

## Private Sector CAPEX Investment

Mains Syllabus: GS III- Indian Economy and issues relating to planning, mobilization, of resources, growth, development and employment.

### Why in the News?

The Ministry of Statistics and Programme Implementation (MoSPI) has released the first ever “Forward-Looking Survey on Private Sector CAPEX Investment Intentions”.

### What is the Forward-Looking Survey on Private Sector CAPEX Investment Intentions?

- **Survey background** - In 2022-23, the Parliamentary Standing Committee recommended that the Ministry of Statistics and Programme Implementation (MoSPI) develop a comprehensive methodology to capture capital expenditure (CAPEX) data from the private sector.
- **Objective of the CAPEX survey** - To estimate the CAPEX trends of private corporate sector enterprises
  - From the past three financial years (2021-22, 2022-23 & 2023-24)
  - Anticipated capital expenditure for the current year (2024-25) and upcoming financial years (2025-26).
  - The breakdown of investments by asset type.
- **Survey period** - National Statistical Office (NSO) conducted the inaugural Forward-Looking Survey on Private Sector CAPEX Investment Intentions between November 2024 and January 2025.
- This marked the first initiative of MoSPI to engage the corporate sector through a self-administered, web-based survey platform to collect structured CAPEX data.
- **Coverage** - The eligibility criteria were as follows
  - Manufacturing enterprises with an annual turnover of Rs.400 crore or more
  - Trade enterprises with an annual turnover of Rs.300 crore or more
  - Other enterprises with an annual turnover of Rs.100 crore or more
- Based on these criteria, the final survey frame consisted of 16,025 enterprises.

### What are the significances of the survey?

- **Valuable data asset** - Comprehensive data on CAPEX will be a valuable asset for a wide range of stakeholders, including government departments, private enterprises, trade associations, researchers, and other relevant entities.
- **Evidence-based policy formulation** - It will enable evidence-based policy formulation through the analysis of trends in future investments.

- **Data-driven investment decisions** - A clear understanding of CAPEX patterns and scale can assist enterprises in making strategic, data-driven investment decisions, guided by the insights derived from survey findings.

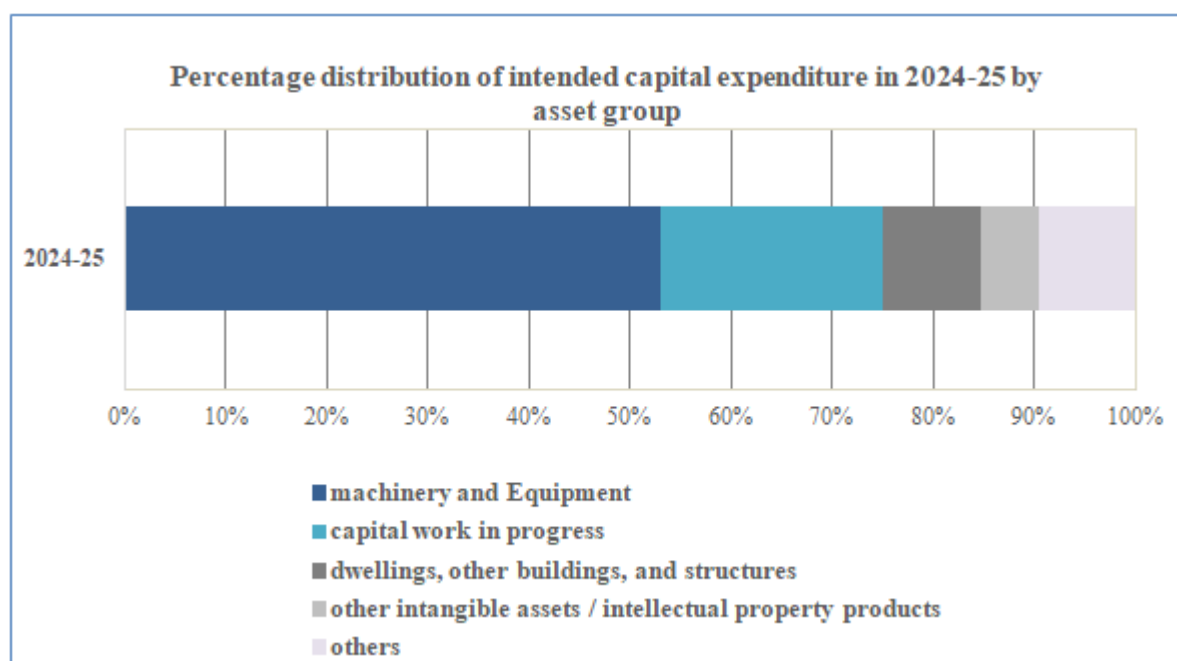
## What are the key findings of the survey?

