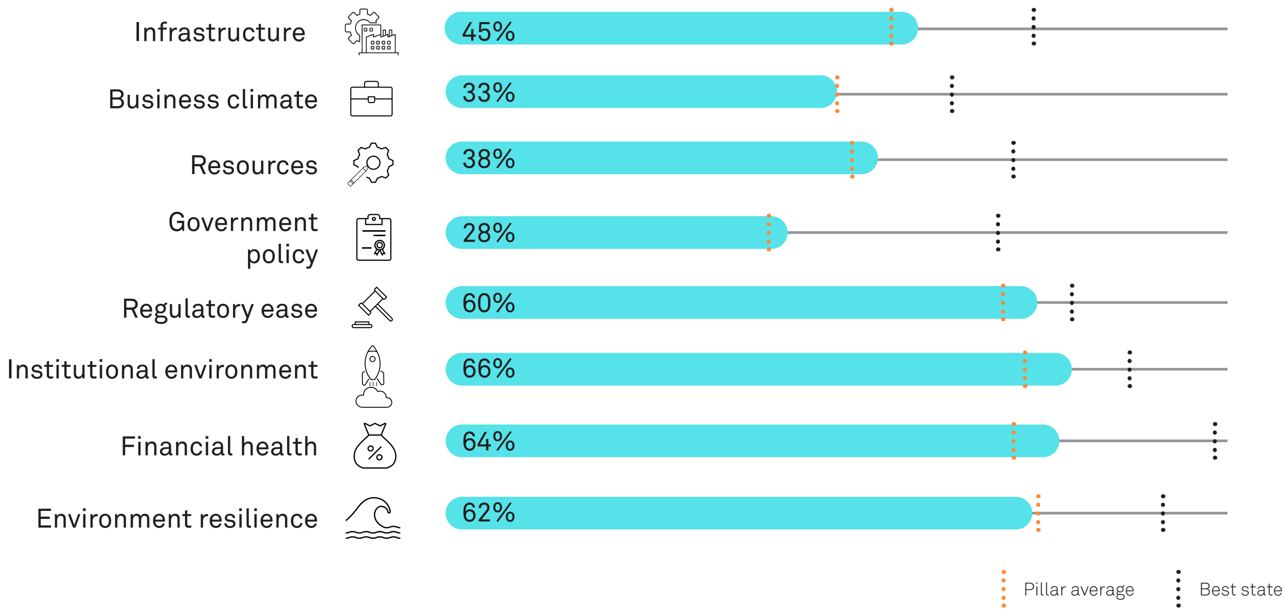
- Environment resilience
- Financial health

Indicators for improvement

- Air quality index

Uttar Pradesh has an overall score of 45.0, thereby ranking 13th in the Large state category and 19th overall. As India's most populous state, Uttar Pradesh has a significant strategic and economic position owing to its large domestic market, improving infrastructure base and growing industrial ecosystem. The state has leveraged its demographic advantage and proactive governance reforms to strengthen its position as a prominent investment destination in northern India.

State's relative performance across pillars



Key factors driving the state's score

- Uttar Pradesh has performed well in the business climate and institutional environment pillars; however, environment resilience and financial health remain areas for improvement
- The state has demonstrated progress in fostering a supportive business environment through improvements in economic performance, innovation and business facilitation. Its capital expenditure outlay as a percentage of GSDP increased to 13% in fiscal 2024 from 8% in fiscal 2019, reflecting a CAGR of ~10%. Capex as a percentage of GSDP in fiscal 2024 was ~40% higher than the average for large states
- The state's improving startup ecosystem highlights its maturing business landscape, with the number of startups registered increasing to 3,426 in fiscal 2024 from 807 in fiscal 2019. In fiscal 2023, the percentage of startups registered compared with the total number of companies was 13% higher than the average for large states
- Uttar Pradesh has rapidly become a national leader in transport infrastructure, accounting for the largest share of India's access-controlled expressway network
- The state has made significant strides in promoting innovation and creativity among students through a wide network of ATLs, ranking third-highest among states with a total of 955 ATLs in 2023. These labs, established under the Atal Innovation Mission, have played a key role in fostering a culture of experimentation and problem-solving at the school level. The extensive coverage of ATLs across districts reflects the state's emphasis on strengthening the innovation pipeline and nurturing future talent
- Policy stability and predictability have emerged as strong enablers of investor confidence in the state. It is reflected in the industrial, logistics and startup policies, ensuring reforms are followed through and objectives are sustained across political cycles
- However, the state faces considerable exposure

to natural and environmental risks that can impact both human well-being and long-term investment sustainability. A major challenge is from persistently poor air quality across several industrial and urban regions, reflecting the combined effects of vehicular emission, construction activity and seasonal agricultural practices. For majority of the year, cities such as Noida, Greater Noida, Ghaziabad, Bulandshahr, and Muzaffarnagar experience AQI levels ranging between 200 and 300. Further, the majority of the remaining cities typically record AQI levels between 100 and 200 for the greater part of the year

- Also, there is scope for improvement in the financial health pillar. The state's interest payments as a percentage of its GSDP are 13% higher than the average for large states. Further, the gross fiscal deficit of UP as a percentage of GSDP is ~4% higher than its category average
- Addressing these challenges through stricter enforcement of environmental norms, investment in clean technologies and coordinated regional efforts will be essential for the state to sustain its growth momentum, while ensuring a more sustainable development trajectory

