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CHAMPIONS 2025

29% above 65, while China's elderly share approaches 30% by 2050. Both countries are experiencing working-age population shrinkage with higher dependency ratios. India's challenge is to harness its demographic dividend through sustained investments in health, education, and job creation, while strengthening social safety nets for inclusive development.

Exports: Gateway to Global Markets

Growth in India's exports reflects growing competitiveness in global markets. Services exports led the surge, growing at a rate of 13.6%, while merchandise exports excluding petroleum products touched \$374.1 billion. Electronic goods exports have surged in recent years, driven by the Make in India initiative and Production-Linked Incentive (PLI) schemes, with mobile phones emerging as a major contributor to this growth. Pharmaceuticals and engineering goods continue to perform strongly, strengthening India's role in global value chains. Diversifying destinations, from the US and Japan to the UAE and France, has reduced market dependence and increased resilience.

However, India's export growth faces challenges like infrastructure bottlenecks, deeper market penetration and market diversification. High financial costs, technology and quality gaps, and skill gaps further constrain competitiveness. Sustaining and accelerating export growth will require continuous innovation, quality upgrades, and stronger supply chain integration. Investing in research and development, building stronger international brand recognition, and enhancing export infrastructure can further enhance competitiveness. Exploring new geographic markets and deepening partnerships in emerging and developed economies present significant opportunities for expansion. Unlike other developing countries, India has not been able to increase her share of labour-intensive goods in the world market. This is a must for the perspective of employment creation.

A key consideration remains energy security. India's dependence on imported crude oil, with over 88% of requirements met through imports, creates vulnerabilities to global price volatility. Domestic oil production remains limited at approximately 11.6% self-sufficiency. Pursuing diversified energy sources through renewable energy expansion, biofuel development, and improved domestic exploration can strengthen energy resilience and support long-term export competitiveness and industrial growth.

Manufacturing and Industrial Reforms

Manufacturing contributes about 17% to GDP with aspirations to reach 25% by 2030. Supported by the Make in India initiative and PLI schemes, the sector has demonstrated positive momentum. Electronics manufacturing has expanded considerably over the past decade, making India a competitive production hub. Foreign Direct Investment in manufacturing has also shown growth. Industrial corridors, semiconductor parks, and textile clusters are expanding regional opportunities and building supply-chain capabilities.

However, India's manufacturing sector faces challenges like inadequate infrastructure, high energy costs, and complex regulatory procedures that deter investment. Limited access to affordable finance, shortages of skilled labour, and slow technology adoption hinder productivity and innovation. To further strengthen the manufacturing ecosystem, there is considerable scope for enhancing skill development programmes tailored to sector-specific needs, improving infrastructure connectivity to industrial hubs, and fostering deeper linkages between large industries and MSMEs. Facilitating technology transfer and promoting green manufacturing practices can ensure growth is both robust and environmentally sustainable, positioning India competitively for the future.

GST and the Formalisation of the Economy

The Goods and Services Tax (GST) has simplified India's tax system by unifying multiple levies into a single framework, and creating a seamless national market. It has improved tax transparency, boosted logistics efficiency, enhanced ease of doing business, and encouraged greater formalisation of the economy, while strengthening revenue collection through better compliance. Measures like AI-based audits, e-invoicing, and return reconciliation have supported revenue stability and improved compliance.

Looking ahead, further rate rationalisation, expanded coverage of sectors, and continued technology upgradation can enhance the system's effectiveness and reach. Strengthening taxpayer education and providing targeted digital support for smaller businesses can encourage wider participation in the formal economy and deepen tax-to-GDP improvements.

Reform Agenda: Finance, Labour, and Investment

India's institutional framework is further strengthened by reform momentum, including raising

FDI limits in insurance and strengthening risk-based regulation for market development and depth, labour reforms through four comprehensive codes to balance worker protection with enterprise flexibility, etc.

Refining these frameworks through stakeholder feedback, addressing remaining sectoral gaps, and ensuring smooth implementation across states can enhance policy effectiveness. Capacity building for financial regulators, labour boards, and investment facilitation agencies can support more effective policy execution and investor experience.

Infrastructure and Public Investment Momentum

Infrastructure plays a significant role in India's growth trajectory. The National Infrastructure Pipeline encompasses over 13,000 projects worth Rs 185 lakh crore across 33 sectors. Public investment in capital expenditure has increased substantially, reaching nearly Rs 11 lakh crore in FY 2024–25. Projects under *GatiShakti* and *Bharatmala* are advancing connectivity, while Dedicated Freight Corridors and *BharatNet* are enhancing logistics and digital reach. Renewable energy capacity expansion and smart cities initiatives reflect long-term strategic focus. The National Monetisation Pipeline has generated substantial revenue by unlocking value from brownfield assets.

Moving forward, accelerating project execution timelines, improving quality assurance mechanisms, and ensuring regular maintenance of completed infrastructure can maximise returns on public investment. Strengthening last-mile connectivity in rural and remote areas and enhancing intermodal transportation links can ensure infrastructure benefits reach all regions equitably.

FDI: Beyond Capital to Knowledge Transfer

FDI inflows have also increased over the past decade, driven by economic reforms, market potential, and policy liberalisation. Sectors such as services, manufacturing, IT, telecommunications, and renewable energy have attracted significant investment. Beyond financing, FDI has contributed to technological and managerial capabilities in various sectors. Collaborations in manufacturing, pharmaceuticals, and digital services have supported productivity gains. India maintains a liberalised FDI regime with 100% FDI permitted under the automatic route in many strategic sectors, including manufacturing, telecom, infrastructure, railways, agricultural activities, mining, non-banking financial companies, e-commerce, and

renewable energy. Enhanced FDI provisions in the space sector reflect openness to emerging sectors.

However, complex regulatory procedures, bureaucratic hurdles and delays in land acquisition often deter investors. To deepen technology transfer and knowledge spillovers, there is potential to strengthen linkages between foreign and domestic firms, encourage joint research initiatives, and develop sector-specific technology partnerships. Facilitating R&D collaborations and supporting Indian firms in adopting advanced technologies can amplify FDI benefits.

Green Growth and Sustainability

There is increased emphasis on integrating sustainability into India's development approach. India's *Panchamrit* commitments include 500 GW of non-fossil energy capacity by 2030 and net-zero emissions by 2070. India has expanded renewable energy capacity and is building capabilities in solar manufacturing and green hydrogen innovation. The Perform, Achieve and Trade (PAT) scheme sets energy efficiency targets for designated consumers in energy-intensive industries, with 1,333 units across 13 sectors covered to date, contributing to measurable energy savings and emissions reductions. Schemes like subsidies for rooftop solar installation, concessional financing for efficient appliances, and energy labelling initiatives further support the cause.

The Road Ahead: Sustaining Inclusive Growth

India's growth story is characterised by expanding consumption, demographic advantage, infrastructure push by the government, and digital transformation. Sustaining this trajectory requires deepening human capital through quality education and healthcare, building resilient and inclusive cities, expanding manufacturing capacity, and advancing financial inclusion. Aligning growth with environmental responsibility through renewable energy expansion, climate-resilient infrastructure, and sustainable resource management ensures long-term viability. The path forward involves balancing growth momentum with inclusive development and strengthening foundational institutions. With sustained focus on reform and inclusive growth, India is positioned to achieve its development objectives. □

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