Shift from emerging to pivotal: India in the new geoeconomic order

KPMG. Make the Difference.

January 2026

kpmg.com/in

Foreword

The global geoeconomic order is at an inflection point. Fragmentation is reshaping supply chains, technology governance is decentralising and trust has emerged as the currency of trade. As geopolitical alignments grow more fluid, nations are recalibrating economic strategies to secure structural stability, autonomy and long-term competitiveness. In this evolving landscape, India's ability to become a pivotal global player rests on a combination of **vision, resilience and agility**, qualities that increasingly define its economic, defence and strategic posture.

This report, 'Shift from emerging to pivotal: India in the new geoeconomic order,' examines how India can help shape the next phase of global growth by building trusted partnerships, driving innovation at scale and steering the world economy towards greater stability and inclusiveness. The approaches outlined here reflect India's ambition to not only integrate deeper into global value chains but also influence the frameworks that govern them.

India's growth trajectory is being reshaped by strategic market access, minilateral cooperation and trade partnerships that are creating pathways for scale, technology diffusion and supply chain reliability. As the country strengthens its position across a spectrum of high-value sectors, its advantage lies in a **diversified value creation model**, combining advanced manufacturing with digital leadership, energy transition momentum, innovation-led services and deep domestic market strength.

At the heart of this progress is a clear long-term national vision. Viksit Bharat 2047 provides direction for economic expansion rooted in sustainability and inclusion. **Reforms** aimed at improving **economic stability**, enhancing the ease of doing business, modernising logistics and strengthening industrial corridors are enabling India to expand production capacity and accelerate backward integration. Within this ecosystem, micro, small and medium enterprises (MSMEs) are strengthening their role as innovation partners and supply chain enablers.

As these reforms take root across industries and supply chains, digital foundations underpin this momentum. India's digital public infrastructure (DPI) is enabling seamless payments, secure data exchange and trust at the population scale. Building on this, the rapid expansion of data centres and connectivity is strengthening cloud, artificial intelligence (AI), and edge capabilities. **Excellence in public digital infrastructure must be matched by excellence in energy systems**. India's energy transition, spanning solar manufacturing, battery storage and the National Green Hydrogen Mission, is shaping an ecosystem that enhances sustainability while improving reliability and cost predictability for industry.

In parallel, **defence modernisation is emerging as a major pillar of national capability**. The push for indigenous platforms, co-development models and dual-use innovation is enhancing strategic autonomy while expanding India's contribution to global defence value chains. Together, these advancements mark a clear shift from being an importer to becoming an innovator, placing defence self-reliance at the core of the country's emergence as a resilient and influential global power.

What distinguishes India's next leap is the **alignment of economy, technology and government**, working in tandem to build a future-ready nation. **Economic stability, ongoing reforms** and a strong innovation agenda provide the foundation needed for India to influence global governance systems. With clarity of vision, resilience in execution and agility in strategy, India is poised to help define the contours of a new global economic order.

Yezdi Nagporewalla
Chief Executive Officer
KPMG in India

January 2026

Executive summary

India is consolidating its global economic role by mobilising scale, innovation and resilience to expand market access while shaping production networks across borders. This shift from participant to architect in the multipolar geoeconomy is underpinned by a thriving digital ecosystem, anchored by trusted digital rails through DPI, forward-looking policy frameworks and a deep talent pool. Together, these strengths are enabling India to influence standards and establish resilient supply chains through strategic investments in advanced technologies and manufacturing capacity, which extend opportunities well beyond domestic markets.

As global supply chains diversify and digital platforms increasingly structure commerce, India is helping define new models of collaboration, alignment and governance. For businesses and policymakers, this evolution signals a phase of deeper strategic partnership with an economy that is actively shaping their design and direction.

India rising as a catalyst for global economic transformation

Manufacturing momentum

PLI schemes attracted over USD22 bn investments (as of Sep'25), reinforcing India as a high-value manufacturing hub

Renewable energy capacity

With 44.5 GW of installed renewable energy capacity (as of Nov'25), it ranks fourth globally

AI growth potential

AI adoption is projected to generate USD1.7 tn in economic value by 2035, reshaping industries across economy

Indigenous defence rise

Defence exports projected to reach USD5.5 bn by 2029, driven by partnerships and domestic innovation

PLI: Production linked incentive

Potential factors influencing further growth

Compute-aligned energy reliability

Variability in grid reliability, clean power supply and the pace of renewable integration could affect AI adoption and data centre operations

Semiconductor upstream progress

Reliance on imported inputs, extended fab investment cycles and slower upstream progress may influence semiconductor ecosystem readiness

Regulatory nuances

Compliances across states could benefit from synchronised alignment, boosting investor confidence and strengthening investment potential

Note: 1. Sources for the data indicated here are provided in the subsequent sections. 2. All currency conversions across the report are based on an exchange rate of USD1 = INR89.88, as of 8 January 2026

India's strategic shift over the last 18 months...

Market access and trade	• Shifted from an emerging export market to an active alternative supply-chain hub as global firms diversify away from concentrated geographies • Signed trade agreements with the U.K., Oman and New Zealand, materially expanding preferential market access and signalling deeper trade integration.
Investor confidence	• Foreign capital flows have become more conviction-driven, reflecting confidence in India's macro stability and policy continuity • FDI equity inflows grew nearly 13 per cent y-o-y in FY25, highlighting investors' view of the Indian market as strategic than a purely demand-driven[1].
Manufacturing	• PLI has shifted from policy intent to measurable execution, converting incentives into USD22 bn of realised investments across 14 sectors as of Sept'25, proving its ability to mobilise private capital at scale[2] • The impact is visible in outcomes, with over USD200 bn in incremental production and sales and 1.26 mn jobs created, positioning PLI as a concrete driver of manufacturing scale and employment growth[2].
Technology and innovation surge	• Approval of six semiconductor fabs with an outlay of over USD1.3 bn marks a shift to execution-led capacity planning, anchoring higher-value manufacturing and ecosystem depth[3] • Budget FY26 allocated USD2.2 bn to high-impact R&D and deep tech, reinforcing India's top five global ranking in critical technologies and enhancing long-term innovation leadership[4].
Defence	• Robust indigenous production supported record exports of USD2.6 bn in FY25 (private sector contributing 64 per cent), reinforcing the emergence of a commercially viable, export-ready manufacturing hub[5] • Established defence partnerships with the U.S. and the U.K. to facilitate strategic capability transfer and joint R&D across emerging domains.
Energy transition	• Reached 50 per cent non-fossil fuel share in total installed electricity capacity in Jun'25, achieving the milestone over five years earlier than committed[6] • Green hydrogen partnerships with Singapore and Germany integrated India as a key supplier in Asia-Europe decarbonisation supply chains, strengthening exports, standards and long-term investments.

...signifying a pivotal inflection point

- Global supply-chain realignment has repositioned India as a critical node, with its scale, policy coherence and workforce depth enabling it to anchor shifts in manufacturing and sourcing
- Converted intent into execution, with industrial investments in electronics, semiconductors, defence and renewables moving from MoUs to ground-breaking, vendor contracting and offtake agreements
- Built system-level advantages beyond cost, as DPI, logistics upgrades and GST-linked formalisation reduce friction across onboarding and compliance, allowing capital to scale faster.

R&D: Research and development; MoU: Memorandum of understanding; GST: Goods and Services Tax

1. Financial year-wise FDI Equity Inflow, Department for Promotion of Industry and Internal Trade (DPIIT), 9 December 2025
2. Production Linked Incentive Scheme Strengthens India's Manufacturing Capacity and Export Performance, PIB, 12 December 2025
3. India's Semiconductor Revolution, PIB, 3 August 2025
4. RDI Fund to Drive Private-Sector Led Deep-Tech Innovation and Position India as a Global Leader: Dr. Jitendra Singh, Department of Science & Technology, 26 November 2025
5. Defence Atmanirbharta: Record Production and Exports, PIB, 20 November 2025
6. Non-Fossil Fuels Contribute More than Half, as Total Installed Power Generation Capacity Reaches 505 GW, PIB, 18 December 2025

Navigating the next chapter

India's strategic window to pivot from scale to standards

Turning policy, technology and supply chains into a competitive advantage

Near-term opportunity	Gap assessment	High-signal indicators
Convert PLI capacity into exports • Fast-track ramp-up and certification in electronics, automotive and solar • Enable MSMEs to join tier-II/III supplier clusters.	**Input and material scarcity** • Supply disruptions in critical inputs such as semiconductor components, speciality chemicals, or industrial precursors, impacting manufacturing scale-up.	**PLI speed and MSME global integration** • Speed of PLI-backed plants moving from approval to commercial production • Growth of MSMEs meeting international standards and entering global value chains.
Scale digital rails into growth • Scale up digital exports of AI services, enterprise SaaS across emerging and middle-income markets • Package DPI (identity, payments, consent) to win cross-border services and fintech mandates.	**Cross-border considerations** • Data protection, KYC/AML and localisation norms across jurisdictions raise compliance complexity • Standardisation remains key in acceptance procedures across markets, impacting smoother rollout velocity.	**Growth and adoption metrics** • New UPI/DPI corridor launches and transaction volumes crossing threshold benchmarks • UPI merchant acceptance rates in target corridors.
Make clean power a compute moat • Anchor AI clusters and green DC parks to firm dispatchable renewable energy, plus • Storage (batteries, pumped hydro, hybrids) and guaranteed contracts to improve cost and reliability.	**Energy gaps and capital strain** • Renewable intermittency and storage delays impacting AI cluster uptime • Large upfront investments may create financing pressure, influencing project viability.	**Renewable guarantees and timely deployment** • Long-term PPAs signed for AI clusters with renewable and storage guarantees • Commissioning of green data parks and storage assets completed as per the planned schedule.
Capture defensible EV value • Localise ACC cells and magnets to cut import dependence and achieve export-grade certification • Export robust 2W/3W platforms and component kits with financing, after-sales support tailored to Global South fleets.	**Standardisation in incentives and norms** • Extended timelines in PLI disbursement or export incentives could affect the advancement of localisation plans • Diverse homologation norms across Global South markets could affect the pace of fleet deployment	**ACC scale-up and service expansion** • Operational milestones for localised ACC and magnet manufacturing facilities • Monitor expansion of authorised service networks and spare parts availability.

