BRIDGE
THINK TANK

The New Geography of India's Growth

Which States Are Winning the Race

From Market Potential to Investment Competitiveness

Sankhya - October 2026 Edition



BRIDGE
THINK TANK

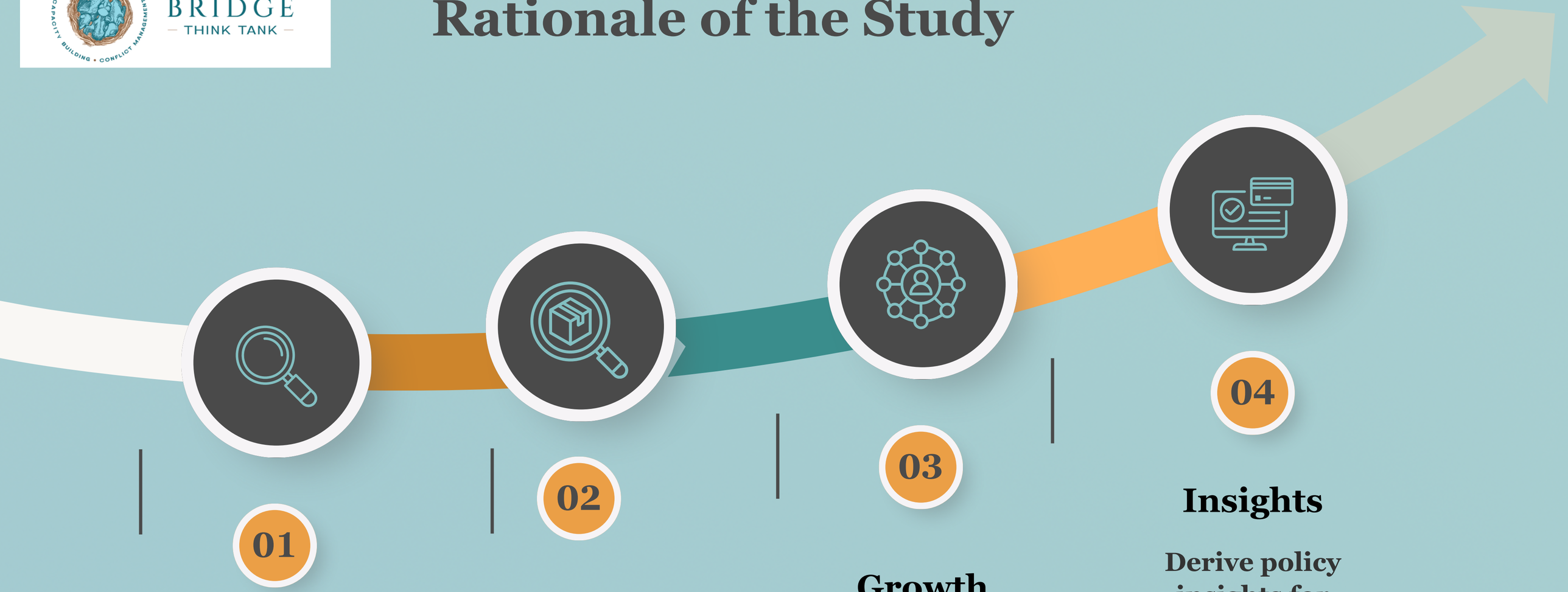


"There cannot be a good plan for economic progress without adequate data and there cannot be adequate data without a good plan for collecting them..."

