



Top 10 priorities for India's next growth phase

Viksit Bharat @2047



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Foreword

India's journey to 2047 will be shaped by one factor above all – the ability to predictably deliver outcomes. For large economies, progress today depends less on ambition and more on execution across infrastructure, enterprises, institutions, and regions.

India enters this phase with important strengths. Macroeconomic stability has been maintained even as public investment has increased. This is visible in better roads, railways, ports, logistics, and urban infrastructure. The quality of public spending has also improved, building confidence in long-term growth. At the same time, digital systems now operate at population scale, supporting formalisation, payments, and service delivery across the country. Together, these changes mark a shift from intent to delivery.

Recent Union Budgets reinforce this direction with a clear long-term focus. Alongside sustained capital spending and support for manufacturing and MSMEs, there is greater emphasis on skills, employment pathways, affordable housing, healthcare access, and financial inclusion. This reflects an understanding that productivity must translate into better jobs and livelihoods. Equally important is the focus on delivery. Crowding in private investment, reducing compliance friction, and strengthening institutions determines how quickly projects move from approval to execution, how businesses scale, and how public spending creates jobs.

One key challenge on the path to prosperity is job creation, especially with India having the second largest middle class population and growing concern around inequality. India's demographic advantage can only be realised if employment expands across manufacturing, services, MSMEs, construction, and emerging sectors such as clean energy, digital infrastructure, and advanced electronics. India must become a leader in chosen sectors as AI, Semi-conductors, agriculture and new age digital services to ensure job creation agenda is fulfilled. In addition, cities, industrial clusters, and supply chains must work as connected systems linking skills to enterprises and investment to livelihoods – so that growth leads to wider participation and rising incomes.

Becoming a developed nation by 2047 will not come from one reform or one policy cycle. It will depend on steady productivity gains, stronger enterprises, and institutions that perform reliably over time. Long-term growth will be shaped by how well labour productivity improves, how businesses compete, how logistics and cities support economic activity, and how institutions adapt as demands change.

Continuity and stability are big advantages that India has at this moment, but growth at scale needs steady investment, predictable regulation, and close coordination between governments, industry, and regions.

Technology and sustainability are now central to this effort. Digital public infrastructure has shown how scale, trust, and efficiency can come together to lower costs and expand access. At the same time, cleaner energy, resource efficiency, and climate resilience are becoming essential for stable growth. These are not ends in themselves, they are tools to improve productivity, competitiveness, and inclusion.

As we look towards 2047, the direction is clear; however, turning ambition into lasting outcomes will require focus, strong institutions, and discipline in execution. The foundations are already visible in systems, data, and everyday experience. How well we build on them, year after year, will shape India's path over the decades ahead.



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Executive Summary



India's aspiration to become a developed nation by 2047 demands sustained execution over time, not periodic policy resets. This report is framed against that reality, in the context of current geopolitical uncertainty and shifting global trade barriers. It does not propose new schemes or reforms. Instead, it consolidates what is already underway across policy, investment, and institutional practice, and organises these efforts into a coherent execution framework aligned with the long-term vision of Viksit Bharat. The Top 10 Goals of the execution framework set out clear focus areas to guide delivery at scale.



1

Building a **future-ready workforce** by strengthening the education-skilling-employment continuum, expanding apprenticeships, and scaling deep-tech capabilities – moving toward 50 per cent of the workforce formally skilled or reskilled and developing around 10 million advanced-technology professionals¹

3

Enabling **MSMEs** to scale and lift productivity by improving access to credit and equity, accelerating digital adoption, and linking smaller firms to supply chains – supporting around 10 million MSMEs to grow³

5

Expanding **trade integration and export competitiveness** through market diversification and FTAs, lifting India's share of global trade to more than 5 per cent.

7

Accelerating **governance and process reforms** by simplifying compliance and enabling faster approvals to improve the global and domestic investors' confidence and trust in the Indian market

9

Strengthening **social capital and inclusion** by expanding women workforce participation, improving farmers livelihoods, increasing household earnings, advancing health outcomes to improve the overall ease of living

2

Positioning India as a **global manufacturing hub** through plug-and-play clusters and Industry 4.0 adoption, with the ambition of raising manufacturing toward around 25 per cent of GDP and supporting long-term export goals of around USD2 trillion annually²

4

Strengthening the **next-generation infrastructure backbone** by sustaining investment at around 7-8 per cent of GDP while keeping logistics costs below 8 per cent of GDP⁴

6

Transforming **Tier-II and Tier-III cities into growth engines** through transit-led development and stronger institutional mechanism – building **globally competitive cities** and scaling integrated city-centric economic regions

8

Building leadership in **sunrise sectors** – green hydrogen, semiconductors, space, defence manufacturing, rare earth minerals, AI-driven digital infrastructure, and bio-manufacturing

10

Improving **public finance and investment effectiveness** by strengthening tax capacity, deepening PPPs and asset monetisation, and building stronger project pipelines of long-term investible projects.



1. Economic Survey 2023-24, Government of India, 31 January 2024

2. National Mission on Manufacturing aims to double manufacturing contribution to GDP by 2035, Economic Times, 30 January 2026

3. Nandan Nilekani outlines four unlocks that can take India's growth to 8% from 6%, Money Control, 12 March 2025

4. From Growth Engine to Global Edge: Supercharging India's Logistics, Press Information Bureau, 27 November 2025

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A

**Introduction:
Delivering
growth at scale**



India enters the journey to Viksit Bharat 2047 from a position of growing strength. Real GDP growth is projected above 7 per cent in FY26 and expected to remain around that level in FY27⁵. Fiscal consolidation has progressed alongside higher public capital expenditure, with the Union government recording a fiscal deficit of 4.8 per cent of GDP in FY25 and targeting 4.4 per cent in FY26⁶.

Financial conditions support this trajectory. Bank non-performing assets are near decade lows, credit growth remains in double digits, and corporate balance sheets have strengthened. Monetary stability anchored by the Reserve Bank of India has helped contain inflation while preserving room for long-term investment. Public capital expenditure has risen materially over the past five years, shifting fiscal strategy toward asset creation, i.e., transport networks, energy systems, and digital platforms, rather than short-term consumption support.

These fundamentals indicate that India has moved beyond macro stabilisation and into a phase where structural change is feasible.

Over the past decade, this transformation has begun to take shape across multiple systems. Physical infrastructure has expanded through highways, freight corridors, airports, inland waterways, and urban transit, easing logistics constraints and supporting industrial corridors and Tier-II and Tier-III cities. Digital public infrastructure has reduced transaction costs across the economy, enabled large-scale direct benefit transfers, and supported innovation across fintech, GovTech, and health tech. Industrial policy has shifted toward outcome-linked instruments, catalysing investment in electronics, pharmaceuticals, auto components, and emerging technologies. Access to sanitation, drinking water, housing, and healthcare has expanded materially. MSMEs have been brought into formal systems through digital registration and improved credit access.

Together, these efforts have created scale: in markets, infrastructure, digital platforms, and industrial capacity.

However, scale alone does not define Viksit Bharat.

In practical economic terms, Viksit Bharat implies a transition from scale to productivity. It means moving from assembly to manufacturing depth;

from infrastructure creation to logistics efficiency; from access to services to quality outcomes; from enterprise formalisation to competitiveness; and from enrolment in education to employability. It also implies stronger external resilience built on manufacturing exports and domestic value addition, rather than reliance on services alone.

This distinction is central.

India continues to run a goods trade deficit. While services exports and remittances provide important macro support, they do not substitute for manufacturing-led competitiveness. Over the past five years, total exports grew at about 9.4 per cent annually, while merchandise exports expanded at only 6.4 per cent⁷. Services have carried much of the stabilisation burden, but durable currency stability and lower cost of capital are historically anchored in manufacturing depth.

Manufacturing therefore sits at the core of India's 2047 pathway.

Recent progress in electronics demonstrates what is possible when policy clarity meets market scale. Yet domestic value addition remains uneven, supplier ecosystems are fragmented, and mid-tier component manufacturing is limited. Much of the current expansion is concentrated in final-stage assembly. Without systematic development of MSMEs, tooling firms, testing infrastructure, logistics capability, and skilled technicians, India risks remaining at the lower end of global value chains.

Infrastructure faces a similar inflection point. While network expansion has been significant, the constraint has shifted to performance. Logistics costs remain elevated relative to peer economies. Urban freight is fragmented. Maintenance, safety, multimodal integration, and last-mile connectivity increasingly determine economic outcomes. Infrastructure must now function as a productivity system, not merely as physical capacity.

Energy transition presents both opportunity and execution risk. Renewable deployment is advancing, but grid readiness, storage capacity, input cost structures, and dependence on imported components will determine whether clean energy supports industrial competitiveness at scale.

5. Economic Survey 2025-26, Government of India, 29 January 2026

6. Economic Survey 2025-26, Government of India, 29 January 2026

7. Economic Survey 2025-26, Government of India, 29 January 2026

Human capital is the most persistent constraint. Despite expanded access to basic services, skill mismatches remain widespread and less than half the workforce is formally trained. Education and skilling systems require tighter alignment with labour market demand, particularly in manufacturing, digital services, and emerging technologies. Employability, not enrolment alone, must guide future investments.

MSMEs, employing over 110 million people, will shape employment outcomes across regions. Formalisation and credit access are necessary foundations. What matters next is cluster development, shared infrastructure, quality certification, export facilitation, and integration into large supply chains.

At the frontier, India is building capability in space, defence manufacturing, semiconductors, data infrastructure, and clean technologies. Institutions such as the Indian Space Research Organisation illustrate domestic technological capacity, while private participation in strategic sectors is expanding.

