

RBI Quarterly
No. 4/24

India's ascent: A distinct story of growth

JANUARY 2025

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• Abstract

India's economic landscape has undergone significant shifts, positioning the country as a potential global economic powerhouse. We examine India's economic trajectory in its historical context, its growth catalysts, followed by an analysis of India's systemic challenges, and strategic recommendations for businesses. The nation's demographic profile presents a unique economic opportunity, with a median age of 28 years and a large working-age population. Urbanization and middle-class expansion are critical growth drivers. Emerging urban centers are developing as innovation hubs, with technology and financial services, as well as telecommunications driving sectoral growth. Long-term government initiatives emphasize transportation, energy, and urban infrastructure.

There are, however, structural challenges in the labor market: around 88.8% of workers remain in the informal sector, youth unemployment is high, while labor force participation of women is low. Services have boosted India's growth of recent years, while the manufacturing sector's share has declined to 12.8%. Industrial development faces critical limitations, including regional disparities, low R&D investment, stagnant foreign direct investment, layers of persistently complex bureaucracy, and productivity significantly below global competitors. Prime Minister Modi's "Viksit Bharat 2047" vision addresses some of these issues. Our analysis highlights three key areas, the "3 Ls" – law, land, and labor – as crucial for the desired growth trajectory: in these three areas, India's political system must become more flexible and effective. The country presents significant challenges as well as considerable opportunities for businesses prepared to navigate its economic landscape: a nuanced approach that comprises strategic workforce planning, local market adaptation, and operational excellence can unlock India's full economic potential for investors and businesses.

"We see four key drivers for India's economic potential: India's "demographic dividend", urbanization and the corresponding expansion of the Indian consumer in a rising middle class, and infrastructure investments."

DAVID BORN
Senior Manager

1 Lant Pritchett, "Is India a Flailing State? Detours on the Four Lane Highway to Modernization", <https://dash.harvard.edu/bitstream/handle/1/4449106/Pritchett%20India%20Flailing%20State.pdf>

1. India's ascent: A distinct story of growth

As Narendra Modi was storming to victory in the election of 2014, he said "achhe din aane waale hain" – good days are coming. Under Modi's predecessor Manmohan Singh, the Harvard economist Lant Pritchett called India a "flailing state", meaning that its political "head" was no longer connected to the "arms" and "legs" of political implementation.¹

Ten years after Narendra Modi was first elected prime minister, India's economy has roughly doubled in size. This is what happens when a country grows at 7% a year, as India has done, on average, since it opened its markets to international competition in 1991.

More recently, India overtook the United Kingdom to become the world's fifth largest economy, and it is expected to surpass Japan and Germany to become the world's third largest economy within the next few years.

Amid a challenging global scenario, India has emerged as a significant economic and geopolitical power in recent years. In December 2023, Indian Prime Minister Modi announced the economic strategy of "Viksit Bharat 2047", the term 'Viksit Bharat' meaning 'Developed India'. Viksit Bharat 2047 represents the government's vision to transform the country into a developed economy by the 100th anniversary of its independence in 2047. The vision encompasses multiple aspects of development, including economic growth, social progress, environmental sustainability, and good governance. This ambitious pathway is as much a political and social aspiration as it is an economic mission.

Modi's announcement came at a time when the Indian economy had suffered significantly from the COVID-19 pandemic. In 2020, India's GDP shrank by more than 5%. The following year, however, India grew again by an impressive 9.7%, more than offsetting the decline in 2020. Projections for the second half of the 2020s point to sustained robust growth, with average growth rates expected to exceed 7% per annum.

Can India achieve its political and macroeconomic goals and realize its ambitions of "Viksit Bharat"? What are the key drivers of India's growth trajectory in recent years? And what are the main constraints on this trajectory? These are the core analytical questions addressed in this edition of the Roland Berger Quarterly (chapters 2 and 3). In the final chapter we will take a closer look at India's opportunities for investors and as a future location for production and manufacturing (chapter 4).

