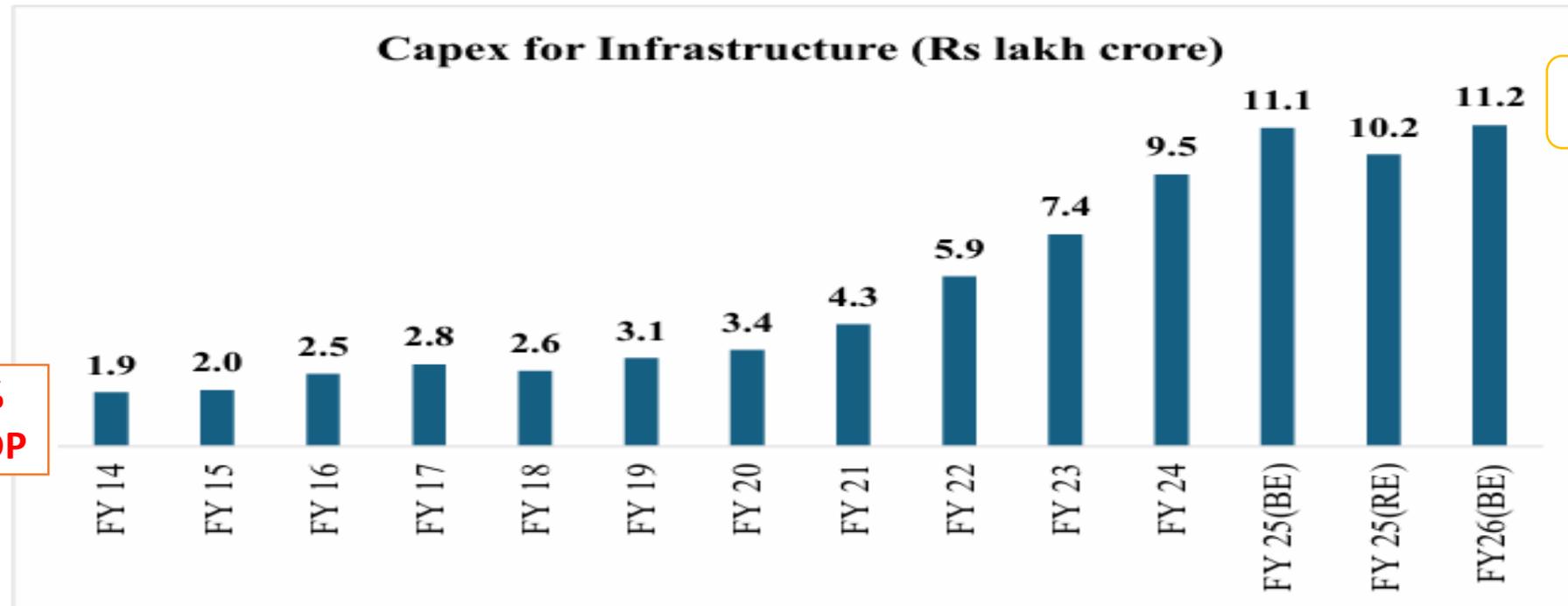


India's Capital Expenditure Scenario (Public + Private)





Source: Union Budget Documents

since FY14 public capex increased from Rs 1.9 lakh crore (1.7% of GDP) to Rs 11.2 lakh crore (BE) 3.2% of GDP.