Voices from the ground

Areas of strength

- The state boasts excellent railway and airport facilities, which are comparable to or better than those in other states
- The state government has also introduced subsidies to promote industrial growth, and, overall, the experience of doing business in Uttar Pradesh has improved slightly. While there is still room for more flexibility and transparency, the state fares marginally better than its neighbours
- Uttar Pradesh has made significant strides in streamlining the process of obtaining warehouse construction permits, particularly in Greater Noida, where approvals can be obtained in as little as 15-20 days. This is a marked improvement over regions such as Faridabad and Manesar, where the process can take up to a month. The state's efforts to invest in this area have yielded encouraging results, making it an attractive destination for businesses
- Uttar Pradesh offers a readily available and diverse workforce, ensuring no productivity issues for the manufacturing sector. However, the state faces a challenge in retaining talent, particularly in the Kanpur area, as many professionals prefer to relocate to the NCR due to inadequate infrastructure and lower salaries

Areas of focus

- While the state's highways are well-maintained, the roads within cities, particularly in Kanpur, could benefit from improvement to reduce congestion and enhance overall connectivity. The industrial road infrastructure requires upgrading as well to support the growth of industries in the state
- There is a need to diversify the location of industrial parks beyond Noida, with cities such as Kanpur, which has a strong industrial base, deserving of similar investments
- The ICDs in UP face challenges such as:
  - Congestion
  - Variable customs clearance times
  - Limited digitalisation
- Adopting best practices from other states, such as implementing RFID gate systems, 24/7 customs support and transparent tariff dashboards, could improve efficiency and reliability.
- The state's power supply infrastructure requires attention, with issues such as:
  - Unreliable industrial-grade supply
  - Frequent outages
  - High transmission losses
- Implementing feeder segregation for industry, rapidly upgrading substations, rolling out smart meters, and instituting clear service level agreements for distribution companies could help mitigate these issues.
- Exploring options to improve the efficiency and responsiveness of the power sector, such as privatisation, could help address the frequent power faults and difficulties in resolving issues with the current system
- Simplifying the process of obtaining NOCs by reducing paperwork and introducing digital solutions could help streamline business operations