2. Economic foundations and key growth catalysts in India

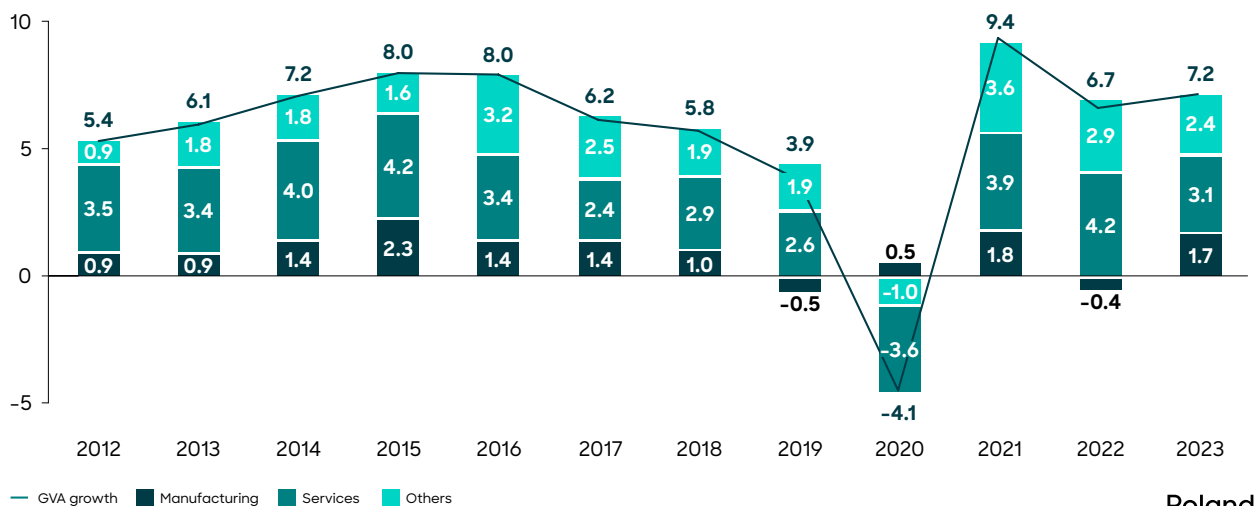
Services as main pillar of India's growth

India's economic development is one of the most remarkable transformations of modern times. Once an agrarian economy, with about half of its gross value added (GVA) coming from agriculture and allied sectors at the time of independence in 1947,

the country has emerged as a global hub for services in the 21st century. The services sector, now accounting for roughly half of India's gross value added (GVA), has been a key engine of growth. Industries such as information technology, financial services, and telecommunications have positioned India as a global leader in outsourcing and digital innovation. Between 2011 and 2023, the financial and professional services sector grew at an impressive 7.6% annually, supported by a skilled workforce and a growing domestic demand for advanced services. In addition, sectors such as tourism, healthcare, and education continue to expand, serving both domestic and international markets. This above-average growth ensures that the services sector is the main contributor to India's strong growth rates.

Services have been the largest contributor to India's economic growth in recent years

Sectoral contribution to GVA growth [percentage points]



Source: NITI Aayog, Roland Berger

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Domestic demand as a key driver for India's economy

India's economic structure has long emphasized domestic consumption as the primary engine of growth. Household consumption accounts for about 60% of India's GDP, significantly higher than, for example, China (37%), which relies more on investment and exports. Although India's export sector is rather modest (22% of GDP), exports play an important role for some sectors in India. Its export base has expanded beyond traditional goods such as textiles and agricultural goods to include pharmaceuticals, automotive parts, and IT services. In recent years, India has also made significant inroads into technology-driven exports, such as software and engineering services. A relatively low export dependence provides some resilience to global trade disruptions and external shocks such as trade wars or supply chain crises. However, to achieve its long-term growth ambitions, India is also working to expand its export footprint through trade agreements and market diversification, seeking a balanced approach that leverages both domestic demand and global opportunities.

Fundamental forces propelling India's future macroeconomic potential

After examining India's current macroeconomic landscape, it is clear that the country has a firm foundation for sustained growth. To fully understand the trajectory of India's future development, it is essential to identify the key levers that will fuel its progress over the coming decades. Below, we discuss four key drivers of India's vast macroeconomic potential: India's "demographic dividend", urbanization and the corresponding expansion of the Indian consumer in a rising middle class, and the Modi government's huge investments in infrastructure.

At the heart of India's growth story is its demographic strength, particularly the world's largest youth population, which constitutes a unique "demographic dividend."

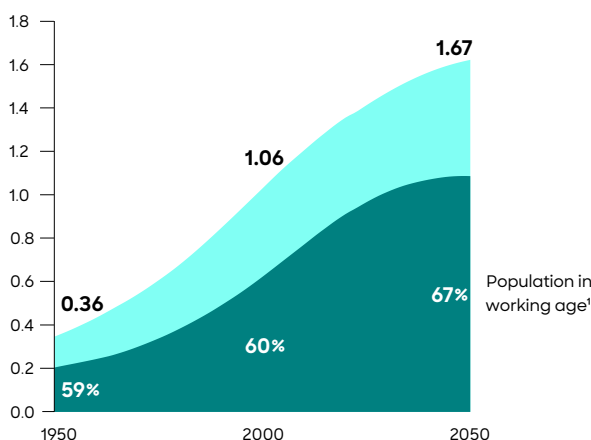
Demographic development and human capital benefit India's development

India's demographic profile represents a significant economic asset, often referred to as a "demographic dividend". With a median age of about 28 years, the country has one of the youngest populations in the world. This demographic advantage provides India with a large working-age population that could contribute to sustained growth and development over the coming decades. Its working-age population is expected to continue to grow, providing a unique "demographic dividend." While India's total population is set to continue its growth beyond 2050, the working-age population is projected to peak in 2048 at 1.119 billion people aged 15–65, or 67% of the total population.