As a whole, India has largely completed its foundation phase: macro stability, physical

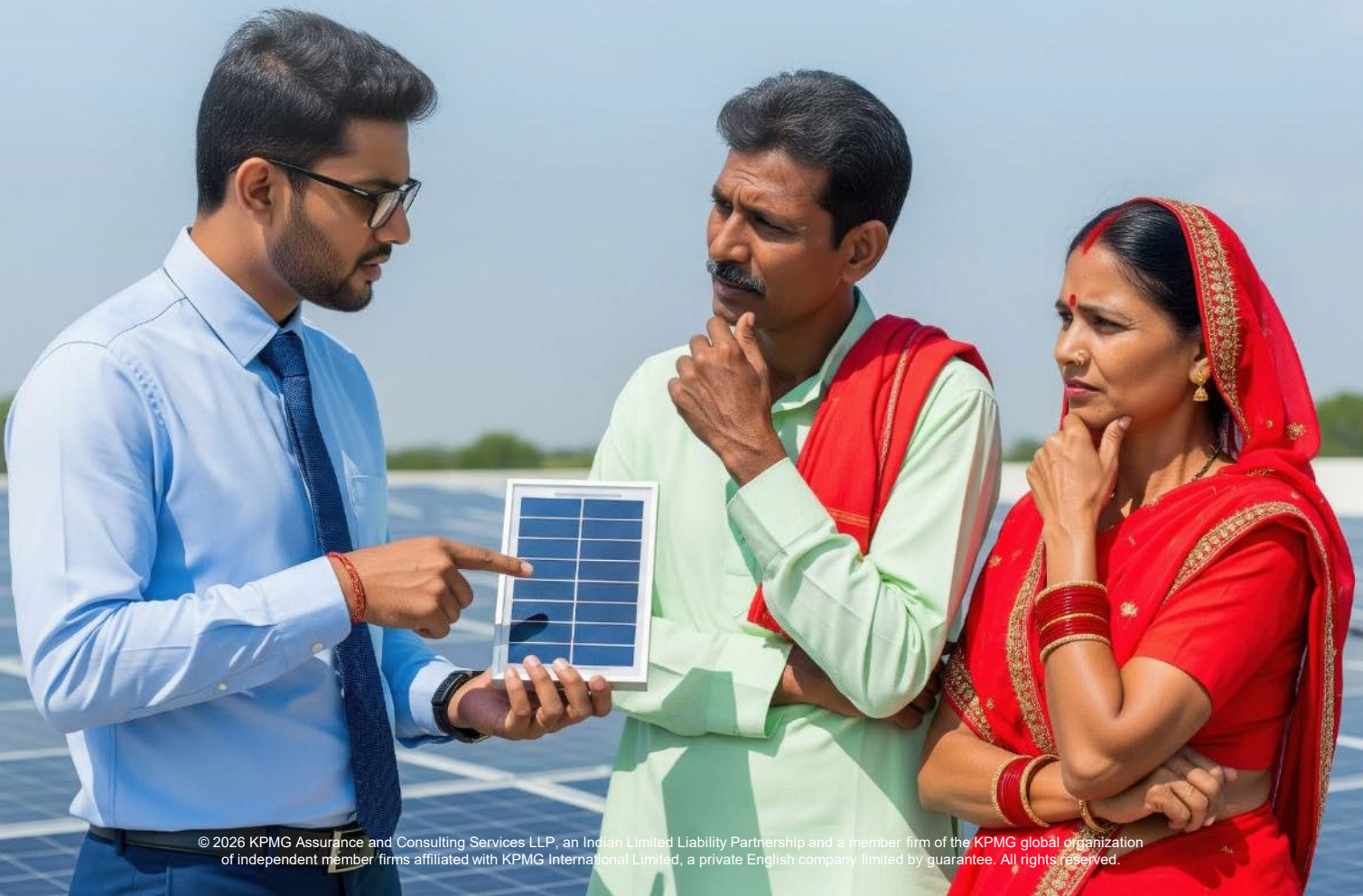
infrastructure, digital platforms, and targeted industrial policy are now in place. The next phase is about conversion: converting capital into productivity, skills into employability, infrastructure into lower economic costs, MSMEs into competitive enterprises, and policy intent into measurable outcomes on the ground.

The binding constraint has shifted.

Translating ambition into action: a focused execution agenda

Viksit Bharat cannot be delivered through a diffuse reform agenda. It requires a small number of clearly articulated priorities that directly address India's binding constraints on productivity, competitiveness, and inclusion.

The Top 10 priorities that follow are therefore not independent initiatives. They form a coordinated execution agenda focused on manufacturing depth, logistics efficiency, human capital productivity, MSME competitiveness, and institutional delivery capacity; all aimed at translating India's growth at scale into sustained competitiveness and broad-based prosperity by 2047.



B

Top 10 priorities for India's next growth phase



Towards Viksit Bharat @2047



Cross-cutting enablers



Tech/digital enablement



Green and resilient growth



Stronger institutional capacity



R&D and innovation



Policy support

1. Future-ready talent and human capital



Building the workforce that powers manufacturing, services, and productive cities

India's demographic profile offers a structural workforce advantage: the median age is 28 in 2024 compared to 38 in China and 47 in Japan⁸. By 2050, India's working-age population is expected to exceed 1.13 billion, while China's may fall to 0.75 billion⁹, creating a potential gap of nearly 380 million workers in India's favour.

Yet this advantage is not fully translating into outcomes. Higher education Gross Enrolment Ratio (GER) is about 27 per cent¹⁰. Job-readiness gaps persist across engineering, IT, and manufacturing. Formal job creation lags new entrants. Female labour force participation remains a major constraint at about 30 per cent versus 48 per cent¹¹ globally, while apprenticeship participation, at 1.5 million registrations¹², remains low relative to workforce needs.

At the same time, services account for about 45 per cent of exports¹³, driving demand for skills in IT/ITES, BPM, fintech, and health services. With ambitions to reach a 10 per cent¹⁴ global share in services exports by 2047 and the proposed High-Powered Education to Employment and Enterprise Committee, education, skilling, and employment must operate as a single pipeline.

Over the next two decades, this implies creating 25-30 million additional services jobs and re-skilling 8-10 million¹⁵ professionals in AI-enabled operations, cloud, cybersecurity, data engineering, fintech, and health-tech, alongside a sustained push to raise female participation.

This delivery could be centered on three priorities:

Action 1: Operationalise NEP for workforce readiness

The National Education Policy (NEP 2020) sets out a strong foundation through multidisciplinary learning, vocational exposure, credit mobility, and flexible pathways. However, implementation remains uneven, with outcomes still focused on enrolments rather than job readiness.

NEP could be effectively adapted in creating a workforce delivery engine that directly links education, skilling, apprenticeship, and employment.

Key actions:

1. Embed vocational credits across secondary and tertiary education, with clear pathways into apprenticeships and employment.
2. Scale apprenticeship-integrated degree programmes to combine classroom learning with structured on-the-job experience.
3. Align curricula directly with employer demand, with systematic inclusion of applied STEM, digital literacy, AI foundations, automation, sustainability, electronics, and quality systems.
4. Shift assessment from rote testing to competency-based evaluation validated by industry certifications and project-based learning.
5. Strengthen faculty capability through funded industry sabbaticals and co-teaching with practitioners, especially in advanced sectors such as semiconductors, climate technologies, and digital systems.
6. Link NEP implementation explicitly to workforce outcomes, tracking placement within 90 days, wage progression, apprenticeship-to-employment conversion, and employer participation; not enrolments alone.
7. The proposed committee under the Union Budget 2026-27 could be leveraged to coordinate education, skills, and employment systems, aligning NEP delivery with services competitiveness and emerging-technology workforce demand.

8. The World Population Prospects 2024, United Nations Department of Economic and Social Affairs (UN DESA)

9. India vs. China Working-Age Populations (2024–2050), Visual Capitalist (based on UN Population Projections), accessed December 2025

10. All India Survey on Higher Education (AISHE) 2023-24, Ministry of Education, accessed on 4 February 2026

11. India's Workforce Transformation: A Rising Tide of Female Participation, Press Information Bureau, 18 November 2024

12. National Apprenticeship Promotion Scheme, Ministry of Skill Development website, accessed on 4 February 2026

13. Economic Survey 2025-26, Government of India, 29 January 2026

14. Budget speech, Union Budget 2026-27, Government of India, 1 February 2026

15. Future of Jobs Report 2025, World Economic Forum, 7 January 2025

Action 2: Move to demand-led skills compacts

India's skilling ecosystem remains largely supply-driven, with training capacity often built catering to past and at best the current industry demand. This leads to weak placement outcomes, fragmented provision, and persistent skill mismatches, even as manufacturing and services scale across priority sectors.

The next step is to shift toward **demand-led skills compacts**, anchored by large employers, so training capacity aligns directly with real hiring needs.

Key actions:

1. Establish demand-led skills compacts with anchor employers committing forward hiring requirements over a 12-24 month horizon.
2. Align state training capacity, curricula, and certification frameworks to these employer commitments.
3. Link public funding directly to placement and retention outcomes, rather than enrolments.
4. Pay training providers based on job outcomes, with employers co-designing curricula and validating final skills.
5. Pilot compacts in electronics, clean energy, logistics, data centres, automotive components, and advanced manufacturing, where hiring pipelines are emerging, but workforce readiness remains uneven.
6. Introduce employer-backed credentials to improve signaling of job readiness.
7. Expand paid industry immersion for final-year students and early-career workers to accelerate transition into productive roles.
8. Deploy structured workforce conversion programmes to move workers from low-productivity sectors into growth areas.

This approach directly connects skills supply to real vacancies, shortens time-to-employment, improves retention, and ensures skilling investments translate into productive jobs at scale.

Action 3: Scale re-skilling and workforce participation in growth corridors

Entry-level hiring alone may not meet India's talent needs. A large share of the workforce is mid-career and concentrated in MSMEs and informal sectors, where access to structured upskilling remains limited. Productivity gains will depend on continuous re-skilling and smoother pathways into higher-value roles.

Key actions:

1. Building on ongoing skilling and digital credential initiatives, a **National Re-skilling Stack** could consolidate modular, stackable courses across advanced manufacturing operations, digital workflows, quality systems, safety, energy efficiency, and emerging technology adjacencies.
2. Make credentials portable, interoperable, and digitally verifiable so workers can carry proven skills across employers, sectors, and geographies.
3. Strengthen high-growth corridors into **Workforce Acceleration Zones** by co-locating training centres, hiring hubs, transport access, and childcare to reduce participation barriers and speed up worker-employer matching.
 - a. This is particularly relevant for women, whose labour force participation remains below potential. With flexible scheduling, proximity-based employment, and targeted local support, these zones could help expand formal employment over time while supporting large-scale re-skilling of existing workers.
4. The focus is practical: enable mid-career transitions, raise participation, and improve workforce mobility as growth corridors scale.
5. Expand structured pathways for mid-career transitions, enabling workers from MSMEs and informal sectors to move into higher-productivity roles.
6. Integrate existing skilling and digital credential platforms into these zones to support large-scale re-skilling alongside formal job placement.

Bottom line

Talent systems must operate as connected pipelines, linking education, skills, and employment. Operationalising NEP for measurable workforce outcomes, moving to demand-led skills compacts anchored by employers, and scaling re-skilling and workforce participation in growth corridors can convert demographic scale into productivity, strengthen manufacturing competitiveness, deepen services leadership, and support India's journey toward Viksit Bharat 2047.

2. Globally competitive manufacturing



Building depth, productivity, and scale across India's industrial base

Manufacturing is central to India's ambition of becoming a high-income economy, yet its share of GDP remains around 17 per cent¹⁶, well below peers such as China (27 per cent)¹⁷, Korea (25 per cent), and Vietnam (24 per cent). While recent gains in electronics, mobile devices, pharmaceuticals, and engineering goods are encouraging, India's manufacturing base is still characterised by shallow value chains, uneven productivity, and limited integration into global production networks.

