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NITI Aayog's Investment Friendliness Index 2026

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WHY IN NEWS

*On , **NITI Aayog** released the first-ever **Investment Friendliness Index (IFI)**, a framework that ranks **States and Union Territories** on how effectively they create and sustain a conducive environment for investment. The Index aims to strengthen **competitive federalism** and improve the ease of doing business at the sub-national level.*

WHAT THE INDEX MEASURES

The Investment Friendliness Index is built on the recognition that investment decisions in India are increasingly shaped at the **State level**, where land, labour, power and clearances are administered. By benchmarking States against one another, NITI Aayog hopes to trigger a "race to the top."

The IFI covers **28 States and 8 Union Territories** and evaluates each on **84 indicators grouped into 8 pillars** that together capture the full investment lifecycle, from infrastructure and regulatory quality to labour, land access and business support.

Why It Matters

For decades, the ease of doing business conversation in India was dominated by national rankings. The IFI shifts the lens to **sub-national performance**, acknowledging that a manufacturer choosing between two States cares about local clearances, power reliability and factor markets far more than a national average. It complements the World Bank's new **B-READY (Business Ready)** assessment, which replaced the discontinued **Doing Business** report.

THE RANKINGS

The Index groups States and UTs into categories to allow fair comparison between very different economies. Broad top performers included:

RANK TIER	STATE / UT	INDICATIVE SCORE
Leader	**Gujarat**	~56.6
High	**Maharashtra**	~53.7
High	**Goa**	~53.1
High	**Tamil Nadu**	High band
High	**Odisha**	High band

Category toppers recognised the diversity of India's federal landscape:

- **Large States: Gujarat**
- **Hilly and Northeastern States: Uttarakhand**
- **City States and small Union Territories: Goa**

This categorisation ensures that a small hill State is not judged against a large industrial one, keeping the exercise both fair and actionable.

COOPERATIVE AND COMPETITIVE FEDERALISM

The IFI sits squarely within NITI Aayog's core mandate. Two ideas frame it:

- **Competitive federalism:** States compete to improve their investment climate, driven by transparent, comparable data.
- **Cooperative federalism:** the Centre and States work together, with the Index acting as a diagnostic tool that highlights specific reform gaps a State can act on.

By publishing granular indicator-level data, the Index gives each State a practical reform roadmap rather than just a rank.

PART OF A FAMILY OF INDICES

The Investment Friendliness Index joins a growing set of NITI Aayog benchmarking tools that shape policy debate:

INDEX	FOCUS
SDG India Index	Progress on Sustainable Development Goals
Fiscal Health Index	Fiscal performance of States
Export Preparedness Index	Export readiness of States
Investment Friendliness Index	Sub-national investment climate

Together these indices reflect NITI Aayog's role as a **think tank** and **policy driver** rather than a fund-allocating body like the erstwhile Planning Commission.

UPSC RELEVANCE

GS Paper 2: Government policies and interventions; role of institutions like NITI Aayog; issues relating to federal structure and Centre-State relations.

GS Paper 3: Indian economy; mobilisation of resources; industrial growth and investment; ease of doing business.

Prelims pointers:

- The **Investment Friendliness Index (IFI)** covers **28 States and 8 UTs** using **84 indicators across 8 pillars**.
- **Gujarat** topped the large-States category; **Uttarakhand** led Hilly and Northeastern States; **Goa** led City States and small UTs.
- The Index complements the World Bank's **B-READY (Business Ready)** assessment, successor to the discontinued **Doing Business** report.
- Other NITI Aayog indices: **SDG India Index**, **Fiscal Health Index**, **Export Preparedness Index**.

Mains question: "Competitive federalism has become a key instrument for improving the investment climate in India." Discuss with reference to NITI Aayog's benchmarking indices such as the Investment Friendliness Index. (250 words)

FACTS CORNER

📌 FACTS CORNER, KNOWLEDGEPEDIA

NITI Aayog (National Institution for Transforming India) replaced the Planning Commission on January 1, 2015.

Its Chairperson is the Prime Minister; day-to-day work is led by the Vice-Chairperson and a CEO.

The Doing Business report was discontinued by the World Bank in 2021; its successor is the B-READY assessment.

Competitive federalism encourages States to compete on governance and reform; cooperative federalism stresses Centre-State collaboration.

The IFI is the first index to rank States specifically on their investment environment.

Sources: NITI Aayog, PIB, World Bank B-READY

Source: NITI Aayog's Investment Friendliness Index 2026 — Ujiyari.com | Free UPSC & State PCS Current Affairs

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