Uttarakhand

Overall rank **11/36**

Score **47.5**

Category rank **N | 1/12**

Area: 53,483 sq km

GSDP per capita: Rs 202,573

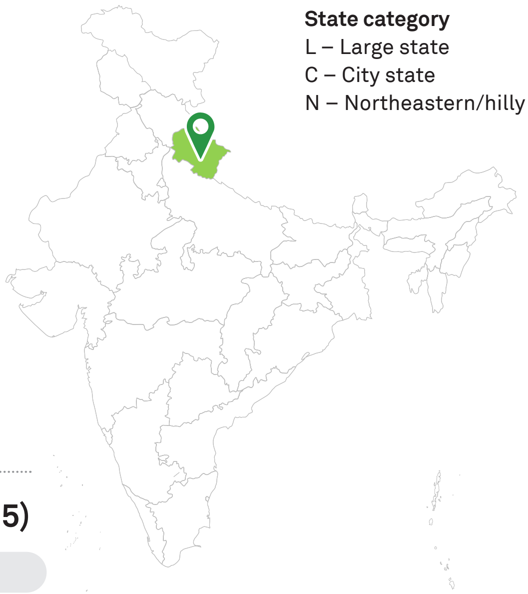
Agriculture share of GVA (FY23): 3.7%

Industry share of GVA (FY23): 50.4%

Services share of GVA (FY23): 45.9%

FDI inflow (FY24): $60.13 million

Key industries: Automobile and chemicals



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 25.3

Survey score (35): 22.2

Key enablers

- Abundance of resources
- Sound financial health

Key performance indicators

- Strong inflow of graduates to the workflow
- Controlled fiscal deficit

Areas needing improvement

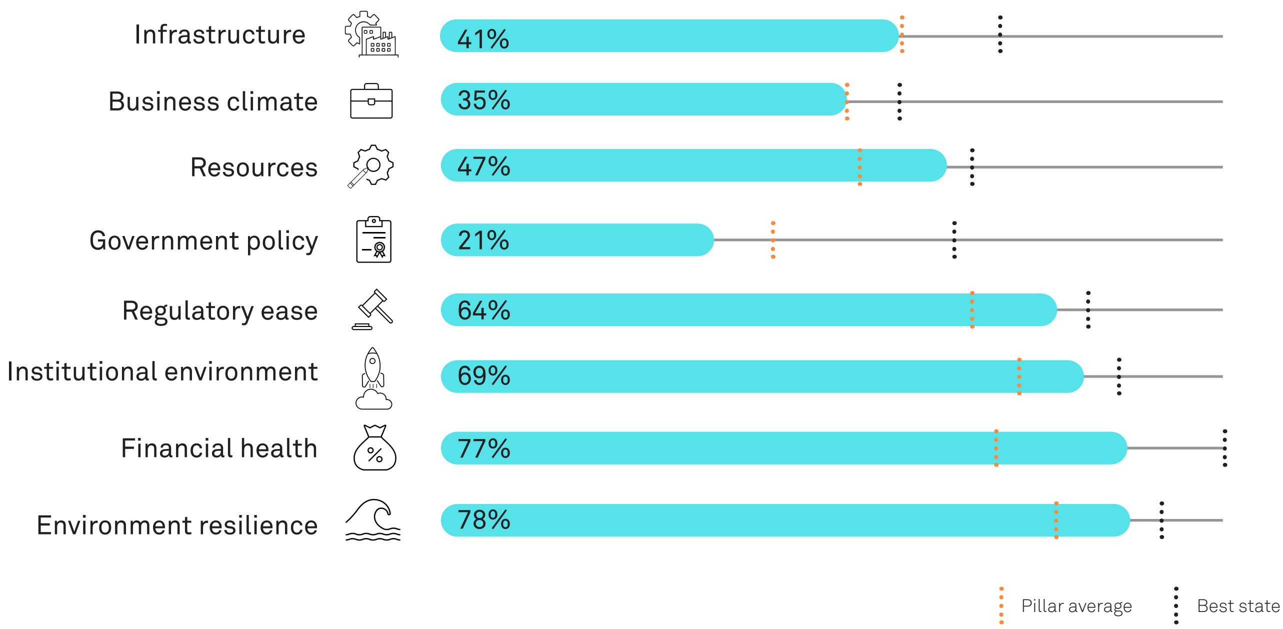
- Infrastructure
- Government policy

Indicators for improvement

- Airport capacity per capita

Uttarakhand has attained an overall score of 47.5, ranking first among northeastern and hilly states and 11th overall. Strengths include human resources, characterised by a strong inflow of graduates into the workforce. However, there are opportunities for improvement in the government policy and infrastructure pillars.

State's relative performance across pillars



Key factors driving the state's score

- Uttarakhand offers excellent banking facilities and financial availability, complemented by a favourable industrial environment
- The state provides a seamless and efficient experience for businesses, with all government-related paperwork processed through a single-window online platform in a short timeframe. Also, in 2024, the number of patents filed was 1,637, which was 28% higher vs the pan-India average. This indicates a robust environment for innovation and a commitment towards fostering intellectual property development
- The state has also excelled in the number of individuals entering the workforce as a percentage of the population, at 1.32%, the highest among northeastern and hilly states
- Uttarakhand had a fiscal deficit of 4.4% in fiscal 2024, which was ~3% lower than the category average, albeit still higher than the limit set out by the 15th Finance Commission
- Utility connections are readily accessible in the industrial areas of Uttarakhand, scoring four points above the category average. The state also boasts a robust disaster management system, scoring three points higher than the category average. This well-equipped framework provides an added layer of security and resilience for businesses operating in the region
- With 16.7 million passengers per annum in 2023, the airport passenger handling capacity in Uttarakhand is lower than that of six states in

its peer category on a per capita basis; hence, expansion could be explored

- The state can improve in the government policy area as well with its performance in indicators such as capex incentive disbursed as a percentage of total industrial capex and R&D incentive disbursed as a percentage of state GVA being below the category average

Voices from the ground

Areas of strength

- The condition of highways and ICDs are satisfactory, providing a robust transportation infrastructure for the movement of goods and people
- There is considerable availability of technically skilled and readily available workforce, providing a significant advantage for industries
- The state's policy framework is conducive to business growth, with regulations and incentives supportive of entrepreneurship and investment

Areas of focus

- Power supply is stable, with no long-duration outages; however, it has been reported that there are some unscheduled power outages and also that there is a lack of adequate dispute redressal by Uttarakhand Power Corporation Ltd