Countries that succeed in manufacturing combine three elements: deep production ecosystems beyond assembly, continuous productivity improvement through digital adoption, and tight integration with global value chains. In

Germany, the Mittelstand¹⁸ model is built on dense supplier networks and advanced tooling. South Korea¹⁹ pairs large firms with technology-intensive SMEs across semiconductor and capital goods clusters. Vietnam²⁰ has driven export growth through industrial parks linked directly to logistics corridors and trade agreements.

India's opportunity now is to move beyond capacity creation to systemic competitiveness: factories that scale faster, supplier ecosystems that deepen locally, and domestic value addition that rises consistently.

The objective is to shift manufacturing from episodic wins to sustained performance, anchored in three priorities.

Action 1: Deepen production ecosystems beyond assembly

India's recent manufacturing growth, especially in electronics, has been driven largely by final assembly, with domestic value addition constrained by reliance on imported components and sub-systems. Early ecosystem-building is visible but remains fragmented and limited in scale.

The next phase must shift from factory capacity to ecosystem depth: localising components and intermediates, attracting upstream suppliers, and building shared infrastructure for testing, certification, tooling, and advanced materials within industrial clusters.

Key actions:

1. Pair anchor manufacturers with structured supplier development programmes, tracking localisation through domestic sourcing ratios and Tier-II/Tier-III onboarding.
2. Develop sector-specific localisation roadmaps for electronics and semiconductors, pharmaceuticals and APIs, precision engineering, clean energy equipment, defence manufacturing, and advanced materials, identifying import dependencies, technology gaps, and investment needs.

The localisation roadmap may include:

 - a. Systematic assessment of critical value chains to identify sub-segments with high import dependence
 - b. Adopting differentiated strategies for low- and high-technology products, balancing quick substitution with long-term capability building.
 - c. Developing specialised manufacturing zones and investment regions with plug-and-play infrastructure and private participation.
 - d. Promoting foreign investment through JVs with local manufacturers to build new capacity and upgrade technology and quality
 - e. Continuing emphasis through incentives from output-based support to value-addition and domestic capability creation.
 - f. Introducing rate rationalisation across strategic sectors (on inputs) to aid manufacturing competitiveness.

16. India Achieves ₹14 Lakh Crore in Production, ₹5.3 Lakh Crore in Exports,

Says DPIIT Secretary at CII Manufacturing Summit, Press Information Bureau, 25 March 2025

17. Manufacturing, value added (per cent of GDP), World Bank data, accessed on 4 February 2026

18. The German Mittelstand as a model for success, Federal Ministry of Economic Affairs and Energy, accessed on 4 February 2026

19. What drives SMEs to adopt smart technologies in Korea? Focusing on technological factors, Technology in Society Volume 71, November 2022

20. Industrial Park Near the Port Vietnam: Driving the Country's Logistics Evolution, NamdinHVu Industrial Park, 23 October 2025

3. Import substitution should remain selective and economics-led, focused on areas where scale, quality, and reliability are achievable.

Action 2: Improve factory productivity and prepare for Industry 4.0

India's manufacturing constraint is not only scale, but productivity. Many factories, especially MSMEs, operate with low automation, higher defects, longer changeovers, and elevated energy and logistics costs. While large firms are advancing on Industry 4.0, adoption among smaller manufacturers remains uneven, and existing productivity initiatives are fragmented.

The opportunity now is to **integrate these efforts into a coherent, cluster-led operating model** that lifts productivity across firms.

Key actions:

1. Roll out cluster-based productivity programmes that combine technology adoption, skills development, and process improvement.
2. Create shared Industry 4.0 infrastructure, including common data platforms and digital quality labs, to lower adoption costs for MSMEs.
3. Scale targeted workforce upskilling in automation, AI, and mechatronics to support smarter factory operations.
4. Implement standardised quality systems aligned with International Organisation for Standardisation to reduce defects and improve export readiness.
5. Accelerate energy-efficiency upgrades and shared utilities to cut operating costs.
6. Strengthen applied industrial R&D by linking public research with manufacturing through applied research centres, pilot lines, and commercialisation pathways embedded in clusters, especially for electronics, clean energy equipment, advanced materials, and biopharma.
7. Leverage new university towns near industrial corridors to connect future-skills research directly with industry needs and employment pipelines. Countries such as South Korea and Taiwan have used cluster-led productivity programmes and technology diffusion centres to rapidly improve SME throughput and quality.



Action 3: Integrate manufacturing with exports and Global Value Chains (GVC)

Manufacturing competitiveness increasingly depends on deep integration into global value chains, where factories operate as reliable suppliers of components and finished goods within multinational production networks. For India, the opportunity is to embed manufacturing clusters directly into export ecosystems by linking production, logistics, standards, and market access.

Key actions:

1. Align manufacturing clusters with export corridors and multimodal logistics hubs, embedding standards, testing facilities, and customs facilitation within industrial zones.
2. Link domestic suppliers to large manufacturers and global buyers through structured onboarding programmes, enabling faster entry into international supply chains.
3. Leverage Free Trade Agreements and CEPAs as active market-access tools for domestically produced goods, supported by export readiness at the factory level.
4. Integrate sustainability into manufacturing to meet rising global demand for green products and compliance requirements such as carbon border measures, strengthening merchandise export competitiveness.
5. Adopt technology-driven, trust-based trade facilitation to reduce friction at borders and accelerate clearance.
6. Diversify export markets to manage geopolitical volatility and reduce concentration risks.
7. Lower logistics costs and improve supply-chain efficiency through dedicated freight corridors, inland waterways, and coastal shipping.
8. Strengthen industrial infrastructure planning through deeper adoption of the PM GatiShakti national master plan at the state level, with greater private-sector participation.
9. Expand industrial corridors with plug-and-play facilities, backward and forward linkages, and balanced regional development to reinforce the export ecosystem.
10. Focus export-oriented clusters on high-value segments such as electronics hardware, pharmaceuticals, precision engineering, clean-energy equipment, defence products, and capital goods.
11. Build credibility with global buyers through consistent quality, predictable delivery, and compliance with international standards such as International Organisation for Standardization, CE marking, and sustainability certifications, with institutional support for certification and traceability, especially for MSMEs.

Bottom line

India's manufacturing transformation will not be delivered by incentives alone. By deepening production ecosystems beyond assembly, raising factory productivity through Industry 4.0 readiness and applied R&D, and linking manufacturers more closely to global value chains, India can move from incremental gains to sustained industrial competitiveness.

3. MSME scale and productivity engine



Building resilient enterprises that anchor manufacturing, jobs, and regional growth

India's MSMEs form the backbone of the economy, accounting for nearly 30 per cent of GDP, around 45 per cent of manufacturing output, and over 110 million jobs²¹. Yet most enterprises remain small, informal, and locally bound. Fewer than 1 per cent successfully graduate into medium-sized firms, creating a persistent 'missing middle' that limits productivity growth, technology adoption, and export competitiveness.

Globally, countries that built strong SME ecosystems such as Germany and South Korea combined access to finance, supplier integration, productivity upgrading, and export linkage to help small firms scale. India's opportunity is to move MSMEs from survival mode to scale mode.

Recent policy measures have strengthened the enabling environment through enhanced credit guarantees, expanded digital lending enablement, continued support for TReDS, and targeted interventions for formalisation and productivity²². The next phase requires converting these measures into **end-to-end enterprise scaling pathways** that integrate finance, technology adoption, market access, and manufacturing ecosystems.

The objective here is to enable MSMEs to grow into competitive medium enterprises anchored in three focused actions.

Action 1: Expand access to growth capital and formal credit

Access to reliable long-term finance remains a major constraint for MSMEs, especially as firms transition beyond the micro and small stages. While credit guarantees, digital lending rails, and receivables platforms such as TReDS have improved access, gaps persist due to limited cash-flow visibility, weak digital footprints, and uneven buyer participation.

The focus now must shift from scheme-led access to data-led credit at scale.

Key actions:

1. Scale cash-flow-based lending using GST, banking, and account-aggregator data so MSMEs are underwritten on real business performance rather than collateral.
2. Expand TReDS participation to include more buyers, Tier-II/Tier-III enterprises, and state PSUs, improving working-capital liquidity across supply chains.
3. Create differentiated growth finance for firms graduating into the medium category, including longer-tenure loans and growth capital linked to productivity and export outcomes.
4. Build a unified MSME finance platform integrated with Udyam, GST, and lender systems to enable discovery, eligibility checks, and real-time credit tracking, supported by district-level facilitation (DICs/CSCs/industry bodies) for last-mile outreach and handholding.
5. Operationalise productivity- and performance-linked financing under the CHAMPIONS initiative, enabling firms to invest in quality, technology, and competitiveness without high-interest burdens.
6. Strengthen MSME financing by leveraging NBFCs' tailored lending products such as short-term credit, revolving lines, and asset-based finance to address diverse business needs that rigid bank structures often cannot. This enables faster access to appropriate capital, supports risk-taking, and accelerates MSME growth and expansion.

Evidence from the World Bank shows that cash-flow-based MSME finance improves loan approval rates while reducing default risk when supported by strong data and risk models²³.

21. The MSME Revolution: Transforming India's Economic Landscape, Press Information Bureau, 23 December 2024

22. Budget speech, Union Budget 2026-27, Government of India, 1 February 2026

23. Improving Access to Finance for SMEs: Opportunities through Digital Financial Services, World Bank Group, 2022.

Action 2: Raise MSME productivity through cluster-based upgrading

Most MSMEs operate below global productivity benchmarks due to limited access to technology, skills, quality systems, and structured process improvement. Global experience shows that **cluster-led productivity programmes** deliver faster results than firm-by-firm interventions; countries such as Germany²⁴ and South Korea²⁵ have embedded MSMEs into anchor supply chains while supporting factory modernisation through shared facilities and technical extension services. In India, elements of this agenda exist, but remain fragmented.

The opportunity now is to **integrate these efforts** into a **scalable, cluster-led model**.

Key actions:

1. Deploy cluster productivity missions covering lean manufacturing, quality systems, energy efficiency, and Industry 4.0 basics, building on programmes such as SAMARTH Udyog Bharat 4.0 that provide demonstration hubs and technical support for MSMEs.
2. Embed MSMEs into anchor-manufacturer ecosystems through structured supplier development and association-led capacity building, supported by institutions such as Small Industries Development Bank of India.
3. Expand common infrastructure for testing, certification, tooling, and design via cluster-level Common Facility Centres and state initiatives, including electronics manufacturing clusters and sector-focused schemes.
4. Link productivity upgrades directly to market access, so operational improvements translate into orders and revenues, not just pilots.
5. Accelerate digital adoption across billing, payments, inventory, procurement, logistics, and quality tracking using platform-based tools deployed at cluster scale to improve working-capital cycles and production planning. Programmes such as SAMARTH and state cluster missions already pilot this approach^{26,27}.
6. Integrate MSME upgrading tightly with manufacturing clusters (Pillar 2), ensuring small firms become part of domestic value chains rather than peripheral suppliers.