- **Average Gross Fixed Assets per enterprise** - It is increased from Rs.3,151.9 crore in 2021-22 to Rs.3,279.4 crore in 2022-23 (4% growth), and further to Rs.4,183.3 crore in 2023-24, reflecting a significant 27.5% growth in the private corporate sector.

(in ₹ Crore)

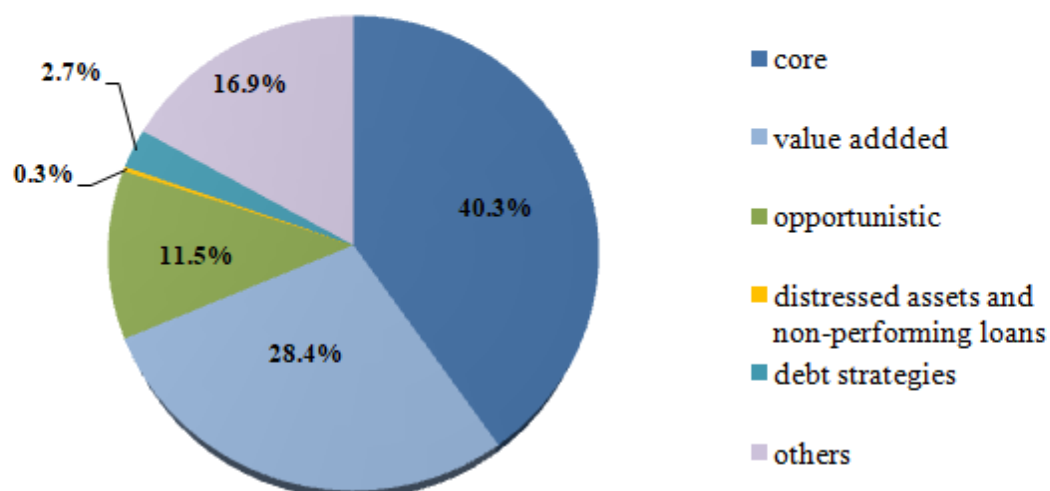
Actual CAPEX in 2021-22	Actual CAPEX 2022-23	Actual CAPEX 2023-24	Intended CAPEX in 2024-25	Intended CAPEX in 2025-26
394,681.5	572,199.7	422,183.3	656,492.7	488,865.5

- **Future CAPEX estimation** - The estimated CAPEX per enterprise for the years 2021-22, 2022-23, and 2023-24 was Rs.109.2 crore, Rs.148.8 crore and Rs.107.6 crore respectively.
- **Rate of increase** - Overall increase of 66.3% in aggregate CAPEX (unweighted) over the four-year period from 2021-22 to 2024-25.
- **Asset wise investment** - Out of the total capital expenditure provisionally incurred in the year 2024-25, nearly 53.1% were utilized for purchasing machinery & equipment.
- The amount allocated for 'capital work in progress' (22.0%) and purchasing 'dwellings, other buildings and structures' (9.7%) had the next highest share of allocation.

