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**INDIA
GLOBAL
FORUM**

LONDON 2025

UK FUTURE FORUM INDIA

CAPITAL DISCONNECT: SUSTAINABLE INFRASTRUCTURE IN THE UK-INDIA CORRIDOR

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ADB	➤ Asian Development Bank
DFI	➤ Development Finance Institution
DPIIT	➤ Department for Promotion of Industry and Internal Trade (India)
FDI	➤ Foreign Direct Investment
FX	➤ Foreign Exchange
GIFT CITY	➤ Gujarat International Finance Tec-City
GDP	➤ Gross Domestic Product
ICMAI	➤ Institute of Cost Accountants of India
ICRA	➤ Investment Information and Credit Rating Agency
INVIT	➤ Infrastructure Investment Trust
IRDAI	➤ Insurance Regulatory and Development Authority of India
MOF	➤ Ministry of Finance (India)
NIIF	➤ National Investment and Infrastructure Fund
PIB	➤ Press Information Bureau (India)
PPP	➤ Public-Private Partnership
RBI	➤ Reserve Bank of India
REIT	➤ Real Estate Investment Trust
UNCTAD	➤ United Nations Conference on Trade and Development



India Global Forum hosted a high-level roundtable titled “Capital Disconnect: Sustainable Infrastructure in the UK-India Corridor” in London. As part of UKIFF’s ongoing series of strategic dialogues, this session explored how to bridge the persistent gap between capital availability in the UK and the infrastructure investment needs of India. The dialogue examined how greater trust, understanding, and systemic alignment can transform cautious financial flows into catalytic capital deployment across both economies.

In an era marked by climate urgency, economic transformation, and geopolitical realignment, sustainable infrastructure presents an unparalleled opportunity to generate long-term value, inclusive growth, and climate resilience. This roundtable brought together stakeholders from finance, government, industry, and multilateral institutions to identify barriers hindering investment, spotlight India's evolving infrastructure landscape, and propose scalable, equitable models for cross-border collaboration. The conversation aimed to uncover the human, institutional, and market factors driving the capital disconnect and to chart actionable pathways for co-creating a climate-aligned, investor-ready infrastructure future between the UK and India.

Amid intensifying global imperatives for climate-aligned growth and infrastructure resilience, the UK-India financial corridor stands at a pivotal moment. The Capital Disconnect roundtable convened a cross-sectoral group of influential voices, including leaders from private equity, public finance, policy institutions, impact investment, and multilateral organisations, to examine the structural and perceptual barriers suppressing infrastructure investment between the UK and India.

Participants conducted an in-depth analysis of investment bottlenecks, institutional misalignments, regulatory complexities, and narrative mismatches that continue to constrain capital flows. Core discussions focused on improving risk-adjusted returns, deepening local debt markets, aligning institutional capital with climate goals, and innovating through blended finance and cross-border instruments.

Despite the UK’s £98 billion investment stock in India and strong profit performance (11.9% in 2023), financial flows remain cautious. India faces a significant debt-layer shortfall, with an estimated \$200–250 billion annual infrastructure gaps, exacerbated by bank limitations and prohibitive hedging



UK Investment Stock in India

Capital Exists, But Flow Is Constrained by Mistrust & Misalignment

- While UK’s investment stock in India reached £98 billion in 2023 (Barclays, 2025)¹, capital inflows remain cautious, India’s \$1.25 trillion infrastructure plan sees only 21% private sector share, with government spending rising to 3.3% of GDP in 2023–24 to bridge the investment gap (MoF, 2024)².
- Perceived legal and regulatory opacity remains a deterrent, with India ranking 63rd in the World Bank’s Ease of Doing Business Index in 2020 and struggling with enforcement and dispute resolution mechanisms (World Bank, 2020)³.
- The profitability of UK investments in India rose to 11.9% in 2023 (Barclays, 2025), yet investor confidence is undermined by trust deficits and the lack of structured de-risking tools.



Profitability:
11.9% ROI for UK investments

¹Barclays (2025) Batting for Growth: The UK–India Economic Corridor. April. Available at: [LINK](#)

²Government of India, Ministry of Finance (2025) Economic Survey 2024–25: Preface. New Delhi: Department of Economic Affairs. Available at: [Link](#)

³World Bank (2020) Doing Business 2020: Comparing Business Regulation in 190 Economies. Washington, DC: International Bank for Reconstruction and Development / World Bank. Available at: [Link](#)