Action 3: Enable export competitiveness for small manufacturers

Only a small fraction of Indian MSMEs export directly, and even fewer participate meaningfully in global value chains. The constraint is not product capability alone, it is access to standards, buyers, logistics, and working capital^{28,29}. Evidence from the Organisation for Economic Co-operation and Development shows that countries combining SME productivity upgrading with export linkages achieve faster firm growth and higher job creation³⁰.

While export facilitation mechanisms already exist in India, they operate in silos. The opportunity now is to move from ad-hoc assistance to a single, integrated MSME export enablement pathway.

Key actions:

1. Onboard MSMEs into export platforms through standards certification, compliance readiness, and buyer discovery, creating clear pathways from factory to foreign markets.
2. Align MSME clusters with FTAs and CEPAs to translate tariff advantages into actual orders, supported by structured handholding under Export Promotion Mission programmes (Priority 5).
3. Develop cluster-based export hubs (for textiles, auto components, handicrafts and others), combining awareness, skilling in global standards, and certification support.

18. The Competitive Advantage of Germany's Mittelstand, Harvard Business Review, 2015; accessed 7 Feb 2026.

19. SME Productivity in South Korea: Lessons from Cluster Support Programmes, OECD Productivity Working Papers, OECD Publishing, 2020; accessed on 7 February 2026

20. SAMARTH Udyog Bharat 4.0: Scheme overview and SAMARTH Centres update, Press Information Bureau, Ministry of Heavy Industry, accessed on 7 February 2026.

21. SAMARTH Udyog Bharat 4.0 initiative – Centres activities and impact, Press Information Bureau, 13 Dec 2024; accessed 7 Feb 2026

22. Annual Report 2024-25, Ministry of Micro, Small & Medium Enterprises (MSME), Government of India, 2025.

23. India Exports and MSME Participation, Reserve Bank of India Bulletin, 2025.

24. SME and Entrepreneurship Outlook 2024, Organisation for Economic Co-operation and Development (OECD), 2024.

4. Provide shared logistics, warehousing, and aggregation hubs to reduce per-unit export costs for small firms.
5. Promote green manufacturing to meet rising sustainability-linked trade requirements in developed markets.
6. Evaluate MSMEs on audit readiness, certified processes, and documentation to strengthen positioning in regulated global markets and expand access to supply chains.
7. Digitally integrate MSME exporters with Customs, DGFT, GSTN, banks, and logistics platforms through Bharat Trade Net and related Digital Public Infrastructure, lowering entry barriers to global trade.
8. Focus export enablement on priority sectors including electronics hardware, pharmaceuticals, precision engineering, clean-energy equipment, and capital goods.

Bottom line

India's MSME opportunity lies in closing the scaling gap. By building on Budget reforms to expand access to growth capital, raising productivity through cluster-based upgrading, accelerating digital adoption, and enabling export competitiveness, MSMEs can move from informal survival to formal scale.



4. Integrated infrastructure for growth



Turning infrastructure into productivity and investment multipliers

India's infrastructure has seen a decisive step change over the past decade. Central government capital expenditure has nearly tripled between FY2021 and FY2026, signaling a structural shift toward infrastructure-led growth³¹. Alongside this, logistics costs have declined to roughly 7.97 per cent of GDP³², approaching global benchmarks and improving competitiveness for industry and trade. However, without sustained utilisation of multimodal infrastructure, last-mile connectivity, and digital logistics platforms, costs risk creeping back up as freight volumes rise and urban congestion intensifies.

Major national assets, i.e., highways, Dedicated Freight Corridors, ports, airports, and digital public infrastructure are now largely in place, supported by integrated planning under PM Gati Shakti.

Yet structural constraints persist. Over 70 per cent³³ of freight still moves by road. Multimodal logistics adoption is uneven, last-mile connectivity into industrial clusters lags, and power quality and industrial water availability vary across states. Urban infrastructure often struggles to keep pace with growth, forcing firms to self-provision utilities and raise operating costs. These frictions dilute the productivity impact of recent investments.

Globally competitive manufacturing economies invest 4-6 per cent³⁴ of GDP in infrastructure, compared to India's 3-4 per cent³⁵, and combine corridors with industrial zoning, utilities, and workforce housing to shorten project timelines.

As India targets manufacturing near 20 per cent of GDP³⁶ and rapid growth in services exports, sunrise sectors – semiconductors, green hydrogen, defence manufacturing, data centres, and Global Capability Centres (GCCs) – will require infrastructure built to global standards from day one. India already hosts around 1,700 GCCs employing about 1.9 million people, projected to reach ~2,400 GCCs and ~2.8 million jobs by 2030³⁷, alongside one of the world's fastest-growing data-centre markets.

Against this backdrop, Union Budget 2026-27 reaffirmed infrastructure as a national priority, with higher capital outlays, logistics modernisation, urban infrastructure support, and mechanisms to crowd in private investment. The opportunity now is to convert asset scale into system-level productivity.

What this means:

- Infrastructure is entering Phase II: moving from building assets to using them better.
- The next productivity gains will come from integration – multimodal logistics, last-mile digital visibility, and shared cluster utilities.
- State-level execution will determine outcomes, with 'plug-and-play' industrial ecosystems emerging as the differentiator.
- Urban infrastructure is now an economic variable: congestion and quality of life directly affect competitiveness for factories, GCCs, and data centres.

31. Union Budget FY2021–FY2026, Budget 2026–27 capital outlay, Ministry of Finance, Government of India, February 2026
 32. Assessment of Logistics Cost in India, DPIIT, Ministry of Commerce & Industry, Government of India, September 2025
 33. Intermodal connectivity for freight traffic, Press Information Bureau, March 2025
 34. Investment in Infrastructure: Strengthening PPP Policy framework, Niti Brief #5, accessed on 4 February 2026
 35. Economic Survey 2022-23, Government of India, 31 January 2023
 36. India's Manufacturing Share Set To Reach 20 per cent Of GDP By 2030, Business World, November 2025
 37. India's GCCs Leading Strategic Enterprise Transformation, Press Information Bureau, February 2025

Action 1: Complete multimodal economic corridors and industrial connectivity

India has invested heavily in highways, freight corridors, ports, and airports, with Dedicated Freight Corridors beginning to transform long-haul cargo movement. But the economic impact of these assets depends on how well they connect with industrial parks, MSME clusters, and export gateways. The next phase must move from asset creation to corridor-led integration—linking transport, logistics, and industry into a single operating system.

Key actions:

1. Integrate road, rail, ports, and inland waterways with plug-and-play industrial zones and logistics parks to create true multimodal economic corridors.
2. Treat last-mile connectivity to factories and warehouses as core corridor infrastructure, not a state or municipal add-on.
3. Establish corridor-level program management with synchronised commissioning across modes and outcome tracking on freight time, logistics cost per tonne-kilometre, and industrial land absorption.
4. Anchor priority corridors around electronics, automotive, defence, textiles, food processing, and clean-energy manufacturing to accelerate export competitiveness.
5. Deploy a National Digital Logistics Stack – integrating FASTag, e-way bills, port systems, rail booking, ICD slotting, and multimodal documentation – to provide real-time visibility and interoperability across modes.
6. Use digital freight systems as a productivity lever, ensuring multimodal corridors deliver measurable time and cost savings.

Action 2: Build infrastructure-ready cities and industrial zones

Cities already contribute over 60 per cent of India's GDP, yet only about 35 per cent of the population is urban – far below China (~65 per cent) or OECD averages (~80 per cent)³⁸. This points to both growth potential and mounting pressure on urban systems. Many cities still lack reliable industrial-grade power, treated water, waste management, modern transit, and digital connectivity, forcing enterprises to self-provision and raising operating costs.

India now needs to shift toward infrastructure-ready cities and industrial zones, where land, utilities, housing, mobility, and digital connectivity are pre-integrated. Recent approvals of new industrial cities under the National Industrial Corridor Development Programme and continued urban investments in Union Budget 2026-27 reflect this direction.

Key actions:

1. Develop plug-and-play industrial cities with shared utilities, integrated infrastructure, and logistics access to shorten project gestation and attract anchor investors.
2. Scale a first wave of 20-30 infrastructure-ready growth cities and manufacturing zones to accelerate private investment and lift regional productivity.
3. Embed MSMEs within these zones to improve productivity, compliance, and survival through proximity to testing facilities, utilities, and logistics hubs.
4. Extend the city model beyond manufacturing to include GCC clusters and digital services hubs, with Grade-A office districts, resilient power and fibre, strong transit access, and liveable urban environments.
5. Invest in transit-oriented development, affordable rental housing, integrated childcare, and safe mobility to support workforce participation, especially for women.
6. Align city infrastructure planning with sustainability goals – covering water, waste, energy efficiency, and climate resilience.

38. Urban Population, World Bank Open Data, accessed on January 2026

Action 3: Strengthen energy, water, and digital backbone for sunrise sectors

Sunrise sectors place new demands on infrastructure. Hyperscale data centres require continuous power redundancy, dense fibre networks, and climate-resilient cooling. India already generates nearly 20 per cent of global data but hosts only about two per cent of global data-centre capacity³⁹, underscoring the urgency of utility-ready development. Green hydrogen and advanced manufacturing need assured renewable energy and reliable industrial water. While India has expanded renewables and strengthened the grid, power quality, water availability, and digital readiness remain uneven across locations – slowing investor decisions and project scale-up.

Budget 2026-27 has laid the foundation through energy modernisation, renewable grid integration, and digital public infrastructure. The next phase must focus on sector-ready utilities rather than generic capacity expansion.

Key actions:

1. Develop clean-energy corridors with assured grid access for data centres, green hydrogen, and advanced manufacturing clusters.
2. Build industrial water systems with recycling mandates and climate-resilient design standards embedded into new industrial estates.
3. Create digital infrastructure zones with dense fibre, cloud gateways, and redundancy to support hyperscale data centres and GCCs.
4. Treat data centres and GCCs as strategic infrastructure consumers – on par with factories – so cities and states plan power, water, mobility, and real estate proactively.
5. Accelerate dedicated energy-and-fibre corridors, recognising that digital and energy-intensive sectors are growing faster than underlying utility capacity.
6. Align utility planning with sunrise-sector clusters to ensure predictable timelines for power, water, and connectivity provisioning.

These foundations are critical for attracting global anchor investors and building domestic champions in semiconductors, defence manufacturing, climate technologies, digital services, and advanced engineering.