NITI Aayog

West Bengal

Overall rank 24/36

Score 41.3

Category rank L|15/17

Area: 88,752 sq km

GSDP per capita: Rs 96,618

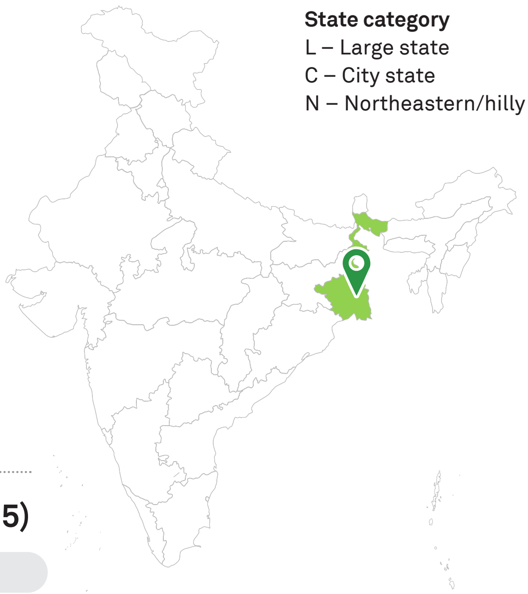
Agriculture share of GVA (FY23): 10.5%

Industry share of GVA (FY23): 30.4%

Services share of GVA (FY23): 59.1%

FDI inflow (FY24): $181.49 million

Key industries: Basic metals, coke and refined-petroleum products



State category
L – Large state
C – City state
N – Northeastern/hilly state

Data score (65): 20.1

Survey score (35): 21.2

Key enablers

- Good infrastructure
- Favourable institutional environment

Key performance indicators

- Adequate cold storage capacity
- Minimal impact of labour disruptions

Areas needing improvement

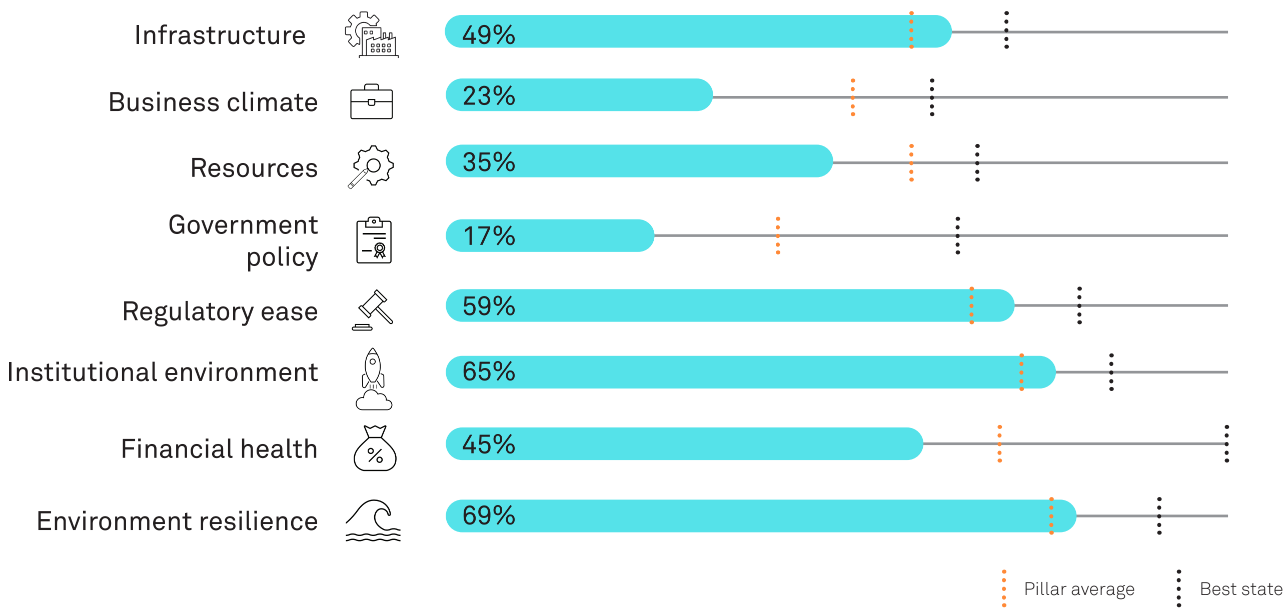
- Business climate
- Government policy

Indicators for improvement

- Number of startups registered

West Bengal has an overall score of 41.3, ranking 15th among Large states and 24th overall. This score is primarily influenced by its performance in the infrastructure and institutional environment pillars. However, there are notable areas for improvement in the government policy and business climate pillars.

State's relative performance across pillars



Key factors driving the state's score

- West Bengal demonstrates strong performance in the infrastructure and institutional environment pillars, with areas for improvement in the government policy and business climate pillars
- The state boasts one of the highest rail densities in the country, with railway routes per sq km of the state area twice the national average in fiscal 2023
- West Bengal has the second-largest cold storage capacity in India at ~59 lakh metric tonne (fiscal 2022), with facilities strategically located in all district headquarters and major industrial estates
- The state also benefits from a highly reliable power supply, with electricity transmission and distribution losses at ~10% below the national average in fiscal 2023
- From an institutional environment perspective, West Bengal maintains one of the lowest crime rates among major Indian states. As per the National Crime Records Bureau's Crime in India 2022 report, cognisable crime rate in the state was only 12 incidents per lakh population against the national average of 17 per lakh population
- However, government policy emerges as an area within which improvement can be made. With respect to incentive allocation as a percentage of state budget and capex incentive disbursed as a percentage of total industrial capex, the state has performed below average for the Large state category.

- West Bengal, though, attracts a disproportionately low share of FDI. Inflows totalled $428 million in 2022, decreasing to $394 million in 2023, and falling further to $181 million in 2024. Over the three years, this totalled only 0.67% of India's overall FDI share. Additionally, PE and VC activity in the state/GSDP is subdued at 0.45% of inflows vs the large peer state average of 2.56%
- State-wise interest payments-to-GSDP ratio of 4.85% was higher than the national average of 3.3% in 2024, impacting its financial health pillar score
- Although the situation has improved over the past three years, with a rising number of startups, the ratio of startups-to-total companies is still 2% below the category average

Voices from the ground

Areas of strength

- Power outages are rare for domestic as well as industrial consumers, and electricity charges are comparatively lower than in many other states
- There are several logistic hubs and cold storage facilities in every district headquarters as well as in each industrial estate, enhancing the state's supply chain efficiency
- Most cities, towns and district headquarters in the state are well connected to other parts of the country through an extensive railway network that supports both passenger and goods services
- So far, there have been no issues related to a lack of skilled workforce. West Bengal has been a significant contributor to the skilled labour supply across the country for decades
- Additionally, the state government has initiated several projects aimed at creating more job opportunities through the expansion of the MSME sector
- Kolkata is recognised as the cultural capital of India. The people of West Bengal are known for their rich cultural heritage, productivity, peace-loving nature, political engagement and readiness to protest for their rights. The crime rate in the state is low

Areas of focus

- Considerable investments are being made in Assam and other northeastern states, therefore requiring an improvement in road/rail infrastructure and connectivity. Road conditions and maintenance across the state need improvement
  - Obtaining NOCs and permissions to start a business in West Bengal requires multiple approvals, depending on the sector – comprises factory licence, trade licence, building permit, fire safety, electricity, pollution control, labour registrations, etc
  - The state's SilpaSathi single-window system has brought some order to the process, but the number of approvals remains high, especially for manufacturing and infrastructure-heavy businesses
- Allotment of land/securing land in West Bengal has historically been one of the more complex aspects of doing business in the state, given political sensitivities around land acquisition. While there have been reforms, the experience remains mixed