UPI: Unified Payments Interface, KYC: Know your customer, AML: Anti-money laundering, DC: Data centre; PPA: Power purchase agreements, EV: Electric vehicle; ACC: Advanced chemistry cell; 2W/3W: Two and three-wheelers

Table of Contents

01

Recalibrating market access through trade diplomacy

The fragmented global order

Redefining global networks to thrive in an era of uncertainty and innovation

For decades, the global economy was anchored in multilateral institutions that ensured stability, openness and predictable capital flows. This framework offered clear rules and a defined pathway for nations to engage in trade and financial networks.

The integrated model has evolved into a more diversified and strategically aligned order. Geopolitical shifts and security-linked priorities have prompted nations to prioritise resilience and autonomy, recalibrating trade and investment strategies to strengthen trusted partnerships. Approaches, such as friendshoring and nearshoring, reflect this trend as businesses seek to optimise supply chains through proximity and reliability.

The emerging landscape is marked by regionalisation and selective integration, where influence flows through multiple hubs and alliances, each shaping distinct standards and governance models.

Capital flows increasingly favour regions offering stability and strategic alignment, while supply chains are being redesigned to balance efficiency with security. Innovation ecosystems are also adapting, with technology partnerships clustering within trusted networks to enable collaborative development under harmonised regulatory regimes.

Amid this transformation, certain economies are moving from a position of integration to one of strategic influence, reshaping global value chains and governance structures. India, among them, is emerging as a pivotal force in the new geoeconomic order.

Global realignment systems in transition

The global economic landscape is undergoing a fundamental reset, shaped by disruptive shifts in trade flows, technological breakthroughs and sustainability imperatives. Traditional models of governance are giving way to interconnected frameworks that prioritise resilience, innovation and strategic collaboration.

Supply chain realignment

Restructuring sourcing, manufacturing and distribution networks to enhance efficiency and cost-effectiveness

Multipolar transition

Shift towards multipolarity reshaping governance, reflecting redistribution of influence

Nearshoring and friendshoring

Diversifying supply chains to enhance resilience and efficiency amid geopolitical uncertainty and reduce concentration risk

Technology alliances

Emerging technologies and other alliances forming innovation blocs among nations, thus creating new hubs of economic influence

Green transition

Accelerating green transition strategies, integrating renewable energy, sustainable sourcing and adopting low-carbon technologies

Sovereign digital currencies

Advancing global finance transformation, modernising payment systems and creating new power centres in monetary governance

India in the new geoeconomic landscape

Building resilience and competitiveness for a multipolar global economy

In a fragmented global landscape marked by shifting supply chains, India is emerging as a pivotal anchor of stability and growth. Beyond its stature as one of the high-growth markets, the country is positioning itself as a trusted partner in global value chains, offering scalable production capacity, fostering resilient cross-border partnerships and contributing to a trusted, rules-based economic engagement.

This transformation is underpinned by India's large, young workforce and its advancing technological capabilities, driving productivity, innovation and industrial scale. As these drivers mature, India's trajectory has moved beyond growth towards tangible influence, marked by deeper presence in global trade ecosystems and a stronger voice in economic decision-making forums.

Domestic consumption is gaining momentum

7.2 per cent

Growth in PFCE in FY25 (5.6 per cent in FY24)[1]

India's demographic dividend advantage

>65 per cent

Population is under age 35[2]

- Strong domestic fundamentals enhance India's attractiveness for long-term manufacturing and innovation capital
- It reflects India's evolving role from market participant to a shaper of the global economic architecture.

PFCE: Private Final Consumption Expenditure

Strengthening India's global market integration

India leverages its structural advantages through international platforms to enhance global economic engagement. Through coalition-building with strategic partners, it is aligning trade agreements that promote technology transfer, standards upgrading and deepen integration into global value chains. Together, these efforts are strengthening competitiveness and expanding merchandise and services exports.

Multilateral forums

Global platforms are central to India's market access strategy, enabling coalition-building and rule-making for stable global trade. Platforms include:

- World Trade Organization (WTO)
- The Group of Twenty (G20)
- Brazil, Russia, India, China, South Africa (BRICS)
- Shanghai Cooperation Organization (SCO)
- The SAI20 (Supreme Audit Institutions) Engagement Group

Key trade corridors

The corridors are the execution pillar, translating intent into connectivity and supply-chain resilience by diversifying routes and improving goods movement. Initiatives include:

- India-Middle East-Europe Economic Corridor (IMEC)
- African Continental Free Trade Area (AfCFTA)
- International North South Transport Corridor (INSTC)
- India-Myanmar-Thailand Trilateral Highway (IMT Highway)

Strategic advantages

Enhanced trade facilitation and faster routes

Diversified corridors reduce partner concentration risks

Coalition-building vital for shaping global standards and frameworks

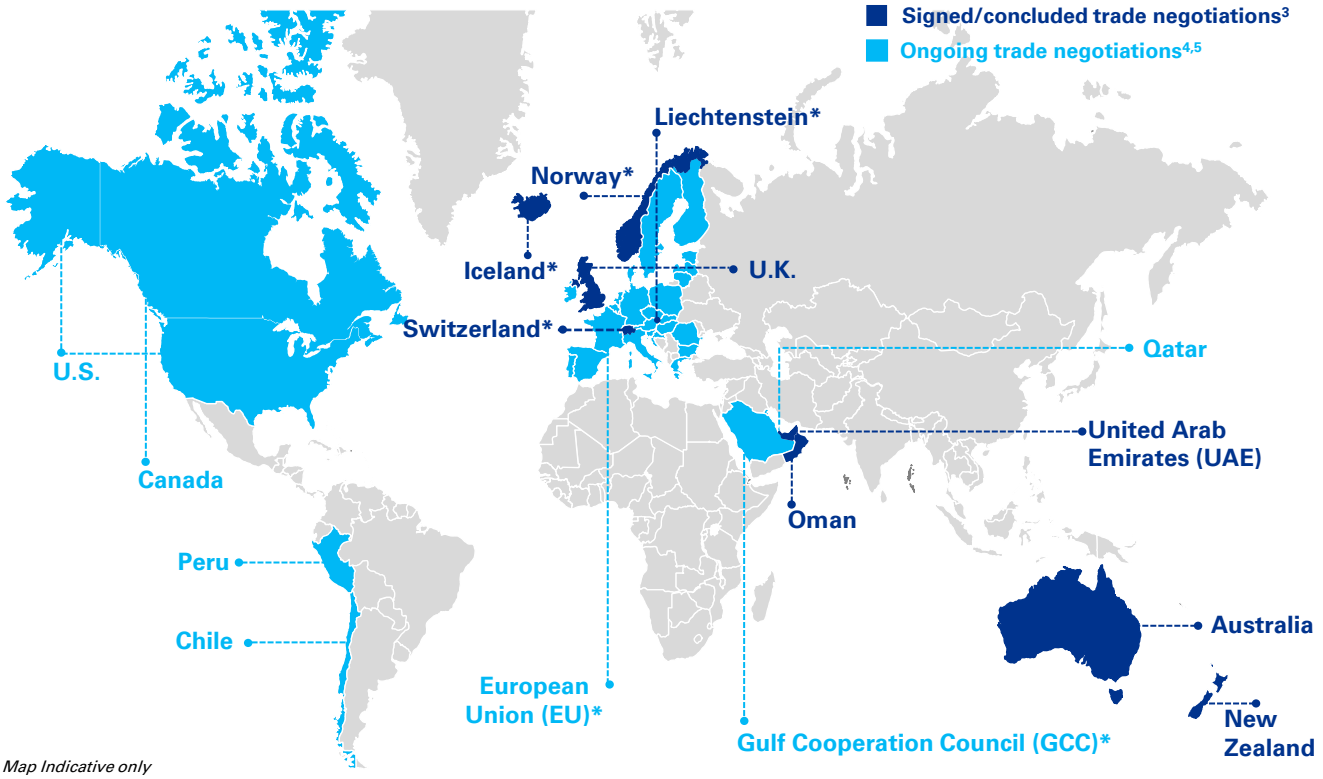
1. Provisional estimates of annual GDP for 2024-25 and quarterly estimates of GDP for the fourth quarter of 2024-25, PIB, 30 May 2025
2. The Talent Tsunami: Harnessing India's Demographic Dividend for Global Impact, IBEF, July 2025

Trade diplomacy fuelling global integration

Strategic trade agreements elevate India's role in shaping global trade flows

India is positioning itself as a reliable exporter, an attractive destination for long-term investment and a stabilising force within the emerging geoeconomic order.

Through long-term trade agreements and forward-looking reforms, India is consolidating its role as a global production and sourcing hub. Supported by targeted incentives and modernised policy frameworks, it is advancing as one of the leading destinations for innovation, investment and sustainable growth, demonstrating its readiness to shape the trajectory of international trade.



Map Indicative only

The map represents India's trade diplomacy with select countries and regions.

*EU: 27 member countries; GCC countries: Bahrain, Oman, Kuwait, Qatar, Saudi Arabia and UAE; European Free Trade Association (EFTA) member countries: Liechtenstein, Norway, Iceland and Switzerland

Diversifying pathways in a multipolar trade order

Western bloc (U.K. and EFTA)	Represents high-value and tech-driven markets. It strengthens India's advanced manufacturing, R&D and compliance frameworks, elevating its global credibility
Eastern/South-South bloc	Focuses on energy security, resource access and manufacturing value chain linkages within the Indo-Pacific
Indo-Pacific partnerships	Emerging as a key Indo-Pacific trade and investment hub, strengthening ties through partnerships in sectors such as energy, infrastructure and healthcare

These agreements reflect India's decisive move towards purposeful global integration, strategically balancing Western technological strengths with Eastern market opportunities and a gateway to Africa.