-P.C Mahalanobis, Scientist

BRIDGE
THINK TANK

Rationale of the Study



01

Destinations

Analyse top FDI-receiving states in India

02

Drivers

Assess factors influencing foreign investment attraction

03

Growth

Identify drivers of regional competitiveness and growth

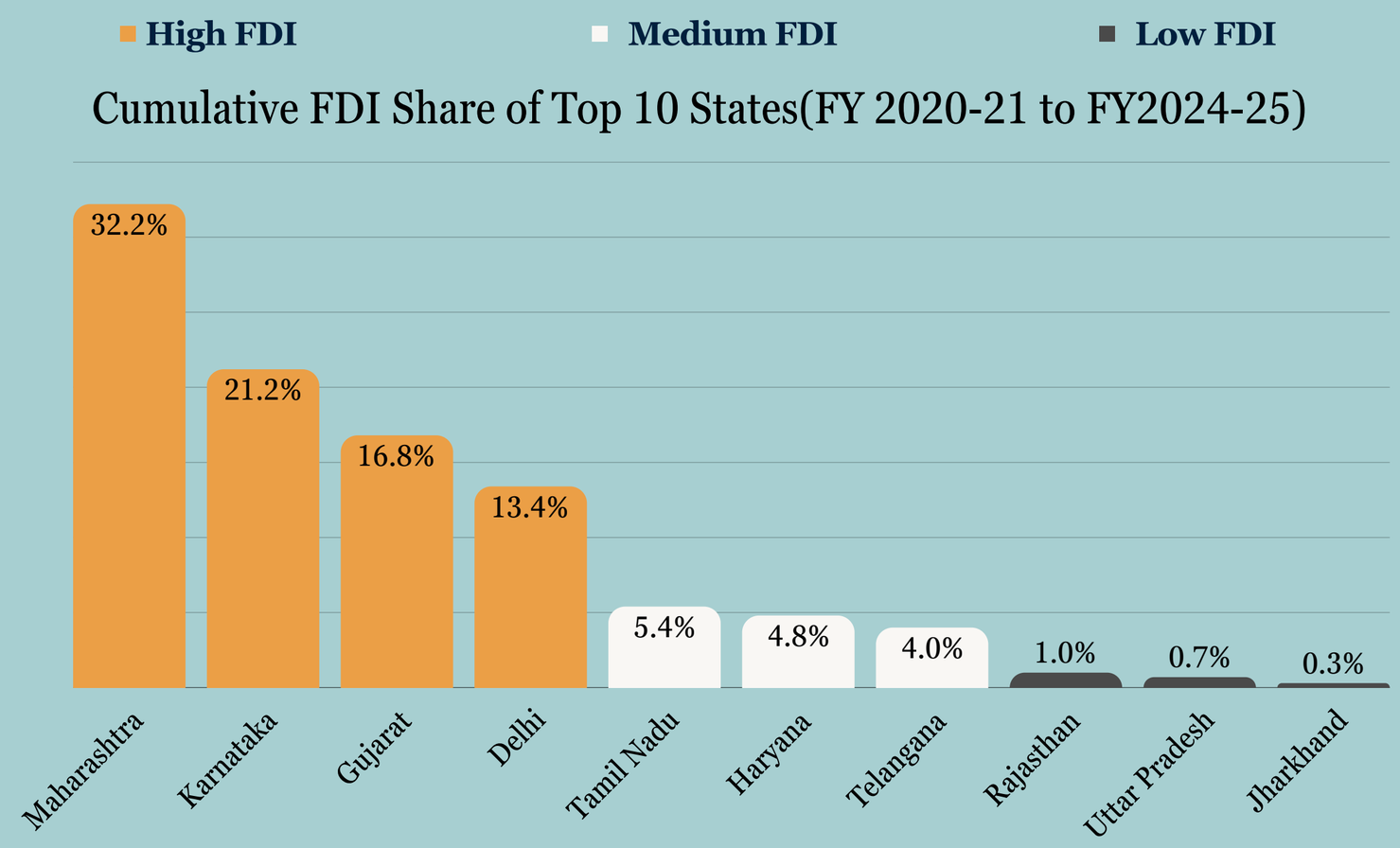
04

Insights

Derive policy insights for improving investment outcomes

BRIDGE
THINK TANK

FDI Share Across Top 10 States



Source:Lok Sabha Secretariat, Unstarred Question No. 686, https://sansad.in/getFile/annex/268/AU686_0XC6bL.pdf?source=pqars (last visited Sept. 30, 2026).

Key Insights

FDI inflows remain highly concentrated, with the Top 4 states accounting for the overwhelming majority of investments received during FY2020-21 to FY2024-25

Maharashtra leads, followed by Karnataka and Gujarat, together accounting for over 65% of Total FDI inflows

The concentration of FDI underscores the importance of strong economic fundamentals, infrastructure, skilled labour, and governance in attracting foreign investors

BRIDGE
THINK TANK

Which States Are Winning India's Investment Race?