Bottom line

India has moved decisively from infrastructure scarcity to infrastructure scale, but scale alone does not guarantee competitiveness. The next frontier is infrastructure effectiveness, i.e., the ability of assets to work as a coherent, predictable, and productivity enhancing system.

By completing multimodal economic corridors, building infrastructure-ready cities and industrial zones, and strengthening the energy-water-digital backbone for future industries, including data centres and GCC ecosystems, India can translate capital expenditure into sustained productivity gains. Infrastructure, delivered as an integrated system rather than isolated assets, becomes a primary enabler of manufacturing, MSMEs, services, and ultimately Viksit Bharat 2047.

39. India generates 20% of data, but has 2% of data centres, The Financial Express, 25 May 2023

5. Trade competitiveness, export diversification and global integration



Building high-value exports while securing critical supply chains

Trade is central to India's growth, yet India accounts for only ~2 per cent of global merchandise exports, compared with China's ~14 per cent and Vietnam's ~2.2 per cent⁴⁰. Total exports (goods and services combined) stand at roughly 21.2 per cent⁴¹ of GDP, significantly below export-oriented economies in East Asia.

While services exports now account for around 45 per cent⁴² of total exports and goods are diversifying across electronics, pharmaceuticals, engineering goods, and chemicals, structural frictions across logistics, standards, market access, and enterprise readiness persist. Mobile

phone exports crossing USD15 billion⁴³ show what is possible when manufacturing ecosystems, logistics, and trade facilitation align.

The next phase must build end-to-end export ecosystems by linking factories, ports, finance, standards, and FTAs, while strengthening supply-chain resilience. The objective is a focused trade strategy that drives export diversification, improves competitiveness, scales high-value sectors, and secures critical supply chains in areas such as semiconductors, APIs, and defence.

Action 1: Build corridor-led export ecosystems for high-value manufacturing and services

Globally successful exporters operate tightly integrated systems. i.e., industrial zones connected directly to ports, simplified customs, digital documentation, embedded trade finance, and structured use of FTAs. In contrast, many Indian exporters, especially smaller firms, face fragmented processes, long turnaround times, and limited visibility into global demand.

The opportunity now is to shift decisively to **corridor-led, plug-and-play industrial clusters** (Pillars 2, 3 and 6) where land, trunk infrastructure, utilities, and approvals are pre-cleared, and speed to market becomes a core competitiveness metric.

Key actions:

1. Develop corridor-led, plug-and-play clusters with pre-approved land, utilities, and core clearances, and track performance from allotment to production start.
2. Anchor cluster planning to priority sectors like electronics and semiconductors, pharmaceuticals and med-tech, precision engineering, clean-energy equipment, defence manufacturing, and digitally delivered services – aligning utilities, testing infrastructure, logistics, and skills pipelines to sector needs.
3. Converge central incentives (including PLI) and state industrial policies around a common cluster framework, with shared outcome metrics on investment realised, jobs created, exports generated, and time-to-operationalisation.
4. Seed clusters through anchor investors and structured supplier-development programmes, actively tracking localisation via domestic sourcing ratios, Tier-II/Tier-III onboarding, and MSME participation.
5. Embed competitiveness enablers within corridors: export-linked logistics, sector-specific facilities (cold chains, bonded warehousing, secure cargo), digitised customs and paperless trade, and conformity-assessment infrastructure.
6. Map each major corridor to relevant FTAs/CEPAs so tariff advantages and rules-of-origin benefits can be operationalised directly from production zones.

40. Global merchandise export shares, World Bank Open Data, January 2026

41. Trade (per cent of GDP) indicators, World Bank Open Data, January 2026

42. Cumulative exports of India, Press Information Bureau, Ministry of Commerce & Industry, December 2025

43. India's Exports Reach Historic Heights, Press Information Bureau, Ministry of Commerce & Industry, posted on 1 February 2025

Action 2: Execute an export diversification and FTA/CEPA playbook

India's export base remains concentrated across a narrow set of products and markets. Future growth depends on deliberate diversification, by sector and geography.

Key actions:

1. Prioritise high-value exports in electronics and components, pharmaceuticals and APIs, precision engineering and capital goods, clean-energy equipment, defence manufacturing, and digitally delivered services, with explicit sector-wise export growth targets.
2. Drive diversification across ASEAN, Africa, the Middle East, Latin America, and advanced markets to reduce concentration risk and expand India's global footprint.
3. Treat FTAs and CEPAs as active growth tools by pairing each agreement with sector-specific export playbooks (tariff advantages, regulatory access, rules of origin) and domestic readiness plans covering standards, capacity, and MSME onboarding.
4. Operate the **Export Promotion Mission** as a single delivery framework integrating market entry, standards certification, buyer discovery, and export finance.
5. Link corridor-led manufacturing with standards alignment and market-access roadmaps to convert capacity into exports.
6. Create a dedicated logistics window for the North-East and frontier regions - air cargo support, aggregation hubs, bonded warehousing, and last-mile rail/waterway links - to unlock agri-processing, handicrafts, niche manufacturing, and services exports.

Action 3: Strengthen supply-chain security and strategic sovereignty

Trade strategy must also address supply-chain security. Recent disruptions have exposed India's dependence on imports across semiconductors, critical minerals, pharmaceutical APIs, defence components, and advanced manufacturing inputs, creating vulnerabilities for healthcare, electronics, the energy transition, and national security.

The next phase must move from market access alone to strategic sovereignty.

Key actions:

1. Run sector-level diagnostics to identify import concentration, technology gaps, and investment shortfalls across semiconductors, APIs, critical minerals, defence, and advanced manufacturing.
2. Build domestic capacity through targeted interventions: semiconductor fabrication and packaging, API manufacturing parks, critical mineral processing partnerships, and defence industrial base localisation.
3. Mobilise patient capital using blended finance, anchor procurement commitments, and long-term offtake agreements to support high-capex, long-gestation projects.
4. Form technology partnerships with trusted global players to accelerate capability building and quality upgrades.
5. Coordinate execution across Centre, states, and industry to align land, utilities, approvals, and incentives around strategic value chains.
6. Integrate supply-chain resilience into trade policy, linking localisation with export competitiveness rather than treating them as separate agendas.



Bottom line

India's trade future depends on combining export competitiveness with strategic resilience.

By building corridor-led, plug-and-play export ecosystems, executing an FTA/CEPA-driven diversification strategy, strengthening quality and standards, operationalising the Export Promotion Mission (including frontier-region logistics support), and securing critical supply chains in semiconductors, pharmaceuticals, minerals, and defence, India can move from transactional trade to deep global integration. Trade, executed as a connected system rather than isolated flows, becomes a powerful driver of productivity, jobs, and sovereignty and a core pillar of Viksit Bharat 2047.



6. Productive, liveable cities as growth engines



Translating urban growth into jobs, investment, and higher productivity

India's cities already generate over 60 per cent of national GDP while housing roughly 35 per cent of the population⁴⁴. Over the next two decades, tens of millions more people will move to towns and cities. The challenge is not urbanisation itself, it is whether cities can absorb this growth in ways that raise productivity rather than increase congestion, informality, and service stress.

In high-income economies, urban areas typically account for 75-85 per cent of GDP, reflecting higher productivity in well-functioning cities⁴⁵. For India, most of the urban infrastructure we will need by 2047 is yet to be built. Meeting that ambition will require cities to invest nearly USD55 billion every year, about 1.2 per cent of our GDP,

well into the mid-2030s⁴⁶. Currently, India's total capital expenditure on Urban infrastructure is ~0.6 per cent of GDP (half the required investment) implying public grants won't alone suffice and commercial financing and better-run ULBs are essential.

Recent Union Budgets signal a push beyond major metros toward Tier-II and Tier-III cities. The objective now is to move from project-by-project upgrades to integrated city transformation, i.e., combining finance, core services, mobility, and climate resilience to attract investment and operate as connected regional economies.

Action 1: Build transit-led city regions, not isolated cities

Productive cities grow around mass transit. Global experience, from Seoul and Singapore to large Chinese metros⁴⁷, shows that dense, mixed-use development along rail and bus corridors reduces commute times, raises land productivity, and supports higher job density when housing and employment are planned around transit.

India's Metro and RRTS footprint is expanding rapidly, with nearly 1,000 km operational across ~23 cities and another 980kms⁴⁸ in the pipeline. The opportunity now is to move from corridor creation to corridor-led urban growth by integrating metros with suburban rail, buses, and regional hubs.

Key actions:

1. Align land use to transit by mandating station-area planning with minimum density norms, mixed-use development, affordable housing, and land-value capture to fund non-motorised transport, last-mile connectivity, and public spaces.
2. Integrate networks and fares by operationalising Unified Metropolitan Transport Authorities (UMTAs), rolling out unified mobility cards, coordinated schedules, seamless feeder buses, and scaling e-buses in Tier-II and Tier-III cities.
3. Establish corridor-level authorities with single-window approvals covering metro, BRT, and trunk utilities to accelerate project sanctioning and execution.
4. Plan City Economic Regions by linking industrial nodes and RRTS stations to enable growth beyond city cores and support polycentric development.
5. Promote higher densities and job concentration around transit corridors to unlock agglomeration benefits; evidence shows that doubling job density can raise economic productivity by 5-10 per cent⁴⁹.

44. Urban population-India, World Bank Open Data, 2024, accessed January 2026

45. Urban population-India, World Bank Open Data, 2024, accessed January 2026

46. Gearing up for India's Rapid Urban Transformation, January 2024

47. Transit-Oriented Development, World Bank; Transit-Oriented Development Policies and Station Area Development in Asian Cities, ADB

48. India Affordable Housing, Tackling Urban Housing Deficit Through Supply-Side Reforms, NAREDCO, 2025

49. Transforming the Urban Space Through Transit-Oriented Development: The 3V Approach- World bank, accessed January 2026

Action 2: Strengthen municipal finance and city operations

Compared to global peers, India's Urban Local Bodies (ULBs) have narrow own-source revenues and limited fiscal autonomy, constraining maintenance, service upgrades, and creditworthiness⁵⁰. Property tax coverage remains uneven, user charges often fall short of service costs, and municipal bond issuance is limited.

A 2024 report⁵¹ by the Reserve Bank of India highlights the need for state-specific property tax reforms and user-charge rationalisation to reduce dependence on grants. International experience shows that cities modernising property taxes and utility billing can raise revenues by 20-40 per cent within 2-3 years, enabling sustained investment in infrastructure and services.

The opportunity now is to shift cities from grant-led operations to financially resilient service delivery.