Annexures

Annexure 1: List of indicators

Table 3: List of indicators—Infrastructure

Parameter	Indicator	Source
Logistics	Capacity of airport per capita population	Lok Sabha questions
	Cargo capacity of airport/manufacturing GVA	Rajya Sabha question
	Number of airports with international operations for three years/area of state (sq km)	Airports Authority of India
	Road density [national highway (40%) + state highway (40%) + rural roads (20%)]/area of state (sq km)	RBI Statistical Handbook
	Investment in roads/total state expenditure	RBI State Finances report
	Quality of roads (condition of roads and connectivity to industrial hubs)	Perception survey
	Rail density: Total length of railway tracks (km)/area of state (sq km)	RBI Statistical Handbook–Railways
	Turnaround time weighted by capacity for major and non-major ports	Ministry of Ports, Shipping and Waterways, 2023 update
	Capacity of ports/manufacturing GVA (container, dry bulk, POL)	Ministry of Ports, Shipping and Waterways, March 2024 update
	Investor perception of transportation infrastructure in the state	Perception survey
Warehousing	CFS and ICD capacity/manufacturing GVA	Press Information Bureau (PIB)/Ministry of Finance
	Total capacity of cold storage facilities (tonnage)/ manufacturing GVA	RBI Statistical Handbook
	Capacity of warehousing/manufacturing GVA	Gati Shakti portal
Energy	Power cost: Industrial	NITI Aayog State Report
	Power cost: Commercial	NITI Aayog State Report
	T&D loss	RBI Statistical Handbook–T&D loss
	Share of renewables in power generation capacity	NITI Aayog India Climate and Energy Dashboard
	Average electricity downtime: commercial	RBI Statistical Handbook
	Investor perception of the power infrastructure in the state	Perception survey
Digital infrastructure	5G and 4G penetration (BTS/sq km)	Department of Telecommunications
	Digital payment transactions (per capita)	Ministry of Electronics and Information Technology

Parameter	Indicator	Source
Industrial parks	State-wise industrial area available for allotment/total land state area	IILB database
	Perception of plug-and-play infrastructure parks	Perception survey
	Investor perception of other infrastructure in the state—storage and digital	Perception survey

Table 4: List of indicators—Business climate

Parameter	Indicator	Source
Economic performance	GSDP per capita	MoSPI
	GSDP growth rate	MoSPI
	Capital expenditure/GSDP	RBI Statistical Handbook
	Exports/GSDP	RBI Statistical Handbook
Innovation	Expenditure on R&D as a percentage of GSDP	Self-reported by States
	Incubators per lakh population	Department for Promotion of Industry and Internal Trade (DPIIT)
	ATLs in the state per capita	Atal Innovation Mission
	Number of patent applications filed/number of enterprises	IP India annual report
Business facilitation	State tax revenue/GSDP	RBI Statistical Handbook
	FDI inflows as a percentage of GSDP	PIB (Reply given in Lok Sabha by the Minister of Commerce and Industry)
	State-wise credit to industry by banks/manufacturing GSDP	RBI Handbook of Statistics on Indian States
	Number of functioning branches of commercial banks per lakh population	RBI Handbook of Statistics on Indian States
	Total value of PE and VC investments in the state/GSDP	Indian Venture and Alternate Capital Association
	Investor satisfaction with investor facilitation centres, based on information availability, handholding of investors and other support provided	Perception survey
	MoU conversion rate: MoUs converted/investments announced during each financial year	Self-reported by states
	Number of startups as a share of the number of companies registered in that year	PIB/DPIIT
	New businesses registered in the state as a share of the number of businesses registered in India	Ministry of Corporate Affairs
	Medium and small enterprises as a proportion of total MSMEs in the state	Udyam dashboard

Table 5: List of indicators—Resources

Parameter	Indicator	Source
Natural resources	Annual extractable ground water resource (bcm)/area of the state	Central Ground Water Board
	Share of state in national metallic minerals production (in value)	Ministry of Mines
	Share of state in national non-metallic minerals production (in value)	Ministry of Mines
	Share of state in national coal and lignite production	Coal Controller Organisation
	Renewable resource potential (solar + wind + hydro + bioenergy)	Ministry of New and Renewable Energy
Human resources	Percentage of students enrolled in STEM courses against the total enrolment in higher education in the state	Directorate of Higher Education (DHE)
	New technical workforce added each year as a percentage of population (i.e., industrial training institutes, engineering)	DHE
	Number of people entering the workforce as a percentage of population (graduates and post-graduates)	DHE
	Women workforce participation rate	Periodic Labour Force Survey (PLFS)
	Working age population/total population	PLFS
	State government budget on skilling/total budget	Self-reported by states
	Vocational training capacity as a percentage of the population	Ministry of Skill Development and Entrepreneurship
	Percentage of colleges in the state in the top 100 National Institutional Ranking Framework (NIRF) list/ number of colleges in the state	NIRF
	Workforce quality	Perception survey
	State expenditure on education as a percentage of GDP	RBI State Finances report
	Quality of life – availability of schools, hospitals, social infra, job opportunities for family	Perception survey
	Healthcare investments in the state/state's capital expenditure	RBI State Finances report

Table 6: List of indicators—Government policy

Parameter	Indicator	Source
Incentive support	Capex incentive disbursed in a year/total Industrial capex	Self-reported by states
	Incentive allocation/state budget	Self-reported by states
	R&D incentive disbursed/state GVA	Self-reported by state
Policy effectiveness	Stakeholder satisfaction score with state policies: design, time taken for approvals and time for disbursement	Perception survey

Table 7: List of indicators—Regulatory ease

Parameter	Indicator	Source
Compliance requirements	No-objection certificates/permissions to start a business	Perception survey
	Land allotment and use	Perception survey
	Environmental clearance	Perception survey
	Ease of exit (average time to close)	Perception survey
	Construction permits	Perception survey
	Utility connections: electricity and water	Perception survey
Enforcement quality	Investor satisfaction with the single-window policy	Perception survey
	Ease of contract enforcement and access to dedicated commercial courts	Perception survey