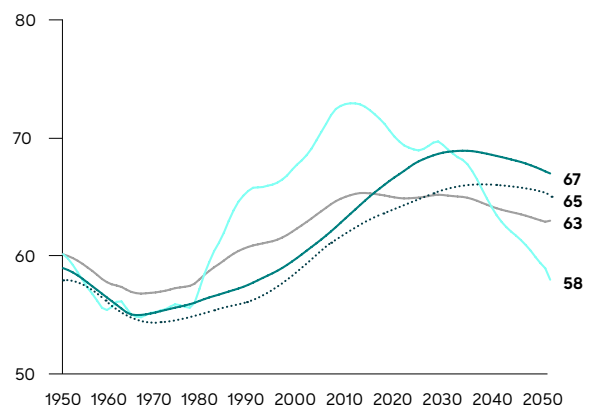
At 67%, India is well above the global average, where 63% of the population is of working age.

In 2050, India will have the largest working age population on the planet, making India one of the youngest countries globally

Population development in India [bn]



Share of working age population [15–64, %]



1 The working age population refers to the share of population aged between 15 to 64 years.

Source UN Population Division

..... Lower-middle income group China India World

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"India's economic development is one of the most remarkable transformations of modern times. Once an agrarian economy, with about half of its gross value added coming from agriculture and allied sectors at the time of independence in 1947, the country has emerged as a global hub for services in the 21st century."

PETER VOGT
Senior Expert

However, translating this demographic advantage into economic gains will require substantial investments in human capital—education, skills training, and healthcare. Education remains a critical area. Despite impressive gains in literacy rates, the quality of education and access to advanced skills training remains uneven across regions. Urban centers tend to benefit from better educational infrastructure, while rural areas often lack quality schools and teachers. This disparity has implications for workforce readiness, as employers frequently cite a gap between the skills school leavers and graduates possess and those required for modern jobs.

When comparing literacy rates, India has made impressive progress in the recent decades. In the 1980s, the literacy rate for all adults (population 15 years and older) was only 41%, slightly lower than other lower-middle-income countries. Since then, India has caught up significantly, closing the gap with lower-middle-income countries for the adult group and even closing the gap with upper-middle-income countries for the youth group. The literacy rate for the population aged 15–24 has reached 97% in 2023.

India has also made great strides in higher education. The proportion of India's population enrolled in tertiary education has risen from around 5% in the 1980s to over 33% in 2023, which is significantly higher than the figure for lower-middle-income economies (27%). However, the gap with the upper-middle-income economies (64%) is still large. The majority of these students are graduating with STEM degrees. About 34% of India's graduates are in this field. Although Malaysia (43.5%) and Tunisia (37.9%) have even higher proportions, no other country has a higher absolute number of STEM graduates per year.

Urbanization will fuel economic growth

Urbanization is another key driver of India's economic growth, with profound implications for its domestic market. As of 2023, approximately 35% of India's population were residing in urban areas, and this figure is projected to rise to over 47% by 2050. This rapid urbanization is transforming India's economic landscape by creating new hubs of economic activity, fueling industrial growth, and driving demand for housing, infrastructure, and services. Cities such as Mumbai, Delhi, Kolkata, and Bangalore are already economic powerhouses, while emerging urban centers such as Pune, Hyderabad, and Ahmedabad are becoming important contributors to regional and national growth.

The agglomeration of industries in urban areas leads to economies of scale, greater innovation, and more efficient use of resources. These productivity gains contribute to overall economic growth, as urban economies tend to be more diverse and specialized than rural ones. As urban centers become innovation hubs, they not only contribute to India's economic growth, but also position the country as a global leader in sectors such as information technology, biotechnology, and renewable energy.

Bangalore, also known as the "Silicon Valley of India", is a center for IT and software development. The city attracts many technology start-ups and international companies working in artificial intelligence, fintech and software solutions. Hyderabad has also established itself as a major hub for IT and biotechnology companies. It is also the most important city in India for the pharmaceutical industry. The city plans to develop PharmaCity, a huge industrial complex that will significantly increase

pharmaceutical production. More than 1,500 companies are expected to locate here, which could make the city one of the largest pharmaceutical hubs in the world. Pune, on the other hand, is known for its automotive and industrial manufacturing industries. The city is attracting both local and international investors and benefits from a well-developed infrastructure and its strategic location close to Mumbai.