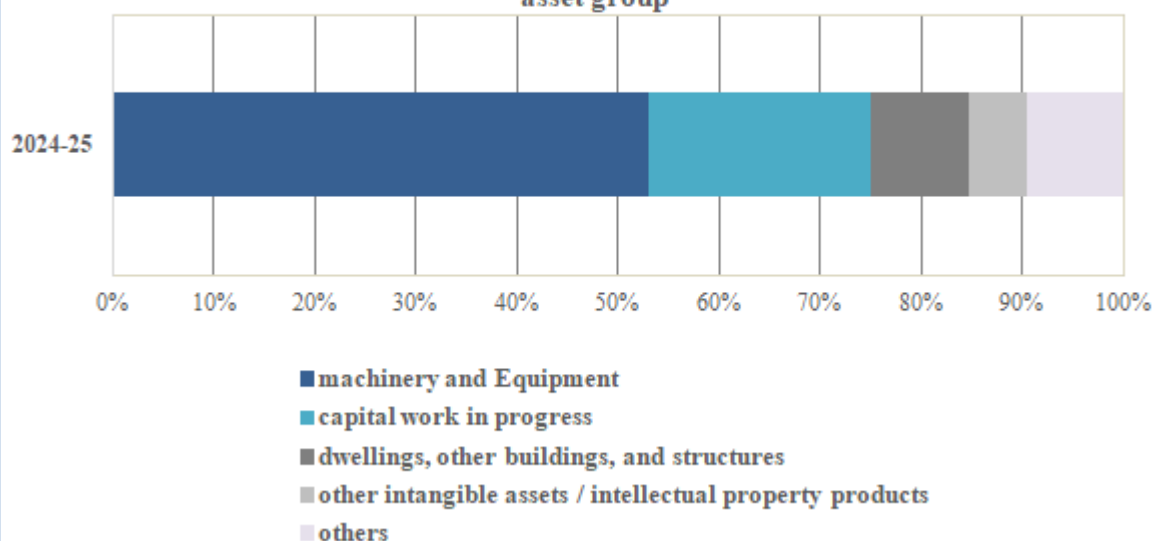


- **Strategy of investment** - The strategy of 40.3% of enterprises is to undertake CAPEX on core assets during 2024-25, followed by 28.4% to invest in value addition to existing assets.

