

Capital Markets-Vision 2030



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The complexities of financial markets have baffled humanity for centuries. This unpredictability confounded even the greatest minds; Sir Isaac Newton once remarked, “I can calculate the motion of heavenly bodies, but not the madness of people”.

For India, the foundation of robust and well-functioning financial markets began to be built in the 1990s. The capital account was progressively liberalised, interest rates were

utility anchored in a centralised KYC repository and interoperable investor identifiers (akin to digital passports) may be considered to enhance ease of access for global investors. This framework, while respecting local data and regulatory integrity, can facilitate participation across Indian and offshore platforms through a single compliance interface.

b) GIFT City as a gateway for global capital

Ongoing reforms at GIFT IFSC, including IFSCA’s unified fund management guidelines, have laid a strong foundation. The next phase could focus on bilateral recognition of fund structures, expansion of feeder and pooling mechanisms and tax certainty on capital gains and repatriation. Regulatory alignment with OECD standards on transparency and dispute resolution protocols will be key to enhancing GIFT City’s credibility among institutional allocators. Structured dialogue between regulators, sovereign wealth funds and global asset managers may help prioritise reforms in a demand-aligned manner.

c) Building Regional Connectivity Models

The feasibility of developing a regional capital connectivity model, similar to Hong Kong’s Bond Connect programmes, may be evaluated. An initial pilot could target sovereign and quasi-sovereign issuance with eventual expansion to investment-grade PSU and corporate debt. A platform—built with interoperable clearing and settlement layers and enabled through regulatory coordination across participating jurisdictions—could reinforce India’s leadership role in the Asian capital ecosystem. This initiative may not only expand the investor base for Indian debt issuers but also support local currency bond market development, de-dollarisation of capital flows and financial stability.

2. ESG and Sustainable Finance: Mobilising Capital for India’s Net-Zero Transition

India’s net-zero commitment by 2070 represents a defining capital markets opportunity. Estimates suggest that over \$10 trillion** in cumulative investment will be required to meet this goal, necessitating a transformational shift in sustainable finance frameworks, market infrastructure and investor alignment. Capital markets could play a pivotal role in channelling long-duration, cost-efficient funding towards green assets.

The following policy steps can help deepen market capacity and enable investors to participate in India’s climate journey with greater clarity and confidence:

a) Institutionalising ESG Audit and Assurance Mechanisms

The Business Responsibility and Sustainability Reporting (BRSR) framework mandated by SEBI for the top 1,000 listed companies provides a foundational template for ESG disclosures. To strengthen its effectiveness, regulators may consider a phase-wise implementation of third-party

deregulated and the exchange rate was freed.

In recent years, the convergence of policy push, regulatory innovation, and unprecedented retail participation has redefined the investor ecosystem. Average Daily Trading volumes have grown significantly from Rs.0.35 lakh crore in FY19 to over Rs.1 lakh crore, indicating deeper liquidity and broader participation (Source: NSE).

The number of unique investors in the securities market ecosystem has almost tripled since March 2019 to reach over 13 crore in 2025 (Source: SEBI). The growth in the asset management industry over the last few years has also been phenomenal, with assets under the management of Mutual Funds growing from Rs. 22.3 lakh crore in March 2020 to Rs. 65.7 lakh crore in March 2025.

India has now become the world’s fourth-largest economy. It has emerged as the fastest-growing major economy and is on track to become the world’s third-largest economy with a projected GDP of \$7.3 trillion by 2030*. As we strive to double our economy by 2030, it will require us to develop sustainable investing structures that benefit every citizen and drive economic productivity.

We believe the following focus areas in capital markets for the next few years should help India retain its competitive edge and make itself “future ready” as capital markets leapfrog with newer technologies:

1. Positioning India as a Strategic Anchor for Cross-Border Capital Leadership

India, today, stands at an inflection point as a key enabler of capital formation, a global capital reallocates in response to geopolitical realignments. A calibrated policy approach underpinned by institutional innovation is essential to reinforce this positioning.

The following policy directions could further align India’s capital markets with global financial flows:

a) Unified onboarding framework and interoperable KYC solutions

The phased development of a digital onboarding

assurance protocols. Embedding such assurance mechanisms would enhance data reliability, support ESG integration into credit and equity analysis and anchor responsible capital allocation.

b) Taxonomy-linked green bond standards

The upcoming green taxonomy under the guidance of the Ministry of Finance and SEBI is expected to standardise definitions and enhance proceeds traceability for green bond issuances. Alignment with internationally accepted taxonomies would enable more transparent labelling, facilitate index inclusion and attract ESG-dedicated global fixed income mandates. Market consultation on post-issuance reporting, third-party review mechanisms and interoperability with global sustainability reporting platforms would further strengthen issuer and investor confidence.

c) Carbon Markets as a Capital Channel

A regulated carbon credit trading platform, governed by robust MRV (Monitoring, Reporting, and Verification) standards, can provide price discovery for emissions and open new instruments for capital mobilisation. For investors, this unlocks opportunities to participate in transition-linked assets, hedge carbon exposure and create climate-linked investment products, including ETFs and structured funds.

