FOREWORD

India is one of the fastest growing economies in Asia with an average real gross domestic product (GDP) growth rate of 7.3 percent over the last three years. The International Monetary Fund (IMF) predicts the economic growth rate will increase to 7.9 percent from 2018 to 2023. One of the main drivers of the higher growth is India's huge population of over 1.3 billion with a high ratio of working-age population to total population. The United Nations expects the demographic bonus period will continue until around 2040, enabling the country to achieve high economic growth over the long term.

India's economy had been facing high inflation, large current and fiscal deficits, a currency depreciation, and lack of investment before 2014. However, the situation has improved with various structural reforms initiated by Prime Minister Narendra Modi after he took office in May 2014. Under so-called Modinomics, regulations on foreign direct investment have been eased, and the Goods and Services Tax (GST) was introduced to harmonise the tax system across the country, significantly improving the business environment in India. India ranked 100th in the World Bank's ease of doing business index in 2017, up from 142nd place in 2014.

In November 2016, the government implemented a demonetisation program to tackle black money and drive India towards a cashless economy. A large amount of money flowed into the mutual fund market due to the demonetisation, which pushed up stock prices. In December 2016, the government brought the Insolvency and Bankruptcy Code into effect to accelerate the disposal of non-performing assets by financial institutions. The introduction of this code is expected to contribute to the development of the corporate bond market.

Promoting infrastructure development is also one of the key initiatives under Modinomics. Although the government budget is the main source of funds for infrastructure projects, mobilising private capital is crucial to address India's enormous financing needs. Furthermore, capital markets are becoming more important sources for infrastructure financing in order to avoid concentrating risk in the financial system. Foreign investors can play a more active role in providing stable long-term capital to India's capital markets. International Financial Services Centre set up within Gujarat International Finance Tec-City (GIFT) is expected to attract more foreign investments in the medium and longer term.

In November 2017, Moody's raised India's sovereign rating by one notch, confirming the progress made by Modinomics. The higher rating may increase the issuance of both government bonds and corporate bonds. Moreover, the number of investors in India's capital markets is expected to increase with the expansion of the middle-class driven by the growing national income. In this way, structural reforms will catalyse capital market activities and in turn the latter will promote the former with the result that a virtuous cycle can be created.

Thus far, *Nomura Journal of Asian Capital Markets* has focused on recent capital market trends mainly in the ASEAN region. With this issue, the journal turns attention to South Asia, featuring the capital markets of India, which are currently attracting global interest. The articles in the following pages cover India's equity market, bond market, asset management industry, and corporate governance.