Infrastructure Investment is Debt-Starved, Not Equity-Starved

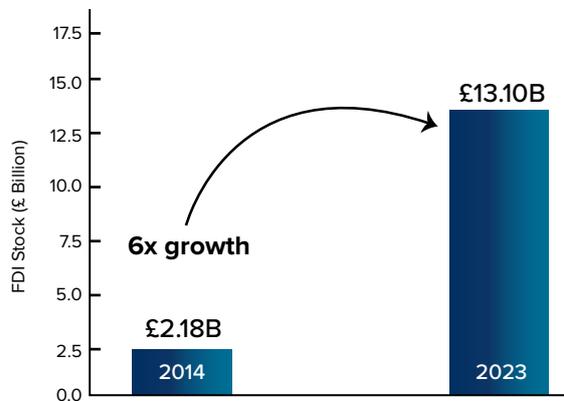
- India’s infrastructure bottleneck lies primarily in the debt layer not equity. India faces an annual infrastructure investment gap of \$200–250 billion, as current spending remains around 6.5% of GDP, falling short of the required 10% (ICfS, 2025).⁴
- Capital markets contributed just over USD 12 billion to infrastructure sectors in India during FY24 through debt and equity issuances, highlighting their relatively small role compared to banks and public expenditure (PIB, 2024). Domestic banks remain the primary source of infrastructure finance in India, providing around 46% of total funding, but face asset-liability mismatches, sectoral exposure limits, and rising non-performing assets, which restrict their capacity to support long-term infrastructure projects (ICMAI, 2022; ICRA, 2021; World Bank, 2023; Mondaq, 2024)⁵.
- The current financing structure limits refinancing of completed projects and restricts working capital for new infrastructure, while high currency hedging costs make foreign debt significantly more expensive, deterring overseas investment.

⁴ICfS (2025) From Capital Gap to Capital Magnet: De-risking Infrastructure Investment in India. India Centre for Sustainable Finance, June. Available at: [Link](#)

⁵ICRA Limited (2021) Infrastructure Finance Non-Bank Companies: Q3 FY2021 Analysis. ICRA Ratings, 3 November. Available at: [Link](#) ; Institute of Cost Accountants of India (ICMAI) (2022) Infrastructure Finance, 3 November. Available at: [Link](#) ; World Bank (2023) 'Financing India's Infrastructure: Challenges and Opportunities'. Available at: [Link](#) ; Mondaq. (2024) Financing for projects and infrastructure: RBI's new directions triggers big push for infrastructure development in India. Available at: [Link](#)

Perception and Narrative Gaps Undermine Investment Appetite

- The primary barrier to increased UK investment is not the objective reality of the Indian market, but the outdated, incomplete, or missing narratives circulating within UK institutions. Despite India recording USD 81.04 billion in FDI inflows in FY 2024–25, investment sentiment remains cautious. In 2023, the return on investment on UK FDI in India amounted to 12%, placing it among the top five most profitable jurisdictions for UK investors. These figures reflect strong fundamentals and mutual value, despite perceptions lagging behind reality. (Barclays, 2025, DPIIT, 2024; PIB, 2024)⁶.
- Participants noted that success stories, particularly of second-tier infrastructure firms and mid-sized projects, are underreported or largely unknown within UK investment circles.
- This information vacuum fosters risk aversion, leading UK investors to over-index on familiar names, sectors, or multinational partnerships.



Source: Office for National Statistics (ONS). (2023) Foreign direct investment involving UK companies: 2023.

⁶ DPIIT. (2024). FDI Statistics – India Factbook. Department for Promotion of Industry and Internal Trade, Government of India ; Press Information Bureau (2024) India Records USD 81.04 Billion FDI Inflow in FY 2024–25. Government of India, Ministry of Commerce & Industry, 3 May. Available at: [Link](#)

Institutional Incompatibility Limits Investment Translation

- UK and Indian financial systems though complementary in ambition remain structurally disconnected in execution. Despite holding INR 53 trillion in assets, Indian insurance and pension funds allocate less than 1% to infrastructure due to restrictive mandates and risk perceptions (IRDAI, 2024; ICfS, 2025)⁷
- The UK lacks scalable investment vehicles and policy levers suited to emerging markets, while India's capital markets remain insufficiently deep or structured for broad foreign institutional participation. UK pension schemes managing over £2.5 trillion report emerging market exposure below 3%, with India frequently falling short of investment-grade thresholds (Pensions Europe, 2024)⁸
- Pension and insurance funds in both countries remain constrained by mandates, regulations, or operational inertia, leading to underutilised financial capacity.

⁷IRDAI (2024) Exposure Draft on Reforms in Investment Management by Insurance Companies. Insurance Regulatory and Development Authority of India, 12 June. Available at: [Link](#)

⁸PensionsEurope. (2024). Emerging Markets Allocation in EU and UK Pension Schemes. PensionsEurope Working Paper Series. Available at: [Link](#)

Build a UK-India Infrastructure Risk Mitigation and Credit Enhancement Facility

- Establish a bilateral facility providing partial credit guarantees, FX risk-sharing, and first-loss mechanisms to derisk sub-sovereign projects and improve credit ratings.
- The facility could offer partial credit guarantees, first-loss mechanisms, and enforceable contract templates to de-risk political and regulatory volatility, particularly at the sub-national level. Structuring it with \$1–2 billion in seed capital and anchor support from NIIF, UK DFI institutions, and multilateral partners would enhance both scale and credibility (ICfS, 2025).
- Anchored by both public and private stakeholders, such an initiative would enhance project bankability and build confidence in long-term infrastructure outcomes. Emphasis should be placed on developing standardised contracts and enforceable legal frameworks to address investor concerns about enforcement asymmetries.

