NITI Aayog released a report on “Investment Friendliness Index”

Strengthening India’s Investment Ecosystem: States at the Core of India’s Growth Story

Investment Friendliness Index to Benchmark, Enable and Accelerate State-level Reforms for attracting Investment

Advancing the Vision of Viksit Bharat through Viksit Rajya@2047 and Stronger State Investment Ecosystems

A Data-Driven Approach to Ease of Investment

प्रविष्टि तिथि: 17 JUL 2026 6:11PM by PIB Delhi

During the 9th Governing Council Meeting of NITI Aayog held in July 2024, the Hon'ble Prime Minister tasked NITI Aayog with preparing an Investment-Friendly Charter comprising key policies, programmes, and processes required to attract investments. Subsequently, the Union Budget 2025–26 announced the development of an Investment Friendliness Index to strengthen the spirit of competitive and cooperative federalism by promoting reforms and fostering a conducive investment ecosystem across States.

NITI Aayog has released the report titled "Investment Friendliness Index (IFI)", which presents a structured and data-driven framework for assessing how effectively States and Union Territories create, enable, and sustain an environment conducive to investments. The Index evaluates key policy, institutional, regulatory, and infrastructure-related parameters that influence investment decisions and provides a comparative assessment of the investment ecosystem across States and Union Territories.

The report underscores that while national-level reforms provide the overarching policy direction for economic growth, State Governments play a pivotal role in shaping the investment climate through robust infrastructure, efficient regulatory frameworks, effective institutions, and predictable policy regimes. Strengthening these State-level investment ecosystems is essential for enhancing India's competitiveness, attracting greater domestic and foreign investment, and sustaining high economic growth. The Investment Friendliness Index seeks to foster competitive and cooperative federalism by encouraging States and Union Territories to adopt best practices and undertake continuous reforms in pursuit of the vision of Viksit Bharat @2047.

Why the Investment Friendliness Index Matters

India has witnessed sustained economic growth over the past three decades and is now on the path towards becoming a developed nation under the vision of Viksit Bharat @2047. Achieving this aspiration will require a significant increase in investment rates, with private investment expected to play a pivotal role in driving industrialisation, innovation, employment generation, and long-term economic growth.

While reforms undertaken by the Central Government establish the overarching policy and macroeconomic framework, investment decisions are ultimately influenced by the quality of the business environment at the State level. Factors such as availability of industrial land, quality of physical and digital infrastructure, regulatory efficiency, institutional capacity, and policy predictability are critical determinants of investment attractiveness. Recognising the central role of States in fostering a conducive investment climate, the Investment Friendliness Index (IFI) has been developed as a structured and evidence-based framework to benchmark investment ecosystems across States and Union Territories.

Beyond ranking performance, the IFI serves as a catalyst for reforms by identifying strengths, highlighting areas for improvement, promoting the adoption of best practices, and encouraging peer learning. By fostering healthy competition and cooperative federalism, the Index aims to support continuous improvements in the investment climate and strengthen India's competitiveness as a preferred investment destination.

Framework and Methodology

The Investment Friendliness Index covers all 28 states and 8 Union Territories and evaluates investment attractiveness across the following eight pillars:

i. Infrastructure
ii. Business climate
iii. Resources
iv. Government policy
v. Regulatory Ease
vi. Institutional Environment
vii. Financial Health; and

- viii. Environmental Resilience

The Investment Friendliness Index (IFI) framework has been developed through a rigorous and consultative process involving an extensive review of global and domestic investment benchmarking methodologies. The framework comprises 84 indicators, incorporating both secondary data and perception-based measures derived from a primary survey of investors.

Key Results and State Categorisation

Based on overall scores, States and Union Territories have been classified into four performance categories:

● Top Performers (scores above 50)
● Frontrunners (45–50)
● Emerging Performers (≥40 – <45)
● Aspiring States (below 40)

Based on the overall assessment, Gujarat, Maharashtra, Tamil Nadu, Goa, and Odisha have emerged as the Top Performers in the Investment Friendliness Index. In addition, 15 States have been classified as Frontrunners, while eight States/UTs have been placed in each Emerging Performers and Aspiring States categories.

Recognising the diversity in India's federal landscape, States and Union Territories have also been assessed within three peer groups - Large States, Hilly and North-Eastern States, and Union Territories and City States. This peer-group approach accounts for differences in geography, economic scale, and administrative context, enabling more meaningful and equitable comparisons.

Among the Large States, Gujarat secured the first rank, followed by Maharashtra and Tamil Nadu, which are also the top three performers in the overall Index. In the Hilly and North-Eastern States category, Uttarakhand emerged as the highest-ranked State, followed by Assam and Himachal Pradesh. Among the City States and Union Territories, Goa secured the top position, followed by Delhi and Chandigarh.

Insights from State Profiles

The report presents detailed State Profiles that provide a comprehensive analysis of the performance of each State and Union Territory across the pillars of the Investment Friendliness Index. The profiles benchmark performance against peer States with comparable geographic and administrative characteristics, enabling contextual and meaningful assessment.

Each profile highlights the key indicators and enabling factors underpinning a State's performance, identifies areas requiring policy attention, and incorporates insights from the investor perception survey to reflect the on-ground experience of businesses. By combining objective indicator scores with qualitative investor feedback, the profiles present a balanced and evidence-based assessment of the functioning of State-level investment ecosystems.

These profiles are intended to serve as practical tools for policymakers to identify targeted reform priorities, support States and Union Territories in benchmarking their performance against peers, and enable investors to better understand the strengths, opportunities, and investment climate prevailing across jurisdictions.

The Investment Friendliness Index is therefore envisaged not merely as a periodic assessment exercise, but as a strategic reform instrument that will guide States in strengthening their investment ecosystems over time. Through sustained collaboration between the Centre, States, industry, and other stakeholders, the Index seeks to create a more transparent, predictable, and resilient investment environment that reinforces India's position as a preferred global investment destination and supports inclusive, sustainable, and long-term economic growth.

Access the full report here: https://niti.gov.in/sites/default/files/2026-07/Investment-Friendliness-Index.pdf

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