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The **5 core reasons** to consider investing in **India**

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In a slowing global economy, one country still shines. India is on track to overtake China this year as the fastest growing economy and to widen that lead over the next few years as GDP growth reaches 8% in 2017, according to the World Bank figures.

This momentum has not gone unnoticed by both domestic and foreign investors. India's benchmark Sensex index surged 30 % in 2014 on the election of a reform-minded government and hit an all-time high in late January, while company valuations rose to historic highs. Many investors then pressed pause, reminded of the complexities inherent in running the world's largest democracy and anxious that reforms might stall.

The markets have now settled back, with valuations at more defensible levels, making the country again potentially attractive to investors who are looking for evidence of economic growth.

Here are five positive indicators for investors considering India.

1 REFORM

Prime Minster Narendra Modi took office in May 2014 on a strong pro-business platform. Some setbacks followed, including a seemingly reactionary proposal to tax foreign fund managers for previous capital gains, but the overall trajectory of the administration's activity remains positive from the perspective of foreign investors.

A $39 billion allocation to much-needed infrastructure spending cuts in fuel subsidies, the liberalization of the coal market, and the near doubling of foreign ownership limits in local life insurance companies suggest that this government remains committed to economic reform.

As the World Bank noted in its Global Economic Prospects Report, to the extent that credible reform agendas boost investor sentiment, they will also help create a virtuous cycle of strong investment sentiment (including foreign investment) and output growth.

It remains to be seen whether the new government will be effective in addressing the country's enormous social problems: lifting about half of its population out of poverty; stemming still rampant corruption; and improving life for women and girls. But it does seem to be making a promising start in reforming the economy.

2 A WORLD APART

As any visitor realizes within minutes of landing, India has preserved its unique culture in an increasingly homogenized world. That's true for its economy too, which remains largely domestically driven, able to serve its own enormous population, and is relatively uncorrelated to other big developed economies.

There are exceptions, notably the India's IT services sector, which derives most of its revenue from overseas. And the new government is anxious to expand the country's still limited trade flows. By and by large, however, India is still off the beaten path, which could prove very appealing to investors concerned about the global economy.

3 FOREIGN INVESTMENT

There aren't many markets in the emerging or developed world that hold anything like the promise of India. The country is on track to become the world's third-largest economy by 2025, edging out Japan to follow only China and the United States. But the country has been notoriously difficult for direct investors, who are limited to minority ownership in joint ventures to reach the domestic markets, notably in transport, retail, and finance and the enormous services sector.

Efforts to liberalize these rules, such as the recent change affecting life insurance, are contentious, as many Indian politicians fear displacing local providers. In the interim, foreign investors are understandably wary of making big commitments to operations outside their full managerial control. Prime Minster Modi seems very keen to change thatand his first year in office has been marked by visits to China, the United States and other countries to drum up trade and investment.

A reform-minded democratic government, a relatively stable currency, and a diverse economy that is not reliant on commodities makes it likely that global liquidity inflows to the country, both in direct investment and in the public markets, will remain strong over the next few years.

4 TRAINS, PLANES AND AUTOMOBILES

Indian transport companies have undertaken massive restructuring over the past few years and are considerably more efficient than many of their counterparts in other emerging countries. Both foreign and domestic manufacturers are making significant investments in their local operations, hoping to cash in on the rise of middle class consumers.

While many of the most attractive companies in India remain private, prospective investors can reasonably hope that this government will simplify listing rules, encouraging companies to seek IPOs. In the interim, there are plenty of well-run companies positioned to benefit further from the country's growth.

The transport sector in particular may have a great deal to gain from government investment in infrastructure, as well as continued low oil prices (India is a large net oil importer) and the increased mobility of the country's population.

5 DEMOGRAPHICS, AT HOME AND ABROAD

Of all the reasons to invest in India, the country's demographics are arguably the most compelling. In contrast to the rapidly aging countries of Japan and in most of Europe, Indians are relatively young, with the average age of citizens just 25 years old. The coming baby boom will make India the world's largest country by 2025, according to the World Bank.

More significant still is the rise of India's middle class at 100,000 million strong and growing, the product of the third largest education system in the world, after the United States and China, and continues to be arguably the biggest consumer base in the world. At the upper echelons, India is already home to some of the world's most successful entrepreneurs and industrialists. Many others live overseas, from Singapore to London to Silicon Valley, but retain strong personal and business interests in India. The continued liberalization and growth of its economy should strengthen those ties and the benefit foreign investors in the country.

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