### % distribution of enterprises by investment strategy for CAPEX in 2024-25

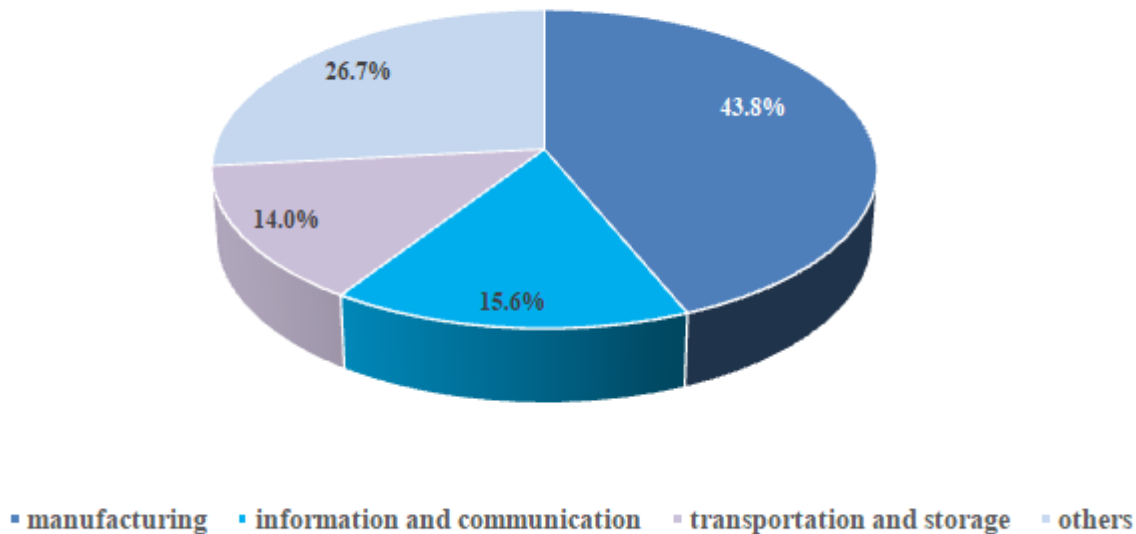


### Percentage distribution of intended capital expenditure in 2024-25 by asset group



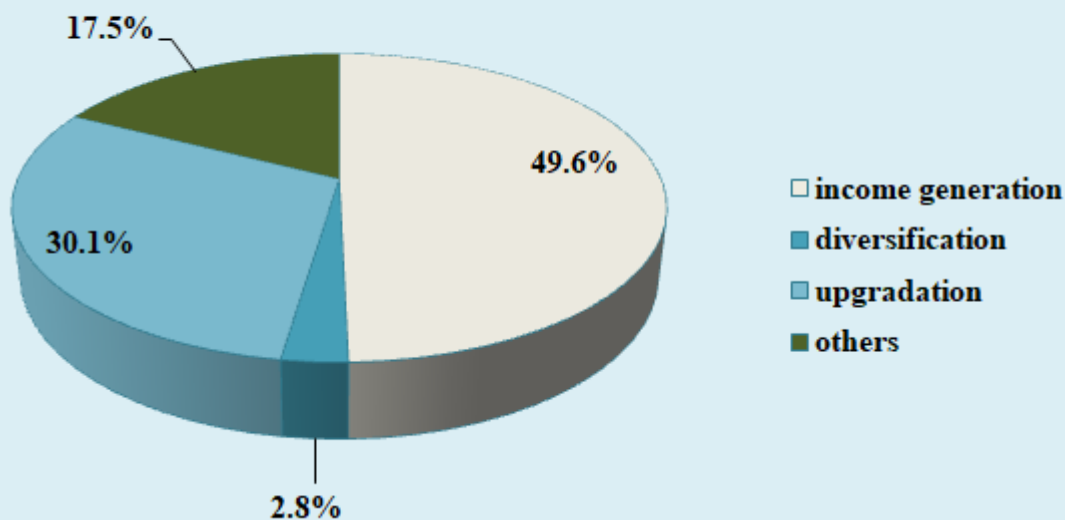
- **Sectoral investment** - Among the sectors, manufacturing enterprises account for the largest share at 43.8%, followed by those in 'Information and Communication Activities' (15.6%) and 'Transportation and Storage Activities' (14.0%).

Percentage distribution of intended capital expenditure in 2024-25  
by main activity



- **Objectives of investment** - The survey estimates indicate that nearly 49.6% of private corporate sector enterprises undertook CAPEX in 2024-25 primarily for income generation.

% distribution of enterprises by main objective of CAPEX  
investment in 2024-25



### What are the significances of capital expenditure?

- **Enhances the stock of physical assets** - Capital expenditure (CAPEX) plays a crucial role in contributing to national investment and enhancing the stock of physical assets within the economy.
- **Improves the operational efficiency of economic activities** - It leads to the creation of long-term assets, which not only generate revenue for many years but also improve the overall operational efficiency of economic activities.

- **Accelerates economic growth** - CAPEX is fundamental to expanding production capacity, thereby serving as a catalyst for accelerated economic growth.
- **Creates livelihood** - This economic growth, in turn, supports job creation and enhances labour productivity.
- **Innovation** - Private enterprises drive innovation and entrepreneurship, which are essential for sustained economic progress.
- They often lead in research and development spending, collaborating with universities and institutions to bring new technologies and business models to market.
- **Infrastructure development** - Private investments provide necessary infrastructure that is sustainable, reliable, and technologically advanced, supporting modern economic activities.



### What are the challenges in private sector capital investment?

- **Geopolitical uncertainties** - Global economic instability, geopolitical risks, and market volatility create apprehension among private investors, leading to cautious investment behavior.
- For example, the current tariff war among the countries after the government change in USA.
- **Financial risks** - Corporate prudence has increased due to high-profile bankruptcies, making firms prioritize financial stability over expansion.
- **Financial accessibility barrier** - Access to finance remains a significant barrier, with high interest rates, short loan tenors, and lack of concessional finance limiting investment capacity.
- **Falling household savings rate** - It affects private sector investment primarily by reducing the availability of domestic capital for investment and increasing reliance on

external borrowing, which can raise financing costs and dampen investment growth.

- **Market limitations** - Market barriers such as incomplete or asymmetric information reduce investor confidence.
- **Technological limitations** - Availability , cost of new technologies and high gestation period pose challenges for private investments in innovative sectors.

### What lies ahead?

- To improve private sector capital expenditure (capex) investment, several strategic measures and policy actions can be taken to enhance efficiency, align investments with long-term goals, and create a conducive environment for sustained private investment growth.
- Governments ( National and State) can stimulate private investment by offering incentives such as Production Linked Incentive (PLI) schemes, improving ease of doing business, and ensuring policy stability.
- Access to affordable finance need to be improved by developing long-term credit facilities, reducing interest rates, and expanding venture capital availability.
- Transparency and information flow could be enhanced reduce market asymmetries and build investor confidence.

### References

[PIB | Forward-Looking Survey on Private Sector CAPEX Investment Intentions](#)

[To practice Mains Question, Click Here](#)