3. India – New Zealand Free Trade Agreement, PIB, 22 December 2025
4. Crafted in India, Delivered Globally: Exports Powered by Trade Agreements, PIB, 18 December 2025
5. India Deepens Trade Engagement with Latin America, PIB, 6 November 2025

Merchandise exports strengthen globally

Goods exports diversify beyond textiles into pharmaceuticals and engineering goods

7.1 per cent

India's rate of exports outpacing global growth of 2.5 per cent (2024)[6]

21.2 per cent

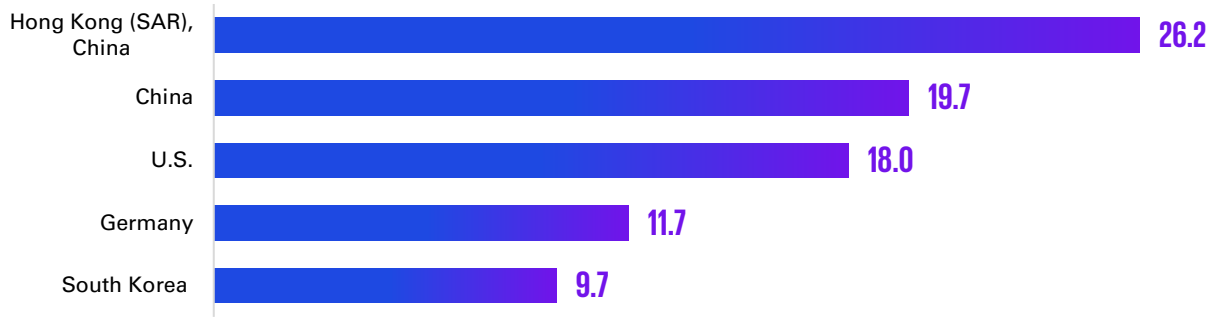
Share of exports in India's GDP (2024), up from 19.8 per cent (2015)[6]

USD1 tn

Total exports target in FY26, of which 34.6 per cent achieved in 5MFY26[6]

India's merchandise exports to several countries increased in 5MFY26 in comparison to 5MFY25*

% change in merchandise exports growth (5MFY26 vs 5MFY25), top five geographic entities[6]



*Note: The latest available data covers the first five months of FY25, from Apr to Aug'25

Hong Kong (SAR), China	China	U.S.
Exports surged on robust demand for gems, jewellery and telecom instruments, signalling India's deeper integration with the wider Asian markets	Shipments spanning petroleum, engineering goods, among others, highlight India's industrial strength and reinforce its role as a key supplier of raw materials, driving gradual trade rebalancing between the two economies	Indian exporters frontloaded shipments ahead of tariff hike with resilient U.S. demand for engineering goods, pharmaceuticals, electronics and jewellery driving robust growth despite tariff pressures

India's evolving trade partnerships underscore its strategic pivot towards global integration and economic resilience. Rising exports reflect a diversified footprint that mitigates risks and amplifies competitiveness. Supported by progressive frameworks, India's trade strategy is solidifying its role as a trusted partner and a critical node in the emerging multipolar economy.

Strengthening economic sovereignty through domestic fortification

India maintains strong trade relations with foreign countries and actively engages in global commerce, but it also bears the responsibility of safeguarding domestic industries while generating revenue. To achieve this balance, the country levies import tariffs that serve both protective and fiscal purposes. At the core is the basic customs duty (BCD), applied under the Customs Tariff Act (CTA) and varying by product, from zero on essential capital goods to higher rates on luxury items. The country also uses anti-dumping duties (ADD) to counter unfairly low-priced imports and safeguard local manufacturers.

This tariff landscape secures government revenue and underpins India's broader economic agenda, particularly the Make in India initiative aimed at bolstering manufacturing.

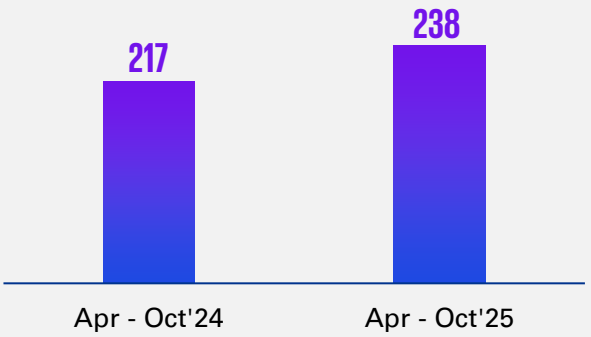
6. Export Surge: India Steps Up on Global Stage, PIB, 7 October 2025

Services strengthen growth durability

Services exports surge, driven by technology innovation and rising global demand

India's services sector is one of the cornerstones of its global economic influence, driven by innovation and digital transformation. The country is leveraging advanced technologies and a skilled talent base to deliver high-value solutions across international markets. By combining technological leadership with strong global linkages, India is reinforcing its role as a key driver of sustainable growth.

Services exports (USD bn)[7]



Key export destinations by value growth[7]

The services sector has solidified its position as the primary driver of India's economic expansion, accounting for nearly 55 per cent of the nation's gross added value (GVA) in FY25[8]. Notably, the contribution of computer and information services has strengthened significantly, with its share in services GVA rising from 6 per cent to 12.2 per cent between FY12 and FY24[9], effectively doubling over the past decade.

This sustained momentum in IT services has been driven by digital platforms, software exports, cloud computing and IT-enabled services, while the expansion of global capability centres (GCCs) further strengthened output and global positioning. Business services, including consulting and professional support, also contributed to the uptick, though IT remained the dominant growth engine.

India's expanding trade diplomacy extends beyond market access, focusing on the development of reciprocal ecosystems anchored in production capacity and resilient supply chains.

These ecosystems translate access into reliable supply, scalable output and a sustained global market presence.

7. The cumulative exports (merchandise & services) during April-October 2025 is estimated at US$ 491.80 Billion, as compared to US$ 469.11 Billion in April-October 2024, estimated growth of 4.84%, PIB, 17 November 2025
8. NITI Aayog releases twin reports on India's Services Sector: Insights from GVA and Employment Trends and State-level dynamics, PIB, 28 October 2025
9. India's services sector, NITI Aayog, 22 October 2025

02

Deepening supply chains through production capacity expansion

Manufacturing resilience anchoring reliability

Rising manufacturing and production capacity is accelerating India's economic momentum and global competitiveness

India's ascent as a global manufacturing hub is redefining its geoeconomic position and has the potential to become a USD1 tn manufacturing economy by FY261. Anchored in reforms that fortify supply chains and boost domestic capacity, India is pivoting from services-led growth to balanced industrial expansion.

Key drivers

- Rising foreign direct investment (FDI)
- MSME industry dynamism
- Localisation strategies for expansion
- Launch of National Manufacturing Mission

India's industrial growth is gaining momentum, with the purchasing managers' index (PMI) reflecting robust demand and proactive measures. Programs such as Make in India and Production-Linked Incentive (PLI) schemes are driving the creation of globally competitive industries capable of exporting high-value goods. These developments are strengthening India's integration into global value chains and positioning it as a resilient and attractive partner in the world economy

Dynamic index of industrial production (IIP)[2]

- Indicates a recovery in industrial output, with positive growth in basic metals, refined petroleum products and motor vehicles
- Output remains resilient despite short-term volatility in FY26, reflecting structural support from policy initiatives and domestic demand recovery.

Sustained manufacturing PMI[3]

- Indicates broad-based manufacturing optimism, suggesting healthy demand pipelines, strengthening supply chains and policy-driven investments
- Private sector's confidence is likely to translate into employment and export growth.

The PLI schemes across key sectors, such as automobiles and electronics, are driving industrial transformation by broadening India's manufacturing base, improving capacity utilisation and accelerating technology adoption. These initiatives have also enhanced export competitiveness, contributing to growth in the IIP and PMI.

As of Sept'25, PLI schemes have attracted investments of over USD22 bn as projects advance to implementation stages and generated production and sales of more than USD200 bn across 14 key sectors. This impact reflects a nine-fold economic multiplier, underscoring the efficiency of PLI and its role in boosting India's manufacturing growth in several high-value sectors[4].

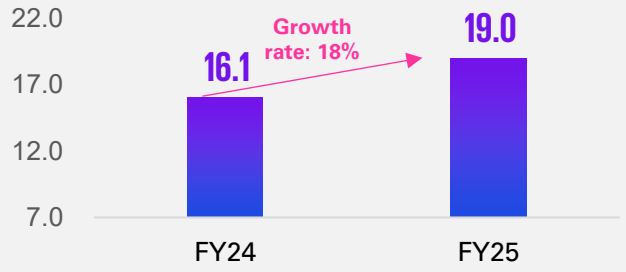
1. India's Manufacturing Momentum: Performance and Policy, PIB, 19 September 2025
2. Quick Estimate of Index of Industrial Production and Use-based Index for the Month of November 2025 , Ministry of Statistics and Programme Implementation, 1 December 2025
3. HSBC India Manufacturing PMI, S&P Global, 2 January 2026
4. Production Linked Incentive Scheme Strengthens India's Manufacturing Capacity and Export Performance, PIB, 12 December 2025

FDI as a catalyst

India's industrial shift is being driven by a dynamic partnership between government and enterprises, shaping robust manufacturing clusters, fostering R&D collaborations and advancing strategic sectors.

This synergy enhances global competitiveness and creates a conducive environment for FDI, with international capital amplifying domestic initiatives through innovation partnerships and supply chain integration. Rising FDI inflows, coupled with expanding domestic capacity, underscore the growing confidence of global investors in India's manufacturing trajectory.