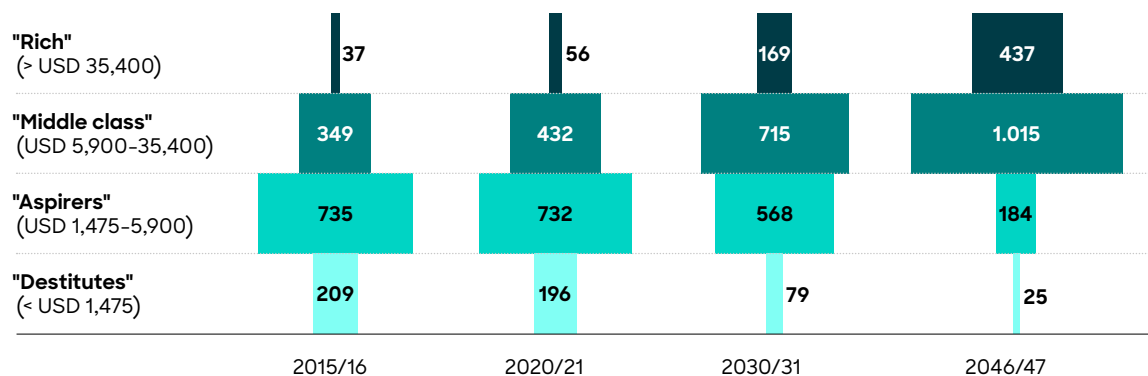
Additionally, urbanization is driving significant growth in the real estate sector, as demand for housing, office space, and commercial properties increases. Large-scale urbanization leads to the development of new residential areas, business districts, and commercial hubs, spurring construction and real estate activity. This sector creates jobs, attracts investment, and contributes to GDP growth.

The expansion of the Indian middle class

Urbanization is also closely tied to the expansion of India's middle class, which is expected to account for about 46% of the population by 2030 and more than 60% by 2047. By 2047, the group considered "rich" is expected to reach more than a quarter of the total population. Moreover, India's middle class is young – 65% of the population is under the age of 35. As people migrate to cities, they typically experience higher wages, better access to education and healthcare, and an improved standard of living, which in turn increases their purchasing power. This growing middle class is a major driver of consumption across a wide range of sectors, including housing, retail, automobiles, and services such as healthcare and education. The growing demand for goods and services fosters new business opportunities, which in turn creates a cycle of economic growth. The growing urban middle class also creates new markets for innovative products and services, from tech gadgets to healthcare solutions.

India's middle class is expected to grow significantly, while the destitute households are likely to decrease

Distribution of households by annual household income [2020/21 prices]



Source People Research on India's Consumer Economy

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"The push to diversify global supply chains places India in a strategic spotlight, offering both opportunities and challenges. India's vast demographic dividend and a rapidly urbanizing population offer unparalleled opportunities for growth."

STEFFEN GEERING
Senior Specialist

Infrastructure as a catalyst for growth

Infrastructure development is a cornerstone of India's growth strategy, playing a critical role in enhancing productivity, facilitating trade, and improving the quality of life for its citizens. As cities grow, they require significant investment in infrastructure to support their expanding populations and industries. This includes investments in transportation (roads, railways, metros), energy (power plants, renewable energy, grids), and public services (water, waste management, healthcare).

Recognizing its transformative potential, the Indian government has prioritized infrastructure investment through flagship programs such as the National Infrastructure Pipeline (NIP) and Gati Shakti. These initiatives aim to modernize India's transportation, energy, and urban infrastructure while encouraging private sector participation. The National Infrastructure Pipeline, launched in 2019, envisages an investment of over USD 1.4 trillion by 2025, covering key sectors such as roads, railways, airports, ports, and energy. As of December 2024, just over a quarter of the approximately 13,000 announced projects have been completed, with around USD 330 billion having been spent. The Gati Shakti program focuses on multimodal connectivity aims to reduce logistics costs, improve supply chain efficiency, and integrate domestic and international markets. For instance, the development of industrial corridors and freight corridors is designed to enhance trade competitiveness and spur regional economic development.

Energy infrastructure is another key focus area, with investments targeting renewable energy capacity, transmission networks, and energy storage solutions. India is working towards ambitious renewable energy targets, including achieving 500 GW of non-fossil fuel capacity by 2030. These efforts not only address energy security but also support India's commitments to global climate goals.

Urban infrastructure development is also closely tied to the government's Smart Cities Mission, which aims to create sustainable and technologically advanced urban spaces. Investments in public transportation, water supply, and waste management are transforming urban areas into engines of growth, while affordable housing projects are addressing the needs of the growing urban population. Private sector participation is being actively encouraged through public-private partnerships (PPPs) and policy reforms. Improved ease of doing business, streamlined regulatory approvals, and innovative financing mechanisms, such as infrastructure investment trusts (InvITs), are attracting significant domestic and international investment. Despite these advances, challenges remain, including land acquisition hurdles, project delays, and financial constraints. Addressing these issues will be critical to realizing the full potential of India's infrastructure ambitions.