Table 8: List of indicators—Financial health

Parameter	Indicator	Source
Debt profile	Total outstanding liabilities as a percentage of GSDP	RBI Handbook of Statistics on Indian States
	State's interest payments as a percentage of GSDP	RBI Handbook of Statistics on Indian States
Fiscal balance	State's gross fiscal deficit as a percentage of GSDP	RBI Handbook of Statistics on Indian States

Table 9: List of indicators—Institutional environment

Parameter	Indicator	Source
Security and stability	Crime rate in the state: economic offences	National Crime Records Bureau (NCRB)
	Number of cybercrimes in the state	NCRB
	Severity of labour disruptions	Perception survey
Policy consistency and governance	Regulatory environment	Perception survey
	Grievance redressal mechanism	Perception survey
	Consistency in state policies	Perception survey

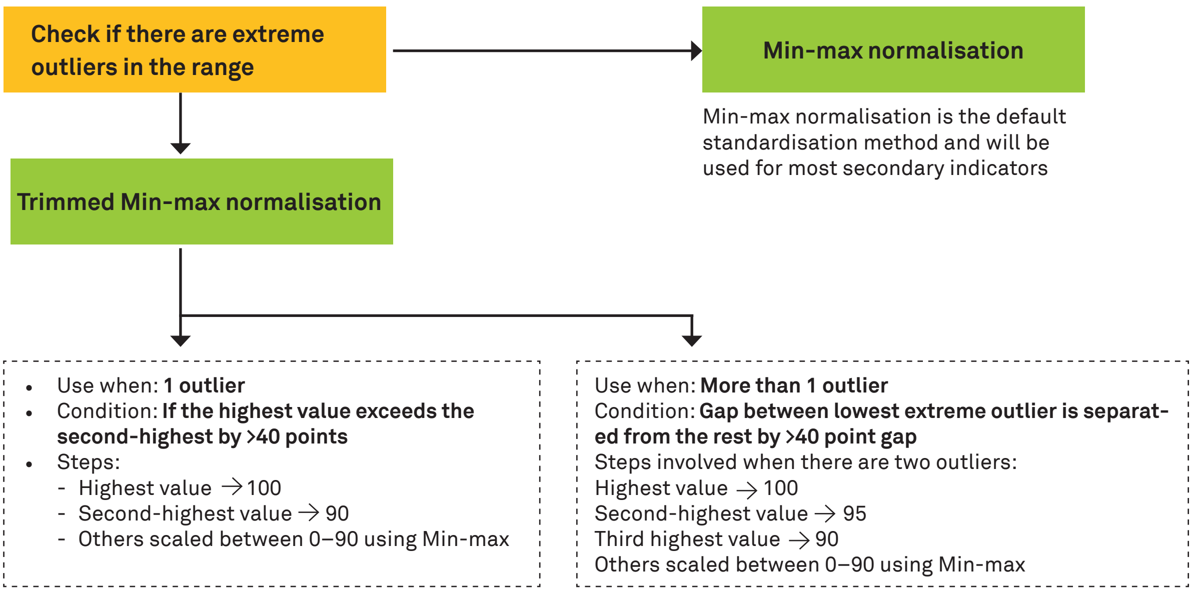
Table 10: List of indicators—Environment resilience

Parameter	Indicator	Source
Risk exposure	Percentage of the state's area in earthquake zone V	Ministry of Earth Sciences
	State-wise AQI	Ministry of Environment, Forest and climate Change
	Weighted parameter for number of cyclones, days of flooding and number of landslide events (equal weightage)	National Disaster Management Authority
Disaster-readiness	Disaster preparedness of the state	Perception survey

Annexure 2: Detailed scoring methodology for secondary indicators

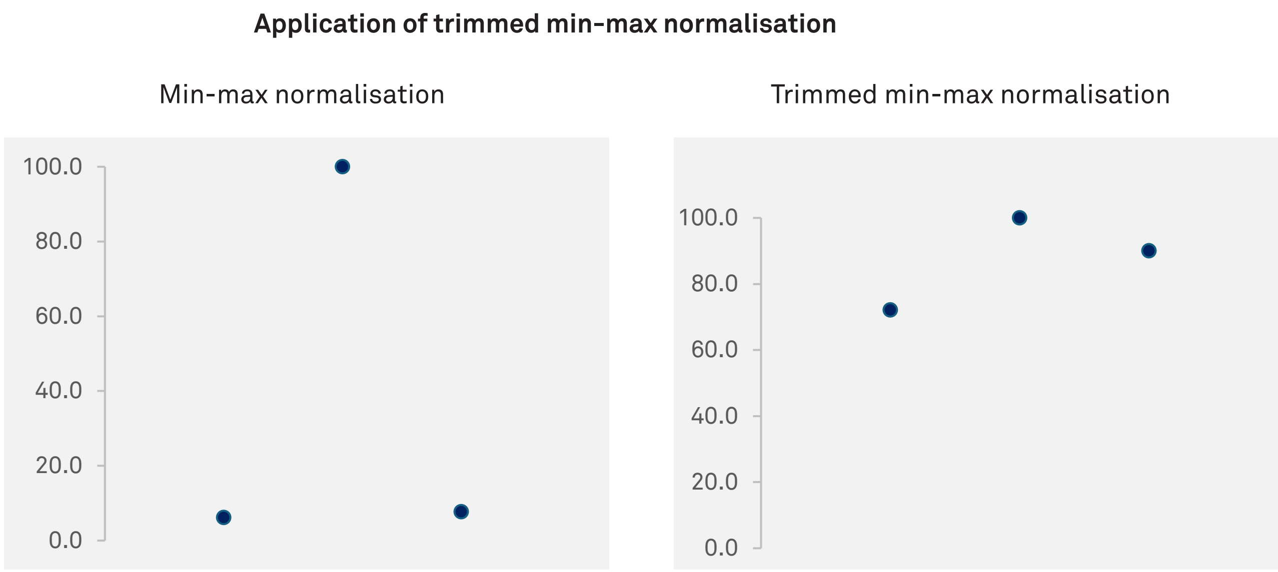
For secondary indicators, minimum-maximum normalisation was adopted for scoring (see Figure 19).