Assuming unchanged GDP share cap[ex for FY27 should be Rs 12.6 lakh Cr

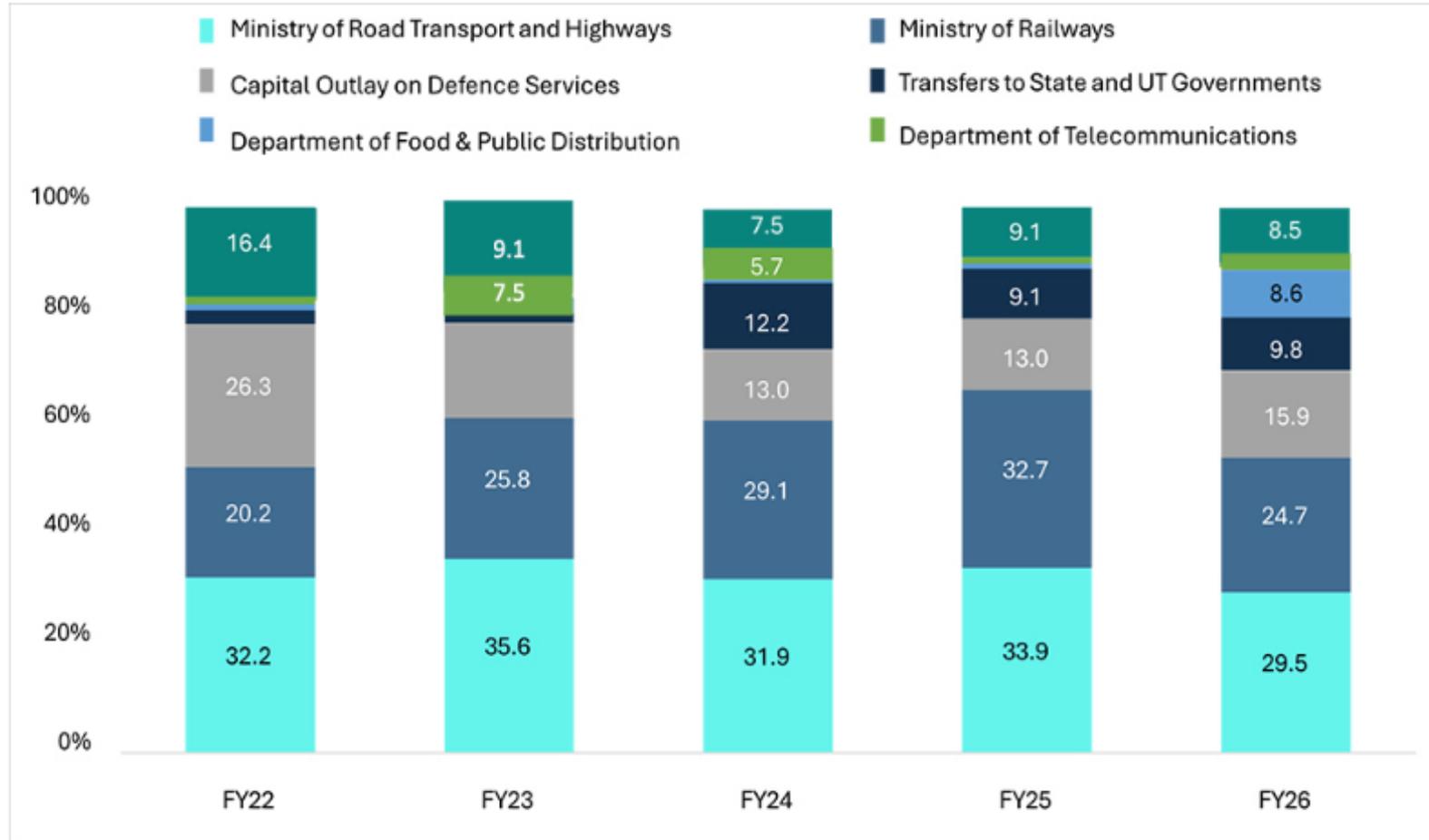
Capital Expenditure (Capex) Arithmetic (Rs lakh Cr)											
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25 (RE)	FY26 (BE)
1.Total Capex through Budget	2.5	2.8	2.6	3.1	3.4	4.3	5.9	7.4	9.5	10.2	11.2
2. Grants for creation of capital assets	1.3	1.7	1.9	1.9	1.9	2.3	2.4	3.1	3.0	3.0	4.3
3. Capex by CPSE(IEBR)	3.1	3.4	6.1	6.1	6.4	4.8	4.4	3.6	3.9	3.8	4.3
4. Effective Capex (1+2)	3.8	4.5	4.5	5.0	5.2	6.6	8.4	10.5	12.5	13.2	15.5
5. Capex by budget and CPSE (1+3)	5.6	6.2	8.7	9.2	9.8	9.0	10.3	11.0	13.4	14.0	15.5
6. Grand Total Capex (1+2+3)	7.0	7.9	10.6	11.1	11.6	11.3	12.7	14.1	16.4	17.0	19.8
% of GDP	5.1	5.1	6.2	5.9	5.8	5.7	5.4	5.2	5.5	5.1	5.5

Source: Union Budget Documents

✓ The capital expenditure (capex) goes up to Rs 19.8 lakh crore factoring grants to states and CPSE capex, which is almost 5.5% of GDP

✓ The FY26 (BE) numbers are almost 2.8 times the total capex of FY16, indicating Government's endless attention regarding infrastructure development.