• **3. Obstacles and challenges in achieving India's ambitious vision**

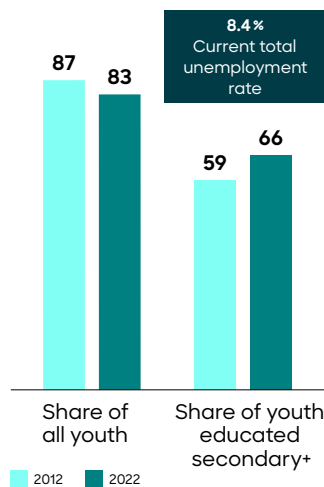
India faces several hurdles in its ambitious journey to become a developed nation. From economic challenges to social and structural barriers, these obstacles pose significant risks to achieving inclusive and sustainable growth.

India's labor market: Structural challenges to inclusive growth

India's labor market grapples with deep-rooted structural issues that impede effective labor force integration despite dynamic economic growth. Key challenges include high unemployment, gender inequality, widespread informal employment, skills mismatches, and regional disparities.

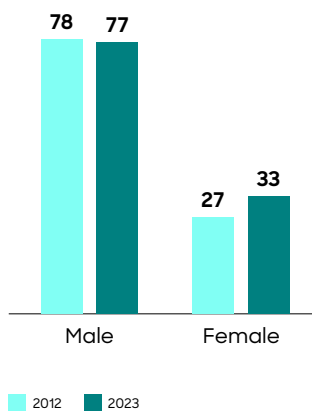
India's labor market: Low female participation, dominance of the informal sector, and high youth unemployment

Share of unemployed educated youths in total unemployed persons

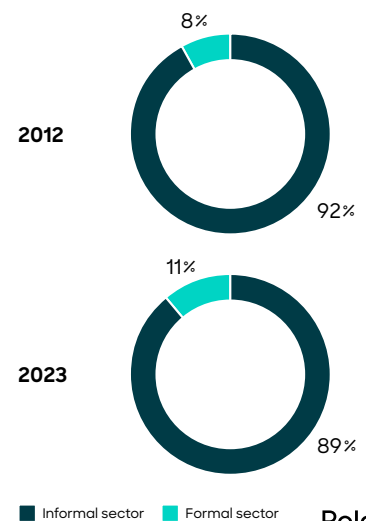


Source World Bank, ILO, CMIE

Labor participation rate by gender [%]



Share in total employment



Roland Berger

Suffering from "jobless growth"

Unemployment remains a significant challenge, underscoring structural deficiencies in India's labor market. The current unemployment rate is 8.4%, with young people disproportionately affected. This is an increase from 2012, when the unemployment rate was 5.9%. In 2022, 83% of all unemployed people were young people, a share that has decreased by 4 percentage points since 2012. However, the proportion of young people with secondary or higher education among the unemployed has risen significantly. From 2012 to 2022, their share of the total unemployed has increased by 7 percentage points, from 59% to 66%.

India's economic growth, driven by sectors such as IT, business services, and heavy industry, is primarily benefitting the wealthy and failing to create enough jobs for the broader society. Structural issues such as a weak manufacturing sector and restrictive regulations hinder job creation, while policies favor large corporations with subsidies and tax breaks. This leaves small businesses burdened by bureaucracy and taxation, exacerbating inequality. Moreover, growth is concentrated in a handful of regions, and limited investment in education and healthcare increases financial pressure on lower-income groups.

Over the past two decades, the employment elasticity of growth – the responsiveness of employment to economic expansion – has averaged only 0.2 and thus close to zero. In developing countries on average, however, it has averaged about 0.56.

Thus, economists have referred to India's combination of GDP growth and stagnant employment growth as "jobless growth".

In addition, India's labor force is predominantly informal, with 88.8% of workers employed in the informal sector as of 2023. This is only a marginal decline of 2.4 percentage points from 92.2% in 2012, underscoring the limited progress in reducing informality over the past decade. Even within the formal sector, the rise of temporary and casual employment has created precarious working conditions, especially for young people. Informality exacerbates economic vulnerability, leaving workers without social protection or stable incomes. The situation is worse for women, who are over-represented in informal roles. Many are involved in unpaid or low-paid work, which not only undermines their economic security but also perpetuates wider labor market inequalities.

Low labor force participation rate of women

A major obstacle to inclusive growth is the persistently low labor force participation rate (LFPR) of women. In 2023, only 33% of women participated in the labor force, compared to 77% of men, placing India among the lowest-ranked countries in the world. This stark disparity reflects cultural norms, safety concerns, and inadequate support systems, such as childcare and transportation. Although women comprise nearly 49% of the population, efforts to increase their labor force participation have met with modest success over the past decade. In 2012, the LFPR for women was 27%, having since increased by 6 percentage points by 2023. In contrast, the LFPR for men decreased slightly from 78% to 77% over the same period, representing a decrease of 1 percentage point.