84% of cumulative FDI is concentrated in just four states (Maharashtra, Karnataka, Gujarat & Delhi)

Maharashtra
Financial & Business Hub

- Financial capital of India
- Strong corporate and industry ecosystem
- Robust logistics and connectivity infrastructure

Gujarat
Manufacturing & Export Hub

- Strong port connectivity and industrial corridor network
- Home to GIFT City, India's international financial services hub
- Growing semiconductor and advanced manufacturing ecosystem
- Key destination for export-led industrial investment



Karnataka
Technology & Innovation Hub

- Global technology hub with a strong talent base
- Thriving startup ecosystem and high Global Capability Centre concentration
- Growing semiconductor and electronics capabilities

Delhi (NCT)
Administrative & Market Access Hub

- Strong services sector and corporate presence
- Presence of key government ministries and institutions
- Major hub for business and policy decision

Source: Lok Sabha Secretariat, Unstarred Question No. 686, Unstarred Question No. 686, Rajya Sabha, answered on Feb. 8, 2024, Ministry of Finance, Gov't of India, https://sansad.in/getFile/annex/268/AU686_0XC6bL.pdf?source=pqars (last visited Sept. 30, 2026).

BRIDGE
THINK TANK

Why Do Some States Consistently Attract More FDI Than Others?

The answer lies in four pillars of competitiveness

Market Size

To assess whether states can provide the workforce required for business operations and industrial growth.

Labour

To capture the scale of demand and business opportunities available to investors.

Governance

To evaluate the ease, predictability, and efficiency of the regulatory and business environment.

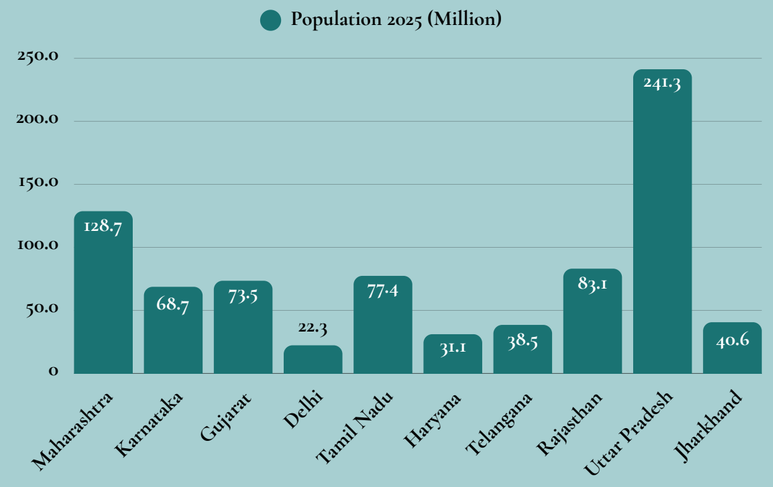
Infrastructure

To measure a state's capacity to support investment through reliable transport, logistics, power, and connectivity.

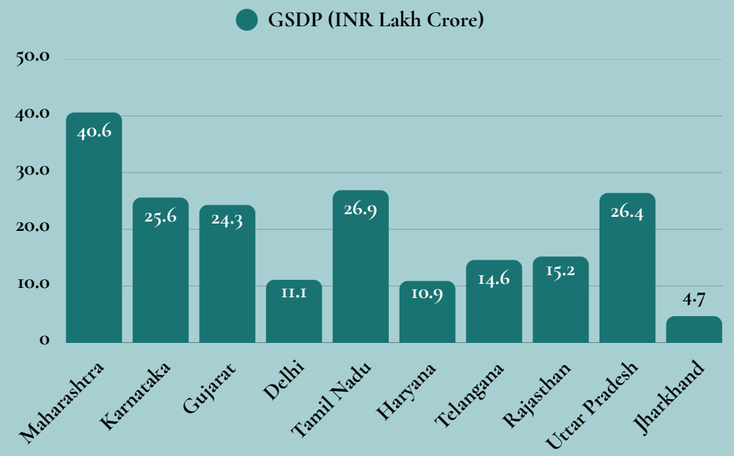
Market Size

Market size influences investment decisions by providing access to consumers, businesses, and economic activity