Manufacturing FDI (USD bn)[5]



23.5 per cent of total FDI (FY25)[5]

Sectors driving the next wave of FDI growth

- Pharmaceuticals
- Defence
- Mining and refining
- Renewable energy

MSMEs: The backbone of manufacturing

- India's manufacturing transformation is anchored by MSMEs, which are fundamental to industrial growth and competitiveness
- Manufacturing ecosystem is supported by 1.56 mn MSMEs digitally registered, generating large-scale employment[6]
- Government support, through enhanced credit guarantees, higher lending ceilings, digital platforms and reforms promoting inclusivity and formalisation are empowering MSMEs to scale operations and integrate into global supply chains
- Key sectors driving MSME growth trajectory include textiles, pharmaceuticals, electrical equipment, auto components and engineering items.

MSMEs account for

35.4 per cent
of manufacturing output[7]

45.7 per cent
of exports[7]

India positions itself as a supply-chain anchor

Businesses that once depended on a single-country supply base are increasingly building capacity and standby production hubs to reduce disruption risk. India is positioning itself as a key diversification node, supported by manufacturing incentives and ecosystem-building efforts in electronics, semiconductors and clean energy. Infrastructure improvements are enhancing India's supply-chain performance.

- **Ports and coastal logistics:** Under Sagarmala, 32.4 per cent of 839 projects have been completed, supporting port modernisation, stronger hinterland connectivity and expanded coastal/waterway logistics[8]
- **Rail freight:** 96.4 per cent of the Eastern and Western Dedicated Freight Corridors are operational, improving heavy freight movement and easing congestion on mixed-use rail networks[9].

5. India's Manufacturing Momentum: Performance and Policy, PIB, 19 September 2025
6. MSME dashboard, Ministry of Micro, Small & Medium Enterprises, accessed on 8 January 2026
7. MSME sector accounts for 30.1% of India's GDP, 35.4% of manufacturing and 45.73% of exports in the country: Union Minister for MSME, PIB, 4 July 2025
8. Sagarmala Programme Powering India's Maritime Revolution, PIB, 27 March 2025
9. Ministry of Railways Advances Infrastructure with Dedicated Freight Corridors, Modernization Initiatives and Enhanced Freight Capacity, PIB, 19 March 2025

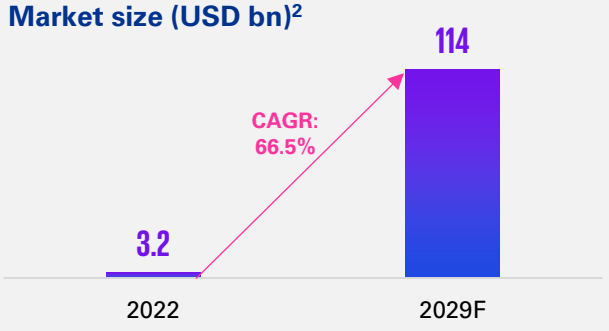
Charging ahead with electric mobility

Positioning India as a global EV hub by integrating technology and policy-driven incentives

EVs have become strategic levers for economic strength, energy security and low-carbon growth, evolving from an environmental choice to an industrial competitiveness imperative.

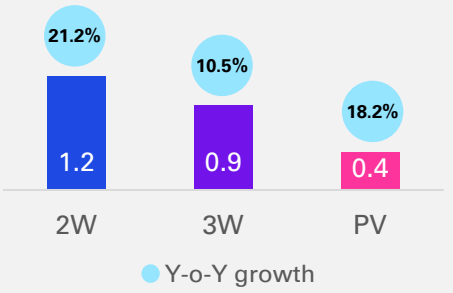
India's automotive sector is making a decisive shift to electric mobility, aligning environmental priorities with economic growth. EVs are future-ready solutions for consumers, businesses and public transport, with penetration rising from one-fifth of global levels in 2020 to over two-fifths by 2024[1].

Market size (USD bn)[2]



F: Forecasted value

EV registrations in FY25 (mn units)[3]



PV: Passenger vehicle

India's strategic edge in electric vehicles	Key enablers
• Emerging as one of the world's largest markets for electric 2W and 3W • Serving as a base for global engineering centres for advanced driver-assistance systems (ADAS), battery management systems, telematics and EV software • Increasing localisation of motors, controllers, inverters and semiconductor components • Positioning as an export base for EV components, electric 2Ws and 3Ws, EV chassis and powertrain subsystems • Accelerating investments highlight a shift from importing cells to building domestic capability.	• The Scheme to Promote Manufacturing of Electric Passenger Cars in India (SPMEPCI) to encourage the global companies' investment and position India as a global hub for EV manufacturing[4] • The PLI scheme for Advanced Chemistry Cell (ACC) battery storage to power India's battery manufacturing capacity with an investment of USD2 bn (FY25-FY29)[5,6] • The Scheme To Promote The Production Of Sintered Rare Earth Permanent Magnets with an outlay over USD800 mn was approved to boost domestic manufacturing amid rising EV-driven demand[7].

- Creates a high-value advanced manufacturing ecosystem
- Strengthens India's position as a global EV manufacturing hub
- Reduces import dependence significantly
- Boosts green jobs and accelerates innovation.

1. Unlocking a $200 Billion Opportunity: Electric Vehicles in India, NITI Aayog, August 2025
2. Electric Vehicle Industry in India: Growth, Policy & Market Trends, IBEF, October 2025
3. Auto Industry Sales Performance of March 2025, Q4 (Jan– March 2025) and April 2024 - March 2025, SIAM, 15 April 2025
4. India Opens Doors to Global EV Giants with Portal Launch under SPMEPCI, PIB, 24 June 2025
5. The Production Linked Incentive scheme, National Programme on Advanced Chemistry Cell (ACC) Battery Storage, Ministry of Heavy Industries, Government of India, accessed on 8 January 2026
6. Wheels of Change: India's Electric Leap for Green Mobility, PIB, 26 August 2025
7. Cabinet Approves Rs.7,280 Crore Scheme to Promote Manufacturing of Sintered Rare Earth Permanent Magnets (REPM), PIB, 26 November 2025

From pharma hub to innovation powerhouse

Robust manufacturing and R&D investments propel India's pharma innovation globally

The pharmaceuticals sector in India is evolving from a scale-driven model to an innovation-led approach, focusing on high-value products and advanced research. Clinical trials have emerged as a key growth segment, with nearly 18,000 new trials registered in 2024, a 50 per cent y-o-y increase[1]. This surge is driven by population diversity, cost advantages and strong drug development infrastructure, which complements the sector's innovation ambitions. Together, these trends reinforce India's role as a leading pharmaceutical producer and an emerging hub for healthcare innovation in the global geoeconomic landscape.

Generic market

Holds 20 per cent share of the global generic drug market as of FY25[2]

Global pharma

Ranked third globally in pharmaceutical production by volume (as of 2025)[2]

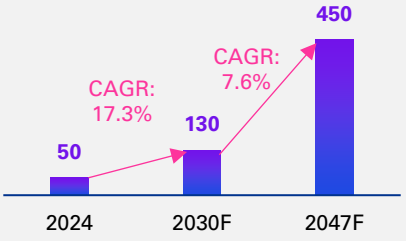
Export growth

One of the key providers of affordable medicine, strengthening its position in global markets (the U.S., Europe and Africa)

Innovation hub

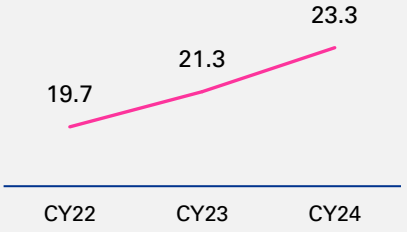
Third largest destination for conducting clinical trials globally (as of 2025) with a focus on drug development[3]

Pharmaceutical market size (USD bn)[4,5]



Data for 2024 is for the financial year
F: Forecasted value

Pharmaceutical exports (USD mn)[6]



Top export countries (CY24)[6#]

#Trade Map presents information for the calendar year.

Key factors accelerating India's pharma innovation

- Make in India push driving localisation of pharma production and reducing import dependence on key starting materials, drug intermediates and active pharmaceutical ingredients (APIs)
- Approximately USD2 bn PLI scheme for pharmaceuticals (FY23–FY28)[7] accelerating R&D and lab modernisation, complemented by robust investments from Indian players adhering to quality standards
- Schemes such as Promotion of Research & Innovation in Pharma-MedTech Sector (PRIP), providing support in biosimilars, new medicines, novel medical devices and complex generics.
- Rising investments, creation of pharma platforms and a strong biotech startup funding ecosystem.

1. India's Clinical Trials Surge: Emerging as Global Innovation Powerhouse, Invest India, 16 September 2025
2. Handbook 2025, Pharmaceuticals Export Promotion Council of India (Set up by Ministry of Commerce & Industry, Government of India)
3. Pharmaceuticals, Invest India, accessed on 8 January 2026
4. India's pharmaceutical market for FY 2023-24 is valued at USD 50 billion with domestic consumption valued at USD 23.5 billion and export valued at USD 26.5 billion, PIB, 17 December 2024
5. India's Manufacturing Momentum: Performance and Policy, PIB, 19 September 2025
6. Trade Map statistics, International Trade Centre, accessed on 8 January 2026
7. A Dose of Atmanirbhar Bharat, PIB, 13 April 2025

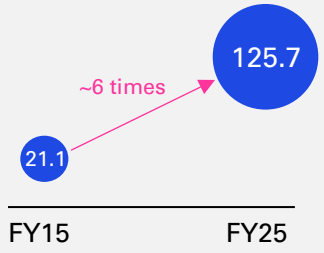
Electronics manufacturing at scale

Momentum in manufacturing and innovation is strengthening competitiveness across value chains

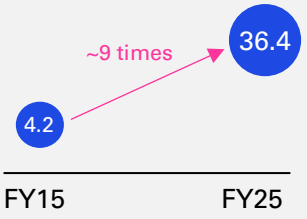
India's ambition to become an emerging anchor in global electronics supply chains is entering a new phase. With the approval of 22 new proposals under the Electronics Components Manufacturing Scheme (ECMS), the focus has shifted from assembling finished devices to building the component ecosystem that underpins high-value manufacturing[1].