Despite the growing number of young people pursuing higher education, a significant skills mismatch continues to challenge India's labor market. While many graduates have formal qualifications, their skills often fail to meet the specific needs of employers. As a result, many face prolonged unemployment or take on jobs far below their educational level, highlighting that their education is not adequately aligned with market needs.

This mismatch stems from systemic issues in the education system, including inequitable access and outdated curricula that fail to prepare students for the realities of a rapidly changing labor market. Inadequate funding for education, particularly in rural and marginalized communities, exacerbates the problem by limiting access to quality learning and increasing dropout rates.

Furthermore, technological advances have amplified the demand for highly specialized skills in sectors such as IT, telecommunications, and financial services. Graduates in these fields often find their education insufficiently practical or relevant, while those with low- and medium-level skills encounter even fewer opportunities, forcing many to revert to subsistence agriculture. This dual challenge of over-qualification in some areas and under-preparation in others increases economic inequality and reduces the economy's ability to effectively utilize its workforce.

Economic disparities across regions and social groups

Economic disparities across regions and social groups further complicate India's labor market challenges. In underdeveloped areas, particularly in eastern and central

India, formal employment opportunities are scarce, and informal work dominates. These regions are often characterized by lower educational outcomes due to inadequate infrastructure and resources, further limiting access to stable employment opportunities. Marginalized communities, such as Scheduled Castes and Scheduled Tribes, face higher rates of unemployment and underemployment, even when they have higher levels of education. These disparities reflect systemic barriers that exacerbate labor market inefficiencies and limit social mobility.

India's labor market faces interconnected challenges that hinder the potential of its workforce. High unemployment, low female labor force participation, informality, skill mismatches, and regional disparities collectively undermine inclusive growth. Without targeted interventions to address these systemic issues, India risks serious implications for long-term economic and social stability.

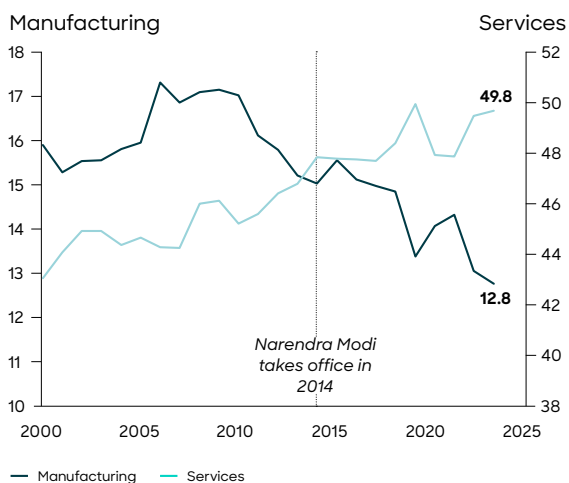
"Make in India" weakens, while services increase

Amid India's ongoing jobs crisis, the industrial sector has struggled to drive employment and growth, despite being one of the fastest growing major economies in recent years. Since 2012, the industrial sectors share of GDP has decreased from 29% to 25% in 2023, while the services sector has increased by 2 percentage points to 50%. A closer look at the industrial sector reveals that the manufacturing sector, which is usually a key driver of exports and economic growth, has struggled in particular.

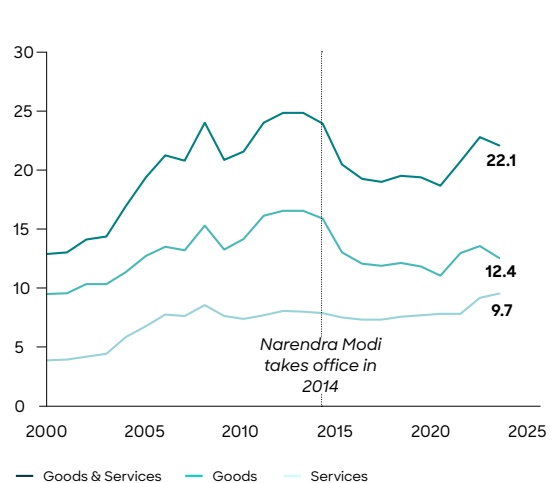
Manufacturing's share of GVA has fallen even more pronounced to just 12.8% in recent years, a steep decline from over 17% in 2010. This trend has persisted despite high-profile initiatives such as the aforementioned "Make in India," reflecting policy shortcomings under the Modi government, as manufacturing output and exports have failed to improve, limiting India's global competitiveness.

The industrial sector slumps, while the service sector's share of GVA rises

GVA [% of GDP]



Exports of goods and services [% of GDP]



Source World Bank, Oxford Economics

Roland Berger

Meanwhile, the services sector has been expanding steadily, with its share of GVA increasing from 42.7% in 2000 to 49.8% in 2023. This divergence between services and manufacturing is also reflected in export trends. Over the past decade, the share of exports in GDP has stagnated at around 22%, with services exports gaining in importance while goods exports have lost some ground. Specifically, goods exports fell from nearly 17% of GDP in 2013 to just over 12% in 2023. Structural issues such as inadequate infrastructure, excessive bureaucracy, and limited access to capital have further stifled manufacturing and goods exports, leaving India behind other emerging economies in terms of industrial performance.

