



INVESTMENT ENVIRONMENT IN INDIA AND FACTOR CONDUCTIVE OR INVESTMENT IN INDIA

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Abstract

This study examines India's investment environment and the key factors influencing investment decisions and market participation. India has emerged as a strong investment destination due to consistent economic growth, financial sector expansion, regulatory reforms, technological progress, and increasing financial awareness among investors. The analysis focuses on macroeconomic indicators such as GDP growth, inflation trends, interest rate movements, and government fiscal policies to understand their impact on investment behavior and capital flows. It also evaluates sector-wise performance of banking, information technology, pharmaceuticals, infrastructure, and consumer goods to identify stable and high-growth investment opportunities. The study highlights the role of domestic and foreign investors, including institutional participation, in shaping market trends and volatility. Overall, it shows a clear shift from traditional savings instruments to market-linked investments like equity shares and mutual funds for better inflation-adjusted returns.

Keywords: Investment environment, macroeconomic indicators, sectoral analysis, capital flows, market-linked investments.

Introduction:

Investment on environment in India & factors conducive for investment in India

The investment environment of a country refers to the overall economic, political, legal, and financial conditions that influence the willingness and ability of individuals and institutions to invest their money. It includes the stability of the economy, government policies, financial markets, infrastructure, technological development, and investor protection mechanisms. A favorable investment environment encourages both domestic and foreign investors to allocate funds into productive assets such as equity shares, bonds, mutual funds, real estate, and

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business ventures. In contrast, an unstable environment discourages investment due to uncertainty and higher risk.

India is considered one of the most promising emerging economies in the world. Over the last three decades, especially after the economic liberalization reforms of 1991, India has transformed from a closed economy into a globally integrated market-oriented economy. The government reduced trade barriers, encouraged private sector participation, allowed foreign direct investment (FDI), and strengthened the financial system. As a result, India has developed a diversified investment environment consisting of stock exchanges (NSE and BSE), banking institutions, insurance companies, mutual funds, pension funds, and alternative investment avenues.

The Indian investment environment is unique because it combines high growth potential with moderate risk. The country has a large domestic market, a growing middle-class population, rising disposable income, and rapid urbanization. These factors create continuous demand for goods and services, which leads to business expansion and attractive returns for investors.

Moreover, India's demographic advantage — a young and working-age population — ensures long-term consumption and production growth, making the economy attractive for long-term investment.

Government initiatives also play a significant role in strengthening the investment climate. Programs such as Make in India, Digital India, Start-up India, and Atmanirbhar Bharat aim to improve industrial production, technological innovation, and entrepreneurship. Reforms like Goods and Services Tax (GST), Insolvency and Bankruptcy Code (IBC), and corporate tax reduction have improved transparency and ease of doing business. These reforms increase investor confidence because they create a predictable and organized business environment.

History of investment environment in India

The investment environment in India has evolved significantly over time, shaped by economic policies, political changes, financial reforms, and global integration. In the early post-independence period (1950s–1980s), India followed a **mixed economy model** with strong government control over industries and limited participation of the private sector. Investment opportunities were mainly restricted to public sector enterprises, and strict licensing systems (often called the “License Raj”) controlled industrial growth. Financial markets existed but were relatively underdeveloped, and foreign investment was highly restricted. During this

period, savings were primarily directed toward traditional instruments such as bank deposits, post office savings schemes, and government bonds.

A major turning point came with the **economic liberalization reforms of 1991**, which transformed India's investment landscape. The government introduced structural reforms such as deregulation of industries, reduction in import tariffs, encouragement of private participation, and opening up of sectors to foreign direct investment (FDI). These reforms marked the beginning of a market-oriented economy. Institutions like the **Securities and Exchange Board of India (SEBI)** were strengthened to regulate capital markets, improve transparency, and protect investors. The establishment and modernization of stock exchanges like the **National Stock Exchange (NSE)** further improved trading efficiency and investor confidence. As a result, India began attracting both domestic and global investors, leading to rapid growth in financial markets and corporate investments.

Research Methodology

The present study on the investment environment in India is based on a descriptive research design, aiming to understand various factors influencing investment decisions and market participation. The study focuses on analyzing economic, political, legal, and technological conditions that affect investment behavior in India. It also examines investor perceptions regarding government policies, financial institutions, and investment avenues.

The data used in this study is primarily **primary in nature**, collected through a structured questionnaire consisting of multiple-choice questions related to investment environment factors. The responses were analyzed using **simple statistical tools such as percentage method and graphical representation (pie charts)** to interpret the data effectively. This helps in presenting clear comparisons among different variables and identifying dominant trends.

The sample for the study includes respondents such as students, investors, and individuals with basic awareness of financial markets. A **convenience sampling technique** was used for selecting respondents due to time and accessibility constraints. The study is limited to a specific geographical area and reflects the opinions and perceptions of the selected sample only.

In addition to primary data, **secondary data** has also been used for theoretical understanding. This includes books, journals, government reports, RBI publications, SEBI guidelines, and official financial websites. The combination of primary and secondary data ensures a balanced understanding of the investment environment in India.

Results and Discussion

Factors influencing investment environment:

The investment environment is mainly influenced by political, economic, and legal factors, which together account for the largest share. Social and cultural factors play a minor role, while climatic factors have the least influence. Overall, structural policy and economic conditions are the key drivers of investment decisions.

Chart:

| | |
|--------------------------|-------|
| Political/Economic/Legal | 88.3% |
| Social & Cultural | 6.7% |
| Climatic | 5% |

Reason India's domestic market attracts investors:

A strong domestic demand base is the most important reason investors are attracted to India. While reduced competition and production cost concerns exist, they have minimal impact compared to the demand potential.

Chart:

| | |
|---------------------------|-------|
| High demand potential | 88.3% |
| Reduces competition | 6.7% |
| Increases production cost | 5% |

Effect of infrastructure on investment:

Infrastructure has mixed effects on investment. While it significantly improves efficiency, it may also increase transport costs. A smaller proportion views it as slowing production.

Chart:

| | |
|------------------------|-------|
| Efficiency improvement | 38.3% |
| Raises transport cost | 38.3% |
| Slows production | 23.3% |

Effect of FDI policy:

FDI policy is mainly seen as beneficial for capital and technology inflow. However, concerns exist regarding job reduction and trade restrictions, though they are less dominant.

Chart:

| | |
|-----------------------------|-------|
| Capital & technology inflow | 38.3% |
| Job reduction concern | 35% |
| Trade restrictions | 26.7% |

Conclusion

The study concludes that direct marketing plays a crucial role in influencing consumer buying behaviour, especially in the context of Furnitech. With the growing use of digital platforms, customers are increasingly exposed to personalized and targeted marketing messages that directly impact their purchase decisions. The findings show that social media, email, and messaging platforms are the most effective tools for engaging customers and building brand awareness. Furnitech has successfully established a strong market presence through its quality products, customer-centric approach, and effective communication strategies.

Additionally, the research highlights that factors such as convenience, attractive offers, and easy access to information encourage consumers to prefer online shopping. Direct marketing not only increases awareness but also drives customer engagement and conversion. However, maintaining the right balance in communication is essential to avoid customer dissatisfaction. Overall, Furnitech focus on innovation, sustainability, and digital marketing positions it well for future growth in the competitive furniture industry.

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