d) Expanding Priority Sector Lending to Green Infrastructure

The RBI's current Priority Sector Lending norms already recognise renewable energy as an eligible sector. Inclusion of other categories such as EV charging infrastructure, grid modernisation, energy storage and climate-resilient housing could support credit penetration into emerging green sectors.

e) ESG-Integrated Mandates for Institutional Capital Pools

The gradual integration of ESG factors into the mandates of long-duration domestic capital pools such as insurance and sovereign wealth funds could accelerate long-term flows into ESG strategies and support capital markets in adopting standardised stewardship and active ownership frameworks.

f) Harmonised Classification and Disclosure Regime for ESG Funds

A tiered fund classification regime differentiating between ESG-integrated, thematic and impact-aligned products may be considered. Such a framework, drawing on global precedents like SFDR (EU) or SEC's ESG Fund Disclosure rules, could help mitigate greenwashing risks, enhance comparability and provide investors with a clear taxonomy of sustainability intent and outcomes.

3. Strengthening India's AIF Framework for Long-Term Capital

India's Alternative Investment Fund (AIF) industry has demonstrated robust growth, with Assets Under

Management (AUM) more than doubling over the past decade to USD 136.1 billion as of December 2024 (Source: CARE Ratings). Projections suggest this could almost double to over USD 247 billion by 2029, driven by favourable macroeconomic fundamentals, rising wealth creation, a maturing institutional investor base and the need for differentiated return streams.

The following focus areas could help reinforce the long-term resilience and scalability of India's private capital ecosystem:

a) Building Semi-Liquid Long-Term Asset Platforms like Specialised Investment Vehicles

To expand access while maintaining investor protection, encouraging specialised investment vehicles at mutual fund platforms with controlled redemption windows, lock-in periods and NAV-based pricing mechanisms can offer accredited investors an exposure with disciplined liquidity and institutional-grade oversight.

b) Institutionalise Credit Governance via Local Scorecards & Standards

Ensuring governance parity with public market debt becomes critical as private credit gains traction. The development of a regulatory-aligned credit risk and governance scorecard framework can help standardise asset eligibility, underwriting discipline and liquidity management practices across categories. A tiered certification (e.g., risk-o-meter in mutual funds) may be introduced to denote adherence to risk and governance standards.

4. From Digitisation to Digital Intelligence: Building Real-Time, Trusted Capital Markets by 2030

By 2030, India's capital markets could become a self-learning, real-time ecosystem, where technology enhances trust, inclusion and transparency.

By 2030, India's capital markets should operate on a foundation of real-time, intelligent infrastructure where digital capabilities are embedded across every transaction, disclosure and investor interaction.

The integration of AI should be aligned with evolving regulatory architecture and product development.

The following priorities can help deliver an intelligent and responsive market infrastructure:

a) Real-Time Market Infrastructure

India's leadership in adopting T+1 settlement positions it uniquely to explore T+0 or instant settlement mechanisms, particularly for liquid asset classes. Real-Time Clearing and Settlement tokenised securities can be leveraged and RTGS-linked settlement layers can enable same-day or instantaneous settlement for equities, sovereign debt and listed corporate bonds. Smart Corporate Actions, like automating the end-to-end processing of corporate actions such as dividends, rights issues and stock splits through event-driven smart contracts embedded in depositories and clearing corporations, can reduce operational risk and improve investor experience.

b) Unified Digital Identity and Interoperable KYC

A Centralised Investor Identity Framework (CIIF) integrating PAN, Aadhaar and UCC across capital market entities can be introduced. Real-time KYC sharing between regulated entities with granular consent mechanisms can help bring KYC interoperability.

c) AI-Driven Suitability-Aligned Investor Advisory

Supervisory Controls should be built by embedding recommendations and rationale. Escalation triggers can be built to ensure AI-generated advice meets fiduciary obligations and is auditable by regulators. Machine learning models can be deployed to generate asset allocation based on investor profiles and risk appetite under the supervision of SEBI's suitability and risk profiling norms.

d) Natural Language Interfaces for Compliance and Market Access

AI-Powered Regulatory Interfaces can develop multilingual natural language bots to simplify access to compliance forms, regulatory filings and investor disclosures for SMEs and retail investors. These tools can be embedded within exchange portals,

AMC interfaces and SME onboarding platforms. Proactive Disclosure aids can assist issuers in understanding and drafting event-based disclosures or regulatory submissions in real time, with built-in context and regulatory checks.

Conclusion

Over the past decade, India has undergone a profound economic transformation rooted in structural reforms. India has achieved high GDP growth despite significant fiscal consolidation while empowering millions through financial inclusion. The country has laid the foundation for a resilient economy. With robust FDI inflows, expanding trade and innovation-driven sectors leading the charge, India is no longer a passive participant in the global economy; it is a key architect of its future.

India's capital markets stand at a once-in-a-generation threshold. The path to 2030 requires coordinated ambition to ensure a structurally robust, globally competitive financial ecosystem. This ambition should also reflect the regulatory evolution, global integration with best practices and responsible innovation.

If executed with vision and discipline, India can lead by becoming the 'capital market beacon' for global economies.

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

References

*<https://www.pib.gov.in/PressNoteDetails.aspx?NotelId=154660&ModuleId=3>

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