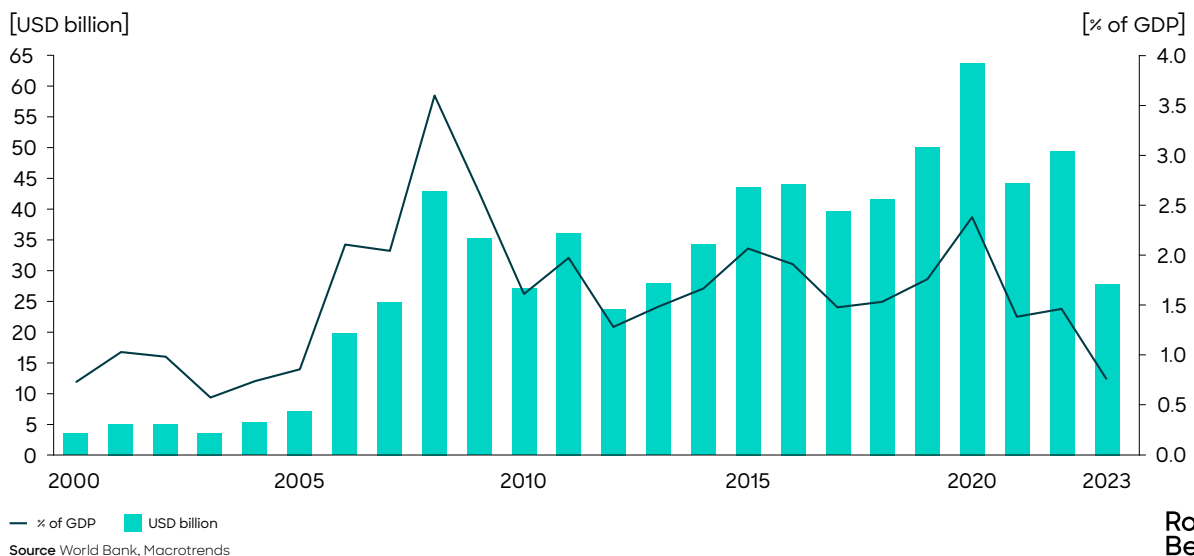
Infrastructural deficits in India's industrialization

One of the most pressing issues is the lack of investment in manufacturing, especially in research and development (R&D). India invests less than 0.7% of its GDP in R&D, compared to China's 2.4%. Investment in technological modernization also remains subdued. This underinvestment can hinder the upgrading of machinery, which is essential to adopt advanced production technologies and achieve global competitiveness. As a result, productivity remains low, even though it has increased by nearly 350% since 1995, when it stood at just USD 2 in GDP per hour worked (PPP). Today, India's productivity is USD 9, well below China's USD 18 and a staggering USD 87 in the United States. This productivity gap limits the sector's ability to compete globally and stifles the growth of high-value manufacturing.

India's manufacturing sector is hampered by a complex regulatory environment and weak integration into global value chains. Excessive bureaucratic red tape, frequent changes in tax policies, and inconsistent coordination between central and state governments create uncertainty for investors. Approval processes remain cumbersome, and wide regulatory disparities between states further discourage both domestic and foreign investment.

India's stagnant FDI inflows reflect limited integration into global value chains, driven by regulatory complexity and inconsistency

Foreign direct investment, net inflows



These challenges are reflected in India's poor performance on the OECD's FDI Regulatory Restrictiveness Index, where it ranks 42nd out of 45 countries. India's foreign direct investment (FDI) inflows have stagnated, amounting to just 0.8% of GDP in 2023, compared to 3% in Brazil and 4.3% in Vietnam. Absolute FDI inflows have plateaued at USD 28 billion, significantly below their 2008 levels. High import tariffs on intermediate goods and capital equipment further discourage global investors and undermine India's competitiveness.

India's industrial potential is further hampered by infrastructure deficiencies. Unreliable power supplies, inadequate logistics networks, and limited digital connectivity inflate production costs and hinder efficiency. These challenges make it difficult to establish large-scale manufacturing facilities that meet global benchmarks. Additionally, regional disparities in industrial development create a fragmented economic landscape. While western states such as Maharashtra and Gujarat lead in industrial productivity, other regions lag significantly, perpetuating economic inequality and limiting nationwide industrial growth.

Social and economic consequences of a stagnating manufacturing sector

The consequences of a stagnant manufacturing sector are far-reaching. Without robust industrial growth, India remains overly dependent on its services sector, making the economy vulnerable to global market fluctuations in the services sector. It also delays the transition to a high-income economy, as resources are diverted from manufacturing to less productive sectors such as agriculture. Furthermore, limited industrial growth threatens economic stability by restricting diversification and innovation, both of which are critical for sustained progress.