Key actions:

1. Implement universal property mapping, periodic valuation updates, and e-payment integration to lift revenues and fund operations and maintenance.
2. Adopt cost-reflective user charges for water, wastewater, and parking, with lifeline slabs and multi-year tariff schedules to balance affordability with sustainability.
3. Introduce performance-linked grants to reward cities that improve collections and meet service benchmarks.
4. Establish pooled state municipal bonds with partial guarantees for shared infrastructure, alongside green and impact bonds for WASH reuse, e-bus fleets, and stormwater upgrades.
5. Create specialist O&M units for roads, drainage, parks, lighting, and public assets, using SLA-based contracts and ICCM-enabled asset management; expand digital city systems for permits, payments, grievances, and preventive maintenance.

Action 3: Accelerate township development and urban re-densification

Beyond transit corridors and municipal reform, cities need new growth formats; well-planned townships on the periphery and systematic re-densification within existing urban cores. Globally, high-performing city regions combine mixed-use townships with inner-city renewal to raise productivity per square kilometre. Tokyo has renewed ageing districts through land pooling and vertical mixed-use development, while Hong Kong (SAR), China integrates high-density housing, offices, and transit into compact townships^{52,53}. Evidence from Organisation for Economic Co-operation and Development⁵⁴ also links transport-connected corridors to higher regional productivity and more efficient urban expansion.

For India, this means scaling integrated township development near metro/RRTS stations, freight corridors, and industrial parks, while accelerating inner-city re-densification around transit nodes.

Key actions:

1. Fast-track approvals for large, integrated townships on serviced land, with pre-cleared plots, trunk utilities, and environmental approvals through single-window corridor platforms.
2. Incentivise transit-area redevelopment via higher Floor Space Index (FSI) / Floor Area Ratio (FAR), fee rebates, and mixed-use projects within station influence zones.
3. Standardise land pooling and transferable development rights (TDR) frameworks across states, with clear entitlements, transparent marketplaces, and time-bound adjudication to reduce friction and litigation risk.
4. Enable private participation in brownfield regeneration SPVs through viability gap funding and clear exit rules to mobilise patient capital for complex inner-city projects.

42. Municipal finance and own-source revenue benchmarks- World bank, accessed January 2026

43. Report on Municipal Finances- Own Sources of Revenue Generation in Municipal Corporations, RBI 2024

44. Transit-Oriented Development and Urban Growth, World Bank, 2020, Accessed February 2026

45. TOD and Land Value Capture – Global Report, ITDP, 2021, Accessed February 2026

46. Transport-Connected Urban Corridors and Productivity, OECD, 2021, Accessed February 2026

5. Integrate housing, workplaces, healthcare, schools, and retail within township planning envelopes, with trunk infrastructure provisioned upfront.
6. Link township growth and re-densification explicitly to employment clusters and transit systems so land supply, housing affordability, and job access move together.

Action 4: Expand affordable housing and core urban services

India plans nearly 1 crore urban homes by 2029 under PMAY-U yet demand between 2025 and 2030 is about 22.2 million units, with nearly 80 per cent from Economically Weaker Section (EWS) and Low Income Group (LIG) households⁵⁵. While programmes like AMRUT 2.0 are expanding coverage, service quality remains uneven across cities and rising climate risks are constraining urban productivity.⁵⁶

The focus now must shift from project-based delivery to integrated citywide systems.

Key actions:

1. Fast-track affordable housing through pipeline completion, affordable rental housing complexes near jobs, in-situ slum upgrades, and online approvals with standard designs.
2. Build city-level water reuse markets and scale PPPs for water, wastewater, and solid waste with performance-linked contracts and mandatory Construction & Demolition (C&D) recycling.
3. Embed climate resilience via Heat Action Plans, blue-green infrastructure, and ICCC-based flood and heat dashboards.
4. Expand e-buses, non-motorised transport, and parking management integrated with metro/ Bus rapid transit (BRT) to cut pollution and congestion.
5. Improve reliability of core services such as power, water, sanitation, and waste to support higher densities and sustained growth.

Bottom line

India's urban transformation will depend on moving from fragmented schemes to an integrated, system wide framework for city development. By establishing coordinated multi-year investment and delivery frameworks, strengthening municipal finances and governance, and embedding robust digital and data systems, cities can shift from incremental improvements to reliable, high performance service delivery. Collectively, these reforms shall create the institutional and financial foundations required for India's urban regions to function as efficient, investment ready, and globally competitive economic engines.

55. India Affordable Housing, Tackling Urban Housing Deficit Through Supply-Side Reforms, NAREDCO, 2025

56. What India should do to build climate-resilient cities, World Bank, World Bank Group, Accessed Febru 2026

7. Regulation, governance and process reforms



Enabling faster execution, simpler compliance, and predictable delivery

India has made meaningful progress in ease of doing business and digital public services. Unified tax systems, digital licensing, and expanding e-governance platforms have reduced entry barriers and widened compliance coverage.

The next phase will continue to focus on simplifying regulation, improving compliance experience, and strengthening delivery outcomes, so investment flows faster, industries scale with confidence, and standards rise.

The Union Budget for FY 2026-27 reinforced this direction through continued support for digital governance, compliance simplification, expansion of quality infrastructure, and targeted tax incentives including capital allowances and concessions for data centres and select sunrise sectors.

Regulatory efficiency directly affects investment velocity. Countries that reduced regulatory cycle times and digitised end-to-end workflows recorded faster project conversion and stronger private capital mobilisation within two to three years. For example, Singapore combines digital identity with integrated approvals to enable rapid business setup⁵⁷; Estonia runs most regulatory interactions fully online⁵⁸; and South Korea uses data-led inspections and cluster-based compliance support to raise manufacturing productivity while reducing routine regulatory burden.⁵⁹

This pillar aims to make regulation predictable, proportionate, and performance-oriented, anchored in three actions.

Action 1: Ease compliance for low-risk activities, tighten oversight where needed

Globally competitive economies are moving away from permission-heavy systems toward smarter enforcement where compliant businesses face lighter-touch regulation and supervisory effort is focused on higher-risk activities. In Singapore and Estonia, routine cases proceed via self-certification, while inspections are targeted at repeat violators and hazardous operations using compliance history and analytics.⁶⁰

India can accelerate this shift across key regimes:

1. GST simplification with outcomes building on unified filings to reduce refund timelines, cut reconciliation friction, and improve working-capital predictability.
2. Labour reform roll-outs operationalising labour codes through standardised digital registrations, simplified returns, and data-led inspections, making hiring easier while preserving worker protections.
3. Quality Control Orders (QCOs) and standards enforcement implementing calibrated timelines, expanding testing capacity, and providing transition support so firms can upgrade quality without disrupting supply chains.
4. Aligning GST, labour, and standards authorities through shared risk frameworks and digital audit trails enables coordinated inspections and reduces compliance burden, while strengthening enforcement quality. Evidence compiled by the World Bank shows that risk-proportionate regulation can reduce compliance costs by 20-40 per cent when implemented system-wide⁶¹.

57. Singapore national digital identity, GDPIR report, Ministry of Electronics & Information Technology, Government of India

58. Estonia Becomes a Fully Digital Nation No More "Bureaucrazy": All Government Services, Even Divorce Filings, Available Through Online Portal, Trade Estonia, 27 January 2026

59. Regulatory quality and competition policy in Korea, Organisation for Economic Co-operation and Development, accessed January 2026

60. Singapore national digital identity, GDPIR report, Ministry of Electronics & Information Technology, Government of India

61. Proportionality in bank regulation and supervision – a joint global survey, World Bank Group, July 2021

India has begun adopting risk-based regulation across tax, environment, and labour. The next opportunity is to extend this systematically to construction approvals, MSME environmental compliance, labour inspections, GST, customs clearance, and product standards. Low-risk

activities can move to self-certification and post-audit, while regulatory capacity concentrates on high-risk sectors and repeat offenders. This would materially reduce compliance burden for small firms while strengthening enforcement where it matters most.

Action 2: Make single-window clearances work end-to-end

While many states offer investor single desk portals, businesses still navigate multiple departments behind the scenes. Effective single-window systems integrate land records, utilities, environmental clearances, labour registrations, GST onboarding, and standards certification into a single coordinated workflow.

Priority reforms include unified application forms, common data layers across departments, real-time status tracking, automated escalation when timelines slip, and clear ownership of delivery.

Integrated clearance platforms in the United Arab Emirates and Australia demonstrate how unified workflows and binding timelines translate directly into faster project starts and higher investor confidence. World Bank and UNCTAD toolkits show that such systems can cut project start-up time by 30-50 per cent. A simple national metric - time from application to full clearances - can track performance across states and agencies.

Action 3: Strengthen outcome-based governance

India already operates digital dashboards across many programs. The next step is to use these consistently for decision-making and accountability.

Every major reform program should track a small set of outcomes such as approval timelines, project completion rates, service uptime, grievance resolution time and investor conversion ratios. Performance-linked incentives for states and departments can be aligned to these outcomes, encouraging faster delivery and continuous improvement. Countries that institutionalised outcome-based public

management saw measurable gains in service quality and project execution within a few years⁶².

Union Budget 2026-27 also emphasised expanding quality testing infrastructure and standards harmonisation, creating an opportunity to scale India's quality ecosystem to global norms particularly for sunrise sectors such as data centres, semiconductors, clean energy, and advanced manufacturing. Coupled with targeted incentives, including extended tax benefits for data centres, can help domestic firms meet international specifications and compete more effectively in global markets.

Bottom line

Process reforms are about enabling momentum. By easing compliance for low-risk activities, tightening oversight where needed, making single-window systems truly integrated, and strengthening outcome-based governance, India can significantly improve the speed and predictability of delivery.

Done well, these reforms unlock investment, strengthen confidence, and help translate policy intent into real-world impact, thus supporting India's journey to Viksit Bharat 2047.

62. Outcome-Based Performance Management in the Public Sector, Organisation for Economic Co-operation and Development, 2018

8. Sunrise sectors: Building India's next-generation industries



India's next growth phase will be shaped by technology-intensive sectors that combine export potential, strategic relevance, and high-skill job creation: Green Hydrogen and clean fuels; critical and rare earth minerals; space economy; defence manufacturing; semiconductors and advanced electronics; AI-driven digital infrastructure; and bio-manufacturing and HealthTech.

Union Budget 2026-27 has created strong policy momentum across many of these areas; the task now is to convert the focus into industrial scale, supply-chain depth, and global market share. Each sector requires a small number of targeted policy levers focused on offtake, infrastructure readiness, and ecosystem depth to translate incentives into industrial outcomes.