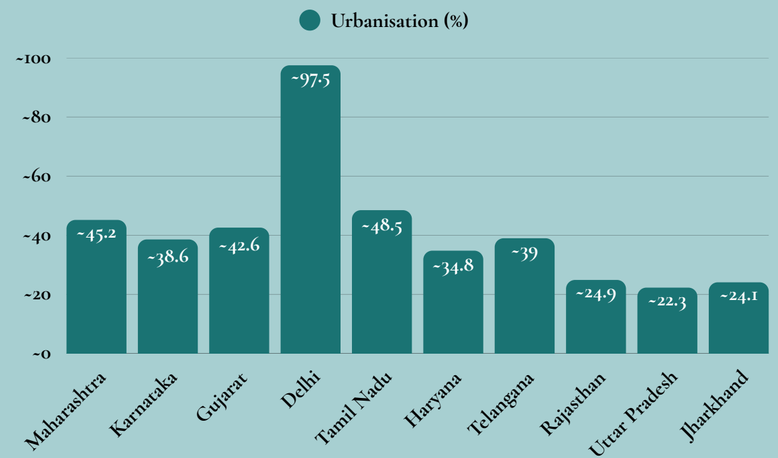
Population 2025(Million)



Gross State Domestic Product FY 2024-25 (INR Crore)



Urbanisation (%)



Large consumer markets create significant demand opportunities for investors, but the most attractive investment destinations are those where market size is supported by strong economic activity and urban concentration. Maharashtra, with a population of 128.7 million, the highest GSDP (INR 40.6 lakh crore), and 45.2% urbanisation, offers both scale and purchasing power. Similarly, Karnataka (INR 25.6 lakh crore GSDP; 38.6% urbanisation), Gujarat (INR 24.3 lakh crore; 42.6% urbanisation), Tamil Nadu (INR 26.9 lakh crore; 48.5% urbanisation), and Delhi (97.5% urbanisation) provide densely connected consumer and business markets. These characteristics enable firms to access customers more efficiently, benefit from stronger demand, and scale operations faster, making such states preferred destinations for investment.

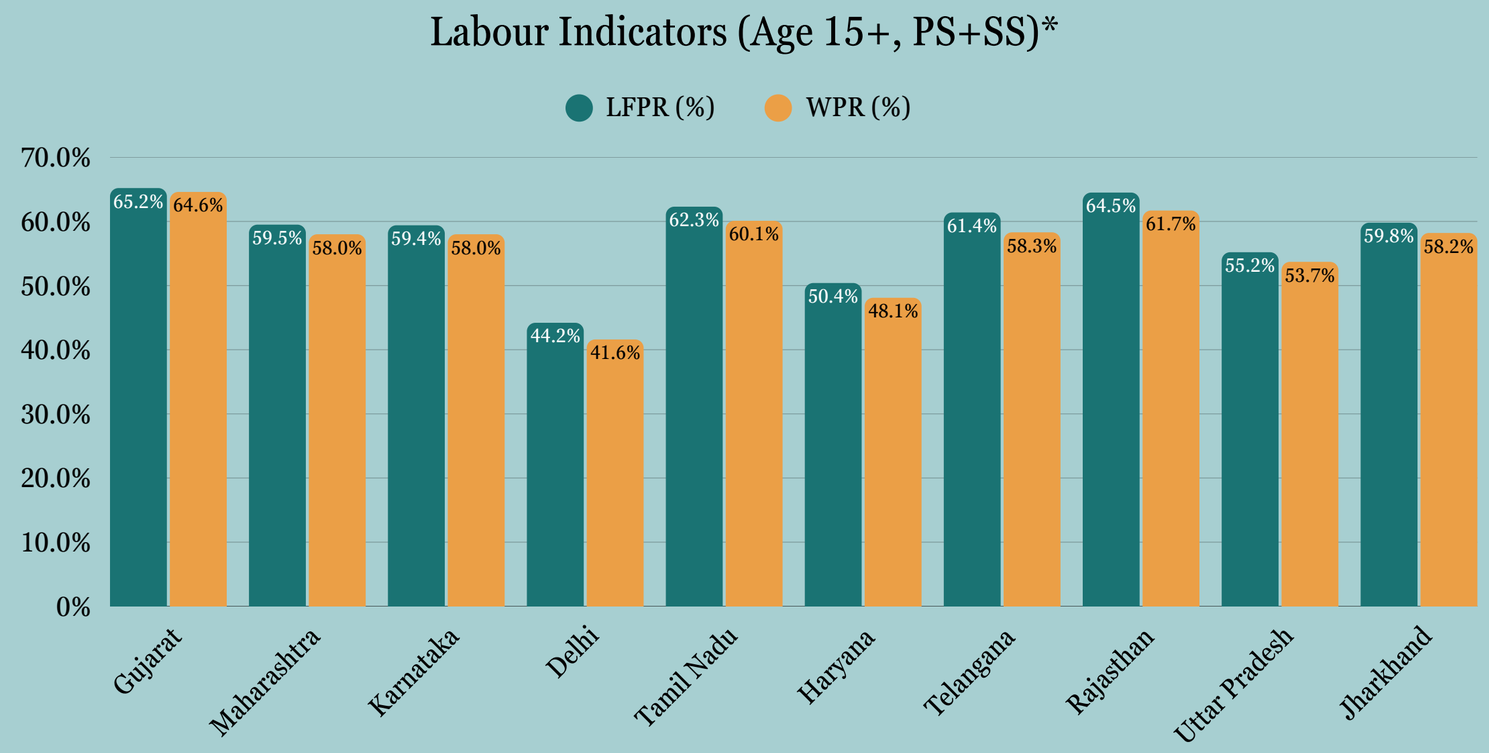
Source: 1.StatisticsTimes.com, Population of Indian States 2026, https://statisticstimes.com/demographics/india/indian-states-population.php (last visited Sept. 14, 2026)