Composition of Centre's Capex in HI – % Share in Total Capex



Source: CMIE, CareEdge

Public CAPEX – Key Areas

- ✓ Transport: Highways, Railways, Airports
- ✓ Energy: Power plants, renewables
- ✓ Urban Infrastructure: Metro, water supply
- ✓ Digital Infrastructure: Broadband, data centers
- ✓ Defense and manufacturing parks

“₹1 spent on infrastructure generates ₹2–3 in economic activity, India's CAPEX multiplier is lower (2.5–4) due to leakages (imports, taxes, savings), but still very high for infrastructure”

□ A more realistic **fiscal multiplier** in an open economy like India (accounting for taxes, imports, savings) is given as under :

$$k = 1 / (MPS + MPT + MPM)$$

Where:

- **MPS** = Marginal Propensity to Save
- **MPT** = Marginal Propensity to Tax
- **MPM** = Marginal Propensity to Import

Parameter	Typical India Estimate (Recent)	Impact on Multiplier
MPS	0.30-0.50	Higher MPS → Smaller multiplier
MPT	0.10-0.25	Higher MPT → Smaller multiplier
MPM	0.15-0.30	Higher MPM → Smaller multiplier

Variable	Impact Multipliers
Capital expenditure Multiplier	2.45
Transfer Payments Multiplier	0.98
Other Revenue Expenditure Multiplier*	0.99

Real-Life Examples

Project	Approx. Annual/Phase CAPEX	Realistic Multiplier	Estimated Total GDP Impact (per ₹1 lakh crore spent)	Key Long-Term Benefit
Bharatmala (Roads)	₹2.7–2.8 lakh crore	3–3.2	₹3–3.2 lakh crore	Logistics cost ↓ (14% → 8% of GDP), jobs, trade
DFC (Railways)	₹0.5–1 lakh crore (phased)	3–3.5+	₹3–3.5+ lakh crore	Freight efficiency, commodity price ↓, rail revenue ↑

Recent public capex push (₹11+ lakh crore) leverages these high multipliers to sustain 7%+ growth.

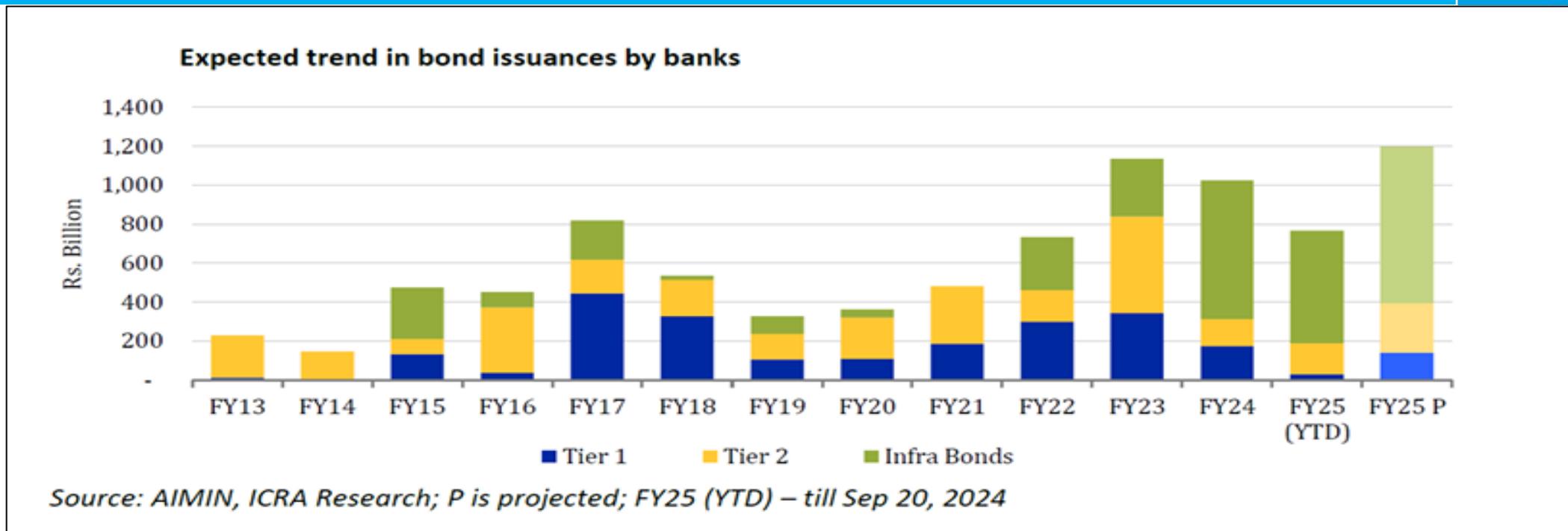
Source : Year End Review 2025 – Ministry of Road Transport & Highways, 30 DEC 2025 PIB Delhi