1. Green Hydrogen and clean fuels

India has launched large-scale incentives under the National Green Hydrogen Mission (target of 5MMT of green hydrogen production capacity by 2030), with early projects across electrolyzers, renewable-linked hydrogen production, and pilot offtake in steel, fertilisers, and refining; ports are being explored for hydrogen derivatives such as green ammonia and methanol⁶³. Several states are aligning renewable parks and industrial land for hydrogen projects. Globally, demand for low-carbon hydrogen is expected to rise sharply as heavy industry and transport decarbonise.⁶⁴

International experience shows that Germany paired hydrogen subsidies with long-term industrial offtake⁶⁵, while Australia built port-linked hydrogen hubs combining renewables, electrolyzers, and export infrastructure.⁶⁶

The constraint in India remains execution depth – limited electrolyser capacity, thin component chains, scarce long-term offtake, and nascent storage/export infrastructure.

What is needed is a shift from pilots to industrial scale:

- co-locating hydrogen with renewable parks and industrial clusters,
- fast-tracking local electrolyser manufacturing,
- enabling structured offtake guarantees for anchor sectors, and
- building port-linked export hubs with common standards.

2. Critical and rare earth minerals

India has begun overseas partnerships and policy steps to secure lithium, cobalt, nickel, and rare earths materials that underpin batteries, electronics, defence systems, and clean energy. States including Odisha, Jharkhand, and Rajasthan are advancing exploration aligned to national priorities⁶⁷. Yet domestic processing is minimal, downstream manufacturing is weakly linked to mineral access, and strategic stockpiles are limited. Without assured inputs, ambitions in semiconductors, defence, and clean energy remain exposed to global supply shocks.

Countries such as Japan (overseas mineral assets linked to battery/magnet plants) and Canada (mining aligned to EV clusters) show that mineral strategy works best when tied directly to manufacturing outcomes.^{68,69}

The Union Budget 2026-27 has exempted basic customs duty on import of capital goods required for the processing of critical minerals. The move is expected to boost the country's critical mineral processing capacity. The National Critical Minerals Mission (NCMM) also seeks to support the entire critical minerals supply chain - from domestic exploration and mining to processing, recycling and overseas acquisition.

63. National Green Hydrogen Mission, Ministry of New & Renewable Energy

64. Global Hydrogen Review 2025 report, International Energy Agency, accessed January 2026

65. Germany's hydrogen ambitions in late 2024 report, The Oxford Institute For Energy Studies, November 2024

66. The Anz Hydrogen Handbook Vol II report, ANZ, accessed January 2026

67. India's Mineral Economy: Driving Growth Through Reform, Innovation, and Resilience, ASSOCHAM, 2025

68. World Economy Brief, Korea Institute for International Economic Policy report, Vol 15 No. 05, 7 February 2025

69. Canadian Critical Minerals Strategy Annual Report 2024

India's push for strategic self-reliance in minerals, energy and high-end science infrastructure is also expected to see a boost through establishment of dedicated Rare Earth Corridors in select mineral-rich states.

India needs to treat minerals as an industrial policy lever: accelerate overseas offtake and equity partnerships, selectively build domestic refining/processing, create strategic reserves, and mandate downstream manufacturing linkages so resource access directly supports batteries, electronics, magnets, and defence production.

3. Space economy

Regulatory reforms have opened the sector to private participation alongside the capabilities of Indian Space Research Organisation⁷⁰. States such as Karnataka, Telangana, Uttar Pradesh, Tamil Nadu are building aerospace and space ecosystems⁷¹. Commercial opportunities are emerging in small launch vehicles, earth observation, and geospatial services, but access to testing/launch infrastructure is constrained and downstream demand is fragmented.

Globally, the United States catalysed private launch through anchor government procurement, while France built space industrial zones linking R&D, manufacturing, and exports^{72,73}.

To unlock growth, India needs operational space parks, wider private access to launch/test facilities, anchor government procurement for geospatial services (agriculture, logistics, climate/disaster), and export-grade certifications supported by predictable launch windows for private players.

4. Defence manufacturing

Indigenisation has progressed through defence corridors, procurement reforms, and rising private participation, with exports beginning to scale; Union Budget 2026-27 continues to support defence production and export incentives. Corridors in Uttar Pradesh, Tamil Nadu, Madhya Pradesh, and Karnataka are attracting OEMs and tier-I suppliers⁷⁴. Yet key

subsystems and electronics are still imported, supplier ecosystems around prime contractors are fragmented, and MSMEs face certification and working-capital barriers.

The next phase in India must deepen localisation – supplier density around anchors, expanded testing/certification, de-risked working capital, and published long-term procurement roadmaps, while integrating with semiconductor and critical-minerals strategies to reduce strategic dependencies.

5. Semiconductors and advanced electronics

India's program spans fabs, assembly/testing, electronics manufacturing, and design incentives, reinforced in Union Budget 2026-27. States including Gujarat, Telangana, Karnataka, and Andhra Pradesh are promoting clusters. Initial packaging/testing investments are underway, but supplier depth (materials, chemicals, precision parts), design-to-system capability, and plug-and-play readiness remain limited.

Globally, Taiwan combined fabs with dense suppliers, design talent, and guaranteed demand, while South Korea built vertically integrated chip ecosystems from materials to electronics exports⁷⁵.

India must anchor fabs in fully serviced clusters, localise suppliers (including MSMEs), expand design incentives to system-level innovation, build specialised workforce pipelines, and secure anchor demand via public procurement and large domestic buyers.

6. AI-driven digital infrastructure

Union Budget 2026-27 introduced long-term incentives to attract data centres and cloud investment, recognising compute as strategic infrastructure. States such as Maharashtra and Andhra Pradesh are developing data-centre parks, while Telangana and Gujarat have digital infrastructure policies. Demand from GCCs, startups, and digital public platforms is rising, but approvals, power/water, zoning, fibre, and access to high-performance compute remain uneven.

70. Indian Space Research Organisation, Government of India, accessed January 2026

71. Top 5 Indian States Powering India's Defence Sector, Market Updates May 2025, Angel One, accessed January 2026

72. U.S. Private Space Launch Industry is Out of this World, U.S. International Trade Commission, Executive Briefings on Trade, November 2023

73. Toulouse, European Capital of Aerospace, Article posted on 14 December 2023

74. Aerospace & Defence Sector Policy Compendium of States and Union Territories, 2025, Ministry of Defence, Department of Defence production, accessed January 25

75. Beyond Competition in the AI Era, Korea on Point, org, Article published on 17 November 2025

Internationally, Singapore created AI-ready digital zones with fast approvals and sovereign cloud rules, and the United Arab Emirates attracted hyperscalers by bundling tax incentives, land, and compute infrastructure.^{76,77}

India needs coordinated AI-ready clusters with renewable power, fibre, cooling, fast-track clearances, shared national compute platforms, and interoperable data governance to attract hyperscalers while accelerating domestic AI adoption.

7. Bio-manufacturing and HealthTech

India has scale in generics and vaccines and is expanding biosimilars, diagnostics, and contract manufacturing, supported by recent biomanufacturing initiatives⁷⁸. States such as

Gujarat, Kerala, Karnataka, Telangana, and Maharashtra are building biotech parks and clinical capacity⁷⁹. Yet higher-value activities like novel biologics, complex therapeutics, and IP-led discovery largely sit overseas.

Internationally, Ireland became a biopharma hub through GMP parks, regulatory speed, and export-focused incentives⁸⁰, while South Korea moved from generics to biologics by integrating R&D, manufacturing, and clinical trials.⁸¹

India must strengthen clinical research networks, build GMP parks, harmonise regulations with major markets, and offer risk-sharing for first-of-a-kind facilities so innovators can scale domestically.

Bottom line

Sunrise sectors will define India's next growth frontier. By converting Budget momentum into coordinated execution through clustering, state participation, supply-chain depth, anchored demand, standards/certifications, skills pipelines, and targeted finance, India can build globally competitive industries in clean fuels, critical minerals, space, defence, semiconductors, AI-driven digital infrastructure, and bio-manufacturing, advancing Viksit Bharat 2047.

76. State of Sovereign and Industry Cloud Investment by Asia/Pacific Governments, 2024, IDC ebook, accessed in January 2026
77. United Arab Emirates Hyperscale Data Center Market Size & Share Analysis - Growth Trends and Forecast, Mordor Intelligence, accessed in January 2026
78. How India Can Catch the Next Wave of Growth in Biosimilars, Biologics, and Vaccines, ETPharma, 22 November 2024
79. National Biotechnology Parks Scheme, Department of Biotechnology Ministry of Science & Technology, Government of India, accessed on 4 February 2026
80. How Did Ireland Become a Key Player in the Biopharmaceutical World? Polar Lab projects, Article published on 25 November 2024
81. Transform Data into Market Domination, Biosimilars in East & Southeast Asia: A Strategic Guide to Japan, South Korea, and Malaysia, DrugPatentWatch, 20 August 2025.





9. Social capital, health and inclusion

From growth to inclusion: securing livelihoods and expanding participation

India's growth outcomes are tightly linked to labour participation, job quality, and population health, and rural livelihoods. Over 80-90 per cent⁸² of India's workforce remains informal, without formal contracts or social security, even as 31.38 crore⁸³ unorganised workers registered on e-Shram by November 2025. This highlights both the scale of informality and the potential of digital public infrastructure. Women's labour force participation remains low at about 33.7 per cent⁸⁴

(Jul-Sep 2025), reflecting structural barriers to quality employment. The Union Budget 2026-27 and Economic Survey 2025-26 emphasise strengthening social security, expanding the care ecosystem and investing in skills to convert demographic potential into productive capacity.

In this context, three integrated actions are needed to align growth with Viksit Bharat 2047 and ensure sustained, inclusive impact.

Action 1: Strengthen social security coverage for informal and gig workers

India's labour market remains predominantly informal, exposing millions of workers to income volatility, health shocks, and old-age insecurity. Strengthening social security coverage is therefore central to household resilience, labour mobility, and sustained productivity as India's growth becomes more diversified.

Translating this into action requires focused execution across five areas:

- 1. Upgrade e-Shram from registry to delivery platform:** Enable portable access to accident insurance, basic health cover, and pension pathways, linked to workers rather than employers, to support mobility across states and jobs.
- 2. Establish a social protection framework:** Cover core risks (accidents, health shocks, old-age security) through shared contributions from workers, platforms or aggregators, and government.
- 3. Simplify social security onboarding for MSMEs and micro-entrepreneurs:** Streamline compliance, reduce administrative friction, and introduce clear incentives to accelerate formalisation and workforce coverage.
- 4. Strengthen grievance redressal and enforcement:** Ensure timely resolution of wage disputes, occupational safety issues, and platform-related grievances to translate statutory protections into real outcomes.
- 5. Align social security with enterprise growth:** Position coverage as an enabler of productivity, workforce stability, and access to formal finance rather than a regulatory burden.

