India: Growth and Opportunities for Business | Corporate Clients

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The South Asian country is fast transforming with a strong domestic market, young workforce and fast-developing infrastructure.

Franz-Josef Murr, Regional Head of Financial Institutions Asia, and Sham Mehra, Commerzbank's Chief Representative for India, discuss how new trade agreements and strong domestic investment in India are creating new opportunities for international corporates – and explore what it takes to engage with India successfully.

India's economic development is being shaped primarily from within – driven by sustained domestic investment, a young and rapidly growing workforce and a government that is actively co-investing in the sectors it wants to develop over the long-term. For international businesses, it is important to approach this opportunity with a clear understanding of India's regional diversity and regulatory environment.

Few economies have sustained the kind of growth trajectory that India has over the past decade – and certainly none of this size. Currently the fifth largest economy in the world, India has averaged GDP growth of around 6.7% over the last ten years, putting it on track to potentially become an upper middle-income economy over the next two decades1.

Driving this growth, in part, is India's advantageous demographic base – the world's largest population of approximately 1.5 billion, around 60% of whom are under the age of 26. This young, growing workforce is a source of ambition and productivity that is contributing to economic success.

New trade agreement shows why India's market is now more relevant than ever to Europe

The extent of the global appetite to engage with India is best illustrated by the EU-India Free Trade Agreement (FTA), signed in January 2026. The deal has been decades in the making. With major geopolitical shifts underway that call into question some of Europe's more traditional economic relationships, there has been a greater impetus for the EU to re-evaluate its trade partnerships.

And India is an attractive choice – not only because of its scale, but also because it offers legal and regulatory predictability, something that competing emerging markets have not always been able to guarantee. The Reserve Bank of India's robust regulatory framework provides strong protections for foreign corporate entities. The ability to enter, and crucially, exit a market on clear terms is an important factor in long-term investment decisions, and it is one where India compares favourably to neighbours.

Indeed, the agreement has progressed through political channels with far less friction than other EU deals, such as that with Mercosur. A trade deal between India and the US is also reportedly being negotiated.

For European businesses, particularly for the German Mittlestand, the greatest immediate opportunity lies in reaching a large consumer market with rising spending power and a growing appetite for international goods. Demand for premium German automotive brands, for instance, continues to trend upwards in India, even as it softens in the German market.

Investment in infrastructure is making India an even more attractive place to do business

While India's economic development has been driven primarily by domestic factors, international corporates are also ramping up investment in the country. Multinationals from Europe and elsewhere are establishing a presence in the South Asian nation, both to serve its domestic market and as a manufacturing base for exporting further afield.

This trend is being facilitated by a wave of domestic investment in infrastructure that is making the country a more modern place to do business. India has embarked on a series of ambitious transport and energy infrastructure projects – including highways, ports, airports and power generation facilities. The scale of investment is impressive – an estimated 35,000 kilometres of highways are currently under construction or planned, with many projects being delivered by domestic conglomerates such as Adani, Tata and Reliance and supported by government co-investment.

As for the energy sector, India is taking steps towards the energy transition: while surplus hydropower2 is being imported from Nepal, the equivalent of US$21.6million is being invested in the construction of a new power transformer factory in Maharashtra to boost the country's manufacturing capacity and accelerate the energy transition. For European companies, this presents a clear opportunity. Europe continues to have a competitive advantage in specialised infrastructure, particularly in renewable energy, while India's growing investment is creating increased demand for this expertise – a need that could be more easily addressed through the free trade agreement.

Beyond infrastructure, India's strategic 50:50 public-private investment model is being applied across several sectors – particularly those identified as having strong growth potential. For example, Tata Electronics is investing an estimated US$11bn3, with support from the government, to build a facility for manufacturing semiconductors for a range of applications across automotives, AI and other key segments.

Of course, dealing with such a dynamic market also poses challenges for international corporates. Companies trading with India under the new EU agreement will be subject to the EU's Carbon Border Adjustment Mechanism (CBAM), for which India has not received an exemption.

This is particularly challenging as India's energy mix still remains heavily coal-dependent despite efforts to transition to greener alternatives. This will come as no surprise to frequent visitors to the country – in Delhi, the air quality index reached a high of approximately 400 in December 2025, far exceeding what is considered safe. Indeed, exporters may need to resort to purchasing carbon certificates to comply with CBAM requirements, the cost of which could offset some, if not potentially all, of the tariff savings gained from the free trade agreement.

Understanding India's diverse regional economies and investment opportunities

India is best understood as a collection of regional economies rather than a homogenous entity. For international businesses, it is important to approach business opportunities in the country with a clear understanding of its regional diversity and regulatory environment.

There are four primary states that tend to draw the highest FDI, each with its own sectoral strengths and advantages:

Maharashtra is India's primary financial hub, and a major location for IT, automotive manufacturing and pharmaceuticals, making it a natural entry point for many corporates.

In southern India, Tamil Nadu has established itself as a leading hub for electronics and automotives manufacturing, earning it the nickname of "Detroit of Asia". The state is also home to significant Apple manufactoring operations and benefits from some of India's most advanced port infrastructure, providing a further advantage for manufacturers.

Karnataka, and Bangalore in particular, is India's primary technology hub and home to global capability centres (GCCs) operated by major international companies such as HP and Dell, which benefit from a highly skilled, English-speaking workforce.

Finally, Gujarat is known for its focus on renewable energy production and semiconductor manufacturing. It is also home to GIFT City, India's most significant financial sector project.

These major states are actively competing for foreign investment – a dynamic that, rather than fragmenting investment, gives international corporates greater choice when deciding where to invest.

Locally connected banking partners are key to unlocking the value of the Indian market

The opportunities arising from India's growth are undeniable, but there are complexities that corporates must also navigate. The country's banking sector has its own distinctive characteristics, and international businesses should also be prepared for an environment in which local institutions operate with a great degree of self-confidence and independence. This makes a deep understanding of the market and its dynamics essential.

The choice of banking partner therefore becomes crucial for international businesses looking to unlock opportunities in India. Commerzbank has deep local knowledge built on a long-standing presence in the market – underpinned by extensive local relationships and a representative office in Mumbai, where the bank has been present since 1986.

Businesses that invest in the right local relationships and work with partners who understand the market will be considerably better placed to engage with the exciting possibilities that India has to offer.

Spotlight:, Attracting financial services investment through GIFT City

Gujarat International Finance Tec-City (GIFT City) is India's first and only International Financial Services Centre (IFSC). It operates as a special economic zone with a tax and regulatory framework designed to attract international financial institutions and facilitate cross-border capital flows.

The incentive structure is substantial on both sides of the banking relationship – corporate borrowers benefit from the absence of withholding tax on lending out of GIFT City, a unique advantage over standard onshore alternatives, while banks can benefit from up to 25 years of tax-free profits, with the flexibility to choose which years within that period the exemption applies.

The result is a highly competitive environment for foreign currency deposits, attracting capital from other regions, including from Sri Lanka and Nepal. Almost every major global corporate bank now has a presence in GIFT City, alongside the offshore branches of India's largest private sector banks. Corporate clients are therefore increasingly seeking institutions that can provide access to its benefits, with the ability to operate in GIFT City becoming a baseline requirement rather than a differentiator.

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