The country has undergone a remarkable transformation, from being a major electronics importer to emerging as a global manufacturing powerhouse. As of 2025, India ranks as the world's second largest mobile phone producer, led by a robust policy support, significant investments and a thriving component ecosystem[2].

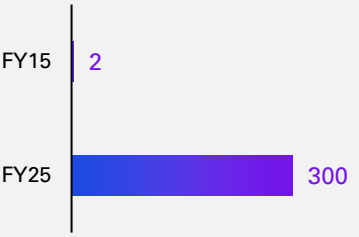
Production of electronics goods (USD bn)[2]



Export of electronics goods (USD mn)[2]



Mobile manufacturing units[2]



Strengthening India's electronics value chain

Scaling manufacturing capability

- Scaling up mobile phone assembly to establish itself as a significant contributor in global contract manufacturing
- Expanding manufacturing capacity with the focus shifting towards higher-value segments of the value chain.

FDI-driven growth

- 100 per cent FDI is permitted in ESDM research and investment via the automatic route[3]
- Since FY21, electronics manufacturing has received over USD4 bn in FDI, with ~70 per cent from PLI beneficiaries[2].

ESDM: Electronics System Design and Manufacturing

Technology capability building

- Promoting R&D in high-value electronics segments, including AMOLED displays, OLED lighting and organic photovoltaic (OPV) products.

AMOLED: Active-Matrix Organic Light-Emitting Diode, OLED: Organic Light-Emitting Diode

Policy-backed ecosystem

- Advancing manufacturing competitiveness with policy measures that combine PLI incentives, cluster-based infrastructure and support for high-value sectors.

1. Government approves 22 proposals under the 3rd tranche of Electronics Component Manufacturing Scheme (ECMS), PIB, 2 January 2026
2. India's Manufacturing Momentum: Performance and Policy, PIB, 19 September 2025
3. The top seven ESDM clusters in India for foreign electronics investment, Invest India, 8 September 2025

Weaving the next textile frontier

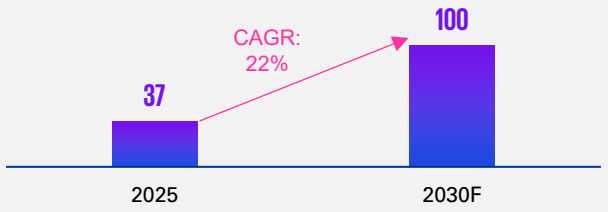
Fuelling textile growth through strategic initiatives, mega parks for long-term competitiveness

The textile and apparel industry is one of the most powerful engines of India's economic transformation, embodying the country's shift from an emerging player to a pivotal force in the global geoeconomic order. Anchored by Make in India, the sector has become a hub for manufacturing and exports, supported by strong policies, infrastructure and investment.

With a push into technical textiles and sustainability, India is on track to build a USD350 bn market by 2030, aligned with the vision of Viksit Bharat 2047[1]. The sector also delivers jobs, resilience and flexible manufacturing clusters, making it both an engine of inclusive prosperity and a critical contributor to India's global economic leadership.

Exports of textile and apparel (USD bn)[2]

Sixth largest global exporter of textiles and apparel (2024)[2]



Data for 2025 is for the financial year; F: Forecasted value

80 per cent

Production capacity lies within MSME clusters[3]

15-20 per cent

Targeted exports growth rate over next five years[3]

Strategic initiatives powering economic momentum

PM-MITRA Parks (FY22-FY28)

Aims to establish seven mega textile parks with state-of-the-art infrastructure and integrated value chains with an outlay of around USD495 mn[4]

National Technical Textiles Mission (FY21–FY26)

Aims to drive R&D, skill development and market expansion to achieve USD10 bn in technical textile exports[4]

PLI scheme for Textiles (FY26–FY30)

Targets to promote fabrics, technical textiles and man-made fibre apparel with investments committed of around USD260 mn to scale production and competitiveness[5]

Promote private participation

Under the Apr'22 PLI scheme, 61 textile firms were selected, generating an estimated 0.24 mn direct jobs[6]

PM MITRA: PM-Mega Integrated Textiles and Apparel Park

Strategic imperatives for India

- **Reducing logistics cost and boosting integrated value chains**
- **Improving global competitiveness and attracting FDI**
- **Enhancing ease of textile manufacturing**
- **Generating employment at scale**

1. India Responding to Global Textile Demand with Strength and Confidence: MoS Pabitra Margherita, PIB, 19 November 2025
2. Seizing opportunities, thrust on quality and zero defect and Enhancing Export Competitiveness of Indian Textile Industry:- Minister of Textiles meets with the stakeholders of the textile sector, PIB, 13 August 2025
3. Threads of Progress, PIB, 1 April 2025
4. Textile Industry & Market Growth in India, IBEF, October 2025
5. Ministry of Textiles Approves 17 New Applicants under PLI Scheme for Textiles, PIB, 18 November 2025
6. A total of 61 applicants approved under Production Linked Incentive (PLI) Scheme For Textiles out of 67 applications received, PIB, 14 April 2022

03

Digital rails (DPI) and data centres as foundations for infrastructure growth

Forging trust through digital rails

Scalable digital public infrastructure (DPI) anchors India's inclusive, interoperable and reliable digital ecosystem

India's DPI has evolved from a supporting technological layer into a strategic growth engine, demonstrating the power of open, interoperable and scalable systems that transform service delivery for citizens, businesses and government alike. This shift has enabled the creation of population-scale digital rails instead of isolated platforms, laying the foundation for resilient architectures spanning identity, payments and data infrastructure. Together, these initiatives provide a replicable blueprint for digital governance in emerging markets while simultaneously strengthening India's global influence through digital soft power and collaborative partnerships.

Foundational DPI building blocks strengthening India's digital economy

	Core platforms	
Consent-based data sharing	**Account Aggregator (AA)**	• Secure digital mechanisms allowing users to share their data with full control and transparent consent • Through secure, consent-driven data exchange, the AA system improves credit accessibility and broadens financial service inclusion for individuals and MSMEs.
Digital identity systems	**Aadhaar**	• Secure and unique digital identification framework facilitating seamless multi-service authentication • The Unique Identification Authority of India generated 1.4 bn Aadhaar IDs as of Sep'25[1], reflecting the unprecedented scale of India's digital identity infrastructure.
Digital payments systems	**UPI**	• Real-time, low-cost payment rails enabling seamless transactions and accelerating the shift towards a cashless economy • UPI recorded more than 21 bn UPI transactions in Dec'25, reflecting a 29 per cent y-o-y growth[2], reinforcing consumer trust.
Document verification platforms	**DigiLocker** **EntityLocker**	• Digital lockers to store, issue and verify digital documents such as certificates, licences and government-issued IDs • With total registrations standing at 550 mn[3] as of Jan'26, DigiLocker continues to reinforce the efficiency and reliability of digital service delivery.
Public health services	**Aarogya Setu** **eSanjeevani**	• Online services focused on public health information that enable real-time information access, secure digital health records • As of Apr'25, eSanjeevani has served around 360 mn patients[4], delivering accessible and efficient healthcare services throughout the country.

As DPI continues to expand, India's data centre ecosystem provides the strong foundation needed to support its growth, ensuring digital services remain dependable, scalable and future-ready.

1. Unique Identification Authority of India, accessed on 8 January 2026
2. Unified Payments Interface (UPI) Product Statistics, NPCI, accessed on 8 January 2026
3. DigiLocker portal, accessed on 8 January 2026
4. Strengthening Indian Healthcare for a Resilient Future, Ministry of Health and Family Welfare, 6 April 2025

Data centres (DCs) as the backbone of the digital economy

Data centre capacity is emerging as a strategic driver of value creation, enabling data-led growth and operational productivity. As this infrastructure expands, it unlocks broader opportunities for investors and operators across compute, storage and connectivity ecosystems.

DCs serve as the foundational pillar enabling high-performance computing, secure storage, resilient connectivity and advanced research at competitive costs

Advancing towards national scale-up to accelerate innovation, strengthen self-reliance and boost digital competitiveness across the value chain

These efforts align with the vision of Viksit Bharat 2047, positioning India as a global hub for digital innovation and future-ready technology advancement

Reinforcing the data centre ecosystem

AI-driven compute demand reshaping DC needs

Scaling large language models (LLMs), GPU-heavy AI workloads and rising cloud and localisation requirements are collectively driving strong demand for high-density data centre capacity.

Domestic, efficient systems driving capacity expansion

Government initiatives and regional compute hubs enable domestic, high-performance, energy-efficient compute systems that can support next-gen AI at scale.

Metro clusters evolving into multi-city growth engines

Mumbai and Navi Mumbai anchor the ecosystem, while Chennai, Bengaluru, Hyderabad and Delhi-NCR scale rapidly driven by enterprise, cloud and policy-led growth.

GPU: Graphics processing units: NCR: National Capital Region

Key critical enablers for DC infrastructure growth

Advanced semiconductor chips

- India currently imports some of the most high-end chips, but initiatives like the India Semiconductor Mission and partnerships with global players aim to localise chip manufacturing
- The IndiaAI Mission includes plans for GPU parks and shared compute facilities to make access affordable for startups and academia.

Reliable power supply

- India's AI and DC clusters are being planned in states such as Maharashtra, Andhra Pradesh and Tamil Nadu with dedicated renewable energy corridors
- The government is promoting green DCs under the National Data Centre Policy (draft) and encouraging solar and wind power integration.

Cooling systems and water management

- The expansion of DCs is expected to drive higher water requirements, particularly for cooling systems, adding pressure to urban areas already facing water stress
- Coastal regions present a distinct advantage, as abundant seawater can be utilised for cooling without desalination, reducing reliance on freshwater resources.

As data centres, digital networks and manufacturing scale up, power demand is significantly rising across regions. This surge underscores the need to strengthen generation capacity, modernise transmission infrastructure and enhance grid reliability.

Energy strategy now shapes competitiveness: Access to reliable, affordable and cleaner power is becoming a decisive factor for digital systems and industrial capacity to scale sustainably.