82. Statistics on the informal economy, International Labour Organisation (ILO), accessed on 4 February 2026

83. Over 31 crore Unorganised Workers and over 5 lakh Gig and Platform workers registered on e-Shram portal, Press Information Bureau, 1 December 2025

84. Press Note on Periodic Labour Force Survey (PLFS), Quarterly Bulletin, July-September, 2025, National Statistics Office, Ministry of Statistics and Programme Implementation, accessed on 4 February 2026

Action 2: Enable equitable participation and expand caregiving infrastructure

Women's labour force participation in India remains well below global benchmarks, constrained by unpaid care burdens, limited childcare and eldercare, safety and mobility gaps, and weak links between skills and flexible work. With India's ageing population increasing, addressing these constraints is now an economic imperative, not a social add-on. The Union Budget 2026 – 27 signals this shift through care-related skilling and targeted upskilling. Progress now hinges on coordinated action across the following areas:

- 1. Scale childcare, eldercare, and caregiving as essential economic services:** Build affordable, reliable services across urban and peri-urban clusters, industrial corridors, and emerging rural growth nodes to reduce unpaid care burdens and enable stable workforce attachment.
- 2. Professionalise the care workforce:** Introduce standardised certification, clear career pathways, and fair wage structures to improve service quality while creating large-scale employment, particularly for women.
- 3. Expand care-related skilling and formal recognition of care roles:** Integrate structured training pathways and targeted upskilling in high-employment sectors, aligned with local labour demand.
- 4. Strengthen return-to-work pathways for women:** Deploy modular skilling linked to flexible and part-time jobs, supported by employer and local industry partnerships, enabling re-entry after caregiving breaks without long-term earnings penalties.
- 5. Prioritise safe and reliable mobility:** Invest in last-mile connectivity, public transport, and gender-responsive urban design so physical access does not remain a binding constraint on participation.
- 6. Build organised elderly care systems:** Expand home-based services and community care models backed by trained caregivers to meet rising ageing-related needs while releasing working-age individuals from informal care responsibilities.
- 7. Recognise ageing as a structural economic priority:** Plan for rising long-term care needs as India's 60+ population grows from over 150 million⁸⁵ today toward 347 million by 2050, with implications for labour supply, productivity, and growth.
- 8. Leverage the care economy as a job creator:** Scale eldercare and caregiving services as a domestic employment engine while improving economic resilience in an ageing society.



85. India ageing, elderly to make up 20% of population by 2050, UNFPA report, published on 27 September 2023

Action 3: Build inclusive capabilities through disability inclusion and adaptive skills development

Persons with disabilities represent significant untapped productive potential, yet workforce participation remains constrained by accessibility gaps, skills mismatches, limited assistive technologies, and weak employment pathways. Recent policy efforts signal a shift toward embedding disability inclusion within mainstream skilling and employment strategies. Delivering impact now requires focused execution on the ground:

- 1. Link disability-focused skilling directly to employment outcomes:** Establish structured partnerships with industry and adopt clear workplace accommodation standards so training leads to sustained jobs, not just certifications.
- 2. Integrate assistive technologies with skills and employment support:** Embed adaptive tools into training and workplaces to improve participation, productivity, and job retention, while enabling more inclusive work environments for all.
- 3. Scale production and distribution of assistive devices:** Support manufacturing clusters, technology marts, and innovation ecosystems to improve affordability, usability, and access, while generating domestic manufacturing and service employment.
- 4. Implement universal accessibility standards across physical and digital infrastructure:** Ensure public spaces, transport systems, government services, and digital platforms are usable by all.
- 5. Embed recognition of prior learning and adaptive certification pathways:** Enable persons with disabilities, including informal and returning workers, to transition across sectors without repeated exclusion due to credential gaps.
- 6. Strengthen structured employment pathways:** Move beyond supply-driven skilling by aligning training programs with real demand in high-employment sectors.
- 7. Mainstream disability inclusion across enterprise and industrial strategies:** Promote inclusive workplace design and flexible systems to improve workforce diversity, retention, and overall productivity.

Bottom line

Inclusive growth is productive growth. By extending social security to informal workers, enabling broader labour force participation, and investing in capabilities for women and persons with disabilities, India can convert demographic scale into sustained economic strength. Anchoring growth strategy in social protection, care infrastructure, and adaptive skills will strengthen labour market resilience, raise productivity, and ensure that Viksit Bharat 2047 is built on participation, security, and opportunity.

10. Public finance: Funding growth while protecting fiscal stability



Strengthening revenue, improving spending quality, and crowding in private capital to finance India's long-term development.

India has made steady progress on fiscal consolidation while sustaining high capex. Union Budget 2026 continued this trajectory by prioritising infrastructure investment through blended finance mechanisms, extending asset monetisation programmes, increasing outlays for skilling and inclusion and scaling digital tax administration to boost compliance and revenue buoyancy⁸⁶. Capital expenditure remains a central growth lever, while digitisation of tax and transfer systems will strengthen revenue flows.

The next phase is not just about spending more, but spending better – mobilising private capital at scale, improving outcomes per rupee, and building resilient centre-state-city fiscal frameworks to support Viksit Bharat 2047.

Globally, countries that combined fiscal discipline with institutional mechanisms to crowd in private investment accelerated growth without destabilising public finances. South Korea used development finance institutions and infrastructure funds to catalyse manufacturing and exports, while the United Kingdom scaled asset recycling and public-private partnerships to fund transport and urban renewal^{87,88}. India now has comparable building blocks – National Infrastructure Pipeline (NIP), The National Bank for Financing Infrastructure and Development (NaBFID), asset monetisation pipelines, and state DFIs – but execution depth varies across sectors and states.

Action 1: Crowd in private capital through structured financing platforms

Budget 2026-27 reinforced capital formation through sustained infrastructure allocations supported via multitude of instruments. The government investment in national platforms such as the National Infrastructure Pipeline provide transparent database to investments across sectors.

However, early-stage project preparation and risk allocation continue to limit the scale and speed of private capital deployment, particularly outside core infrastructure sectors. The shift now must be toward structured, investment-ready pipelines.

Key actions:

- Expand viability-gap funding for first-of-a-kind projects (green energy, logistics, urban infrastructure).
- Use blended finance vehicles to absorb early risks and crowd in private capital.
- Accelerate asset recycling (roads, transmission, ports, airports) to unlock capital for new builds.
- Enable NaBFID and state DFIs to anchor long-tenor financing for manufacturing, cities, and sunrise sectors.
- This moves public finance from budget provisioning toward capital leverage, multiplying investment impact without proportionately increasing fiscal burden.



86. Union Budget 2026–27: Fiscal Strategy, Capex and Asset Monetisation – Press Information Bureau, Government of India, accessed on 4 February 2026

87. Infrastructure Finance and Industrial Policy in East Asia – World Bank, accessed on February 2026

88. Asset Recycling and PPP Models for Infrastructure Delivery – UK National Infrastructure Commission / HM Treasury, accessed on 3 February 2026

Action 2: Strengthen revenue and tax efficiency across Centre, States, and cities

GST stabilisation and digital compliance have improved collections, and Budget 2026-27 continued investments in tax digitisation and compliance systems. These measures support revenue buoyancy without raising headline rates.

Yet revenue productivity varies widely:

- GST simplification and e-invoicing adoption remain incomplete among smaller firms.
- Own-source revenues for cities - property taxes and user charges - remain weak in many jurisdictions.

Key actions:

- Deepen GST simplification and extending e-invoicing and digital compliance to smaller enterprises.
- Support states and cities to modernise property tax systems, user charges, and digital billing.

- Link fiscal transfers and performance grants to measurable improvements in municipal revenue effort and service delivery.
- Scale municipal bonds to channel capital into creditworthy city assets thereby boosting fiscal sustainability, productivity, and tax efficiency across Centre-State-city tiers.

International experience shows cities with strong own-source revenues invest more consistently in infrastructure and basic services⁸⁹. For India, strengthening subnational finances is essential to sustain growth and urbanisation.

Action 3: Improve spending quality through outcome-based budgeting

India has significantly increased capital expenditure, but outcome measurement remains uneven across ministries and states. Budget 2026-27 initiated moves toward performance-linked grants and digital project tracking.

Key actions:

The next phase is to embed outcome-based public finance through focused initiatives, viz:

- Introduction of outcome-linked transfers tied to measurable results (jobs created, logistics costs reduced, learning outcomes improved).
- Deployment of project-level dashboards for real-time tracking of cost, timelines, and outputs.
- Usage of lifecycle cost accounting for major infrastructure and social programmes.

- Integration of digital public infrastructure with expenditure systems so beneficiary outcomes can be monitored continuously.

Countries that adopted performance-based budgeting achieved higher project completion rates and reduced leakage in public investment⁹⁰. For India, this means shifting from input-driven allocations to demonstrable economic and social returns – especially in infrastructure, skilling, health, and cities. This shift can be powered through responsible usage of artificial intelligence and machine learning to enhance targeting, reduce leakages, monitor delivery in real time, and inform course corrections.

Bottom line

Public finance is the backbone of India's growth strategy. By crowding in private capital through structured financing platforms, strengthening revenue across the centre, states, and cities, and improving spending quality through outcome-based budgeting and use of advanced technology, India can fund its ambitious development without compromising fiscal stability. Executed well, this pillar ensures that public resources multiply private investment, and Viksit Bharat 2047 is built on financially sustainable growth.

89. Municipal Finance and Own-Source Revenue Mobilisation – Organisation for Economic Co-operation and Development, accessed on 3 February 2026

90. Performance-Based Budgeting and Public Investment Management – International Monetary Fund, accessed on 3 February 2026

C

Sustaining momentum



Viksit Bharat @2047 is ultimately a statement of intent about the kind of nation India seeks to become – prosperous, resilient, inclusive, and globally influential. It is not a static endpoint, but a sustained process of building, delivering, and refining over time.

India has made early progress in translating intent into implementation across infrastructure, digital systems, manufacturing, and state-led delivery. The task now is to accelerate this shift and sustain momentum through consistent execution, supported by digital platforms that strengthen last-mile delivery and transparency.

The next phase will be defined by how effectively priorities are carried through on the ground. This means keeping projects moving from approval to completion, ensuring innovation reaches production through stronger R&D linkages, and building feedback loops that allow mid-course correction rather than delayed fixes.

Progress will depend less on announcing new initiatives and more on improving the quality and speed of delivery across existing programmes. Clear accountability, stronger institutional capacity, data-driven reviews, and continued policy support will be central to sustaining results.

Equally important is maintaining alignment between public investment and private participation, so capital, capability, and demand move together. As infrastructure, manufacturing, and services scale, embedding green and resilient growth, i.e., climate and sustainability considerations will shape how quickly growth translates into jobs, productivity, and competitiveness.

In sum, sustaining this execution discipline over time, anchored in digital delivery, institutional strengthening, innovation, and climate-aware growth, is what will ultimately convert reform into durable outcomes and keep India on track toward 2047.



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