Daily Mains Practice Answer 20-08-2026

Q. What is corporate investment? Why has the response of private corporate investment to strong economic growth remained relatively subdued in India? Discuss the structural and cyclical factors involved. (15 marks, 250 words)

Direction: Intro------ private corporate investment remained relatively subdued - structural and cyclical factors-----Conclusion.

Introduction:

Define corporate investment (Expenditure by private firms on productive assets with the objective of expanding productive capacity and generating future profits).

Main Body

Why has private corporate investment remained subdued?

Structural factors

- Incomplete business-environment reforms – Land acquisition, environmental clearances, regulatory approvals, etc.
- Weak manufacturing competitiveness - Logistics costs, skill shortages, high compliance costs, infrastructure gaps and regulatory constraints.
- Legacy of the corporate-debt/NPA cycle
- Weakness in export-oriented global demand – Trade restrictions, relatively high input costs.
- Concentration of investment - Investment is mainly concentrated among large conglomerates and a few sectors.

Cyclical factors

- Post-pandemic uncertainty
- Weak consumer confidence
- Uneven consumption recovery – Aggregate demand is strong, but consumption growth has been uneven across income groups and regions.
- Global uncertainty – Geopolitical conflicts, trade tensions, tariffs, volatile commodity prices, etc.
- Inflation & High input-cost volatility – Oil, energy, metals and other commodity-price fluctuations.
- Public investment crowding-in has not yet fully translated into private capex & the effect is not instantaneous.

Measures to revive the investment cycle

- Sustained public capital expenditure
- Revival of mass consumption through employment and real-income growth.
- Greater policy and regulatory certainty.
- Faster land, environmental and project clearances.
- Reduction in logistics and transaction costs.
- Greater integration with global value chains and export markets.
- Better access to long-term finance, particularly for MSMEs.

Conclusion:

Give a balanced conclusion.