Internal

Economic Research Vertical

	% share (FY21-25)		% share (FY21-25)		% share (FY21-25)
Andhra	5.3%	Goa	0.7%	Maharashtra	5.9%
Arunachal	1.9%	Gujarat	4.1%	Sikkim	1.0%
Assam	5.1%	Manipur	0.8%	Tamil Nadu	4.7%
Bihar	9.3%	Meghalaya	1.4%	Telangana	2.1%
Chhattisgarh	3.6%	Mizoram	0.8%	Tripura	0.8%
Nagaland	1.0%	Himachal	1.6%	UP	12.8%
Odisha	3.2%	Jharkhand	2.9%	Uttarakhand	1.8%
Punjab	1.0%	Karnataka	3.6%	W Bengal	5.6%
Rajasthan	6.8%	Kerala	1.3%		
Haryana	1.3%	MP	9.6%		

- ✓ An amount not exceeding Rs 12,000 crore was earmarked for the Scheme for FY21, and Rs 11,830 crore released.
- ✓ The outlay increased to Rs 1.5 lakh crore in FY26.



Key Observations of ICRA

- ✓ In the past, banks' bond issuances were dominated by Tier 1 and Tier 2 instruments to help boost capitalization metrics, especially when they were facing low profitability amid asset quality challenges.
- ✓ from FY2023 onwards, issuances of infrastructure bonds have gained traction, as profitability has improved, thereby limiting the need to raise capital through this route.
- ✓ Banking sector advances to the infrastructure sector are estimated at Rs. 13-14 trillion as on June 30, 2024 of which the PSBs have a lion's share of around 75%.
- ✓ Banks are expected to continue to fund the infrastructure sector growth and infrastructure bonds remain a key tool for raising long-term resources to fund this portfolio

Private Capex Trends in India

Why Private Capex Matters

- Drives productivity, jobs, long-term GDP growth
- Complements public capex (infrastructure push) Key for India's shift to private-led growth toward Viksit Bharat @2047
- **Private share in GFCF: 33–35% in recent years (decade-low 33% in FY24)**

Historical Trends

Fiscal Year	Private Capex (₹ lakh crore)	Y-o-Y Growth (approx.)	Aggregate Growth vs. FY22
FY 2021–22	3.95	-	Baseline
FY 2022–23	5.72	+45%	+45%
FY 2023–24	4.22	-26%	+7%
FY 2024–25 (Intended/Estimated)	6.56	+55%	+66% (peak)
FY 2025–26 (Intended/Estimated)	4.89	-25%	+24%

❑ Source: Ministry of Statistics & Programme Implementation (MoSPI)

A consistent panel of 2,172 enterprises submitted complete data, forming the basis for India’s CAPEX trend analysis. This initial survey was conducted between November 2024 and January 2025, aiming to analyze capital expenditure patterns in the private corporate sector over five financial years. The aggregated (unweighted) CAPEX figures for this fixed panel are as follows :

Distribution of intended capital expenditure in FY 2024-25 by asset group

Machinery and equipment	53.1%
Capital work in progress	22%
Dwellings, other buildings, and structures	9.7%
Other tangible assets/intellectual property products	6.2%*
Others	9%*

Source: Private Corporate Sector CAPEX, MoSPI

**The percent distribution is based on rough estimation.*

❑ Source: Ministry of Statistics & Programme Implementation (MoSPI)

Internal

Public

- Public capex: ₹11.21 lakh crore budgeted for FY26 (3.1% of GDP)
- Front-loaded in H1 FY26 (32–40% Y-o-Y growth early on)

Private

- Private remains cautious but edging up (supported by rate cuts, consumption pickup)
- Crowding-in effect: Public infra (roads, railways) boosting private in linked sectors

Budget 2026 Expectations & Support

- ✓ Likely 10–15% public capex increase (₹12–12.3 lakh crore) to sustain momentum
- ✓ Focus: Incentives for private (tax, clearances, R&D), PPPs, green sectors
- ✓ Goal: Hand over baton to private sector as public infra peaks

How Private Capex Helps Banks, Impact Example (India Context)

- ✓ Credit Growth, Higher demand for project/term loans, Corporate credit CAGR 10–12% in revival phases
- ✓ Asset Quality (NPAs), "Stronger borrowers, productive assets", GNPA down to 3% lows; better repayment
- ✓ Profitability, "More interest income, lower provisions", Bank profits quadrupled in last decade
- ✓ Sector Health, Virtuous cycle of growth & lending, Shift from stressed to growth sectors
- ✓ Long-Term Stability, "Diversified, high-quality loan book", Supports 7%+ GDP growth trajectory

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