Figure 19: Scoring methodology for secondary indicators



1. For most secondary indicators, min-max normalisation was the preferred approach. In this method, the raw data for each indicator is converted into a standardised score between 0 and 100. This is done by first identifying the minimum and maximum values of the indicator across all 36 states and Union Territories. For each state, the minimum value is subtracted from its raw score, and the result is then divided by the range of the data, i.e. the difference between the maximum and minimum values. This process ensures that the state with the lowest value gets a score of 0, the one with the highest value gets a score of 100, and all others fall proportionally in between. For indicators where a lower value represents better performance, the formula is reversed so that higher scores always reflect better outcomes.
2. To ensure fair and representative scoring across data points, a trimmed min–max normalisation technique was employed in cases where outliers were present. This approach modifies the standard min-max normalisation method by addressing the disproportionate influence of extreme values on the overall score distribution. In instances where a single outlier was identified, that data point was clipped from the normalisation range and assigned a score of 100, while the remaining data points were normalised using the min-max formula within the adjusted range and normalised out of 90. In cases where multiple outliers were detected, the highest outlier received a score of 100, the second-highest outlier was assigned 95, and the remaining data points were again normalised out of 90. This trimmed normalisation ensures that the outliers are appropriately recognised for their exceptional values without disproportionately compressing the score range of the rest of the dataset, thereby maintaining both comparability and interpretive balance across variables.

Figure 20: Trimmed min-max technique for number of international airports/area of state



Annexure 3: Perception questions to assess investment friendliness of states

Note: Responses rated on a scale of 1-10

- An optional feedback box was provided at the end of each section, where the respondent provided reasoning/feedback for his/her score/s.
- If a question was not relevant to respondent's experience, they had the choice to select 'Not Applicable'
- Each respondent had the choice to rate upto 5 states

Quality of roads

1. **How would you rate the quality of roads in the state?**
   You may consider factors such as construction quality and maintenance of the road to provide your response

2. **How is the road connectivity in the state?**
   You may consider the connectivity between industrial hubs/office locations and ports/highways/airports/ICDs and provide your response basis the time taken for goods transfer/commute

Transportation infrastructure

- **Which type of transportation infrastructure would you like to provide feedback on?**
  Sub-questions to be asked basis the option chosen

3. **How would you rate the performance of the railway network in meeting business transportation requirements?**
   You may consider factors such as rail schedules, cargo capacity, availability of rail sidings, locomotives, wagons, rail infrastructure, passenger commute options and transfer facilities to provide your response

4. **How would you rate the performance of airports in meeting business transportation requirements?**
   You may consider factors such as flight schedules, proximity to your facilities, transit times and airport infrastructure to provide your response, assessing the overall efficiency and cost-effectiveness of airport services

5. **How would you rate the performance of seaports in meeting business transportation requirements?**
   You may consider factors such as berth availability, cargo handling, turnaround time, demurrage charges and port infrastructure to provide your response

6. **How would you rate the overall performance of ICDs in meeting your business requirements?**
   You may consider factors such as container handling efficiency, customs clearance procedures, storage, demurrage charges and warehousing facilities to provide your response

Power infrastructure

7. **How reliable is the state's industrial power supply?**
   You may consider factors such as frequency and duration of power outages and voltage fluctuations to provide your response, assessing the reliability of the state's industrial power supply in supporting uninterrupted business operations.

Plug-and-play industrial parks

8. **How would you rate the industrial park facilities in the state?**
   You may consider the quality, availability of utilities, accessibility (e.g. proximity to transportation hubs), accommodation facilities and the plug-and-play usage (e.g. ease of setting up operations) to provide your response

Storage and digital infrastructure

9. **How would you rate the state's storage infrastructure for supporting your business's logistics and supply chain operations?**
   You may consider factors such as warehouse capacity, grade of warehousing and location, as well as cold chain facilities and its storage costs to provide your response

10. **How would you rate the digital infrastructure for supporting your business operations?**
You may consider factors such as internet speed, mobile coverage and overall connectivity experience to provide your response

Investor satisfaction with investment promotion agencies

11. **How effective is the state Investment Promotion Agency?**
You may consider factors such as, whether they are able to aid investors, responsiveness to inquiries, clarity and accuracy of information provided and overall support in navigating regulatory processes to provide your response

Workforce

12. **How would you rate the availability of skilled workforce to meet your business needs?**
You may consider factors such as the ease of finding and recruiting of workers with specialised skills, qualifications, and experience relevant to your industry or sector, to provide your response

13. **How would you rate the availability of unskilled workforce in the area, to meet your business needs?**
You may consider factors such as the ease of finding and recruiting staff across blue collar workforce to provide your response.