Launch a Global Infrastructure Refinancing Fund for India

- Address the debt bottleneck by creating a public-private fund to refinance mature infrastructure assets, relieving pressure on bank balance sheets and enabling capital recycling.
- Structured as a public-private partnership, the fund would provide low-cost, long-tenor INR debt to unlock fresh lending capacity within domestic banks. It should prioritise instruments tailored to institutional mandates and supported by credit enhancement mechanisms (ADB, 2024; Mondaq, 2024)⁹
- International investors could participate via hedged, rated instruments tailored to institutional mandates.

⁹ Asian Development Bank (2025) Annual Report 2024. Manila: Asian Development Bank. Available at: [Link](#)

Establish a Strategic Communications Platform for India's Infrastructure Story

- Close the perception gap through a professional, data-driven storytelling ecosystem centered on Indian infrastructure investment. Establish a joint UK-India investment platform to showcase credible data, return profiles, and project case studies especially highlighting mid-sized and state-level success stories.
- The platform would showcase successful projects, track returns, and demystify local conditions while amplifying narratives of impact and innovation. It should leverage annual forums such as the India Global Forum, investor roundtables, and digital dashboards to clarify policy and regulatory frameworks, aligning investor expectations with on-the-ground realities.
- Backed by both governments and industry, the initiative would target pension funds, asset managers, and retail channels across the UK and EU. It should amplify narratives of successful international participation, particularly from peer countries like Canada to reinforce viability and build investor trust (Brookfield, 2024; ICfS, 2025)¹⁰

¹⁰ Brookfield Corporation (2025) 2024 Annual Report. Toronto: Brookfield Corporation. Available at: [Link](#)

Accelerate Capital Market Integration and Policy Reform on Both Sides

- Deepen financial interoperability through targeted regulatory and institutional initiatives. India should accelerate reforms to expand the municipal bond market, ease pension and insurance investment norms, and deepen the InvIT and REIT ecosystems (IRDAI, 2024; Mondaq, 2024).
- India should fast-track municipal bond market development and reform pension fund investment rules to enable greater infrastructure participation. Meanwhile, the UK can explore emerging market infrastructure allocations, simplify fund registration for India-specific vehicles, and leverage GIFT City mechanisms for INR-denominated listings (Barclays, 2025).
- Simultaneously, the UK should pursue dedicated emerging market infrastructure allocations, broaden ESG-compliant mandates, and enable India-focused funds through simplified compliance pathways. Both governments should finalise a modern Bilateral Investment Treaty and institutionalise periodic regulatory dialogues to enhance capital market interoperability (ICfS, 2025; PensionsEurope, 2024).



A unified outlook emerged from the session: unlocking sustainable infrastructure investment in the UK-India corridor requires bold reforms, deep trust, and sustained institutional coordination. Capital alone cannot close the infrastructure gap—it must be accompanied by credible de-risking tools, transparent narratives, and policy coherence that aligns investor confidence with national development priorities.

Participants reaffirmed the importance of long-term planning, cross-border financial architecture, and targeted regulatory innovation in addressing the capital disconnect. From scalable refinancing mechanisms and risk-sharing platforms to strategic storytelling and market integration, the roundtable underscored the need for decisive, harmonised action. This collective momentum offers a powerful opportunity to reframe infrastructure financing as a proactive, trust-based partnership—not merely a transaction but a shared commitment to building resilient, inclusive, and future-ready economies. By transforming capital availability into catalytic infrastructure outcomes, the UK and India can lead a new global model of climate-aligned, equitable development.

- **Abhinav Sinha**, Managing Director and Head of Technologies, Telecoms and Sustainable Industrials, BII
- **Angelie Moledina**, Chief Impact & Operations Officer, Sustainable Markets Initiative
- **Arun Anand**, Founder & CEO, Electric Miles
- **Divyata Ashiya**, Managing Director, Fortescue Capital
- **Hemang Jani**, Senior Advisor to Executive Director, The World Bank
- **Natalia Uribe**, Founder and Co-Creator, Urban World Matters
- **Professor Jim Coleman**, Head of Economic Advisory, WSP
- **Ravi Prasad**, Director, Barclays
- **Ravindra Rathee**, Head of International Corporate Development, JSW
- **Sachin Nandha**, Director General, International Centre for Sustainability
- **Sarah Mackintosh**, Director, Cleantech for UK
- **Souleymane Ba**, Partner, Co-Head of Climate Strategy, LeapFrog Investments

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