Digital trust framework for secure and scalable ecosystems

India's digital economy is in a decisive phase where trust is not just a compliance requirement but a strategic differentiator. As the country moves from scale to influence in a multipolar geoeconomy, the ability to embed trust into identity, payments, data flows and AI governance becomes foundational for shaping global standards and alliances.

The trust stack reflects India's distinctive approach, leveraging public digital infrastructure such as Aadhaar and UPI, operationalising consent through Data Empowerment and Protection Architecture (DEPA) and advancing AI safety via governance frameworks and provenance tools. It signals a shift from fragmented controls to an integrated architecture that balances openness with assurance, enabling secure interoperability across sectors.

Identity

- Aadhaar/ABBA (L1 devices, liveness; face auth)
- Offline e-KYC (masked, signed XML)
- Enterprise IDP/MFA for internal SSO and roles

- Aadhaar enables instant, secure verification via demographic, OTP, or biometric modes anchored in CIDR
- ABBA offers contactless face authentication with liveness checks, enabling 1.3 bn transactions from Oct'22 through FY25[5]
- Corporate IDPs use MFA and password protocols to protect internal ecosystems, reducing unauthorised access and potential breaches.

Payments

- UPI InfoSec: audits, API discipline, fraud analytics
- Controls: device binding, 2FA PIN, limits, CBS name verification on pre-transaction page

- NPCI enforces daily caps on requests and scheduled autopay windows to curb misuse and ensure system resilience
- Mandatory payee name verification from bank core systems reduces scam risk in peer-to-peer and merchant payments
- Banks adhere to stringent InfoSec norms, encryption, tokenisation and CERT-IN certified audits, to safeguard UPI rails.

Data exchange

- DEPA consent artefacts (granular, time-bound)
- Consent Managers & RBI-regulated Account Aggregators (AA)
- Interoperable APIs, encryption, privacy-enhancing tech

- DEPA operationalises data rights via granular, time-bound consent artefacts and neutral Consent Managers
- AA enables encrypted, real-time sharing between FIPs and FIUs through RBI-regulated NBFC-AAs and standardised APIs
- Itemised notices, easy withdrawal and complaint routes to the Data Protection Board ensure transparency and user control.

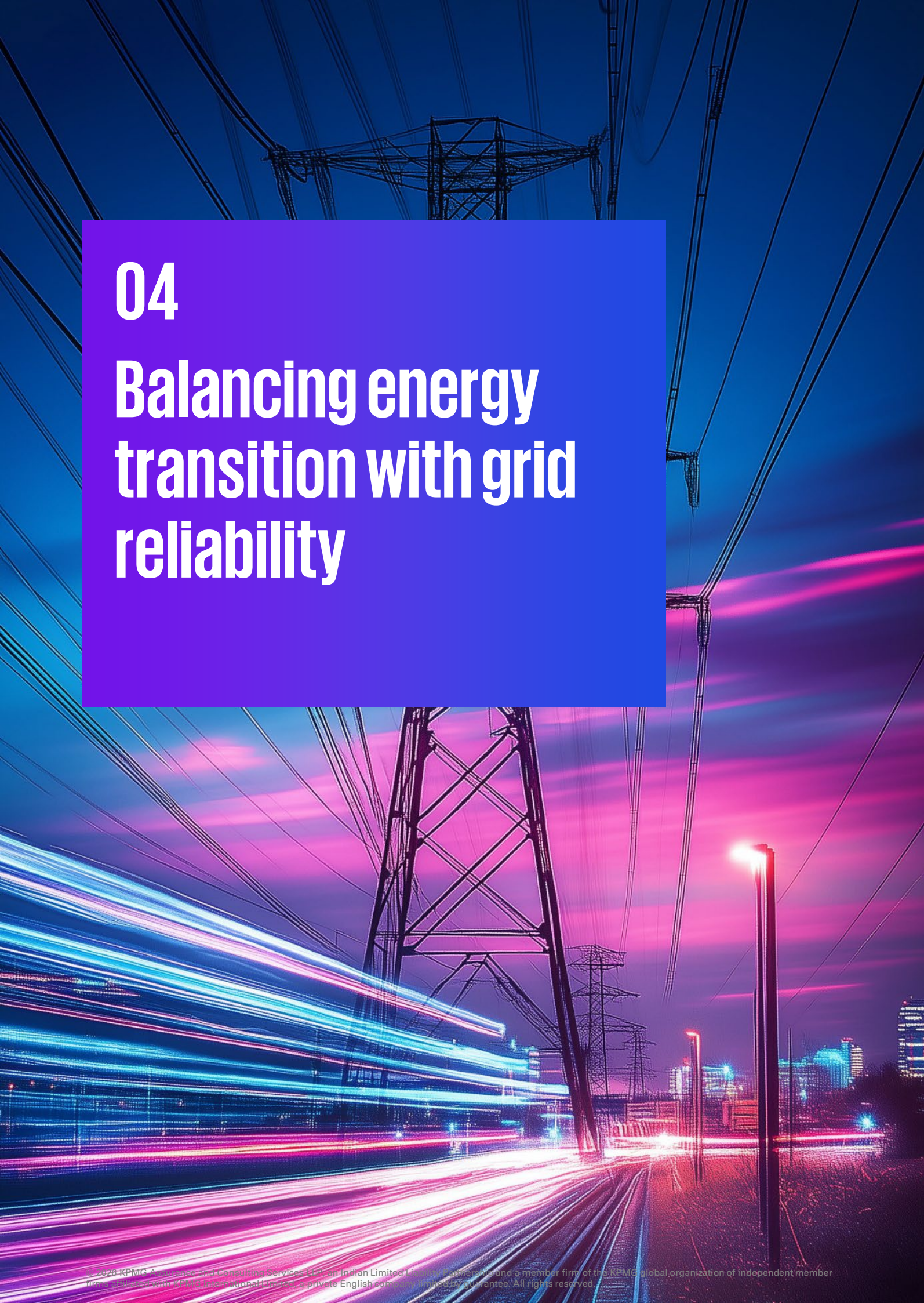
AI Governance

- Lifecycle controls: risk assessment, bias testing, red-teaming, stress tests, incident logs
- Provenance: watermarking/labelling, traceability
- Oversight: sectoral regulators, standards bodies

- IndiaAI Mission funds bias mitigation, PETs, explainability, watermarking, stress-testing and deepfake detection for practical AI safety
- Governance guidelines emphasise human-centric, application-focused controls with voluntary commitments and tech-enabled provenance
- MeitY, PSA, BIS and sectoral regulators harmonise taxonomies, certification and liability chains for trusted AI adoption.

ABBA: Aadhar Based Biometric Authentication, KYC: Know Your Customer, XML: Extensible Markup Language, IDP: IDP: Identity provider, MFA: Multi-Factor Authentication, SSO: Single Singn-On, CIDR: Central Identities Data Repositor, 2FA: Two-Factor Authentication, CBS: Core Banking System, NPCI: National Payments Corporation of India, CERT-In: Indian Computer Emergency Response Team, RBI: Reserve Bank of India, API: Application Programming Interface, FIP: Financial Information Provider, FIU: Financial Information User, NBFC-AA: Non-Banking Financial Company – Account Aggregator, PETs: Privacy Enhancing Technologies, MeitY: Ministry of Electronics and Information Technology, PSA: Principal Scientific Advisor, BIS: Bureau of Indian Standards

5. UIDAI's AI-Powered Aadhaar Face Authentication sees over 130.5 Crore transactions, revolutionizing biometric verification, PIB, 1 April 2025



04

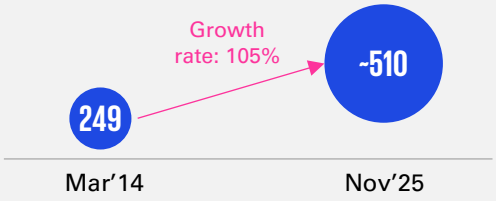
Balancing energy transition with grid reliability

Building firm, clean power for scaled growth

Boosting capacity and expanding transmission networks, powering India's clean energy transition

As global energy systems navigate the intertwined imperatives of decarbonisation, security and affordability, India is actively shaping its next-generation clean power architecture that delivers firm, cost-efficient and transparent energy while enabling the flexibility essential for a resilient, future-ready economy.

Installed electricity generation capacity fuelling progress at national scale (in GW)[1,2]



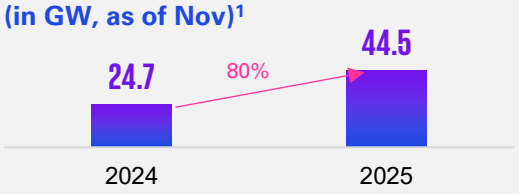
262.7 GW Installed non-fossil fuel power capacity as of Nov'25, accounting for 51.5 per cent of the total installed electricity capacity

500 GW Non-fossil energy capacity by 2030, aligning reliability, energy security and affordability for industry and households

Renewables driving energy transformation

The year 2025 recorded the highest renewable capacity additions (as of Nov)[1], underscoring delivery at pace without compromising grid performance.

Total renewable energy capacity added (in GW, as of Nov)[1]



India's global renewable power standing (as of Dec'24)[1]

3rd In solar power

4th In wind power

4th In total renewable energy

India's future-ready green manufacturing ecosystem

- **Building solar module manufacturing base:** India's solar module manufacturing has rapidly accelerated, with ALMM-listed capacity reaching ~144 GW annually, driven by ~81 GW added in CY25, a near-doubling from CY24. This growth fortifies domestic supply resilience and advances energy independence[1]
- **Advancing high-efficiency photovoltaic (PV) cell capacity**: Solar PV cell capacity has increased from 9 GW in Mar'24 to 25 GW in Mar'25[3], along with an additional 5 GW added under the PLI scheme in CY25[1], expanding upstream capability and aligning cell output with India's growing module base
- **Accelerating green hydrogen growth:** The National Green Hydrogen Mission (NGHM) targets 5 mn tonnes of annual production by 2030, positioning India to save over USD11 bn in fossil fuel imports and anchor new low-carbon industrial value chains[4]
- **Other policy measures shaping long-term competitiveness**: Targeted industrial incentives, including PLI programs and the National Manufacturing Mission, are accelerating domestic production of batteries, inverters, electrolysers and storage technologies, strengthening the country's broader clean-tech manufacturing foundation.