India's manufacturing sector reflects a complex web of regulatory, infrastructural, and technological challenges. Addressing these issues requires a holistic strategy that fosters innovation, streamlines governance, and enhances global competitiveness. Without decisive action, India risks falling behind in the global economic landscape. A vibrant, modern manufacturing base is essential to drive India's economic transformation and secure its position as a leading global economy.

• **4. Conclusion**

In the early 1990s, as China accelerated market reforms, it roughly followed the template of other economies in the region – Japan, South Korea, Taiwan – and became a champion of export-driven manufacturing. It built an economy that is now more than five times the size of India's.

Western countries are now rushing to embrace India as an alternative to China. Indeed, as we have argued in chapter 2, India has significant potential to become a global manufacturing hub: favorable demographics, a large and growing domestic market, and new public initiatives to promote industrial growth.

On the other hand, India's complex and overly bureaucratic political system has three damaging consequences for the country's industrial development. We call these obstacles the three L's: In areas of law, land, and labor, India's political system must become more flexible and effective.

The three L's as main obstacles for growth of the industrial sector

To become a successful manufacturing hub and thus sustain the robust growth rates to achieve India's ambitious economic plans, three types of policy reforms must occur in sync. This is a considerable political challenge, and the Modi administration's success in implementing these three reforms at both the state and federal levels will determine whether India's current economic growth can be fueled by the development of its industrial sector – or not.

Land records need to be modernized for the acquisition of land for the construction of manufacturing units. The Digital India Land Records Modernization Programme (DILRMP) is a first step in the right direction. Providing easy access to land records through online platforms and integrating cadastral maps with land records would go a long way in attracting investors and businesses. Not only the transparency of the land records, but also the land acquisition process needs to be improved.

India's labor laws are currently fragmented across 44 states. Rigid regulations, a large informal workforce, a skills mismatch, and low female labor force participation are key challenges. Labor law reforms in India should aim to create a win-win scenario: giving businesses the flexibility to scale operations and innovate while ensuring that workers receive fair wages, social security, and opportunities for growth. By focusing on simplification, flexibility, worker welfare, and technology-driven compliance, India can create a labor ecosystem that supports its vision of becoming a global manufacturing hub.

India's bureaucracy is often criticized for being inefficient, hierarchical, and resistant to change. Multiple, overlapping regulations create confusion and compliance burdens for businesses. Many court cases take years to resolve. Bureaucratic inefficiency and corruption increase red tape, thus digitizing workflows to minimize paperwork and using a single-window clearance system for approvals in areas such as business licensing and land use, is part of making public institutions more responsive, transparent, and accountable.

Realizing business opportunities in India

Despite the significant challenges outlined in our report, we believe India is too attractive a market for international investors to dismiss – or simply overlook. Too attractive in terms of market size, economic growth, and labor market. However, companies must have the right strategies and the best approach to succeed in the Indian market. We consider three recommendations to be crucial for realizing business opportunities in India.

1 Strategically manage your workforce

Although India has an above-average proportion of people of working age, the supply of talent is hampered by structural challenges within the education system. Outside of urban centers, finding qualified talent is challenging. Even in urbanized areas, where highly skilled individuals are available, their skills often do not match the needs of employers. Put simply, capitalizing on India's demographic dividend is easier said than done.

Therefore, companies need to engage in strategic workforce planning, starting with creating a target based on a comprehensive 360-degree assessment of the market,

competition, customer expectations, and internal operations. This approach helps identify workforce and skills gaps that need to be addressed. It includes proactively filling recruiting pipelines for high-demand skills and establishing programs to upskill employees when the necessary qualifications are not readily available in the labor market.

2 Adapt to local markets

Markets vary widely not only globally but also within regions. These differences include regulation, labor markets, and consumer preferences. Across Asia, for example, international brands are no longer the default choice. As a result, international companies seeking to enter the Indian market must adapt to its unique characteristics. This adaptation includes working with local suppliers and retailers to source regionally and offer brands and products tailored to local consumer preferences. It also requires engaging with an even more diverse set of customers, suppliers, and employees.

3 Push operational excellence

Entering the Indian market to capitalize on its potential as a sales market or a new sourcing hub - or both - requires prudent investment. To be successful, companies must first ensure they have the right financing structure and maximize their capital efficiency. Furthermore, companies must continually ensure operational excellence and profitability through AI-driven transformation and various continuous performance improvement measures.

Further reading

- ➔ [*The global productivity challenge*](#)
- ➔ [*Global South: Beyond BRICS*](#)
- ➔ [*The rise of Southeast Asia*](#)

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We thank Michaela Wedel, Christian Gschwendtner, and León Krafft for their contribution to both research, data, and storyline.