2.StatisticsTimes.com, GDP of Indian States, https://statisticstimes.com/economy/india/indian-states-gdp.php (last visited Sept. 14, 2026).

3.IHS Markit, Urbanization Rates in India Correlate Directly to a State's Potential for Economic Growth, https://cdn.ihs.com/www/blog/india_map_and_urbanization_rates.pdf (last visited Sept. 14, 2026).

Labour Advantage

To assess labour availability across the top FDI-receiving states, the analysis relies on the Labour Force Participation Rate (LFPR) and Worker Population Ratio (WPR). Direct and comparable state-wise data on the availability of skilled and unskilled workforce is not readily available; therefore, these indicators are used to provide an overall assessment of labour availability.



Gujarat records the highest labour participation (LFPR: 65.2%; WPR: 64.6%), indicating strong workforce availability.

Source: Mopsi,GOI, PLFS Annual Report 2024-25, Table 16: LFPR, p. 144 (May 29, 2026), https://www.mospi.gov.in/uploads/publications_reports /publications_reports17800404 153 21_0624fb13-fb47-40bc-b470-7c7e9635c3ef_PLFS_2025_F_REV_29052026.pdf.

Note: PS+SS (Principal Status + Subsidiary Status): Measures a person's employment status over the last 365 days, considering both their main activity and any secondary work undertaken during the year.

BRIDGE
THINK TANK

Governance

Efficient governance simplifies approvals, reduces regulatory delay's and provide investores with a clearer and faster path to implementation through integrated digital systems.

MAHARASHTRA

MAITRI

- Integrates 128 services across 14 departments on a unified digital platform.
- Processed 3.52 lakh applications with a 95.68% disposal rate.
- Enables end-to-end online processing and real-time tracking of investor applications.

KARNATAKA

Invest Karnataka

- Provides one-point access for investor approvals and clearances.
- Karnataka Udyog Mitra supports investors from proposal stage to project implementation.
- Reduced 1,400+ regulatory compliances through digitisation, simplification, and decriminalisation initiatives.