ALMM: Approved List of Models and Manufacturers

1. 2025 Marks Highest-Ever Renewable Energy Expansion in India's Energy Transition Journey, PIB, 29 December 2025
2. YEAR END REVIEW – 2024, PIB, 1 January 2025
3. India Achieves Historic Milestone in Renewable Energy Capacity Addition in FY 2024-25, PIB, 1 April 2025
4. The Solar Surge: India's Bold Leap Toward a Net Zero Future, PIB, 19 August 2025

India on the path to shape a pragmatic transition model

The country's expansion of non-fossil capacity is rapidly shifting from ambition to execution, positioning clean energy as a strategic catalyst for industrial decarbonisation. This shift is making low-carbon production commercially viable and accelerating enhancements in grid reliability and storage capacity. Together, these developments reflect a closer alignment between the energy transition framework and drive long-term sustainable growth leadership.

Grid modernisation and transmission

- Adding over 191,000 circuit km of transmission lines by 2032[5], to strengthen renewable-to-demand connectivity while extending automatic generation control to renewables, BESS and pumped hydro for continuous system flexibility
- Expanding HVDC corridors to reduce losses and enable precise, bidirectional power flows, improving the management of regional renewable surpluses and accelerating unified grid integration.

Storage as a reliability anchor

- Institutionalising pumped storage plant and BESS through VGF-supported pipelines and standardised procurement to provide essential ancillary services and stabilise a 24/7 clean-power system
- Expanding storage ownership models to enable consumer-led development, leasing and operation of energy storage systems, unlocking capital, innovation and distributed reliability in critical areas.

Dispatchable low-carbon options

- Advancing small modular reactors and nuclear baseload under the SHANTI framework to deliver firm, low-carbon power for data centres and energy-intensive demand, strengthening further reliability
- Deploying flexible gas peakers to manage seasonal demand surges and buffer renewable variability, reinforcing grid stability throughout the transition.

Energy parks and integrated clusters

- Scaling 55 solar parks totalling 40 GW across 13 states to provide shared land, evacuation infrastructure and utilities, enabling efficient large-scale solar deployment[6]
- Designating clean-energy port clusters under the NGHM to build an integrated hydrogen ecosystem that accelerates sustainable logistics and clean-energy transition.

BESS: Battery Energy Storage Systems; HVDC: High Voltage Direct Current; VFG: Viability Gap Funding; SHANTI: Sustainable Harnessing and Advancement of Nuclear Energy for Transforming India

Implications for the future

- Ability to sustain 24/7 power reliability while progressively decarbonising the system
- Offer a pragmatic approach that moves past one-size-fits-all climate policy templates
- Position India as a testbed for scalable transition models
- Elevate Global-South positioning in climate negotiations
- Present energy transition as essential infrastructure enabling AI, quantum and space innovation for sustained global competitiveness.

5. National Electricity Plan (Transmission) launched by Cabinet Minister for Power and Housing & Urban Affairs, PIB, 14 October 2024

6. India's Solar Momentum, PIB, 9 December 2025

05

Accelerating progress through strategic technology and defence capabilities

Technology as the pulse of modern innovation

Powering nationwide advancement with next-generation technological capabilities

Amid a rapidly shifting technology landscape, India is advancing into a phase where emerging technologies are redefining both everyday experiences and industrial productivity and are increasingly becoming vital to national competitiveness and resilience. With the annual technology revenues projected at over USD280 bn in 2025[1], the ecosystem is rapidly maturing from incremental digitisation to strategic capability building, reinforcing the role of technology as a national asset.

AI momentum driving economic readiness

38,000
GPUs deployed under IndiaAI Mission (as of 2025)[1]

Over 6 mn
Employment in the technology and AI ecosystem (as of 2025)[1]

500+
GCCs focused on AI (as of 2025)[1]

89 per cent
Of new startups launched in CY24 used AI in their products or services[1]

USD1.7 tn
Contribution of AI to India's economy by 2035[1]

As AI expands beyond research institutions and large enterprises to reach citizens and organisations across multiple levels, its influence across the economy is accelerating. This broadening impact makes it essential to ensure responsible and well-governed AI adoption across the Indian ecosystem.

Building the foundation for responsible AI at scale

Policy initiatives democratising AI

- Initiatives such as the IndiaAI Mission and the CoEs for AI are expanding compute, enabling research and accelerating people-focused innovation

Data governance frameworks

- DPDP Act, 2023 with draft DPDP Rules, 2025 and the NDGFP enable consistent, privacy-preserving access to non-personal datasets

Institutionalisation across sectors

- Growing adoption in healthcare, agriculture, education and defence is driving precision interventions and improved operations

Next-wave enablers

- Creation of IndiaAI Safety Institute
- Funding for multilingual language models
- Quantum computing accelerating AI model training.

CoEs: Centres of Excellence; DPDP: Digital Personal Data Protection; NDGFP: National Data Governance Framework Policy

The responsible scaling of AI places renewed emphasis on the rise of semiconductors, quantum infrastructure, deep-tech capabilities and space technologies, together constituting the strategic technology stack that underpins system reliability, safeguards national security and dual-use innovation.

Semiconductor surge powering industrial transformation

Semiconductors form the foundational layer of modern critical infrastructure, advanced computing and secure communications. India's reliance on imported chips has underscored the need for resilient domestic capabilities to mitigate supply-chain risks and achieve technological self-reliance. Flagship initiatives such as the India Semiconductor Mission and Semicon India are driving this transformation, positioning the nation to become a projected USD100-110 bn market by 2030[2].

1. Transforming India with AI, PIB, 30 December 2025
2. India's Semiconductor Revolution, PIB, 3 August 2025

Key pillars of India's semiconductor supply-chain rise

Infrastructure development	Domestic manufacturing	R&D and skilling
Strengthening domestic chip-making infrastructure through investments in fabrication capacity, testing facilities and advanced packaging units to accelerate ecosystem creation and reshape global supply chain	Capitalising on the domestic base of chemicals, minerals and gases to reinforce upstream inputs, enabling more reliable and integrated semiconductor production	Investing in R&D through dedicated innovation hubs and funding programmes, while building talent for design, fabrication and advanced technologies via skilling programmes and global alliances

With a focused strategic roadmap, India is on track to join the top five global semiconductor hubs by 2030[3]

Shaping tomorrow with quantum technologies

Recognising the critical role of quantum technology in shaping the future of cybersecurity, high-performance computing and industrial automation, India is strategically deploying resources and policy measures to harness its transformative potential, with the market projected to reach USD7 bn by 2032[4].

Advancing towards a quantum-ready future

- Launched a dedicated National Quantum Mission (NQM) with an outlay of over USD650 mn to develop 20-1,000-qubit quantum computers over three to eight years[5], across superconducting and photonic platforms to advance computational capabilities
- Expanding NQM's four specialised thematic hubs to accelerate innovation, build talent and catalyse quantum-focused entrepreneurship[5]
- Harness quantum technologies to address high-impact national imperatives, including secure communications, drug discovery and advanced military use

Space technology redefining innovation

India has transitioned from a state-led space program to a market-led space ecosystem. With proven launch reliability, cost competitiveness and control over space-based data and services, India positions space tech as a geoeconomic lever in regional security, climate action and development partnerships.

Key trends shaping the future of space-tech

- Shift to a commercial ecosystem with private sector participation
- Growth of LEO constellations for connectivity, broadband
- Global collaboration and knowledge sharing for space advancement
- Increased emphasis by the armed forces for national security

LEO: Low Earth Orbit

Privatisation driving innovation: Over 200 spacetech startups launched since 2020 are advancing launch vehicles, earth observation satellites and real-time space-data analytics[6]

Growing investor confidence: Leading international technology firms are increasingly investing in India's spacetech landscape, highlighting rising global confidence

Strengthened policy momentum: The Indian Space Policy 2023 permits up to 100 per cent FDI in satellite manufacturing, creating stronger incentives for private-sector participation[6]

3. India's semiconductor ambitions: How to move up the value chain?, KPMG India, 3 June 2024
4. India information technology quantum computing market, International Trade Administration, 3 July 2024
5. National Quantum Mission: India's Quantum Leap, PIB, 17 March 2025
6. India's Private Spacetech Boom: A New Era Unfolds, IBEF, 5 September 2025

Indigenisation powering defence leadership

Mature defence ecosystem reshaping India's role in the global supply chain and security alliances

India's defence sector is emerging as a core pillar of strategic autonomy, reflecting its growing weight as the world's fifth largest military spender in 2024[7]. Powered by innovation engines such as Innovation for Defence Excellence (iDEX) and the Research Development and Innovation (RDI) schemes, India is accelerating advanced capability development and scaling domestic R&D. Together, these shifts signal a decisive transition from equipment importer to designer, manufacturer and exporter, embedding defence self-reliance at the centre of India's rise as a resilient global power.

Importer

- Dependency on foreign suppliers for critical resources
- The domestic industry was limited to assembly, maintenance and low-value components.

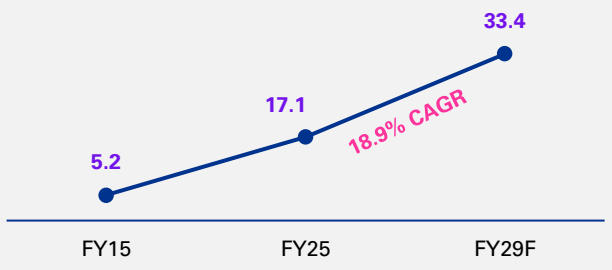
Integrator

- Started assembling, co-producing and integrating foreign technologies domestically
- Formed joint ventures with global original equipment manufacturers (OEMs).