14. **How would you rate the productivity of your workforce?**
You may consider factors such as efficiency (ability to complete tasks with minimal waste of time and resources) and the quality of work to provide your response

15. **How satisfied are you with the technical skills and industry-relevant competencies of the workforce?**
You may consider factors such as technical skills, knowledge and understanding of industry-specific concepts, and the workforce's proficiency in specific tools, software, and technologies to provide your response. This is with reference to the managerial/white collar workforce

Quality of life

16. **How would you rate your experience with the State's quality of life?**
You may consider factors such as availability and quality of amenities, quality of living environment, restaurants, places for entertainment, weekend getaways and access to leisure activities to provide your response

17. **How would you rate the availability of diverse and suitable job opportunities for family members of employees?**
You may consider factors such as suitable job opportunities available for family members

18. **How would you rate the law and order situation in the State?**
You may consider factors such as crime rate, effectiveness of law enforcement agencies, response time to emergencies and public perception of safety to provide your response

Stakeholder satisfaction score with state policies

19. **How would you rate the design and transparency of state-level investment/industrial policy frameworks?**
You may consider factors such as clarity of rules and regulations that govern business operations, investment in the state, and transparency referring to the ease with which policies and procedures can be understood and accessed, to provide your response.

20. **How would you rate the timelines of financial incentive disbursements from the State government?**
You may consider factors such as the speed of disbursement and consistency of payment schedules to provide your response

Satisfaction with the single window policy

21. **How would you rate the ease of use of the single window system?**
You may consider factors such as clarity of procedures, responsiveness of the system, and overall user experience to provide your response

22. **To what extent has the single window system reduced the time taken to complete the investment process?**
You may consider factors such as the duration of each stage of the investment process, the number of steps required, and the overall efficiency of the system in reducing processing time, to provide your response

NOCs/Permissions to start a business

23. **How would you rate the ease of obtaining all the necessary NOCs/permissions to start a business in the state?**
You may consider factors such as the number of approvals required, the clarity of application procedures, the responsiveness of authorities, and the overall time taken to obtain necessary clearances, to provide your response

24. **How competitive do you think the costs associated with obtaining licences to start a business in the state are, compared to other states?**
You may consider factors such as licence fees, registration fees, inspection fees, and other costs, including consultancy fees, documentation costs, and fees paid to agents, to provide your response

25. **How would you evaluate the state's performance to start a business within the timeframe defined by the state**
You may consider the time taken to obtain necessary permits, ease of registration, and reliability of the process to provide your response.

Utility connections - Electricity and water

26. **How would you rate the ease of obtaining utility connections in the state, excluding environment clearance-related matters?**
You may consider factors such as time taken to obtain connections and responsiveness of utility providers to provide your response

Land allotment and use

27. **How would you rate the overall experience of obtaining land allotment in the state?**
You may consider factors such as speed, clarity, transparency, and investor-friendliness of the process, statutory costs and associated costs to provide your response.
Statutory costs (fees and charges mandated by the government, such as registration fees, stamp duty, and other official charges)
Associated costs (additional expenses, such as agent fees, documentation costs and other incidental charges)

28. **How would you rate the overall quality of the state's land use change approval process?**
You may consider number of procedures involved , time taken for approvals and availability of online application systems to provide your response

Environmental clearance

29. **How would you rate the efficiency of the state's environmental clearance process for setting up business operations**
You may consider the time taken for clearance to provide your response

30. **What is the overall experience of businesses in obtaining environmental clearance and complying with regulations in the state?**
You may consider how cumbersome the entire procedure is in terms of the documentation, associated costs (statutory and others) to provide your response

Ease of exit

Closing the operations of a plant/company in any state

31. **How effective is the state's regulatory framework in allowing businesses to cease operations in a smooth and timely manner?**
You may consider clarity of regulations, time taken to complete closure procedures and administrative complexity involved in closing the operations of a plant/company in the state

32. **How reasonable do you think the costs associated with closing a business are in the state?**
You may consider regulatory costs such as statutory fees, legal and associated costs

(additional expenses, such as agent fees, documentation costs, and other incidental charges), and any penalties associated with business closure

Construction permits

33. **How is the complexity and transparency of the state's construction permit process?**
You may consider number of procedures involved, time taken for approvals and availability of online application systems to provide your response

Ease of contract enforcement and access to dedicated commercial courts

34. **How would you rate the accessibility of the state's commercial courts for resolving commercial contract related disputes?**
You may consider procedural simplicity as well as availability of digital filing systems to assess accessibility of the commercial courts
35. **How would you rate the overall effectiveness of the legal system in enforcing commercial contracts in the state?**
You may consider timeliness and reliability of the legal system in its ability to enforce commercial contracts only. Scoring should not cover aspects related to labour disputes and tax disputes

Severity of labour disruptions

36. **How would you rate the impact of labour disruptions such as strikes on the operational stability and productivity of businesses in the state**
You may consider the frequency and duration of labour disruptions, such as strikes, and their effect on operational stability, productivity, and overall business continuity to provide your response

37. **How would you rate the ease of complying with existing labour laws and regulations in the state?**
You may consider clarity of labour regulations, ease in meeting the labour laws, administrative burden and extent of support offered by state authorities in resolving labour disputes

Regulatory environment

38. **What is your experience with the regulatory environment in the state, including the role of factory inspectors and other government agencies?**
You may consider the frequency of inspections and ease of compliance to provide your response

Consistency in state policies

39. **How would you rate the consistency and stability of the state's policies and regulations in supporting predictable and reliable business operations**
You may consider the frequency of changes and enforcement consistency to provide your response

Grievance redressal mechanism in the state

40. **How would you rate the state's grievance redressal mechanism in addressing business-related complaints or disputes?**
You may consider effectiveness of the grievance redressal mechanism of the state and the time taken in settling grievances

Disaster preparedness of the State

41. **How would you rate the disaster preparedness of the State towards natural or manmade disasters?**
You may consider the State's ability to identify risks/disasters, communicate with businesses and stakeholders and mitigate them, ensuring business continuity to assess disaster preparedness

Notes

Notes

Investment Friendliness Index

सत्यमेव जयते

NITI Aayog