TAMIL NADU

Single Window Portal

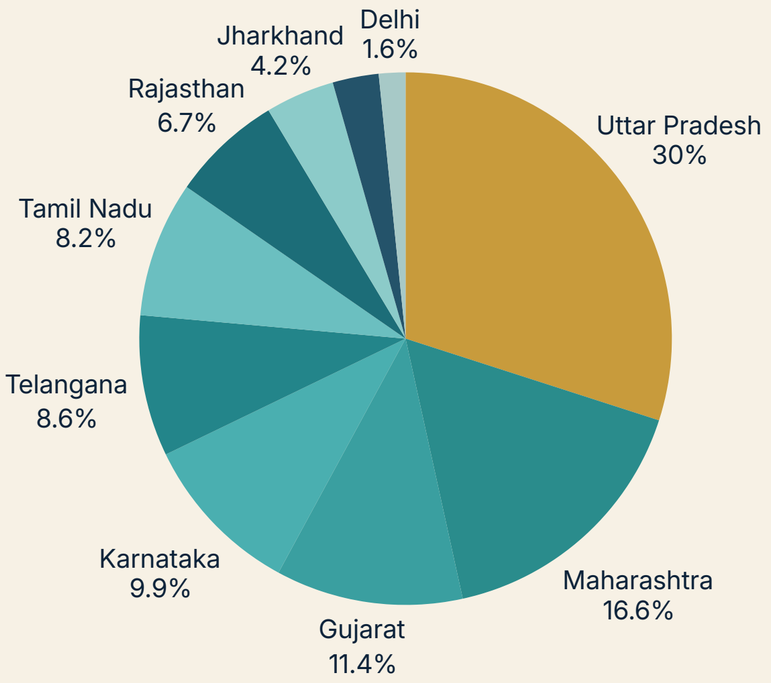
- Single-window portal integrating 220+ services across 33+ government departments through a unified digital platform.
- 120,000+ approvals granted out of 131,000+ applications received, indicating strong institutional capacity and investor facilitation.
- Paperless approval mechanism designed to improve ease of doing business.

Sources: 1. Government of Maharashtra, Maharashtra Industry, Trade and Investment Facilitation Cell (MAITRI), https://industry.maharashtra.gov.in/en/allied-offices/maharashtra-industry-trade-and-investment-facilitation-cell-maitri (last visited Sept. 30, 2026).
2.Invest Karnataka, Ease of Doing Business, https://investkarnataka.co.in/ka-proposition/ease-of-doing-business/ (last visited Sept. 30, 2026).
3.Guidance Tamil Nadu, Single Window Portal, https://tnswp.com/DIGIGOV/swp-tnswp.jsp (last visited Sept. 30, 2026).

Infrastructure

INFRASTRUCTURE & INVESTMENT ATTRACTION

CAPITAL EXPENDITURE 2024–2025



Uttar Pradesh: Strong Infrastructure Push, with FDI Potential Expected to Materialise as Projects Near Completion.

- Ganga Expressway (2021-27): A INR36,000+ crore, 594 km mega expressway connecting Meerut and Prayagraj, strengthening east-west connectivity across 12 district.
- Noida International Airport, Jewar (2021-26): One of Asia's largest greenfield airports, being developed as a major aviation, logistics, cargo and aerospace hub.
- Eastern Dedicated Freight Corridor (2020 onwards): High-capacity freight corridor with over 1,000 km in UP, enabling faster cargo movement and lower logistics costs.
- Bundelkhand Industrial Development Authority (BIDA) (2023 onwards): A 56,000+ acre planned industrial city designed to attract large-scale manufacturing investment and employment generation.
- It also has the country's first inland waterway, first multimodal terminal, and one of the two defence corridors in the country.

Source:Reserve Bank of India, Handbook of Statistics on Indian States (Dec. 11, 2025), https://www.rbi.org.in/scripts/PublicationsView.aspx?id=23623 (last visited Sept. 30, 2026).

BRIDGE
THINK TANK

What Drives FDI the Most?

If labour, infrastructure, market size, and governance are no longer unique advantages, what truly drives foreign investors to prefer certain states over others?

As these foundational factors become increasingly common across states, FDI appears to be influenced by a deeper set of strategic considerations, including ecosystem maturity, industry concentration, global linkages, innovation potential, and investor confidence. Understanding these hidden differentiators is essential to explaining why a handful of states continue to attract a disproportionate share of investment.

BRIDGE
THINK TANK

CONCLUSION

Investment opportunities may exist across states, but effective governance determines where foreign investors ultimately choose to invest.



01 FDI inflows remain highly concentrated, with a few states accounting for the majority of investments.

02 Labour, infrastructure, and market size support investment attractiveness, but do not alone determine FDI outcomes.

03 Effective governance is the key differentiator, with investor-friendly policies, faster approvals, and strong institutions driving higher FDI inflows.

BRIDGE
THINK TANK

ADVOCACY • POLICY • CAPACITY BUILDING • CONFLICT MANAGEMENT

Want to submit ideas for Sankhya?

Share your views, analysis, ideas and questions

director@bridgethinktank.com