Innovator

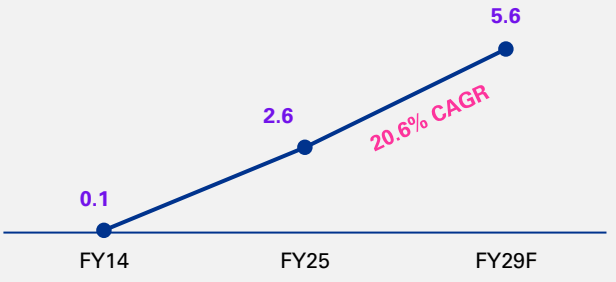
- Developing original defence platforms, subsystems and technologies while increasing its global export footprint
- Leveraging emerging technologies such as deep-tech to build intelligent and resilient drones.

Defence production (USD bn)[8,9]



F: Forecasted value

Defence exports (USD bn)[8,9]



F: Forecasted value

Public–private convergence driving growth

- Increased private sector involvement, fostering innovation and modernisation
- Drives innovation through advanced R&D and cutting-edge technology integration.

Defence industrial corridors

- Set up in states such as UP and TN to create global-grade industrial clusters
- Promotes indigenisation and creates jobs within the state.

UP: Uttar Pradesh and TN: Tamil Nadu

MSMEs redefining market dynamics

- 16,000 MSMEs are shaping the future of defence by strengthening domestic capabilities, contributing to India's role as a reliable partner in the global defence supply chain[8].

Global alliances driving defence scale-up

- Integrated global co-development network with countries across Indo-Pacific and the Global South, focused on modernising forces through new platforms, technologies and structures.

7. Countries with the highest military spending worldwide in 2024, Statista, 19 November 2025
8. Defence Atmanirbharta: Record Production and Exports, PIB, 20 November 2025
9. Defence & security are the collective responsibility of the entire nation and strengthening the defence sector is not just the duty of one institution or government but the shared resolve of all Indians: Raksha Mantri, PIB, 7 October 2025

06

From strategy to execution: An action agenda

Decoding India's prevailing risk stack

India's ascent as a geoeconomic force is anchored in its accelerating economic dynamism, institutional modernisation and technological progress. Realising its long-term leadership potential, however, will depend on enhancing infrastructure capabilities, fostering greater policy alignment and elevating resource efficiency. This evolving risk landscape calls for coordinated reforms and disciplined execution to sustain a resilient and enduring growth trajectory.

Policy outlook

- Simplifying regulatory interpretations and harmonising state-level enforcement would require additional considerations
- Distinct state frameworks and multi-state compliance requirements could involve essential operational effort while fostering more adaptive execution
- Incentive timeframes and scheme visibility can influence investment decisions, though policy continuity continues to improve the manufacturing outlook.

Logistics considerations

- Elevated logistics costs from factors such as limited modal options, fragmented warehousing and minimal integration among supply chain partners
- Gaps in road infrastructure across rural logistics corridors may lead to prolonged transit durations and extended delivery timelines, affecting supply chain efficiency
- Pace of adoption of Internet of Things (IoT), AI and blockchain could impact data visibility and coordination.

Semiconductor upstream progress

- Import-dependent semiconductor demand and limited domestic availability of key inputs such as silicon wafers, specialty chemicals and high-purity gases
- Significant capital requirements and prolonged setup schedules for fabs may contribute to stretched development cycles
- While PLI allocations mark a strong policy commitment, the pace of transition from strategic intent to full-scale operational execution could influence progressive action steps

Cyber/data residency risks

- Limited domestic high-density AI compute may lead to reliance on international hyperscalers, potentially elevating the likelihood of sensitive data being processed offshore
- Occasional overseas routing of backups, logs and disaster-recovery files can introduce potential exposure concerns
- Insufficient local forensic and incident-response capacity for large AI or cloud incidents may extend response schedules and affect data sovereignty.

Land and urban infrastructure factors

- Limited industrial-ready land and multifaceted clearances could influence project execution timelines and associated costs
- Intermittent power supply, grid reliability and the pace of renewable integration can impact energy-intensive sectors such as manufacturing and data centres
- Rapid urbanisation and industrial development are shaping land availability and urban planning dynamics, leading to potential congestion and less streamlined layouts.

Turning vision into reality

In a rapidly evolving global economy defined by multipolar power centres, fragmented supply networks and accelerating technological disruption, India stands at a pivotal inflection point. Seizing this opportunity requires moving beyond incremental reforms towards a strategic action agenda that elevates India from a fast-rising player to an architect of the progressing geoeconomic landscape. Delivering on this ambition calls for deeper global integration, sharper domestic capability building and the creation of high-trust, innovation-driven ecosystems that can translate national potential into sustained global competitive advantage.

Driving regulatory certainty for business growth

As national priorities evolve, India is reshaping its regulatory framework to create a more seamless and predictable business environment. The National Single Window System has unified and digitised approvals, enhancing transparency and speeding up clearances for new enterprises. Additionally, the Jan Vishwas Act, 2023, reduces compliance burdens by converting minor offences into monetary penalties and streamlining regulatory processes to minimise repetitive, low-risk approvals. Together, these reforms have reduced operational friction, enabling businesses to function with greater confidence and efficiency.

Action steps

Policymakers	Indian enterprises - Regulatory/trade bodies	Global partners
Harmonise regulations across states to reduce inter-jurisdictional variability and simplify multi-state operations	Establish industry-regulators feedback loops to identify improvement areas and co-create practical solutions	Align global and Indian standards with joint local certifications to fast-track vendor qualification, accelerate market entry

Developing robust backward linkages across the value chain

Driven by a focused industrial-growth agenda, the country is easing supply-chain constraints by reducing import dependence and expanding domestic capabilities in key value chains such as pharma APIs, electronics/semiconductors, solar modules and batteries/rare earth magnets. Complementing this effort, the NCMM widens access to essential upstream inputs. The MSE-CDP is addressing technology and quality gaps for enabling specialised infrastructure for semiconductor and other high-tech manufacturing sectors.

Action steps

Policymakers	Indian enterprises	Indian enterprises - Global investors
Build industry-ready MSME clusters and digitally connect them to large buyers to boost sourcing and resilience	Deepen backward integration to boost domestic production of ancillary equipment in critical sectors	Set up dedicated roll-up vehicles to consolidate tier II/III suppliers and accelerate capability scale and long-term OEM alignment

NCMM: National Critical Minerals Mission; MSE-CDP: Micro & Small Enterprises – Cluster Development Programme

Enhancing infrastructure for scaled and efficient growth

India is driving an integrated infrastructure strategy to reduce logistics inefficiencies, improve urban services and ensure reliable power for industry. Through PM Gati Shakti, the National Logistics Policy, industrial corridors and smart-city initiatives, the focus is on aligning multimodal transport, digital platforms and energy systems to strengthen supply chains. Parallel efforts in plug-and-play industrial parks, logistics hubs and grid-modernisation solutions are creating investment-ready, resilient industrial ecosystems.

Action steps

Policymakers	Indian enterprises	Global partners
Boost PPP-led infrastructure with smart-city upgrades and rural links for accelerating goods movement	Localise port automation, grid-management and district-cooling technology to speed deployment and improve reliability	Partner with domestic agencies to co-develop logistics hubs with advanced yard automation, cold chain and value-added services

PPP: Public-private partnerships

Strengthening data sovereignty for secure digital development

Amid a growing push for digital sovereignty, India has introduced governance frameworks through the DPDP Act 2023 and DPDP 2025 rules. These measures define the terms for cross-border data flows and establish comprehensive consent-management obligations on data fiduciaries. The country is also expanding hyperscale data centres to deepen localisation and reduce reliance on offshore processing, laying the foundation for a more secure and self-reliant digital landscape.

Action steps

Policymakers	Global investors	Indian enterprises - Global partners
Develop sovereign, sustainable digital infrastructure with clean-power PPAs, microgrids, storage and water-recycling	Invest in PETs and consent-tech to set up DPDP-ready cross-border systems that ensure compliant data flows and strengthen trust	Build sovereign compute clusters in India with standardised, DPDP-compliant frameworks for managing AI workflows

PET: Privacy-enhancing technologies

Enabling employable talent at national scale

As industries embrace innovation and global linkages deepen, India is upskilling its workforce ecosystem to match rapid technological change and evolving work models. Through the Skill India Digital Hub and broader Skill India initiatives, it is embedding digital skilling, micro-credentials and continuous learning to prepare young talent for emerging industries. These efforts signal a strategic shift towards a more adaptable, digitally fluent and employable workforce capable of powering the next phase of growth.

Action steps

Policymakers - Indian enterprises	Indian enterprises	Indian enterprises - Global partners
Create outcome-driven apprenticeships with defined placement targets to enable transitions into formal, high-productivity jobs	Enable continuous upskilling for existing employees to keep them aligned with evolving real-world job expectations	Localise digital skilling pathways with multilingual content to build practical, on-ground capabilities

Acknowledgement

We sincerely thank everyone involved in the publication of this report. We acknowledge the efforts put in by the core team, from the initiation to the publication of this report.

Clients and Markets

Insights Centre - Research:

- **Reshma Pai**, Lead-Research
- **Insights Centre** Research team

Brand and Communications:

- **Vandana Chopra,** Partner
- **Neha Sangal,** Lead-Industry Relations and Marketing
- **Nisha Fernandes**, Associate Director, GMC

Design:

- **Angeeta Baweja,** Manager

KPMG in India contacts:

Yezdi Nagporewalla
Chief Executive Officer
E: ynagporewalla@kpmg.com

Akhilesh Tuteja
Head – Clients and Markets
E: atuteja@kpmg.com

Neeraj Bansal
Partner and Head – India Global
E: nbansal@kpmg.com

kpmg.com/in

Access our latest insights on KPMG Insights Edge

Follow us on:
kpmg.com/in/socialmedia

KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai – 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.